

Converse Bank Closed Joint-Stock Company

Financial statements

or the period ended 30 June 2025

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Statement of financial position**as of 30 June 2025***(thousands of Armenian drams)*

	<i>Notes</i>	30 June 2025	31 December 2024
Assets			
Cash and cash equivalents	5	52,527,654	39,348,626
Trading securities	6	455,747	943,498
Amounts due from banks	7	38,785,932	41,333,795
Derivative financial assets	8	5,638	2,586
Amounts receivable under reverse repurchase agreements	9	16,507,669	19,925,584
Loans and advances to customers	10	330,742,778	311,347,520
Investments securities	11		
- Held by the Bank		78,643,243	84,552,096
- Pledged under sale and repurchase agreements		63,722,175	63,362,767
Property, equipment and right-of-use assets	12	10,624,248	11,080,084
Intangible assets	13	868,122	888,076
Repossessed assets	14	688,759	528,917
Other assets	15	3,313,064	2,893,341
Total assets		<u>596,885,029</u>	<u>576,206,890</u>
Liabilities			
Amounts due to banks	16	3,118,111	665,754
Derivative financial liabilities	8	103,527	67,655
Amounts payable under repurchase agreements	17	60,125,268	59,961,214
Amounts due to customers	18	361,290,471	355,105,326
Current tax liabilities		1,301,130	1,809,534
Debt securities issued	19	26,775,628	24,169,745
Other borrowed funds	20	43,457,602	37,308,665
Lease liabilities	34	1,742,524	1,813,892
Provisions for credit related commitments	21	160,955	219,072
Deferred tax liabilities	22	1,348,316	1,579,678
Other liabilities	15	4,241,326	4,194,173
Total liabilities		<u>503,664,858</u>	<u>486,894,708</u>
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		3,426,496	3,475,055
Revaluation reserve for investment securities		1,062,176	888,839
Retained earnings		59,872,451	56,089,240
Total equity		<u>93,220,171</u>	<u>89,312,182</u>
Total equity and liabilities		<u>596,885,029</u>	<u>576,206,890</u>

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

Andranik Grigoryan

Chief Executive Officer –
Chairman of Executive Management

Davit Azatyan

Chief Accountant

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

Statement of profit and loss
for the period ended 30 June 2025

(thousands of Armenian drams)

	<i>Note</i>	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Interest income calculated using effective interest rate	24	13,032,824	25,622,059	10,872,086	21,835,534
Interest income on FVTPL loans and other interest income	24	163,962	277,968	75,693	153,901
Interest expense	24	(5,926,235)	(11,609,678)	(4,775,488)	(9,564,979)
Net interest income	24	7,270,551	14,290,349	6,172,291	12,424,456
Fee and commission income	25	1,949,413	3,773,056	2,759,099	5,292,509
Fee and commission expense	25	(1,233,423)	(2,426,113)	(1,780,657)	(3,583,411)
Net trading income	26	1,707,876	3,350,885	2,057,365	3,602,949
Net gain from foreign currency translation		(123,786)	(253,231)	(296,052)	(727,077)
Net gain on investment securities measured at fair value through other comprehensive income		72,724	146,300	148,208	305,592
Other income	27	250,567	467,439	222,177	439,986
Credit loss expenses	28	65,111	128,493	15,509	278,461
Personnel expenses	29	(2,772,782)	(5,713,606)	(2,744,585)	(5,104,275)
Depreciation of property, equipment and right-of-use asset	12	(387,293)	(772,736)	(344,872)	(672,222)
Amortization of intangible assets	13	(34,749)	(66,608)	(27,278)	(53,445)
Administrative and other operating expenses	29	(1,563,171)	(2,895,414)	(1,317,994)	(2,477,861)
Other impairment and provisions		50,120	50,120		
Profit before income tax expense		5,251,158	10,078,934	4,863,211	9,725,662
Income tax expense	22	(1,165,284)	(1,994,474)	(916,609)	(1,927,186)
Profit for the year		4,085,874	8,084,460	3,946,602	7,798,476

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

Statement of comprehensive income**for the period ended 30 June 2025***(thousands of Armenian drams)*

	<i>Note</i>	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Profit for the year		<u>4,085,874</u>	<u>8,084,460</u>	<u>3,946,602</u>	<u>7,798,476</u>
Other comprehensive income not to be reclassified to profit or loss					
Gain on equity securities at FVOCI					
Income tax effect					
Net other comprehensive income not to be reclassified to profit or loss					
Other comprehensive income that is or may be reclassified to profit or loss					
Unrealised gain on debt securities at FVOCI		(432,443)	295,566	459,171	3,280,310
Realised gain on debt securities at FVOCI transferred to profit or loss		(72,724)	(146,300)	(148,208)	(305,592)
Changes in allowance for expected credit losses of debt instruments at FVOCI		28,604	62,120	12,052	12,243
Income tax effect	22	<u>85,782</u>	<u>(38,049)</u>	<u>(58,143)</u>	<u>(537,653)</u>
Net other comprehensive income that is or to be reclassified to profit or loss		<u>(390,781)</u>	<u>173,337</u>	<u>264,872</u>	<u>2,449,308</u>
Other comprehensive income for the year, net of tax		<u>(390,781)</u>	<u>173,337</u>	<u>264,872</u>	<u>2,449,308</u>
Total comprehensive income for the year		<u>3,695,093</u>	<u>8,257,797</u>	<u>4,211,474</u>	<u>10,247,784</u>

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

Statement of changes in equity
for the period ended 30 June 2025

(thousands of Armenian drams)

	Share capital	Share premium	Statutory general reserve	Revaluation surplus for land and buildings	Revaluation reserve for investment securities	Retained earnings	Total
Balance as at 1 January 2024	19,947,633	63,233	8,848,182	(1,368,416)	3,572,171	44,634,929	75,697,732
Profit for the year						7,798,476	7,798,476
Other comprehensive income for the year				2,449,308		-	2,449,308
Total comprehensive income for the year	-	-	-	2,449,308	-	7,798,476	10,247,784
Dividends declared and paid	-	-	-	-	-	(4,467,547)	(4,467,547)
Total transactions with owners	-	-	-	-	-	(4,467,547)	(4,467,547)
Depreciation of revaluation reserve	-	-	-	-	(48,559)	48,559	-
Balance as at 30 June 2024	19,947,633	63,233	8,848,182	1,080,892	3,523,612	48,014,417	81,477,969
Profit for the year						8,084,460	8,084,460
Other comprehensive income for the year				173,337		-	173,337
Total comprehensive income for the year	-	-	-	173,337	-	8,084,460	8,257,797
Dividends declared and paid	-	-	-	-	-	(4,349,808)	(4,349,808)
Total transactions with owners	-	-	-	-	-	(4,349,808)	(4,349,808)
Depreciation of revaluation reserve	-	-	-	-	(48,559)	48,559	-
Balance as at 30 June 2025	19,947,633	63,233	8,848,182	1,062,176	3,426,496	59,872,451	93,220,171

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

Statement of cash flows

for the period ended 30 June 2025

(thousands of Armenian drams)

	Note	01/01/2025- 30/06/2025	01/01/2024- 30/06/2024
Cash flows from operating activities			
Interest received		25,356,523	21,078,614
Interest paid		(11,007,231)	(9,545,357)
Fees and commissions received		3,773,056	5,292,509
Fees and commissions paid		(2,426,113)	(3,583,411)
Net trading income received		3,031,577	3,319,425
Other income received		382,859	434,134
Personnel expenses paid		(5,298,542)	(4,934,414)
Administrative and other operating expenses paid		(3,212,981)	(2,251,755)
Cash flows from operating activities before changes in operating assets and liabilities		10,599,148	9,809,745
<i>Net (increase)/decrease in operating assets</i>			
Trading securities		510,874	(5,388)
Amounts due from banks		4,021,682	(5,382,220)
Amounts receivable under reverse repurchase agreements		3,306,035	2,334,373
Loans and advances to customers		(20,470,704)	(20,374,435)
Repossessed assets		186,923	172,718
Other assets		(272,150)	(107,879)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks		2,092,723	1,025,470
Amounts payable under repurchase agreements		174,616	30,038,299
Amounts due to customers		5,262,825	(6,940,918)
Derivative financial liabilities		331,007	297,978
Other liabilities		(42,421)	161,973
Net cash from operating activities before income tax		5,700,558	11,029,716
Income tax paid		(2,834,410)	(3,512,670)
Net cash from/(used in) operating activities		2,866,148	7,517,046
Cash flows from investing activities			
Purchase of investment securities	11	(49,197,390)	(19,464,610)
Proceeds from sale and redemption of investment securities	11	54,566,073	38,868,314
Purchase of property and equipment	12	(242,347)	(543,501)
Proceeds from sale of property and equipment		-	20,581
Purchase of intangible assets	13	(46,656)	(72,355)
Net cash used in investing activities		5,079,680	18,808,429
Cash flows from financing activities			
Dividends paid to shareholders		(4,349,808)	(4,467,547)
Proceeds from debt securities issued	34	6,906,961	8,855,989
Redemption of debt securities issued	34	(3,909,000)	(8,914,400)
Proceeds from other borrowed funds	34	8,565,285	2,642,559
Repayment of other borrowed funds	34	(2,502,892)	(2,536,839)
Repayment of lease liabilities	34	(261,868)	(254,850)
Net cash (used in)/from financing activities		4,448,678	(4,675,088)
Net increase/(decrease) in cash and cash equivalents		12,394,506	21,650,387
Cash and cash equivalents at the beginning of the year		39,348,626	37,214,306
Effect of exchange rates changes on cash and cash equivalents		782,848	(2,662,365)
Effect of expected credit losses on cash and cash equivalents		1,674	(264)
Cash and cash equivalents at the end of the year	5	52,527,654	56,202,064

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 36 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 30 June 2025, the number of Bank’s employees is 914 (31 December 2024: 925).

The Bank doesn’t have any subsidiary as at 30 June 2025 and as at 31 December 2024.

As of 30 June 2025 and 31 December 2024, the shareholders of the Bank are:

Shareholder	30 June 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	100.00	100.00

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

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

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

2. Basis of preparation

(a) Statement of compliance

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

(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

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

(thousands of Armenian drams)

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 30 June 2025 and 31 December 2024, were AMD 384.47 and AMD 450.83 to USD 1, and AMD 396.56 and AMD 404.79 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 note:

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

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

3. Material accounting policies

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

(a) Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

(thousands of Armenian drams)

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

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

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

Amounts due from banks, amounts receivable under reverse repurchase agreements, loans to customers, investments securities at amortised cost

The Bank only measures amounts due from banks, amounts receivable under reverse repurchase agreements, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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

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

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

(thousands of Armenian drams)

Debt instruments at FVOCI

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

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

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

Performance guarantees

Performance guarantees are contracts that provide compensation if the applicant fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Bank has the contractual right to receive repayment from the applicant as reimbursement for any payments made to the beneficiary. The Bank considers that the primary purpose and nature of the contract is to provide funding to and accept the credit risk of the applicant and choose to account performance guarantees as contingent loan commitments.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets and liabilities in 2025 and 2024.

(b) Cash and cash equivalents

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

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

(thousands of Armenian drams)

(c) Repurchase and reverse repurchase agreements and securities lending

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

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

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

(d) Derivative financial instruments

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

Renegotiated loans

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

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

Change in currency of the loan;
Change in counterparty;

If the modification is such that the instrument would no longer meet the SPPI criterion.

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

(e) Derecognition of financial assets and liabilities

Financial assets

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

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

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

(thousands of Armenian drams)

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

Write-off

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

Financial liabilities

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

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

(f) Taxation

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

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

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

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

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

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

(g) Property and equipment

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

(thousands of Armenian drams)

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

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

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

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

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

(h) 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.

(i) Equity

Share capital

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

Share premium

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

Dividends

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

(j) Segment reporting

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

(k) Recognition of income and expenses

Interest and similar revenue and expense

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

(thousands of Armenian drams)

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

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

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

(l) 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.

(m) New standards and interpretations not yet adopted

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

Other accounting standards

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

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

(thousands of Armenian drams)

4. Segment information

The CODM of the Bank monitors and makes strategic decisions on the basis of segment operating results. The operating segments are divided based on products and services provided as follows:

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

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

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

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

(thousands of Armenian drams)

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

<i>As of 30 June 2025</i>	Retail banking	Corporate banking	Trading	Total
External income				
Interest income	13,168,630	5,299,572	7,431,826	25,900,027
Interest expense	(4,790,486)	(2,301,625)	(4,517,567)	(11,609,678)
Inter-segment income	657,185	1,532,036	(2,189,221)	-
Net interest income	<u>9,035,328</u>	<u>4,529,983</u>	<u>725,038</u>	<u>14,290,349</u>
Net non-interest income	1,722,854	1,087,293	2,248,189	5,058,336
Operating income	<u>10,758,182</u>	<u>5,617,275</u>	<u>2,973,228</u>	<u>19,348,685</u>
Net (impairment losses)/reversal of impairment losses on financial instruments	126,828	5,534	(3,869)	128,493
Depreciation of property, equipment and right-of-use asset and amortization of intangible assets	(514,713)	(261,073)	(63,558)	(839,344)
Personnel, administrative and other expenses	(4,968,987)	(2,669,656)	(920,258)	(8,558,900)
Operating segment profit	<u>5,401,310</u>	<u>2,692,080</u>	<u>1,985,543</u>	<u>10,078,934</u>
Income tax expense	(1,078,720)	(526,675)	(389,078)	(1,994,474)
Profit for the year	<u>4,322,589</u>	<u>2,165,405</u>	<u>1,596,466</u>	<u>8,084,460</u>
<i>As of 30 June 2024</i>	Retail banking	Corporate banking	Trading	Total
External income				
Interest income	10,819,735	4,800,057	6,369,643	21,989,435
Interest expense	(4,345,975)	(2,315,059)	(2,903,945)	(9,564,979)
Inter-segment income	278,209	1,561,645	(1,839,854)	-
Net interest income	<u>6,751,969</u>	<u>4,046,642</u>	<u>1,625,844</u>	<u>12,424,456</u>
Net non-interest income	2,059,267	1,301,042	1,970,239	5,330,548
Operating income	<u>8,811,237</u>	<u>5,347,684</u>	<u>3,596,083</u>	<u>17,755,004</u>
Net reversal of impairment losses/(impairment losses) on financial instruments	(416,047)	712,286	(17,778)	278,461
Depreciation of property, equipment and right-of-use asset and amortization of intangible assets	(440,802)	(225,573)	(59,292)	(725,667)
Personnel, administrative and other expenses	(4,283,782)	(2,319,808)	(978,546)	(7,582,136)
Operating segment profit	<u>3,670,606</u>	<u>3,514,589</u>	<u>2,540,467</u>	<u>9,725,662</u>
Income tax expense	(721,204)	(702,067)	(503,915)	(1,927,186)
Profit for the year	<u>2,949,402</u>	<u>2,812,522</u>	<u>2,036,552</u>	<u>7,798,476</u>

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

	<i>As of 30 June 2025</i>				
	Interest bearing			Non-interest bearing	Total
	Retail banking	Corporate banking	Trading		
Assets	215,873,876	114,868,902	173,326,649	92,815,602	596,885,029
Liabilities	179,518,015	183,514,980	133,580,136	7,051,727	503,664,858
	<i>As of 30 June 2024</i>				
	Interest bearing			Non-interest bearing	Total
	Retail banking	Corporate banking	Trading		
Assets	174,421,689	113,606,330	141,752,409	95,876,837	525,657,265
Liabilities	163,390,615	180,098,042	92,561,628	8,129,011	444,179,296

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

(thousands of Armenian drams)

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

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

Geographic information

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

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the years ended 30 June 2025 and 30 June 2024 are as follows:

<i>As of 30 June 2025</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	2,676,881	17,363	3,144	2,697,388
Wire transfer fees	119,982	180,735	6,346	307,064
Settlement operation	54,500	31,635	61,293	147,428
Guarantees and letters of credit	-	84,050	-	84,050
Loan accounts servicing fees	37,584	20,701	-	58,285
Banknotes transfers to banks	-	-	3,973	3,973
Other	149,750	146,667	178,451	474,868
Total revenue from contracts with customers	3,038,697	481,151	253,208	3,773,056

<i>As of 30 June 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	4,194,751	25,606	3,265	4,223,622
Wire transfer fees	144,659	198,017	9,010	351,686
Settlement operation	57,384	26,356	66,765	150,504
Loan accounts servicing fees	-	83,957	-	83,957
Banknotes transfers to banks	19,616	58,627	-	78,243
Guarantees and letters of credit	-	-	29,802	29,802
Other	108,306	108,306	158,083	374,695
Total revenue from contracts with customers	4,524,716	500,868	266,925	5,292,509

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

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2025</i>	<i>31 December 2024</i>
Cash on hand	11,772,448	10,183,792
Nostro accounts with the Central Bank, including obligatory reserves in AMD	29,039,233	17,445,353
Nostro accounts with other Banks	11,716,670	11,721,852
	52,528,351	39,350,997
Less – allowance for impairment	(697)	(2,371)
Cash and cash equivalents	52,527,654	39,348,626

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 30 June 2025 and 31 December 2024.

(thousands of Armenian drams)

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 30 June 2025 nostro accounts with other Banks in the amount of AMD 11,370,527 thousand (97.03%) were due from seven banks (2024: AMD 11,452,560 thousand (97.7%) were due from eight banks).

6. Trading securities

Trading securities owned comprise:

	30 June 2025	31 December 2024
Debt securities issued by the RA government	72,257	576,703
Investments in funds	383,490	366,795
Trading securities	455,747	943,498

7. Amounts due from banks

Amounts due from banks comprise:

	30 June 2025	31 December 2024
Foreign currency obligatory reserves with CBA (Note 5)	24,793,755	21,880,210
Loans and deposits to banks	6,617,035	12,422,826
Deposited funds with CBA	1,045,000	2,832,500
Receivables from payment and settlement operations	3,685,838	2,581,835
Other deposited funds	2,663,125	1,638,246
	38,804,753	41,355,617
Less – allowance for impairment	(18,821)	(21,822)
Amounts due from banks	38,785,932	41,333,795

As at 30 June 2025 the balances included loans and deposits to banks due from four 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 as at 30 June 2025 and 31 December 2024. All the amounts due from banks are measured at amortised cost as at 30 June 2025 and 31 December 2024.

8. Derivative financial instruments

As of 30 June 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	30 June 2025		31 December 2024	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	5,638	-	2,586	-
Derivative liabilities (currency swaps)	-	103,527	-	67,655

(thousands of Armenian drams)

9. Amounts receivable under reverse repurchase agreements

Amounts receivable under reverse repurchase agreements comprise:

	30 June 2025	31 December 2024
Amounts receivable from other financial institutions	13,431,505	18,305,797
Amounts receivable from banks	3,076,164	1,619,787
Amounts receivable under reverse repurchase agreements	16,507,669	19,925,584

As at 30 June 2025 the amounts receivable of AMD 13,733,634 thousand (83.2%) are from seven counterparties (2024: AMD 17,858,840 thousand (89.6%) are from ten counterparties).

As at 30 June 2025 amounts receivable under reverse repurchase agreements were collateralized by the RA government and corporate bonds with fair value of AMD 17,152,792 thousand (31 December 2024: AMD 20,764,446 thousand).

No amounts receivable under reverse repurchase agreements are past due or impaired and are fully in Stage 1 as at 30 June 2025 and 31 December 2024. The Bank estimates that balance of allowance for impairment is nil as at 30 June 2025 and 31 December 2024.

10. Loans and advances to customers

	30 June 2025	31 December 2024
Loans to customers	333,500,875	314,717,118
Financial lease receivables	3,981,425	3,537,915
	337,482,300	318,255,033
Less – allowance for loan impairment	(6,739,522)	(6,907,513)
Total loans and advances to customers	330,742,778	311,347,520
	30 June 2025	31 December 2024
Large business loans including finance lease receivables	73,639,737	77,011,350
SME loans including finance lease receivables	47,558,617	44,690,940
Total loans to corporate customers	121,198,356	121,702,290
Mortgage loans	114,167,346	102,474,919
Consumer loans	70,966,041	67,639,876
Gold loans	30,174,511	26,437,948
Total loans to retail customers	215,307,897	196,552,743
Gross loans and advances to customers	336,506,252	318,255,033
Less – allowance for impairment	(6,739,522)	(6,907,513)
Total loans and advances to customers measured at amortized cost	329,766,730	311,347,520
Loans to corporate customers	976,048	-
Total loans and advances to customers measured at fair value through profit or loss	330,742,778	311,347,520

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans as of 30 June 2025:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	113,237,265	1,700,493	6,764,532	121,702,290
New assets originated or purchased	20,751,055	-	-	20,751,055
Assets repaid	(17,811,921)	(318,775)	(1,629,690)	(19,760,386)
Transfers to Stage 1	47,923	(38,090)	(9,834)	-
Transfers to Stage 2	(315,281)	326,739	(11,457)	-
Transfers to Stage 3	(219,015)	(111,886)	330,901	-
Recoveries	-	-	134,947	134,947

(thousands of Armenian drams)

Amounts written off	-	-	(231,168)	(231,168)
Foreign exchange and other movements	(1,261,661)	(18,472)	(118,249)	(1,398,382)
At 30 June 2025	114,428,364	1,540,009	5,229,983	121,198,356

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	712,081	200,619	2,313,062	3,225,762
New assets originated or purchased	211,464	-	-	211,464
Assets repaid	(135,803)	(37,284)	(528,161)	(701,248)
Transfers to Stage 1	18,553	(12,876)	(5,677)	-
Transfers to Stage 2	(6,673)	16,638	(9,965)	-
Transfers to Stage 3	(1,622)	(30,126)	31,748	-
Impact on period end ECL of exposures transferred between stages during the period	21,980	76,278	562,658	660,916
Unwinding of discount (recognised in interest income)	-	-	7,354	7,354
Changes to models and inputs used for ECL calculations	(93,238)	(34,431)	(63,708)	(191,376)
Recoveries	-	-	134,947	134,947
Amounts written off	-	-	(231,168)	(231,168)
Foreign exchange other movements	(2,385)	(2,150)	(53,118)	(57,652)
At 30 June 2025	724,356	176,669	2,157,973	3,058,998

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 30 June 2025:

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	190,416,754	2,958,155	3,177,834	196,552,743
New assets originated or purchased	50,379,440	-	-	50,379,440
Assets repaid	(30,420,362)	(464,992)	(752,455)	(31,637,808)
Transfers to Stage 1	692,816	(666,392)	(26,424)	-
Transfers to Stage 2	(1,445,646)	1,794,866	(349,220)	-
Transfers to Stage 3	(663,646)	(716,059)	1,379,705	-
Recoveries	-	-	468,936	468,936
Amounts written off	-	-	(360,225)	(360,225)
Foreign exchange and other movements	(68,004)	(1,832)	(25,353)	(95,189)
At 30 June 2025	208,891,351	2,903,746	3,512,800	215,307,897

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	1,445,239	640,487	1,596,025	3,681,751
New assets originated or purchased	365,528	-	-	365,528
Assets repaid	(185,366)	(86,349)	(394,595)	(666,311)
Transfers to Stage 1	176,701	(163,287)	(13,415)	-
Transfers to Stage 2	(36,608)	227,047	(190,439)	-
Transfers to Stage 3	(33,815)	(209,293)	243,108	-
Impact on period end ECL of exposures transferred between stages during the period	(132,852)	169,258	419,077	455,483
Unwinding of discount (recognised in interest income)	-	-	17,913	17,913
Changes to models and inputs used for ECL calculations	(263,012)	(19,584)	8,391	(274,204)
Recoveries	-	-	468,936	468,936
Amounts written off	-	-	(360,225)	(360,225)
Foreign exchange and other movements	(402)	2,723	(10,668)	(8,346)
At 30 June 2025	1,335,414	561,003	1,784,108	3,680,524

(thousands of Armenian drams)

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

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

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	722,135	140,861	3,367,411	4,230,407
New assets originated or purchased	523,876	-	-	523,876
Assets repaid	(307,279)	(68,934)	(544,931)	(921,144)
Transfers to Stage 1	134,792	(4,956)	(129,836)	-
Transfers to Stage 2	(31,391)	106,944	(75,553)	-
Transfers to Stage 3	(10,521)	(62,983)	73,504	-
Impact on period end ECL of exposures transferred between stages during the period	(131,443)	89,980	632,394	590,931
Unwinding of discount (recognised in interest income)	-	-	22,559	22,559
Changes to models and inputs used for ECL calculations	(180,723)	1,180	(916,040)	(1,095,583)
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange other movements	(7,365)	(1,473)	(53,939)	(62,777)
At 31 December 2024	712,081	200,619	2,313,062	3,225,762

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

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

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	808,889	418,027	1,552,418	2,779,334
New assets originated or purchased	844,311	-	-	844,311
Assets repaid	(290,002)	(105,485)	(1,006,710)	(1,402,197)
Transfers to Stage 1	229,506	(83,794)	(145,712)	-
Transfers to Stage 2	(14,373)	381,572	(367,199)	-
Transfers to Stage 3	(12,175)	(154,822)	166,997	-
Impact on period end ECL of exposures transferred between stages during the period	(226,174)	210,327	1,130,766	1,114,919
Unwinding of discount (recognised in interest income)	-	-	52,154	52,154
Changes to models and inputs used for ECL calculations	108,822	(21,637)	(60,252)	26,933
Recoveries	-	-	1,124,783	1,124,783

(thousands of Armenian drams)

Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange and other movements	(3,565)	(3,701)	(15,581)	(22,847)
At 31 December 2024	1,445,239	640,487	1,596,025	3,681,751

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 30 June 2025.

	Stage 1	Stage 2	Stage 3	Loans measured at fair value through profit or loss	Total loans
Loans to corporate customers					
Large business loans					
- not overdue	69,553,840	917,252	835,449	976,048	72,282,589
- overdue more than 1 year	-	-	2,333,199	-	2,333,199
Total gross loans	69,553,840	917,252	3,168,648	976,048	74,615,787
Expected credit loss allowance	(230,807)	(61,934)	(1,441,574)	-	(1,734,315)
Total net loans	69,323,032	855,318	1,727,074	976,048	72,881,472
SME loans					
- not overdue	44,635,484	435,465	202,900	-	45,273,850
- overdue less than 30 days	239,041	39,871	76,054	-	354,966
- overdue 31-90 days	-	147,421	17,259	-	164,680
- overdue 91-180 days	-	-	417,926	-	417,926
- overdue 181-360 days	-	-	268,853	-	268,853
- overdue more than 1 year	-	-	1,078,343	-	1,078,343
Total gross loans	44,874,524	622,757	2,061,335	-	47,558,617
Expected credit loss allowance	(493,549)	(114,734)	(716,399)	-	(1,324,683)
Total net loans	44,380,975	508,023	1,344,936	-	46,233,934

(thousands of Armenian drams)

	Stage 1	Stage 2	Stage 3	Loans measured at fair value through profit or loss	Total loans
Loans to retail customers					
Mortgage loans					
- not overdue	111,590,583	1,281,726	473,200	-	113,345,510
- overdue less than 30 days	30,109	-	90,151	-	120,260
- overdue 31-90 days	-	80,349	79,914	-	160,263
- overdue 91-180 days	-	-	81,162	-	81,162
- overdue 181-360 days	-	-	159,881	-	159,881
- overdue more than 1 year	-	-	300,270	-	300,270
Total gross loans	111,620,693	1,362,075	1,184,577	-	114,167,346
Expected credit loss allowance	(399,190)	(242,209)	(508,564)	-	(1,149,964)
Total net loans	111,221,503	1,119,866	676,013	-	113,017,382
Consumer loans					
- not overdue	66,953,018	945,873	354,031	-	68,252,922
- overdue less than 30 days	383,111	81,660	166,679	-	631,450
- overdue 31-90 days	-	374,594	193,363	-	567,956
- overdue 91-180 days	-	-	468,022	-	468,022
- overdue 181-360 days	-	-	530,496	-	530,496
- overdue more than 1 year	-	-	515,194	-	515,194
Total gross loans	67,336,129	1,402,126	2,227,785	-	70,966,041
Expected credit loss allowance	(906,469)	(303,214)	(1,233,624)	-	(2,443,307)
Total net loans	66,429,660	1,098,912	994,161	-	68,522,734
Loans to retail customers					
Gold loans					
- not overdue	29,910,769	108,953	27,746	-	30,047,468
- overdue less than 30 days	23,760	6,539	8,988	-	39,287
- overdue 31-90 days	-	24,053	7,513	-	31,565
- overdue 91-180 days	-	-	30,215	-	30,215
- overdue 181-360 days	-	-	25,976	-	25,976
Total gross loans	29,934,529	139,545	100,437	-	30,174,511
Expected credit loss allowance	(29,755)	(15,579)	(41,920)	-	(87,254)
Total net loans	29,904,774	123,966	58,517	-	30,087,257
Total gross loans to corporate customers	114,428,364	1,540,009	5,229,983	976,048	122,174,404
Expected credit loss allowance	(724,356)	(176,669)	(2,157,973)	-	(3,058,998)
Total net loans to corporate customers	113,704,008	1,363,341	3,072,010	976,048	119,115,406
Total gross loans to retail customers	208,891,351	2,903,746	3,512,800	-	215,307,897
Expected credit loss allowance	(1,335,414)	(561,003)	(1,784,108)	-	(3,680,524)
Total net loans to retail customers	207,555,937	2,342,744	1,728,692	-	211,627,373
Total gross loans	323,319,715	4,443,756	8,742,782	976,048	337,482,301
Expected credit loss allowance	(2,059,770)	(737,671)	(3,942,081)	-	(6,739,522)
Total net loans	321,259,945	3,706,085	4,800,701	976,048	330,742,779

(thousands of Armenian drams)

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

	Stage 1	Stage 2	Stage 3	Total loans
Loans to corporate customers				
Large business loans				
- not overdue	71,271,903	1,093,165	861,887	73,226,955
- overdue 181-360 days	-	-	542,712	542,712
- overdue more than 1 year	-	-	3,241,683	3,241,683
Total gross loans	71,271,903	1,093,165	4,646,282	77,011,350
Expected credit loss allowance	(236,296)	(74,769)	(1,502,290)	(1,813,355)
Total net loans	71,035,607	1,018,396	3,143,992	75,197,995
SME loans				
- not overdue	41,949,586	472,739	260,870	42,683,195
- overdue less than 30 days	15,776	46,940	22,287	85,003
- overdue 31-90 days	-	87,649	143,836	231,485
- overdue 91-180 days	-	-	288,211	288,211
- overdue 181-360 days	-	-	583,211	583,211
- overdue more than 1 year	-	-	819,835	819,835
Total gross loans	41,965,362	607,328	2,118,250	44,690,940
Expected credit loss allowance	(475,785)	(125,850)	(810,772)	(1,412,407)
Total net loans	41,489,577	481,478	1,307,478	43,278,533
Loans to retail customers				
Mortgage loans				
- not overdue	100,071,055	1,057,889	467,002	101,595,946
- overdue less than 30 days	63,282	-	75,724	139,006
- overdue 31-90 days	-	116,498	149,427	265,925
- overdue 91-180 days	-	-	55,061	55,061
- overdue 181-360 days	-	-	125,560	125,560
- overdue more than 1 year	-	-	293,421	293,421
Total gross loans	100,134,337	1,174,387	1,166,195	102,474,919
Expected credit loss allowance	(369,326)	(229,664)	(497,379)	(1,096,369)
Total net loans	99,765,011	944,723	668,816	101,378,550
Consumer loans				
- not overdue	63,950,377	1,212,008	371,406	65,533,791
- overdue less than 30 days	270,720	88,154	96,670	455,544
- overdue 31-90 days	-	232,985	122,794	355,779
- overdue 91-180 days	-	-	382,514	382,514
- overdue 181-360 days	-	-	578,188	578,188
- overdue more than 1 year	-	-	334,060	334,060
Total gross loans	64,221,097	1,533,147	1,885,632	67,639,876
Expected credit loss allowance	(1,049,574)	(380,765)	(1,048,091)	(2,478,430)
Total net loans	63,171,523	1,152,382	837,541	65,161,446
Loans to retail customers				
Gold loans				
- not overdue	26,016,126	139,375	38,583	26,194,084
- overdue less than 30 days	45,194	11,154	14,229	70,577
- overdue 31-90 days	-	100,092	8,533	108,625
- overdue 91-180 days	-	-	22,145	22,145
- overdue 181-360 days	-	-	42,517	42,517
Total gross loans	26,061,320	250,621	126,007	26,437,948
Expected credit loss allowance	(26,339)	(30,058)	(50,555)	(106,952)
Total net loans	26,034,981	220,563	75,452	26,330,996

(thousands of Armenian drams)

Total gross loans to corporate customers	113,237,265	1,700,493	6,764,532	121,702,290
Expected credit loss allowance	(712,081)	(200,619)	(2,313,062)	(3,225,762)
Total net loans to corporate customers	112,525,184	1,499,874	4,451,470	118,476,528
Total gross loans to retail customers	190,416,754	2,958,155	3,177,834	196,552,743
Expected credit loss allowance	(1,445,239)	(640,487)	(1,596,025)	(3,681,751)
Total net loans to retail customers	188,971,515	2,317,668	1,581,809	192,870,992
Total gross loans	303,654,019	4,658,648	9,942,366	318,255,033
Expected credit loss allowance	(2,157,320)	(841,106)	(3,909,087)	(6,907,513)
Total net loans	301,496,699	3,817,542	6,033,279	311,347,520

Concentration of loans and advances to customers

As at 30 June 2025 the Bank had a concentration of loans totaling to AMD 43,661,128 thousand due from the ten largest groups of borrowers (12.94% of gross loan portfolio) (2024: AMD 47,868,992 thousand due from the ten largest groups of borrowers (15.03% of gross loan portfolio)). An allowance for impairment in amount of AMD 1,116,694 thousand (2024: AMD 1,457,467 thousand) was created against these loans.

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

	30 June 2025	31 December 2024
Mortgage	114,167,346	102,474,919
Consumer and gold loans to individuals	101,140,552	94,077,824
Trade	40,460,035	42,457,424
Construction	26,330,856	24,835,311
Agriculture (including loans to individuals)	11,511,411	12,035,435
Financial services	8,892,963	8,359,883
Manufacturing	5,769,271	6,610,721
Services	5,751,938	5,257,828
Energy	3,410,984	3,646,678
Transport and communication	3,155,468	3,174,843
Other	16,891,476	15,324,167
Gross loan portfolio	337,482,300	318,255,033
Less allowance for loan impairment	(6,739,522)	(6,907,513)
Total	330,742,778	311,347,520

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 30 June 2025 and 31 December 2024 is as follows:

	30 June 2025	31 December 2024
Gross investment in finance lease, receivable		
Not later than 1 year	1,639,839	1,375,350
1-2 years	1,398,486	1,326,017
2-3 years	1,068,029	944,955
3-4 years	506,936	492,688
4-5 years	261,781	152,076
More than 5 years	56,241	74,806
	4,931,312	4,365,892
Unearned future finance income on finance lease	(949,886)	(827,977)
Net investment in financial lease, before impairment allowance	3,981,425	3,537,915
Impairment allowance	(62,114)	(54,320)
Net investment in finance lease	3,919,311	3,483,595

(thousands of Armenian drams)

11. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	30 June 2025	31 December 2024
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	-	4,532,696
Governments bonds of the foreign countries	-	1,981,389
Less – allowance for impairment	-	(4,227)
Debt securities at amortised cost held by the Bank	-	6,509,858
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	51,220,172	40,694,087
Governments bonds of the foreign countries	15,973,691	26,177,303
Corporate bonds	10,925,396	9,460,688
Bonds of international organizations	-	1,186,177
Debt securities at FVOCI held by the Bank	78,119,259	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	78,643,243	84,552,096
Pledged under sale and repurchase agreements		
RA government bonds	63,722,175	63,362,767
Debt securities at FVOCI pledged under repurchase agreements	63,722,175	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:

<i>Debt securities at amortised cost</i>	Stage 1	Total
Gross carrying value as at 1 January 2025	6,514,085	6,514,085
New assets originated or purchased	-	-
Assets repaid	(6,515,084)	(6,515,084)
Interest accrued	-	-
Interest repaid	-	-
Foreign exchange differences	999	999
At 30 June 2025	-	-
<i>Debt securities at amortised cost</i>	Stage 1	Total
ECLs as at 1 January 2025	4,227	4,227
New assets originated or purchased	-	-
Assets repaid	(4,227)	(4,227)
Changes to models and inputs used for ECL calculations	-	-
At 30 June 2025	-	-

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:

<i>Debt securities at amortised cost</i>	Stage 1	Total
Gross carrying value as at 1 January 2024	10,548,000	10,548,000
New assets originated or purchased	2,453,067	2,453,067
Assets repaid	(6,478,072)	(6,478,072)
Interest accrued	550,866	550,866
Interest repaid	(558,778)	(558,778)
Foreign exchange differences	(998)	(998)

(thousands of Armenian drams)

At 31 December 2024	6,514,085	6,514,085
Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2024	10,217	10,217
New assets originated or purchased	354	354
Assets repaid	(1,767)	(1,767)
Changes to models and inputs used for ECL calculations	(4,577)	(4,577)
At 31 December 2024	4,227	4,227

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at 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	49,197,390	49,197,390
Assets repaid	(26,097,862)	(26,097,862)
Assets sold	(23,004,080)	(23,004,080)
Interest accrued	6,230,397	6,230,397
Interest repaid	(5,302,849)	(5,302,849)
Net change in fair value	416,052	416,052
Foreign exchange differences	(478,636)	(478,636)
At 30 June 2025	141,841,434	141,841,434

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2025	335,962	335,962
New assets originated or purchased	217,689	217,689
Assets repaid	(14,097)	(14,097)
Assets sold	(30,932)	(30,932)
Changes to models and inputs used for ECL calculations	(110,539)	(110,539)
At 30 June 2025	398,084	398,084

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	127,631,717	127,631,717
Assets repaid	(66,422,407)	(66,422,407)
Assets sold	(52,764,651)	(52,764,651)
Interest accrued	10,587,491	10,587,491
Interest repaid	(10,476,739)	(10,476,739)
Net change in fair value	2,917,529	2,917,529
Foreign exchange differences	(1,376,348)	(1,376,348)
At 31 December 2024	140,881,022	140,881,022

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

There were no changes in the gross carrying values in of equity securities at FVOCI 30 June 2025.

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

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

(thousands of Armenian drams)

At 31 December 2024

523,983

523,983

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

(thousands of Armenian drams)

Fully depreciated items

As of 30 June 2025 property and equipment included fully depreciated assets in amount of AMD 3,731,238 thousand (2024: AMD 3,664,952 thousand).

Property and equipment in the phase of installation

As of 30 June 2025 property and equipment included assets in the phase of installation in amount of AMD 503,365 thousand (2024: AMD 584,008 thousand).

Security

No property and equipment item is pledged under any arrangements as at 30 June 2025 (2024: none).

13. Intangible assets

	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2025	1,097,179	269,848	757,028	2,124,055
Additions	120	-	46,533	46,653
Transfers	-	136,538	(136,538)	-
30 June 2025	1,097,299	406,386	667,023	2,170,708
Accumulated amortization				
1 January 2025	881,347	82,826	271,806	1,235,979
Amortisation charge	28,934	10,420	27,254	66,608
30 June 2025	910,281	93,246	299,060	1,302,587
Net book value				
1 January 2025	215,832	187,022	485,222	888,076
30 June 2025	187,018	313,140	367,964	868,122
	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2024	1,067,886	259,668	676,965	2,004,519
Additions	29,293	10,180	80,063	119,536
31 December 2024	1,097,179	269,848	757,028	2,124,055
Accumulated amortization				
1 January 2024	833,003	69,459	219,849	1,122,311
Amortisation charge	48,344	13,367	51,957	113,668
31 December 2024	881,347	82,826	271,806	1,235,979
Net book value				
1 January 2024	234,883	190,209	457,116	882,208
31 December 2024	215,832	187,022	485,222	888,076

Fully amortized items

As of 30 June 2025, intangible assets included fully amortized assets in amount of AMD 854,052 thousand (2024: AMD 814,468 thousand).

(thousands of Armenian drams)

14. Repossessed assets

Details of assets obtained by the Bank by taking possession of collateral held as security against loans and advances as at 30 June 2025 and 31 December 2024 are shown below:

	30 June 2025	31 December 2024
Land and buildings	924,427	819,001
Other assets	20,036	20,036
	944,463	839,037
Less: allowance for impairment	(255,704)	(310,120)
Total repossessed collateral	688,759	528,917

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 30 June 2025 the Bank repossessed assets in amount of AMD 282,718 thousand (2024: AMD 125,617 thousand) and sold assets with carrying amount of AMD 177,291 thousand (2024: AMD 335,118 thousand).

15. Other assets and liabilities

Other assets comprise:

	30 June 2025	31 December 2024
Other financial assets		
Accounts receivables	915,775	654,491
Receivables from cash transfers	334,479	163,947
Total other financial assets	1,250,254	818,438
Less – allowance for impairment of other financial assets	(27,744)	(20,087)
Total net other financial assets	1,222,510	798,351
Other non-financial assets		
Prepayments to suppliers	883,411	747,052
Precious metals	784,777	471,939
Other prepaid taxes	18,580	456,079
Materials	371,986	370,771
Unamortized insurance premium	27,267	40,451
Settlements with employees	2,668	6,833
Other	1,865	1,865
Total other non-financial assets	2,090,554	2,094,990
Other assets	3,313,064	2,893,341

An analysis of changes in the ECLs for other financial assets for the year ended 30 June 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2025	19,660	232	195	20,087
Transfers to Stage 1	13	(9)	(4)	-
Transfers to Stage 2	(15)	15	-	-
Transfers to Stage 3	(112)	(104)	216	-
ECL charge	7,961	(66)	8,484	16,379
Recoveries	-	-	3,333	3,333
Amounts written off	-	-	(12,128)	(12,128)
Foreign exchange differences	73	-	-	73
At 30 June 2025	27,580	68	96	27,744

(thousands of Armenian drams)

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

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

Other liabilities comprise:

	30 June 2025	31 December 2024
Other financial liabilities		
Due to personnel	2,506,417	2,095,514
Accounts payables	816,442	861,414
Total other financial liabilities	3,322,859	2,956,928
Other non-financial liabilities		
Tax payable, other than income tax	910,632	1,228,199
Grants related to assets	7,832	9,044
Other	2	2
Total other non-financial liabilities	918,466	1,237,245
Total other liabilities	4,241,325	4,194,173

16. Amounts due to banks

Amounts due to banks comprise:

	30 June 2025	31 December 2024
Correspondent accounts of other banks	405,561	663,469
Loans from banks	2,692,712	-
Other liabilities	19,838	2,285
Amounts due to banks	3,118,111	665,754

As of 30 June 2025, 95.1% of correspondent accounts of other banks of AMD 385,802 thousand are concentrated within 5 counterparties (2024: AMD 644,215 thousand (97.1%) within 5 counterparties).

17. Amounts payable under repurchase agreements

Amounts payable under repurchase agreements comprise:

	30 June 2025	31 December 2024
Amounts payable under repurchase agreements to the CBA	51,059,775	45,063,031
Amounts payable under repurchase agreements to banks	9,065,493	14,898,183
Amounts payable under repurchase agreements	60,125,268	59,961,214

As of 30 June 2025, the amounts payable under repurchase agreements to counterparties besides the Central Bank of Armenia are with one counterparties (2024: two counterparties besides CBA).

As at 30 June 2025, amounts payable under repurchase agreements were collateralized by the RA government bonds with fair value of AMD 63,722,175 thousand (2024: AMD 63,362,767 thousand).

(thousands of Armenian drams)

18. Amounts due to customers

The amounts due to customers include the following:

	30 June 2025	31 December 2024
Corporate customers		
Current/settlement accounts	73,066,054	78,912,109
Time deposits	110,448,926	99,455,351
	183,514,980	178,367,460
Retail customers		
Current/settlement accounts	72,711,689	78,979,287
Time deposits	105,063,802	97,758,579
	177,775,491	176,737,866
	361,290,471	355,105,326

As of 30 June 2025, included in amounts due to customers are deposits amounting to AMD 32,402,383 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 30 June 2025, the aggregate balance of top ten customers of the Bank amounts to AMD 126,197,715 thousand (2024: AMD 119,139,926 thousand) or 34.9% of total customer accounts (2024: 33.6%).

19. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2025	31 December 2024
Domestic bonds in USD	13,563,179	13,982,881
Domestic bonds in AMD	13,212,449	10,186,864
Debt securities issued	26,775,628	24,169,745

The contractual maturity of AMD and USD bonds ranges from 2025 -2028. Coupon rates are 9.75% to 10.25% for bonds denominated in AMD, 3.75% to 5.00% for bonds denominated in USD (2024: 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). Bonds issued by the Bank are listed on Armenia securities exchange.

20. Other borrowed funds

Other borrowed funds consisted of the following:

	30 June 2025	31 December 2024
Loans from refinancing credit organizations	30,996,124	30,761,156
Loans from CBA	12,114,783	5,768,167
Loans from international financial institution	334,121	764,282
Loans from the Government of the RA	12,574	15,060
Other borrowed funds	43,457,602	37,308,665

Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the small and medium businesses, consumer and other purposes.

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

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

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

(thousands of Armenian drams)

Covenants

As at 30 June 2025 and 31 December 2024 the Bank was in compliance with all debt covenants.

21. Commitments and contingencies

Tax and legal matters

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

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Management believes that the Bank has complied with all regulations and has completely settled all its tax liabilities.

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Bank, will not have a material adverse impact on the financial condition or results of future operations of the Bank.

Loan commitment, guarantee and other financial facilities

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

Commitments and contingencies

As of 30 June 2025 and 31 December 2024 the Bank's commitments and contingencies comprised the following:

	30 June 2025	31 December 2024
Credit related commitments		
Undrawn loan commitments	10,014,156	15,058,487
Financial guarantees	7,403,655	8,510,315
Letters of credit	148,858	430,146
	17,566,669	23,998,948
Provisions for ECL for credit related commitments	(160,955)	(219,072)

All credit related commitments are classified as stage 1 as at 30 June 2025 and 31 December 2024. An analysis of changes in the ECLs at 30 June 2025 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2025	143,617	143,617
New exposures	14,077	14,077
Expired exposures	(46,006)	(46,006)
Changes to models and inputs used for ECL calculations	(15,896)	(15,896)
Foreign exchange differences	305	305
At 30 June 2025	96,097	96,097
Financial guarantees	Stage 1	Total
ECLs as at 1 January 2025	67,915	67,915
New exposures	11,472	11,472
Expired exposures	(34,672)	(34,672)
Changes to models and inputs used for ECL calculations	18,209	18,209
Foreign exchange differences	(68)	(68)
At 30 June 2025	62,855	62,855

(thousands of Armenian drams)

Letters of credit	Stage 1	Total
ECLs as at 1 January 2025	7,540	7,540
New exposures	-	-
Expired exposures	(5,974)	(5,974)
Changes to models and inputs used for ECL calculations	446	446
Foreign exchange differences	(10)	(10)
At 30 June 2025	2,003	2,003

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

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2024	195,601	195,601
New exposures	76,942	76,942
Expired exposures	(85,074)	(85,074)
Changes to models and inputs used for ECL calculations	(42,674)	(42,674)
Foreign exchange differences	(1,178)	(1,178)
At 31 December 2024	143,617	143,617

Financial guarantees	Stage 1	Total
ECLs as at 1 January 2024	128,277	128,277
New exposures	49,271	49,271
Expired exposures	(93,763)	(93,763)
Changes to models and inputs used for ECL calculations	(15,333)	(15,333)
Foreign exchange differences	(537)	(537)
At 31 December 2024	67,915	67,915

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

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 30 June 2025 and 31 December 2024 the Bank possesses insurance for its transportation (also compulsory motor third party liability insurance) and buildings, properties, ATMs, banking risks, electronic or computer crimes and for professional responsibility. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

22. Taxation

The corporate income tax expense comprises:

	30 June 2025	30 June 2024
Current tax charge	2,135,253	1,772,623
Adjustment of income tax of previous year	128,530	-
Deferred tax charge – origination and reversal of temporary differences	(269,409)	154,563
Total income tax expense	1,994,474	1,927,186

As of 30 June 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:

(thousands of Armenian drams)

	30 June 2025		30 June 2024	
Profit before tax	10,078,934		9,725,662	
Income tax at the applicable tax rate	1,814,208	18%	1,750,619	18%
Non-deductible expenses	51,736	1%	176,567	2%
Adjustment of income tax of previous years	128,530	1%	-	
Income tax expense	1,994,474	20%	1,927,186	20%

Deferred tax assets and liabilities as of 30 June 2025 and 31 December 2024 and their movements for the respective periods comprise:

	Balance 31 December 2023	Origination and reversal of temporary differences		Balance 31 December 2024	Origination and reversal of temporary differences		Balance 30 June 2025
		In the statement of profit or loss	In other comprehensiv e income		In the statement of profit or loss	In other comprehensiv e income	
Loans and advances to customers	(926,284)	(335,198)	-	(1,261,482)	253,584	-	(1,007,894)
Investment securities	335,501	22,741	(495,495)	(137,253)	10,421	(38,049)	(164,882)
Property, equipment and right-of-use assets	(679,001)	(205,816)	-	(884,817)	10,657		(874,160)
Repossessed assets	95,134	(39,168)	-	55,966			55,966
Amounts due to customers	(10,310)	(308)	-	(10,618)			(10,618)
Lease liabilities	349,706	(23,205)	-	326,501			326,501
Other impairment and provisions	30,612	(75,586)	-	(44,974)	(5,255)		(50,229)
Other liabilities	310,180	66,819	-	376,999	-		376,999
Net deferred tax liabilities	(494,462)	(589,721)	(495,495)	(1,579,678)	269,409	(38,049)	(1,348,316)

23. Equity

As of 30 June 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 at par value of AMD 300,000 and 333 preference shares at par value of AMD 100).

The respective shareholdings as at 30 June 2025 and 31 December 2024 may be specified as follows:

	30 June 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.

(thousands of Armenian drams)

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

According to decision of Meeting of Shareholders dated on 23 June 2025 dividends declared and paid by the Bank amounted to AMD 4,349,802 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders (2024: AMD 4,467,540 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders). As of the date the dividends declared per ordinary share amounted to AMD 65,418, and dividends per preference share amounted to AMD 19.8 (2024: AMD 67,189 per ordinary shares and AMD 19.8 per preference shares).

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

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

Statutory general reserve

The statutory general reserve is created as required by the regulations of the Republic of Armenia, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve is created in accordance with the Bank's charter, which requires general reserve to be not less than 20% of the share capital. The General reserve can be used in accordance with RA legislation and is not available for distribution as dividends.

Revaluation surplus for land and buildings

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

Revaluation reserve for financial assets at FVOCI

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

24. Net interest income

Net interest income comprises:

	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Financial assets measured at amortized cost				
Loans to customers measured at amortized cost	9,337,403	18,226,624	7,833,077	15,503,702
Amounts receivable under reverse repurchase agreements	351,069	751,046	176,567	377,124
Investment securities	34,915	153,716	133,859	314,883
Amounts due from banks	260,678	534,437	167,667	399,232
Cash equivalents	7,187	9,924	16,513	29,813
Other interest income	4,158	8,413	4,073	8,084
Financial assets measured at fair value through other comprehensive income				
Debt securities at FVOCI	3,037,414	5,937,899	2,540,330	5,202,696
Interest income calculated using effective interest rate	13,032,824	25,622,059	10,872,086	21,835,534
Trading securities	4,484	14,828	12,409	24,917
Finance leases	115,358	219,020	63,284	128,984
Loans to customers at FVTPL	44,120	44,120	-	-
Other interest income	163,962	277,968	75,693	153,901
Total interest income	13,196,786	25,900,027	10,947,779	21,989,435
Amounts due to customers	3,787,464	7,312,787	3,366,791	6,781,599
Other borrowed funds	642,079	1,241,928	611,669	1,220,078
Amounts payable under repurchase agreements	962,909	2,051,278	418,590	798,125
Debt securities issued	421,466	813,637	320,385	650,056
Amounts due to banks	58,152	81,165	235	586
Lease liabilities	54,165	108,883	57,818	114,535
Interest expense	5,926,235	11,609,678	4,775,488	9,564,979
Net interest income	7,270,551	14,290,349	6,172,291	12,424,456

(thousands of Armenian drams)

25. Net fee and commission income

Net fee and commission income comprises:

	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Plastic cards operations	1,385,946	2,697,388	2,200,657	4,223,622
Wire transfer fees	151,027	307,064	182,570	351,686
Fees and commission income from early repayments of loans	36,842	58,285	34,877	78,243
Settlement operation	75,511	150,512	86,081	150,504
Banknotes transfers to banks	2,336	3,973	10,560	29,802
Guarantees and letters of credit	44,373	84,050	46,332	83,957
Other fee income	253,378	471,784	198,023	374,695
Fee and commission income	1,949,413	3,773,056	2,759,099	5,292,509
Plastic cards operations	842,463	1,667,174	1,396,748	2,865,604
Expenses related to Armenian Card payment system	212,872	397,786	248,243	465,443
Banknotes transfers to banks	15,013	18,557	17,171	36,462
Wire transfer fees	59,466	103,217	33,107	72,372
Settlement operation	12,390	20,868	15,148	18,065
Guarantees and letters of credit	1,208	2,808	4,026	4,537
Other fee expense	90,011	215,703	66,214	120,928
Fee and commission expense	1,233,423	2,426,113	1,780,657	3,583,411
Net fee and commission income	715,990	1,346,943	978,442	1,709,098

Performance obligations and revenue recognition policies

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

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

26. Net trading income

	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Net gains from foreign currency transactions	1,411,639	2,763,840	1,747,958	3,082,091
Net income from operations with precious metals	33,970	96,205	16,783	21,666
Net gain from trading securities	7,495	23,123	13,239	54,876
Net loss on derivative financial instruments	254,772	467,717	279,385	444,316
Total net trading income	1,707,876	3,350,885	2,057,365	3,602,949

(thousands of Armenian drams)

27. Other income

	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Fines and penalties received	156,603	319,886	142,693	292,848
Income from grants	606	1,212	606	1,212
Other income	93,358	146,341	78,878	145,926
Total other income	250,567	467,439	222,177	439,986

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

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 30 June 2025:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	(1,674)	-	-	(1,674)
Amounts due from banks	7	(3,001)	-	-	(3,001)
Loans and advances to customers	10	(211,300)	67,890	3,660	(139,750)
Debt securities measured at amortised cost	11	(4,227)	-	-	(4,227)
Debt securities measured at FVOCI	11	62,121	-	-	62,121
Other financial assets	15	7,847	(164)	8,696	16,379
Financial guarantees	21	(4,989)	-	-	(4,989)
Loan commitments	21	(47,825)	-	-	(47,825)
Letters of credit	21	(5,527)	-	-	(5,527)
Net reversal of impairment losses		(208,575)	67,726	12,356	(128,493)

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

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	264	-	-	264
Amounts due from banks	7	(3,289)	-	-	(3,289)
Loans and advances to customers*	10	(26,467)	101,990	(398,398)	(322,875)
Debt securities measured at amortised cost	11	(3,140)	-	-	(3,140)
Debt securities measured at FVOCI	11	12,242	-	-	12,242
Other financial assets	15	17,239	24	1,489	18,752
Financial guarantees	21	13,877	-	-	13,877
Loan commitments	21	(41,306)	-	-	(41,306)
Letters of credit	21	47,015	-	-	47,015
Net impairment losses		16,434	102,014	(396,909)	(278,461)

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	01/04/25- 30/06/25	01/01/25- 30/06/25	01/04/24- 30/06/24	01/01/24- 30/06/24
Salaries	2,728,254	5,574,564	2,702,050	5,001,970
Other expenses	44,528	139,042	42,535	102,305
Personnel expenses	2,772,782	5,713,606	2,744,585	5,104,275
Software maintenance expenses	310,836	602,424	299,428	577,457
Advertising costs	425,813	778,484	297,815	531,729
Insurance of deposits	109,441	211,240	114,335	229,957
Office supplies	66,548	125,625	63,225	125,610
Fixed assets repair and maintenance expenses	78,538	143,165	64,546	109,494
Communications	65,716	129,035	57,620	106,775
Security	131,777	175,986	47,916	115,521
Taxes, other than income tax, duties	71,006	137,517	44,171	110,666
Utility expenses	16,165	32,415	42,662	58,408
Insurance expenses	12,600	25,200	23,100	46,200

(thousands of Armenian drams)

Consulting	41,244	80,429	35,492	72,374
Business trip expenses	23,407	73,095	37,229	76,583
Financial system mediator	33,585	43,385	20,639	30,092
Audit*	14,327	28,653	12,663	25,325
Lease expenses	4,249	8,650	3,759	10,883
Other expenses	157,919	300,111	153,394	250,787
Other operating expenses	1,563,171	2,895,414	1,317,994	2,477,861

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;

(thousands of Armenian drams)

- ▶ Supervision over the evaluation of pledged property and periodical revaluations of the pledged property;
- ▶ Organization of the insurance process of the Bank's property;
- ▶ Management of the doubtful loans portfolio.

Internal audit

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

Risk measurement and reporting systems

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

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

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

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

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

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

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

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

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

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

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

Excessive risk concentrations

(thousands of Armenian drams)

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 7.

(thousands of Armenian drams)

Impairment assessment

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

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

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

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

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

Definition of default

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

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as the quality of credits due to affiliated parties, the state of being rescheduled which are approved by the management.

PD estimation process

Treasury and interbank relationships

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

Loans and advances to customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Bank calculates ECL on portfolio level. The following portfolios are segregated by the Bank as at 30 June 2025.

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

(thousands of Armenian drams)

The following portfolios were segregated by the Bank as at 31 December 2024.

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

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% (2024: 15%, 70% and 15%) probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

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

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

Loss given default

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

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

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The main criterion used by the Bank is the information on overdue days of the loans. The Bank concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- ▶ Overdue days of the borrower in other financial institutions in Armenia;
- ▶ Overdue days of the predefined affiliated parties;
- ▶ Difficulties in the financial conditions of the borrower;
- ▶ Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- ▶ Significant deterioration of credit grading compared with the credit grade at initial recognition.

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

Internal credit ratings for corporate customers

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

- Financial indicators and ratios;
- Activity area/industry;

(thousands of Armenian drams)

- Credit history;
- Behavioural and other factors.

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

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 and internal credit ratings	Rating description
A3 to Aaa / A- to AAA and fully cash collateralized assets and has internal credit rate 0 to 1	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+ and has internal credit rate 0 to 6	Standard grade
B3 to B1 / B- to B+ and has internal credit rate 7 to 8	Sub-standard grade
Below B3 / B- and has internal credit rate 9 to 12	Impaired

(thousands of Armenian drams)

In the table below loans to customers of high grade are those having a minimal level of credit risk, fully collateralized with cash and deposit or which have internal rating of 0-1. Other borrowers with good financial position and good debt service are included in the standard grade or which have internal rating of 0-6. Sub-standard grade comprises loans below standard grade but not individually impaired or which have internal rating of 7-8. For banks and securities the Bank determines allocation to grades depending on ratings given by international rating agencies.

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

30 June 2025	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	7,895,426	32,860,477	0	0	40,755,903
Amounts due from banks	7	Stage 1	6,032,102	32,772,651		0	38,804,753
Amounts receivable under reverse repurchase agreements		Stage 1	-	16,507,669	-	-	16,507,669
Loans measured at fair value through profit or loss	10	Stage 1	-	976,048	-	-	976,048
Loans to customers at amortised cost	10	Stage 1	29,850,105	39,703,735			69,553,840
		Stage 2	-	-	917,252		917,252
Large business loans		Stage 3	-	-	-	3,168,648	3,168,648
Debt investment securities	11						
– Measured at FVOCI		Stage 1	15,973,691	62,145,568			78,119,259
– Measured at FVOCI pledged under repurchase agreements		Stage 1	-	63,722,175	-	-	63,722,175
		Stage 1	334,479	897,202			1,231,681
		Stage 2			7,700		7,700
Other financial assets	15	Stage 3				10,873	10,873
Undrawn loan commitments*	21	Stage 1	-	3,597,477			3,597,477
Guarantees	21	Stage 1	-	7,403,655			7,403,655
Letter of credit			-	148,858			148,858
Total			60,085,803	260,735,515	924,952	3,179,521	324,925,791

* Remaining undrawn loan commitments of AMD 6,416,679 thousand are with retail customers with no signs of deterioration.

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	20,159,705	6,753,467	-	29,167,205
Amounts due from banks	7	Stage 1	15,016,532	26,021,837	317,248	-	41,355,617
Amounts receivable under reverse repurchase agreements		Stage 1	-	19,925,584	-	-	19,925,584
Loans to customers at amortised cost	10	Stage 1	31,067,947	33,686,497	6,517,459	-	71,271,903
Large business loans		Stage 2	-	-	1,093,165	-	1,093,165
		Stage 3	-	-	-	4,646,282	4,646,282
Debt investment securities	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	-	-	805,917
		Stage 2	-	-	6,692	-	6,692
	15	Stage 3	-	-	-	5,829	5,829
Undrawn loan commitments*	21	Stage 1	-	7,300,965	-	-	7,300,965
Guarantees	21	Stage 1	-	8,510,315	-	-	8,510,315
Letter of credit			-	430,146	-	-	430,146
Total			76,661,151	235,913,434	14,688,031	4,652,111	331,914,727

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

(thousands of Armenian drams)

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 30 June 2025 and 31 December 2024.

	30 June 2025			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	40,812,728	2,172,330	9,542,595	52,527,654
Trading securities	455,747	-	-	455,747
Amounts due from banks	28,914,936	1,609,620	8,261,376	38,785,932
Derivative financial assets	1,153	4,485	-	5,638
Amounts receivable under reverse repurchase agreements	16,507,669	-	-	16,507,669
Loans and advances to customers	301,096,390	29,384,175	262,213	330,742,778
Investment securities	62,664,219	-	15,979,024	78,643,243
Securities pledged under repurchase agreements	63,722,175	-	-	63,722,175
Other financial assets	418,772	924	802,815	1,222,510
	514,593,789	33,171,534	34,848,023	582,613,346
Liabilities				
Amounts due to banks	200,764	2,917,311	36	3,118,111
Derivative financial liabilities	2,896	100,631	-	103,527
Amounts payable under repurchase agreements	60,125,268	-	-	60,125,268
Amounts due to customers	283,786,141	63,591,415	13,912,914	361,290,471
Debt securities issued	24,300,943	2,218,163	256,522	26,775,628
Other borrowed funds	43,123,481	-	334,121	43,457,602
Lease liabilities	1,710,169	32,355	-	1,742,524
Other financial liabilities	3,305,469	15,506	1,884	3,322,859
	416,555,133	68,875,381	14,505,476	499,935,990
Net assets/(liabilities)	98,038,656	(35,703,847)	20,342,547	82,677,356
	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	27,449,914	2,394,073	11,489,808	41,333,795
Derivative financial assets	-	2,586	-	2,586
Amounts receivable under reverse repurchase agreements	19,925,584	-	-	19,925,584
Loans and advances to customers	280,481,736	30,608,210	257,574	311,347,520
Investment securities	55,200,811	1,387,846	27,963,439	84,552,096
Securities pledged under repurchase agreements	63,362,767	-	-	63,362,767
Other financial assets	289,186	774	508,391	798,351
	475,282,727	44,973,217	41,358,879	561,614,823
Liabilities				
Amounts due to banks	215,301	450,426	27	665,754
Derivative financial liabilities	205	67,450	-	67,655
Amounts payable under repurchase agreements	59,961,214	-	-	59,961,214
Amounts due to customers	278,713,917	67,206,191	9,185,218	355,105,326
Debt securities issued	22,121,038	1,798,635	250,072	24,169,745
Other borrowed funds	36,544,383	-	764,282	37,308,665
Lease liabilities	1,775,864	38,028	-	1,813,892
Other financial liabilities	2,895,659	8,687	52,582	2,956,928
	402,227,581	69,569,417	10,252,181	482,049,179
Net assets/(liabilities)	73,055,146	(24,596,200)	31,106,698	79,565,644

(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% (2024: 4%) of certain obligations of the Bank denominated in Armenian drams and 6% (2024: 6%) on certain obligations of the Bank denominated in foreign currency in Armenian drams and 12% (2024: 12%) on certain obligations of the Bank denominated in foreign currency in respective currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 30 June 2025 and 31 December 2024, these ratios were as follows:

	Threshold	30 June 2025, % (Unaudited)	31 December 2024, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets/total assets)	Min 15%	33.68	34.44
N22 "Current Liquidity Ratio" (highly liquid assets/liabilities payable on demand)	Min 60%	115.70	101.31

Analysis of financial liabilities by remaining contractual maturities

The tables below summarizes the maturity profile of the Bank's financial liabilities at 30 June 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.

30 June 2025							
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total	Carrying amounts
Financial liabilities							
Amounts due to banks	3,060,896	0	0	0	57,671	3,118,567	3,118,111
Amounts payable under repurchase agreements	60,148,693	0	0	0		60,148,693	60,125,268
Amounts due to customers	163,377,073	28,250,281	83,928,730	103,148,407	597,271	379,301,761	361,290,471
Debt securities issued	0	0	7,252,932	5,000,000	17,611,750	29,864,682	26,775,628
Other borrowed funds	1,030,725	485,122	5,004,210	26,486,539	21,935,828	54,942,424	43,457,601
Lease liabilities	63,999	123,160	521,162	1,682,123	682,006	3,072,451	1,742,524
Total undiscounted financial liabilities	227,681,386	28,858,563	96,707,034	136,317,068	40,884,527	530,448,578	496,509,603
Commitments and contingent liabilities	17,566,669	-	-	-	-	17,566,669	17,566,669
Derivative financial liabilities	4,988,161	-	-	-	-	4,988,161	4,988,161
31 December 2024							
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total	Carrying amounts
Financial liabilities							
Amounts due to banks	606,270	-	-	-	59,484	665,754	665,754
Amounts payable under repurchase agreements	59,990,964	-	-	-	-	59,990,964	59,961,214
Amounts due to customers	167,744,265	34,989,890	88,684,531	76,293,563	877,996	368,590,245	355,105,326
Debt securities issued	-	-	9,436,596	17,152,190	-	26,588,786	24,169,745
Other borrowed funds	652,068	491,730	4,267,518	22,193,771	20,458,031	48,063,118	37,308,665
Lease liabilities	42,314	84,628	345,612	1,456,740	764,381	2,693,675	1,813,892
Total undiscounted financial liabilities	229,035,881	35,566,248	102,734,257	117,096,264	22,159,892	506,592,542	479,024,596
Commitments and contingent liabilities	23,998,948	-	-	-	-	23,998,948	23,998,948

(thousands of Armenian drams)

Derivative financial liabilities	592,768	-	-	-	-	592,768	592,768
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Included in amounts due to customers in the table above are term deposits of individuals. In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The classification of these deposits in accordance with their stated maturity dates based on discounted repayment obligations is presented below:

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

	30 June 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	10.86%	-	-	7.33%	-	-
Amounts due from banks	-	7.65%	3.42%	-	8.27%	3.40%
Amounts receivable under repurchase agreements	7.80%	4.95%		8.09%	5.02%	3.81%
Loans and advances to customers	13.62%	8.32%	7.40%	14.43%	8.26%	7.42%
Investment securities	9.79%	5.48%	2.27%	10.37%	4.88%	2.95%
Investment securities pledged under repurchase agreements	10.21%	-	-	10.45%	-	-
Interest bearing liabilities						
Amounts due to banks	-	2.53%	-	-	-	-
Amounts payable under repurchase agreements	7.37%	-	-	7.56%	-	-
Amounts due to customers						
Term deposits from customers	9.56%	4.9%	1.92%	9.92%	4.21%	1.94%
Current accounts from customers	1.00%	0.17%	0.10%	1.00%	0.17%	0.10%
Debt securities issued	10.3%	4.84%	-	10.25%	4.20%	-
Other borrowed funds	6.21%	-	-	6.45%	-	-
Lease liabilities	13.34%	-	-	13.90%	-	-

(thousands of Armenian drams)

Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 30 June 2025.

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	34,759,791	7,406,788	7,551,874	2,809,201	52,527,654
Trading securities	455,747	-	-	-	455,747
Amount due from banks	2,119,596	31,162,144	4,874,495	629,697	38,785,932
Amounts receivable under reverse repurchase agreements	13,277,578	3,230,091	0	-	16,507,669
Loans and advances to customers	232,981,073	83,014,870	14,746,766	69	330,742,778
Investment securities	43,435,617	30,712,175	4,495,451	0	78,643,243
Investment securities/securities pledged under repurchase agreements	63,722,175	-	-	-	63,722,175
Other assets	290,041	578,833	381,322	58	1,250,254
Total assets	391,041,618	156,104,901	32,049,908	3,439,025	582,635,452
Liabilities					
Amounts due to banks	44,915	3,007,616	44,777	20,803	3,118,111
Amounts payable under repurchase agreements	60,125,268	0	0	0	60,125,268
Amounts due to customers	188,137,092	132,330,442	32,138,237	8,684,700	361,290,471
Debt security issued	13,212,449	13,563,179	-	-	26,775,628
Other borrowed funds	43,457,602	-	-	-	43,457,602
Other liabilities	3,314,684	5,737	2,438	0	3,322,859
Total liabilities	308,292,010	148,906,974	32,185,452	8,705,503	498,089,939
Off balance					
Effect of derivatives (currency swap)	(1,317,230)	(2,185,122)	-	3,410,607	(91,745)
Net position	81,432,378	5,012,805	(135,544)	(1,855,871)	84,453,768

* 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	5,231,324	2,106,959	10,030,342	39,348,626
Trading securities	943,498	-	-	-	943,498
Amount due from banks	4,255,817	24,730,622	12,337,713	9,643	41,333,795
Amounts receivable under reverse repurchase agreements	17,913,535	1,597,480	414,569	-	19,925,584
Loans and advances to customers	210,294,894	89,486,717	11,565,909	-	311,347,520
Investment securities	43,753,644	28,087,466	12,506,875	204,111	84,552,096
Investment securities/securities pledged under repurchase agreements	63,362,767	-	-	-	63,362,767
Other assets	212,182	456,172	149,962	122	818,438
Total assets	362,716,338	149,589,781	39,081,987	10,244,218	561,632,324
Liabilities					
Amounts due to banks	76,875	562,661	22,858	3,360	665,754
Amounts payable under repurchase agreements	59,961,214	-	-	-	59,961,214
Amounts due to customers	173,724,250	131,132,748	38,845,806	11,402,522	355,105,326
Debt security issued	10,186,864	13,982,881	-	-	24,169,745
Other borrowed funds	37,308,665	-	-	-	37,308,665
Other liabilities	2,944,910	5,400	6,547	71	2,956,928
Total liabilities	284,202,778	145,683,690	38,875,211	11,405,953	480,167,632
Off balance					
Effect of derivatives (currency swap)	59,231	637,304	-	(761,604)	(65,069)
Net position	78,572,791	4,543,395	206,776	(1,923,339)	81,399,623

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

A weakening of the AMD, as indicated below, against the following currencies at 30 June 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.

	30 June 2025	31 December 2024
10% appreciation of USD against AMD	501,280	454,340
10% appreciation of EUR against AMD	(13,554)	20,678
10% appreciation of other currencies against AMD	(185,587)	(192,334)

A strengthening of the AMD against the above currencies at 30 June 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.

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.

(thousands of Armenian drams)

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		
				Financial instruments	Non-cash collateral received	Net amount
30 June 2025						
Amounts receivable under reverse repurchase agreements	16,507,669	-	16,507,669	(16,507,669)	-	-
Total financial assets	16,507,669	-	16,507,669	(16,507,669)	-	-
Amounts payable under repurchase agreements	(60,125,268)	-	(60,125,268)	(60,125,268)	-	-
Total financial liabilities	(60,125,268)	-	(60,125,268)	(60,125,268)	-	-

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Non-cash collateral received	Net amount
31 December 2024						
Amounts receivable under reverse repurchase agreements	19,925,584	-	19,925,584	(19,925,584)	-	-

(thousands of Armenian drams)

Total financial assets	19,925,584	-	19,925,584	(19,925,584)	-	-
Amounts payable under repurchase agreements	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-
Total financial liabilities	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-

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.

	30 June 2025			Total fair values	Total carrying amount
	Level 1	Level 2	Level 3		
Financial assets					
Loans to customers at amortised cost	-	-	322,941,287	322,941,287	329,766,730
Financial liabilities					
Amounts due to customers	-	-	363,790,197	363,790,197	361,290,471
Debt securities issued	-	26,522,047	-	26,522,047	26,775,628
Other borrowed funds	-	-	44,628,405	44,628,405	43,457,602
	31 December 2024			Total fair values	Total carrying amount
	Level 1	Level 2	Level 3		
Financial assets					
Loans and advances to customers	-	-	306,169,217	306,169,217	311,347,520
Investment securities at amortised cost	1,979,904	4,565,050	-	6,544,954	6,509,858
Financial liabilities					
Amounts due to customers	-	-	357,348,037	357,348,037	355,105,326
Debt securities issued	-	23,842,259	-	23,842,259	24,169,745
Other borrowed funds	-	-	35,810,628	35,810,628	37,308,665

Assets for which fair value approximates carrying value

(thousands of Armenian drams)

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 4.25% to 21.5% per annum (2024: 4% to 20% per annum).

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 2.05% to 10.75% per annum (2024: 2.3% to 9.9% 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 9.5% per annum (2024: 4.5% to 10.2% per annum).

Financial instruments that are measured at fair value

	30 June 2025			Total
	Level 1	Level 2	Level 3	
Financial assets				
Trading securities	-	455,747		455,747
Derivative financial assets	-	5,638		5,638
Investment securities at FVOCI	15,973,691	62,669,552		78,643,243
Investment securities at FVOCI pledged under repurchase agreements		63,722,175		63,722,175
Loans measured at fair value through profit or loss			976,048	976,048
Total	15,973,691	126,853,112	976,048	143,802,851
Financial liabilities				
Derivative financial liabilities	-	103,527	-	103,527
Net fair value	15,973,691	126,749,585	976,048	143,699,324

	31 December 2024			Total
	Level 1	Level 2		
Financial assets				
Trading securities		943,498		943,498
Derivative financial assets		2,586		2,586
Investment securities at FVOCI	25,976,717	52,065,521		78,042,238
Investment securities at FVOCI pledged under repurchase agreements		63,362,767		63,362,767
Total	25,976,717	116,374,372		142,351,089
Financial liabilities				
Derivative financial liabilities		67,655		67,655
Net fair value	25,976,717	116,306,717		142,283,434

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. There were no transfers between Level 1 and 2 in 30 June 2025 (2024: none).

(thousands of Armenian drams)

Fair value measurement of non-financial assets and liabilities

	30 June 2025	
	Level 3	Total
Non-financial assets		
Land and buildings	4,960,609	4,960,609
Total	4,960,609	4,960,609

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

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	5,031,225	5,031,225
Purchases	2,219	2,219
Depreciation charge	(72,835)	(72,835)
Net fair value at 30 June 2025	4,960,609	4,960,609

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

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

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

The land and buildings were revalued in 2022.

(thousands of Armenian drams)

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 30 June 2025:

30 June 2025

	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	Total
Cash and cash equivalents	52,527,654	0	0	0	0		0	52,527,654
Trading securities	0	0	1,227	0	71,030		383,490	455,747
Amounts due from banks	9,348,814	788,417	146,986	0	0		28,501,715	38,785,932
Derivative financial assets	5,638	0	0	0	0		0	5,638
Amounts receivable under reverse repurchase agreements	16,507,669	0	0	0	0		0	16,507,669
Loans and advances to customers	6,716,809	35,025,761	48,807,251	126,133,876	112,960,146	1,098,936	0	330,742,778
Investment securities	6,198,275	10,670,672	3,902,901	31,974,823	25,372,788		523,784	78,643,243
Investment securities pledged under repurchase agreements	0	0	7,994,075	27,808,658	27,919,442		0	63,722,175
Property, plant and equipment	-	-	-	-	-	-	10,624,248	10,624,248
Intangible assets	-	-	-	-	-	-	868,122	868,122
Repossessed assets	-	-	-	-	-	-	688,759	688,759
Other assets	2,528,352	155,840	583,778	3,845	39,383		1,865	3,313,064
Total assets	93,833,211	46,640,690	61,436,218	185,921,202	166,362,789	1,098,936	41,591,983	596,885,029
Liabilities								
Amounts due to banks	3,060,440	0	0	0	0		57,671	3,118,111
Derivative financial liabilities	103,527	0	0	0	0		0	103,527
Amounts payable under repurchase agreements	60,125,268	0	0	0	0		0	60,125,268
Amounts due to customers	160,717,858	23,708,779	75,355,508	100,915,526	592,800		0	361,290,471
Current income tax liabilities	0	0	1,301,130	0	0		0	1,301,130
Debt securities issued	0	0	9,163,878	17,611,750	0		0	26,775,628
Other borrowed funds	967,470	224,842	3,233,405	19,459,419	19,572,467		0	43,457,602
Lease liabilities	34,565	65,797	288,522	945,699	407,941		0	1,742,524
Provisions on commitments and contingencies	160,955	0	0	0	0		0	160,955
Deferred tax liabilities	0	0	0	0	0		1,348,316	1,348,316
Other liabilities	580,042	206,668	3,446,784	7,832	0		0	4,241,326
Total liabilities	225,750,125	24,206,086	92,789,227	138,940,226	20,573,208		1,405,987	503,664,857
Net position	(131,916,914)	22,434,604	(31,353,009)	46,980,976	145,789,581	1,098,936	40,185,996	93,220,172

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							
	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No maturity</i>	<i>Total</i>
Cash and cash equivalents	39,348,626	-	-	-	-	-	-	39,348,626
Trading securities	-	-	511,122	22,449	43,132	-	366,795	943,498
Amounts due from banks	12,936,348	1,253,407	793,120	-	-	-	26,350,920	41,333,795
Derivative financial assets	2,586	-	-	-	-	-	-	2,586
Amounts receivable under reverse repurchase agreements	19,925,584	-	-	-	-	-	-	19,925,584
Loans and advances to customers	5,943,588	36,228,244	46,003,100	113,510,461	107,120,483	2,541,644	-	311,347,520
Investment securities	18,993,773	8,315,242	13,625,518	27,341,012	15,752,568	-	523,983	84,552,096
Investment securities pledged under repurchase agreements	-	-	15,689,919	37,426,789	10,246,059	-	-	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	99,562,779	45,859,873	76,995,307	178,303,911	133,202,736	2,541,644	39,740,640	576,206,890
Liabilities								
Amounts due to banks	606,270	-	-	-	-	-	59,484	665,754
Derivative financial liabilities	67,655	-	-	-	-	-	-	67,655
Amounts payable under repurchase agreements	59,961,214	-	-	-	-	-	-	59,961,214
Amounts due to customers	167,407,263	33,833,359	84,010,413	69,260,697	593,594	-	-	355,105,326
Current income tax liabilities	-	-	1,809,534	-	-	-	-	1,809,534
Debt securities issued	-	-	9,197,336	14,972,409	-	-	-	24,169,745
Other borrowed funds	594,560	237,777	2,624,587	15,877,019	17,974,722	-	-	37,308,665
Lease liabilities	23,547	46,785	191,221	898,850	653,489	-	-	1,813,892
Provisions on commitments and contingencies	219,072	-	-	-	-	-	-	219,072
Deferred tax liabilities	-	-	-	-	-	-	1,579,678	1,579,678
Other liabilities	1,515,867	80,383	2,588,879	9,044	-	-	-	4,194,173
Total liabilities	230,395,448	34,198,304	100,421,970	101,018,019	19,221,805	-	1,639,162	486,894,708
Net position	(130,832,669)	11,661,569	(23,426,663)	77,285,892	113,980,931	2,541,644	38,101,478	89,312,182

(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.

As at 30 June 2025 and 31 December 2024 the ultimate parent company of the Bank is Advanced Global Investments S.A.R.L.. The ultimate parent company doesn't produce financial statements that are available for public use.

In January 2025 Bank's ultimate controlling person has changed. The new ultimate controlling party of the Bank is Martin Francisco Andranik Eurnekian.

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

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

	30 June 2025թ			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	29,601	3,244,459	546,139	46,165	8,570,830	1,184,824
Loan repayments during reporting period	(31,888)	(4,376,508)	(544,704)	(49,710)	(9,749,925)	(1,166,361)
Loans outstanding at the end of the reporting period, gross	7,717	29,155,604	277,048	10,004	30,287,653	275,613
Less: allowance for loan impairment	(151)	(4,387)	(2,013)	(201)	(4,434)	(2,063)
Loans outstanding at the end of the reporting period, net	7,566	29,151,217	275,035	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	4,242,709	101,082,652	5,055,861	8,316,940	195,212,170	13,092,642
Deposits repaid during reporting period	(1,270,883)	(100,247,337)	(5,352,680)	(8,252,543)	(184,414,646)	(13,350,003)
Deposits at the end of the reporting period	3,096,472	61,443,636	797,284	124,646	60,608,321	1,094,103

Statement of comprehensive income

	30 June 2025թ.			30 June 2024թ.		
Interest income	-	980,719	11,392	-	1,135,750	10,482
Fee and commission income	18	22,272	2,228	10	20,896	2,723
Other income	8,846	167,003	1,268	31,216	44,608	2,847
Interest expense	(2,384)	(1,196,414)	(30,258)	(2,028)	(715,378)	(31,710)
Impairment charge	50	47	50	195	(3,107)	368
Other expenses	-	(13,705)	(606)	-	(19,792)	(16,495)

Deposits from entities under common control denominated in AMD have 9.66% and maturity 2025-2026, in USD have 5.32% and maturity 2025-2029 (2024: USD 5.41%, and maturity 2025-2029). Deposits from Key management personnel and their close family members denominated in AMD have 9.25% and maturity 2025-2027, in USD 3.80% with maturity 2025-2026, in EUR 1.48% with maturity 2025-2026 (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 17.00% and maturity 2026-2043, in USD have 8.38% and maturity 2025-2040 (2024: AMD 18.61%, maturity 2026-2043, USD 8.41% maturity 2025-2045, in EUR 14%, maturity 2042). Loans to Key management personnel and their close family members denominated in AMD have 10.67% and

(thousands of Armenian drams)

maturity 2026-2044, in USD 8.76% with maturity 2033-2044, in EUR 5.41% with maturity 2033-2042 (2024: AMD 10.88%, maturity 2025-2044, USD 7.90%, maturity 2033-2044, EUR 5.09%, maturity 2033-2042).

Out of total loans to related party AMD 18,559,436 thousand is collateralized with cash and deposit (2024: AMD 30,253,360 thousand is collateralized with cash and deposit).

Compensation of key management personnel was comprised of the following:

	<u>30 June 2025</u>	<u>30 June 2024</u>
Salaries and other short-term benefits	638,932	918,355
Total key management personnel compensation	<u>638,932</u>	<u>918,355</u>

34. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Other borrowed funds</i>	<i>Subordinated loans</i>	<i>Lease liabilities</i>	<i>Total liabilities from financing activities</i>
Carrying amount at 31 December 2023	17, 19	20,367,348	37,251,747	-	1,942,813	59,561,908
Proceeds from issue		15,844,949	5,309,596	-	-	21,154,545
Redemption		(11,914,400)	(5,218,920)	-	(510,803)	(17,644,123)
Foreign currency translation		(190,124)	-	-	-	(190,124)
Additions and modifications		-	-	-	150,806	150,806
Interest expense on lease liabilities		-	-	-	231,076	231,076
Other		61,972	(33,758)	-	-	28,214
Carrying amount at 31 December 2024	17, 19	24,169,745	37,308,665	-	1,813,892	63,292,302
Proceeds from issue		6,906,961	8,565,285	-	-	6,906,961
Redemption		(3,909,000)	(2,502,892)	-	(261,868)	(3,909,000)
Foreign currency translation		(427,332)	-	-	-	(427,332)
Additions and modifications		-	-	-	81,617	-
Interest expense on lease liabilities		-	-	-	108,883	-
Other		35,254	86,545	-	-	35,254
Carrying amount at 30 June 2025	17, 19	26,775,628	43,457,602	-	1,742,524	26,775,628

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

(thousands of Armenian drams)

35. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. New capital adequacy ratios came into force on June 1, 2023. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Capital Accord 1988 principles, banks have to maintain a ratio of tier 1 capital to risk weighted assets, as well as a ratio of tier 1 core capital to risk weighted assets and a ratio of total capital to risk weighted assets (capital adequacy ratios N1.1, N1.2 and N1, were accordingly 6.2%, 8.3% and 11%) above the prescribed minimum levels. As at 31 December 2024 this minimum levels of N1.1, N1.2 and N1, were accordingly 6.2%, 8.3% and 11%. The Bank is in compliance with the statutory capital ratio as at 30 June 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 30 June 2025 and 31 December 2024:

	30 June 2025 (Unaudited)	31 December 2024 (Unaudited)
Tier 1 capital	84,143,965	77,365,592
Tier 2 capital	3,893,925	3,374,260
Total capital	88,037,890	80,739,852
Risk-weighted assets	492,255,718	465,463,693
Capital adequacy ratio N1.1	17.09%	16.62%
Capital adequacy ratio N1.2	17.88%	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 30 June 2025 and 31 December 2024.