

"EVOCABANK" CLOSED JOINT STOCK COMPANY

Interim Financial Statements for the period ended

31/12/2024

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Interim statement of profit or loss and other comprehensive income

In thousand Armenian drams

	Notes	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Interest and similar income	6	37,196,362	29,047,260	10,314,420	8,211,613
Interest and similar expense	6	(19,039,115)	(13,888,429)	(5,153,499)	(4,014,509)
Net interest income		18,157,247	15,158,831	5,160,921	4,197,104
Fee and commission income	7	12,252,254	7,967,909	3,252,215	2,224,428
Fee and commission expense	7	(9,838,459)	(5,663,032)	(2,194,665)	(1,689,886)
Net fee and commission income		2,413,795	2,304,877	1,057,550	534,542
Net foreign exchange gain	8	10,436,785	7,714,975	2,524,492	2,211,388
Net gain on investment securities measured at fair value through other comprehensive income at fair value through profit or loss		11,144	3,515	223	(5,174)
Net gain on financial instruments at fair value through profit or loss		37,842	12,667	19,671	9,609
Other operating income	9	568,990	734,504	140,009	275,502
Banking direct expenses	10	(1,485,576)	(1,312,447)	(441,974)	(455,345)
Operating income		30,140,227	24,616,922	8,460,892	6,767,626
Impairment losses	11	467,264	(732,404)	131,181	(14,055)
Personnel expenses	12	(7,855,157)	(6,420,563)	(2,328,340)	(2,435,371)
Depreciation of property and equipment and amortization of intangible assets	19	(1,243,123)	(1,006,040)	(336,804)	(283,282)
Other general administrative expenses	13	(3,717,741)	(3,043,446)	(1,143,483)	(1,074,479)
Profit before income tax		17,791,470	13,414,469	4,783,446	2,960,439
Income tax expense	14	(3,182,275)	(2,378,489)	(911,654)	(736,784)
Profit for the year		14,609,195	11,035,980	3,871,792	2,223,655
<i>Other comprehensive income</i>					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of PPE, net of income tax		712,379	-	712,379	-
Total items that will not be reclassified subsequently to profit or loss		712,379	-	712,379	-
<i>Items that will be reclassified subsequently to profit or loss</i>					
- Net change in fair value during the year		1,476,263	936,800	119,358	(286,368)
- Net amount reclassified to profit or loss		(9,138)	(2,882)	(183)	4,243
Total items that are or may be reclassified subsequently to profit or loss		1,476,125	933,918	119,175	(282,125)
Total other comprehensive income/(loss) for the year, net of tax		2,179,504	933,918	238,350	(564,250)
Total comprehensive income for the year		16,788,699	11,969,898	4,110,142	1,659,405

The accompanying notes are an integral part of these interim financial statements.

The interim financial statements were approved by the management on 15 January 2025

Statement of financial position

In thousand Armenian drams

	Notes	31 December 2024	31 December 2023 (audited)
<i>Assets</i>			
Cash and cash equivalents	14	83,157,459	60,937,733
Amounts receivable under reverse repurchase agreements	15	45,723,768	30,249,231
Loans and advances to banks and other financial institutions	16	33,996,173	40,764,775
Investment securities	17	94,102,555	85,875,412
Loans and advances to customers	18	276,906,446	211,751,365
Property, equipment and intangible assets	19	10,457,343	9,262,505
Right of use asset	20	1,128,778	1,055,100
Repossessed assets	18	1,360,456	1,526,940
Other assets	21	5,393,393	4,220,303
Total assets		552,226,371	445,643,364
<i>Liabilities and equity</i>			
<i>Liabilities</i>			
Amounts due to banks	22	20,003,897	11,581,709
Amounts payable under repurchase agreements	23	17,023,540	6,007,733
Amounts due to customers	24	329,504,000	280,821,591
Debt securities issued	25	32,862,442	21,296,245
Other borrowings	26	53,018,275	43,353,427
Subordinated debt	26	4,023,289	4,107,166
Current income tax liabilities		1,217,295	1,389,238
Deferred income tax liabilities	14	2,337,034	1,452,052
Lease liability	20	1,246,879	1,150,077
Other liabilities	27	6,786,913	5,024,018
Total liabilities		468,023,564	376,183,256
<i>Equity</i>			
Share capital	28	23,000,000	23,000,000
Statutory general reserve		3,500,000	3,500,000
Revaluation reserve		3,875,488	3,270,974
Fair value reserve		761,851	(705,274)
Retained earnings		53,065,468	40,394,408
Total equity		84,202,807	69,460,108
Total liabilities and equity		552,226,371	445,643,364

The accompanying notes are an integral part of these interim financial statements.

The interim financial statements were approved by the management on 15 January 2025

Statement of changes in equity

In thousand Armenian
drams

	Share capital	Statutory general reserve	Fair value reserve	Revaluation reserve	Retained earnings	Total
Balance as of 1 January 2024 (audited)	23,000,000	3,500,000	(705,274)	3,270,974	40,394,408	69,460,108
Profit for the year	-	-	-	-	14,609,195	14,609,195
<i>Other comprehensive income</i>						
Revaluation of PPE, net of income tax	-	-	-	712,379	-	712,379
Fair value reserve for investment securities						
- Net change in fair value during the year	-	-	1,476,263	-	-	1,476,263
- Net amount reclassified to profit or loss	-	-	(9,138)	-	-	(9,138)
Total comprehensive income for the year	-	-	1,467,125	712,379	14,609,195	16,788,699
Adjustment to reserve on amortization or disposal of property and equipment	-	-	-	(107,865)	107,865	-
Dividends to shareholders	-	-	-	-	(2,046,000)	(2,046,000)
Total transactions with owners	-	-	-	-	(2,046,000)	(2,046,000)
Balance as of 31 December 2024	23,000,000	3,500,000	761,851	3,875,488	53,065,468	84,202,807

In thousand Armenian
drams

	<u>Share capital</u>	<u>Statutory general reserve</u>	<u>Fair value reserve</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 1 January 2023 (audited)	23,000,000	3,500,000	(1,639,192)	3,378,746	32,696,656	60,936,210
Profit for the year	-	-	-	-	11,935,080	11,935,080
<i>Other comprehensive income</i>						
Fair value reserve for investment securities						
- Net change in fair value during the year	-	-	936,800	-	-	936,800
- Net amount reclassified to profit or loss	-	-	(2,882)	-	-	(2,882)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>933,918</u>	<u>-</u>	<u>11,935,080</u>	<u>11,969,898</u>
Adjustment to reserve on amortization or disposal of property and equipment	-	-	-	(107,772)	107,772	-
Dividends to shareholders	-	-	-	-	(3,446,000)	(3,446,000)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,446,000)</u>	<u>(3,446,000)</u>
Balance as of 31 December 2023	<u><u>23,000,000</u></u>	<u><u>3,500,000</u></u>	<u><u>(705,274)</u></u>	<u><u>3,270,974</u></u>	<u><u>40,394,408</u></u>	<u><u>69,460,108</u></u>

The accompanying notes are an integral part of these interim financial statements.

The interim financial statements were approved by the management on 15 January 2025

Statement of cash flows

In thousand Armenian drams

	31 December 2024	31 December 2024 (audited)
<i>Cash flows from operating activities</i>		
Profit before tax	17,791,470	13,414,469
<i>Adjustments for</i>		
Amortization and depreciation allowances	1,243,123	1,006,040
Net losses/(gains) from sale of property and equipment	9,579	(166)
Net losses on disposal of other assets	111,244	11,876
Impairment losses	(467,264)	732,404
Interest expense on lease liabilities	123,915	103,786
Net gains from revaluation of non-trading assets and liabilities	(1,218,697)	(1,283,818)
PPE revaluation loss	21,314	-
Interest receivable	(803,859)	(749,377)
Interest payable	1,573,928	829,904
Cash flows from operating activities before changes in operating assets and liabilities	18,384,753	14,065,118
<i>(Increase)/decrease in operating assets</i>		
Amounts receivable under reverse repurchase agreements	(15,508,130)	(3,139,744)
Loans and advances to banks and other financial institutions	2,946,503	(18,577,877)
Loans and advances to customers	(67,839,784)	(46,859,471)
Repossessed assets	130,463	146,206
Other assets	(1,136,871)	523,443
<i>Increase/(decrease) in operating liabilities</i>		
Amounts due to banks	12,670,939	11,084,857
Amounts payable under repurchase agreements	11,030,733	6,010,648
Amounts due to customers	52,797,746	46,707,320
Other liabilities	2,254,609	2,447,019
Net cash flow (used in)/from operating activities before income tax	15,730,961	12,407,519
Income tax paid	(2,919,808)	(5,485,032)
Net cash flow used in operating activities	12,811,153	6,922,487
<i>Cash flows from investing activities</i>		
Purchase of investment securities	(6,634,345)	(32,045,489)
Purchase of property, equipment and intangible assets	(1,346,490)	(1,619,364)
Proceeds from sale of property and equipment	-	39,187
Net cash flow used in investing activities	(7,980,835)	(33,625,666)
<i>Cash flow from financing activities</i>		
Dividends paid	(2,046,000)	(3,420,110)
Debt securities issued	17,632,230	14,668,639
Repayment of debt securities issued	(5,872,900)	(4,866,450)
Other borrowings	9,961,625	9,610,216
Lease liabilities	(354,400)	(282,922)
Net cash flow from financing activities	19,320,555	15,709,373
Net decrease in cash and cash equivalents	24,150,873	(10,993,806)
Cash and cash equivalents at the beginning of the year	60,937,733	71,384,322

In thousand Armenian drams

	31 December 2024	31 December 2024 (audited)
Exchange differences on cash and cash equivalents	(1,920,372)	529,580
Effect of changes in ECL on cash and cash equivalents	(10,775)	17,637
Cash and cash equivalents at the end of the year (note 14)	83,157,459	60,937,733

The accompanying notes are an integral part of these interim financial statements.

The interim financial statements were approved by the management on 15 January 2025

Report on general economic prudentials (quarterly)

01/10/2024-31/12/2024

In thousand
Armenian drams

Prudentials

	Actual	Permissible limit on prudential defined by CBA	Number of breaches during the reporting period
Minimum amount of the core capital	23,000,000	1,000,000	No Breach
Minimum amount of total capital	80,078,261	30,000,000	No Breach
S11 Minimum ratio of the Tier 1 core capital to the risk-weighted assets	14.28%	6.20%	No Breach
S12 Minimum ratio of the Tier 1 capital to the risk-weighted assets	15.51%	8.30%	No Breach
S1 Minimum ratio of the total capital to the risk-weighted assets	17.08%	11.00%	No Breach
S21 Minimum ratio of the highly liquid assets to the total assets	38.07%	15.00%	No Breach
S211 Minimum ratio of the highly liquid assets in the first group of currency to the total assets in the first group of currency	24.17%	4.00%	No Breach
S212 Minimum ratio of the highly liquid assets in the second group of currencies to the total assets in the second group of currencies	x	4.00%	No Breach
S22 Minimum ratio of the highly liquid assets to the callable liabilities	125.04%	60.00%	No Breach
S221 Minimum ratio of the highly liquid assets in the first group of currency to the callable liabilities in the first group of currency	73.10%	10.00%	No Breach
S222 Minimum ratio of the highly liquid assets in the second group of currencies to the callable liabilities in the second group of currencies	x	10.00%	No Breach
S23 Minimum ratio of highly liquid assets to total net cash outflow (all currencies)	509.36%	100.00%	No Breach
S23 (FX) Minimum ratio of highly liquid assets to total net cash outflow in the first group of currencies	548.45%	100.00%	No Breach
S23 (FX) Minimum ratio of highly liquid assets to total net cash outflow in the second group of currencies	x	100.00%	No Breach
S24 Minimum ratio of total available stable funding to total required stable funding (all currencies)	171.51%	100.00%	No Breach
S24 (FX) Minimum ratio of total available stable funding to total required stable funding in the first group of currencies	151.85%	100.00%	No Breach
S24(FX)1 Minimum ratio of total available stable funding to total required stable funding in the second group of currencies	x	100.00%	No Breach
S31 Maximum risk on a single borrower	11.13%	20.00%	No Breach
S32 Maximum risk on major borrowers	53.18%	500.00%	No Breach
S41 Maximum risk on a single borrower related to the Bank	3.12%	5.00%	No Breach
S42 Maximum risk on major borrowers related to the Bank	6.79%	20.00%	No Breach
S51 Deviation of ratio of maximum of marginal ratio of claim to collateral value	0.82%	10.00%	No Breach
S52 Deviation of ratio of maximum of marginal ratio of claim to collateral value	3.24%	5.00%	No Breach
Minimum obligatory reserves at the Central Bank of RA			
In AMD	x	4.00%	No Breach
In USD	x	6% AMD 12% USD	No Breach
In EUR	x	6% AMD 12% EUR	No Breach
Other currencies	x	6% AMD 12% USD	No Breach

01/10/2024-31/12/2024

Prudentials

			In thousand Armenian drams
	<u>Actual</u>	<u>Permissible limit on prudential defined by CBA</u>	<u>Number of breaches during the reporting period</u>
Maximum ratio of total foreign currency position to total capital of the Bank	0.32%	10.00%	No Breach
Maximum ratio of each foreign currency position to total capital of the Bank			
In USD	x	7.00%	No Breach
In EUR	0.01%	7.00%	No Breach
In RUR	0.25%	7.00%	No Breach
Other currencies	0.06%	7.00%	No Breach

The accompanying notes are an integral part of these interim financial statements.

The interim financial statements were approved by the management on 15 January 2025

Notes to the interim financial statements

1 Background

(a) Organisation and operations

Evocabank CJSC (formerly Prometey Bank CJSC) (the “Bank”) is a closed joint stock company, which was incorporated on 01.06.1990. The Bank is regulated by the legislation of the Republic of Armenia and conducts its business under license number 27, granted on 02.10.1991 by the Central Bank of Armenia (the “CBA”).

The Bank is a member of the state deposit insurance system in the Republic of Armenia and member of Union of Banks of Armenia, ArCa, MasterCard payment systems.

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

The Bank conducts business throughout head office and 13 branches located in Yerevan, Gyumri, Abovyan and Vanadzor. The registered office of the Bank is 44/2 Hanrapetutyan Street, Yerevan 0010, Republic of Armenia.

Number of employees as at the reporting date was 527

As at 31 December 2024 and 31 December 2023 the Bank’s shareholding structure was as follows:

In thousand Armenian drams

	31 December 2024		31 December 2023 (audited)	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Gevorkyan Mareta	22,999,300	100.0	22,999,300	100.0
Other shareholders	700	0.0	700	0.0
	23,000,000	100.0	20,000,000	100.0

The Bank is ultimately controlled by a single individual, Mareta Gevorkyan, who has the power to direct the transactions of the Bank at her own discretion and for her own benefit. In addition, she has several other business interests outside the Bank.

(b) Armenian business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature and the stability and development of the Armenian economy largely depends on these changes.

These financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations of the Bank. The Bank’s management constantly analyzes the economic situation in the current environment. The future economic and political situation and its impact on the Bank’s operations may differ from the management’s current expectations.

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) and investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value 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.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates as at 31 December 2024 and 31 December 2023, were AMD 396.56 and AMD 404.79 to USD 1, and AMD 433.34 and AMD 413.89 to EUR 1, respectively.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those 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 critical 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 4(e)(i);
- 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 29(c).

Assumptions and estimations uncertainty

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

- impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information – Note 29(c).

3 Changes in significant 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.

4 Material accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with the CBA, including obligatory reserves denominated in AMD, unrestricted balances (nostro accounts) held with other banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 4(e)(iv).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

(d) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 4(c)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are generated based on actual transactions with customers. The Bank classifies expenses directly attributable to revenue generation and not resulting from actual transactions with customers as other operating expenses. All other expenses are classified as general administrative expenses.

(e) Financial assets and financial liabilities

i. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the CBA. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Bank considers these loans as in essence floating rate loans (Note 4(e)(iii)).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iii. Modification of financial assets and financial liabilities

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applied the policies on accounting for modifications to the additional changes.

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the CBA key rate, if the loan agreement entitles the Bank to do so.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogizes to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv. Impairment

See also Note 29(c).

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition (see Note 29(c)).

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 29(c).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 4(e)(ii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 29(c)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

– *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.

The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on debt financial assets'.

(f) Loans and advances to customers

Loans and advances to customers caption in the statement of financial position include:

- loans to customers; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- net investments in finance leases.

(g) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

(h) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 4(e)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognises a loss allowance (see Note 4(e)(iv)) in accordance with IFRS 9.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(i) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

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

(j) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below

(ii) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on a land and building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a land and building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(k) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(l) Repossessed property

Repossessed property is stated at lower of cost and net realisable value.

(m) 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, Investment Banking and Digital Banking (2023: Retail Banking, Corporate Banking and Investment Banking).

(n) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5 Net interest income

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Loans to customers	24,217,050	18,789,551	6,811,806	5,213,169
Investment securities at FVOCI	4,746,578	2,239,634	1,422,366	765,342
Reverse repurchase transactions	3,330,043	2,873,836	895,652	769,857
Loans and advances to banks and other financial institutions	1,283,995	1,671,902	367,995	476,956
Investment securities at amortised cost	3,608,903	3,463,352	813,581	982,166
Other	9,793	8,985	3,020	4,123
Total interest and similar income	37,196,362	29,047,260	10,314,420	8,211,613
Current accounts and deposits from customers	12,587,390	9,530,210	3,305,452	2,708,636
Repurchase transactions	689,574	63,058	148,081	34,763
Subordinated debt	354,412	353,178	88,687	91,570
Other borrowings	3,430,743	2,642,848	1,000,474	791,097
Debt securities issued	1,671,911	1,157,491	530,885	351,321
Amounts due to banks	181,170	37,630	37,347	15,459
Interest expense on lease liabilities	123,915	103,786	42,573	21,663
Other	-	228	-	-
Total interest and similar expense	19,039,115	13,888,429	5,153,499	4,014,509

6 Net fee and commission income

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Charges from cash and non-cash transactions	2,462,477	1,532,067	512,928	323,202
Plastic cards operations	8,141,779	5,250,213	2,216,943	1,569,047
Money transfers	772,699	531,965	305,886	124,784
Account service and distance system services	540,184	510,864	144,076	167,262
Other	113,041	52,506	11,309	11,189
Guarantees and letters of credit	222,074	90,294	61,073	28,944
Total fee and commission income	12,252,254	7,967,909	3,252,215	2,224,428
Plastic card operations	7,013,098	4,109,903	1,850,087	1,371,121
Charges from cash and non-cash transactions	2,593,376	1,299,511	283,205	264,541
Money transfers	228,617	247,324	60,710	58,372

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Other	3,368	6,294	663	(4,148)
Total fee and commission expense	9,838,459	5,663,032	2,194,665	1,689,886

(a) Revenue from contracts with customers

The Bank's revenue from contract with customers mainly comprises fee and commission income. The Bank recognises majority of revenue from fees and commission at a point in time. Revenue from contracts with customers recognised in the statement of profit or loss and other comprehensive income comprised to:

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Fee and commission income	12,252,254	7,967,909	3,252,215	2,224,428
	12,252,254	7,967,909	3,252,215	2,224,428

7 Net foreign exchange gain

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Net gain on spot transactions	9,218,088	6,431,157	2,098,833	1,899,282
Net gain from revaluation of financial assets and liabilities	1,218,697	1,283,818	425,659	312,106
Total net trading income	10,436,785	7,714,975	2,524,492	2,211,388

8 Other operating income

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Fines and penalties received	455,691	615,033	79,559	257,160
Net gain on disposal of other assets	16,616	216	15,410	136
Refund of court fees	20,870	31,186	5,358	7,701
Income from termination of right of use asset	12,263	20,161	-	5,629
Other	63,550	67,908	39,682	4,876
Total other operating income	568,990	734,504	140,009	275,502

9 Banking direct expenses

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Deposit guarantee fund expenses	702,792	682,265	223,520	215,032
Return costs from early repayment of loans	12,262	22,964	2,205	4,531
Cash collection expenses	200,759	83,757	69,675	35,755
Financial mediator expenses	44,564	35,122	11,141	8,700
Cashback charges	127,860	89,505	36,337	24,360
Credit register and other systems usage expenses	122,840	108,938	29,736	26,051
Cards embossing and delivery expenses	33,731	28,913	8,808	6,082
Loan forgiveness expenses	6,086	80,258	6,086	78,828
Fees for brokerage services	21,053	19,454	5,376	3,537
Depository service expenses	35,717	27,045	8,405	8,114
Losses arising from devaluation of property, plant, and equipment	18,471	-	18,471	
Other	159,441	134,226	22,214	44,355
Total banking direct expenses	1,485,576	1,312,447	441,974	455,345

10 Impairment losses

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Cash and cash equivalents	10,775	(17,637)	775	3,700
Amounts receivable under reverse repurchase agreements	5,348	(6,445)	482	(7,067)
Loans and advances to banks and other financial institutions	28,246	85,506	(315,341)	(38,281)
Investment securities at FVOCI	126,811	19,508	72,573	19,981
Investment securities at amortised cost	42,602	39,897	30,741	(3,017)
Loans and advances to customers	(663,703)	597,530	59,458	(37,763)
Other assets	(29,102)	28,148	(35,517)	30,249
Financial guarantee contracts	11,759	(14,103)	55,648	46,253
Total impairment losses	(467,264)	732,404	(131,181)	14,055

11 Personnel expenses

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Compensation of employees, related taxes included	7,547,261	6,184,761	2,140,460	2,298,922
Staff training expenses	95,101	75,753	49,273	27,334
Other staff costs	212,795	160,049	138,607	109,115
Total staff costs	7,855,157	6,420,563	2,328,340	2,435,371

12 Other general administrative expenses

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Advertising and public relations	1,399,671	929,103	517,804	276,566
Communications	109,136	77,834	29,084	25,332
Fixed assets repair and maintenance	309,388	278,992	98,873	102,544
Expenses of short term and low value assets leases	96,161	70,151	25,996	20,145
Intangible assets maintenance	783,836	588,405	185,034	180,793
Security	127,388	108,359	37,831	28,185
Office supplies	67,037	87,547	23,824	24,740
Taxes, other than income tax, duties	215,229	168,480	66,589	79,204
Consulting and other services	209,996	334,586	37,368	231,523
Representative and organizational expenses	145,044	120,446	56,823	42,430
Insurance expenses	75,946	70,046	19,031	16,712
Loan recovery expenses	94,094	137,405	23,414	28,270
Other	84,815	72,092	21,812	18,035
Total other general administrative expenses	3,717,741	3,043,446	1,143,483	1,074,479

13 Income tax expense

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)	Three-Month Period Ended 31 December 2024	Three-Month Period Ended 31 December 2023
Current tax expense	2,747,865	2,013,567	459,603	118,384
Adjustments of income tax of previous years	-	84,024	-	229,884
Deferred tax	434,410	280,898	452,051	388,516
Total income tax expense	3,182,275	2,378,489	911,654	736,784

In 2024 the applicable tax rate for current tax is 18% (no change comparing with 2023).

Reconciliation of effective tax rate for the period ended 31 December:

In thousand Armenian drams	<u>31 December 2024</u>	<u>Effective rate (%)</u>	<u>31 December 2023</u>	<u>Effective rate (%)</u>
Profit before income tax	17,791,470		13,414,469	
Income tax at the rate of 18%	3,202,465	18.0	2,414,604	18.0
Adjustment of income tax of previous year	-	-	84,024	0.6
(Non-taxable income)/non-deductable expenses	199,175	1.1	110,530	0.8
Foreign exchange (gains)/losses	(219,365)	(1.2)	(230,669)	(1.7)
Total income tax expense	<u>3,182,275</u>	<u>17.9</u>	<u>2,378,489</u>	<u>17.7</u>

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax asset and net deferred tax liability accordingly as at 31 December 2024 and 31 December 2023.

Movements in temporary differences during the years ended 31 December 2024 and 31 December 2023:

In thousand Armenian drams	<u>1 January 2024</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Net</u>	<u>Deferred income tax assets</u>	<u>Deferred income tax liabilities</u>
Cash and cash equivalents	(10,421)	1,940	-	(8,481)	-	(8,481)
Amounts receivable under reverse repurchase agreements	573	962	-	1,535	1,535	-
Loans and advances to banks and other financial institutions	(3,045)	686	-	(2,359)	-	(2,359)
Investment securities	173,145	6,619	(294,215)	(114,451)	-	(114,451)
Loans and advances to customers	(706,928)	(400,283)	-	(1,107,211)	-	(1,107,211)
Property, equipment and intangible assets	(911,085)	27,635	(156,356)	(1,039,806)	-	(1,039,806)
Other assets	3,977	(32,501)	-	(28,524)	-	(28,524)
Amounts due to customers	(14,220)	(60,848)	-	(75,068)	-	(75,068)
Other borrowings	(59,490)	2,709	-	(56,781)	-	(56,781)
Other liabilities	75,442	18,671	-	94,113	94,113	-
Deferred tax asset/(liability)	<u>(1,452,052)</u>	<u>(434,410)</u>	<u>(450,571)</u>	<u>(2,337,034)</u>	<u>95,648</u>	<u>(2,432,681)</u>

31 December 2023 (audited)

In thousand Armenian drams	1 January 2023	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred income tax assets	Deferred income tax liabilities
Cash and cash equivalents	(6,325)	(4,096)	-	(10,421)	-	(10,421)
Amounts receivable under reverse repurchase agreements	(590)	1,163	-	573	573	-
Loans and advances to banks and other financial institutions	3,882	(6,927)	-	(3,045)	-	(3,045)
Investment securities	377,668	(3,799)	(200,724)	173,145	173,145	-
Loans and advances to customers	(584,252)	(122,676)	-	(706,928)	-	(706,928)
Property, equipment and intangible assets	(704,526)	(206,559)	-	(911,085)	-	(911,085)
Other assets	(10,638)	14,615	-	3,977	3,977	-
Amounts due to customers	(8,603)	(5,617)	-	(14,220)	-	(14,220)
Other borrowings	(33,646)	(25,844)	-	(59,490)	-	(59,490)
Other liabilities	(3,400)	78,842	-	75,442	75,442	-
Deferred tax asset/(liability)	(970,430)	(280,898)	(200,724)	(1,452,052)	253,137	(1,705,189)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised to the extent that it is probable that future taxable profit will be available against which the Bank can utilise the benefits therefrom.

14 Cash and cash equivalents

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Nostro accounts with the Central Bank of Armenia	50,308,352	34,298,539
Cash on hand	19,315,034	20,752,867
Nostro accounts with other banks		
-rated A1 to A3	1,547,656	3,489,814
- rated from Baa1 to Baa3	1,618,627	814,941
- rated from Ba1 to Ba3	9,142,472	525,426
-rated below B1	14,464	9,756
-not rated*	1,236,643	1,061,404
Total nostro accounts with other banks	13,559,862	5,901,341
Total gross cash and cash equivalents	83,183,248	60,952,747
Credit loss allowance	(25,789)	(15,014)
Total net cash and cash equivalents	83,157,459	60,937,733

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of cash and cash equivalents.

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

As at 31 December 2024 the Bank had placement with one bank, except for the CBA, whose balances exceeded 10% of the Bank's equity(31 December 2023: no other Bank except for the CBA). The balance as at 31 December 2024 is AMD 9,098,346 thousand.

Nostro accounts with the CBA relate to settlement activity (see Note 16) and are readily available for withdrawal.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for cash and cash equivalents for the years ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	15,014	32,651
Net remeasurement of loss allowance inclusive repayments	(15,014)	(32,651)
New financial assets originated or purchased	25,789	15,014
Balance at 31 December	25,789	15,014

15 Amounts receivable under reverse repurchase agreements

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Reverse repurchase agreements with banks	679,219	411,943
Reverse repurchase agreements with other financial institutions	45,059,621	29,847,012
	45,738,840	30,258,955
Less loss allowance on amounts receivable under reverse repurchase agreements	(15,072)	(9,724)
Total amounts receivable under reverse repurchase agreements	45,723,768	30,249,231

Collateral accepted as security for assets

As at 31 December 2024 amounts receivable under reverse repurchase agreements were collateralised by government securities with fair value of AMD 48,923,706 thousand (2023: AMD 31,972,194 thousand).

As of 31 December 2024 the Bank has no counterparty, whose balance exceeded 10% of equity (2023: no any).

Amounts receivable under reverse repurchase agreements are from reputable Armenian banks and financial institutions. All of them are categorised under Stage 1 and are measured at amortised cost as at 31 December 2024 and 31 December 2023.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for amounts receivable under reverse repurchase agreements for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	9,724	16,169
Net remeasurement of loss allowance inclusive repayments	(9,724)	(16,169)
New financial assets originated or purchased	15,072	9,724
Balance at 31 December	15,072	9,724

16 Loans and advances to banks and other financial institutions

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Due from the CBA		
Credit card settlement deposit with the CBA	2,610,000	3,607,500
Deposit with the CBA, obligatory reserves	22,682,106	22,438,845
Credit card settlement deposit with other financial institutions	323,358	93,338
Balances held with state depository	-	2,896,229
Loans and deposits with other banks and financial institutions		
Loans to banks	6,758,434	7,110,550
Demand and term deposits placed in banks and other financial institutions	1,719,758	4,741,769
Regular way purchase agreements – foreign exchange spot transactions	54,420	201
	34,148,076	40,888,432
Less loss allowance on loans and advances to banks and other financial institutions	(151,903)	(123,657)
Total loans and advances to banks and other financial institutions	33,996,173	40,764,775

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of loans and advances to banks. For not rated loans and deposits with Armenian banks the Bank has assessed the credit risk to approximate to external rating of B1 according to Moody's.

(a) Balances with the CBA

The credit card settlement deposit with the CBA is a non-interest bearing deposit calculated in accordance with regulations issued by the CBA and withdrawability of which is restricted.

Banks are required to maintain cash deposit (obligatory reserve) with the CBA for attracted funds. For funds attracted in AMD the obligatory reserve is 4% (2023: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted (2023: 6% in AMD and 12% in respective currency of funds attracted). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 14) as these funds are readily available for withdrawal.

For the obligatory reserve maintained in foreign currencies the Bank is required to maintain a minimum balance at the end of each day. These reserves are not considered cash and cash equivalents and are included in loans and advances to banks.

(b) Concentration of loans and advances to banks

As at 31 December 2024 and 31 December 2023 the Bank has no counterparty except for the CBA, whose balances exceed 10% of the Bank's equity.

No loans and advances to banks are past due or impaired. Loans and advances to banks are fully in Stage 1 as at 31 December 2024 and 31 December 2023. All the loans and advance to banks are measured at amortised cost as at 31 December 2024 and 31 December 2023.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans and advances to banks for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	123,657	38,151
Net remeasurement of loss allowance inclusive repayments	(123,657)	(38,151)
New financial assets originated or purchased	151,903	123,657
Balance at 31 December	151,903	123,657

17 Investment securities

(a) Investment securities measured at fair value through other comprehensive income

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
<i>Investment securities measured at FVOCI</i>		
State bonds	42,588,734	30,190,240
Corporate bonds	1,784,698	320,080
Equity instruments	309,465	42,825
Total investment securities measured at FVOCI	44,682,897	30,553,145
<i>Debt investment securities measured at FVOCI pledged under repurchase agreements</i>		
State bonds	17,910,915	6,181,126
Total debt investment securities measured at FVOCI pledged under repurchase agreements	17,910,915	6,181,126

Investment securities measured at fair value through other comprehensive income are fully in Stage 1 as at 31 December 2024 and 31 December 2023.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the periods ended 31 December 2024 and 31 December 2023. The loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities measured at fair value through other comprehensive income is their fair value.

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
	<u>Stage 1</u>	<u>Stage 1</u>
ECL allowance as at 1 January	75,552	56,044
Net remeasurement of loss allowance inclusive repayments	34,656	(23,471)
New financial assets originated or purchased	92,155	42,979
Balance at 31 December	<u>202,363</u>	<u>75,552</u>

(i) Non-quoted equity investment securities designated at fair value through other comprehensive income

Included in financial assets at fair value through other comprehensive income are non-quoted equity securities as follows:

Name	Country of incorporation	% controlled		In thousand Armenian drams	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
ArCa	Republic of Armenia	1.25	1.25	77,357	10,717
ACRA Credit Reporting	Republic of Armenia	5.90	5.90	32,108	32,108
ES EM CJSC	Republic of Armenia	8.33	-	200,000	-
				<u>309,465</u>	<u>42,825</u>

The Bank's management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2024 and 31 December 2023.

(b) Investment securities measured at amortised cost

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
<i>Investment securities at amortised cost</i>		
State bonds	27,293,395	45,197,751
Corporate bonds	4,242,055	4,034,302
Loss allowance	(133,514)	(90,912)
Total investment securities measured at amortised cost	<u>31,401,936</u>	<u>49,141,141</u>

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at amortised cost.

As at 31 December 2024 the Bank has no counterparty except for the Government of the Republic of Armenia (2023: no counterparty except for the Government of the Republic of Armenia) whose balances exceed 10% of the Bank's equity.

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2024 and 31 December 2023.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortised cost for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	90,912	51,015
Net remeasurement of loss allowance inclusive repayments	37,062	12,914
New financial assets originated or purchased	5,540	26,983
Balance at 31 December	133,514	90,912

18 Loans and advances to customers

	31 December 2024	31 December 2023 (audited)
Loans to legal entities		
Loans to large companies	39,845,947	43,829,383
Loans to small and medium size companies	86,242,367	59,356,138
Loans to credit and investment organizations	7,390,036	7,849,754
Total loans to legal entities	133,478,350	111,035,275
Loans to individuals		
Mortgage	94,554,036	72,730,593
Consumer lending	44,889,884	28,593,677
Total loans to individuals	139,443,920	101,324,270
Total gross loans and advances to customers at amortised cost	272,922,270	212,359,545
Receivables from finance lease	7,307,462	3,002,924
ECL allowance	(3,323,286)	(3,611,104)
Total net loans and advances to customers	276,906,446	211,751,365

(a) Loans to legal entities and individuals

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to legal entities for the years ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	100,892,350	3,401,974	6,740,951	111,035,275
New assets originated or purchased	101,277,453	-	-	101,277,453
Assets repaid	(76,565,192)	(380,059)	(199,168)	(77,144,419)
- Transfer to Stage 1	5,037	(5,037)	-	-
- Transfer to Stage 2	(254,562)	254,562	-	-
- Transfer to Stage 3	(160,862)	(1,658,692)	1,819,554	-
Net change in asset from interest and foreign exchange revaluation	(1,715,468)	22,747	(74,489)	(1,767,210)
Recoveries	-	-	246,646	246,646
Amounts written off during the year	-	-	(169,395)	(169,395)
Balance at 31 December	123,478,756	1,635,495	8,364,099	133,478,350

In thousand Armenian drams

	31 December 2023 (audited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	80,417,120	2,871,051	3,816,454	87,104,625
New assets originated or purchased	51,682,893	-	-	51,682,893
Assets repaid	(30,172,631)	(572,449)	(304,470)	(31,049,550)
- Transfer to Stage 1	410,485	(406,442)	(4,043)	-
- Transfer to Stage 2	(3,453,146)	3,484,160	(31,014)	-
- Transfer to Stage 3	(499,073)	(2,430,171)	2,929,244	-
Net change in asset from interest and foreign exchange revaluation	2,506,702	455,825	669,791	3,632,318
Recoveries	-	-	311,793	311,793
Amounts written off during the year	-	-	(646,804)	(646,804)
Balance at 31 December	100,892,350	3,401,974	6,740,951	111,035,275

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to legal entities for the periods ended 31 December 2024 and 31 December 2023.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
In thousand Armenian drams				
Loans to legal entities				
ECL allowance as at 1 January	498,262	28,111	2,476,762	3,003,135
Changes due to financial assets recognised in opening balance that have:				
- Transfer to Stage 1	1,801	(1,801)	-	-
- Transfer to Stage 2	(371)	371	-	-
- Transfer to Stage 3	(195)	(9,325)	9,520	-
Net remeasurement of loss allowance inclusive repayments	(271,811)	14,195	(446,563)	(704,179)
New financial assets originated or purchased	312,507	-	-	312,507
Recoveries	-	-	246,646	246,646
Amounts written off during the year	-	-	(169,395)	(169,395)
Balance at 31 December	540,193	31,551	2,116,970	2,688,714

	31 December 2023 (audited)			
	Stage 1	Stage 2	Stage 3	Total
In thousand Armenian drams				
Loans to legal entities				
ECL allowance as at 1 January	312,536	242,688	1,284,491	1,840,044
Changes due to financial assets recognised in opening balance that have:				
- Transfer to Stage 1	9,604	(6,247)	(3,357)	-
- Transfer to Stage 2	(6,740)	6,740	-	-
- Transfer to Stage 3	(42)	(235,815)	235,857	-
Net remeasurement of loss allowance inclusive repayments	(120,690)	20,745	1,059,287	959,342
New financial assets originated or purchased	303,594	-	-	303,594
Recoveries	-	-	311,793	311,793
Amounts written off during the year	-	-	(411,309)	(411,309)
Balance at 31 December	498,262	28,111	2,476,762	3,003,135

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to individuals for the years ended 31 December 2024 and 31 December 2023.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
In thousand Armenian drams				
Mortgage and consumer lending				
Balance at 1 January	100,477,732	388,590	457,948	101,324,270
New assets originated or purchased	66,527,084	-	-	66,527,084
Assets repaid	(61,612,305)	(710,628)	(118,607)	(62,441,540)
- Transfer to Stage 1	96,866	(59,340)	(37,526)	-
- Transfer to Stage 2	(557,573)	579,938	(22,365)	-
- Transfer to Stage 3	(434,946)	(198,771)	633,717	-

In thousand Armenian drams	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Net change in asset from interest and foreign exchange revaluation	33,752,651	636,251	(653,430)	33,735,472
Recoveries	-	-	1,146,967	1,146,967
Amounts written off during the year	-	-	(848,333)	(848,333)
Balance at 31 December	138,249,509	636,040	558,371	139,443,920

In thousand Armenian drams	31 December 2023 (audited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	75,818,856	460,117	813,610	77,092,583
New assets originated or purchased	52,969,692	-	-	52,969,692
Assets repaid	(28,337,359)	(209,950)	(865,310)	(29,412,619)
- Transfer to Stage 1	244,018	(196,508)	(47,510)	-
- Transfer to Stage 2	(319,590)	351,967	(32,377)	-
- Transfer to Stage 3	(448,888)	(81,313)	530,201	-
Net change in asset from interest and foreign exchange revaluation	551,003	64,277	(308,042)	307,238
Recoveries	-	-	1,137,506	1,137,506
Amounts written off during the year	-	-	(770,130)	(770,130)
Balance at 31 December	100,477,732	388,590	457,948	101,324,270

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to individuals for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL allowance as at 1 January	341,010	84,025	175,528	600,563
Changes due to financial assets recognised in opening balance that have:				
- Transfer to Stage 1	16,348	(10,277)	(6,071)	-
- Transfer to Stage 2	(40,135)	49,519	(9,384)	-
- Transfer to Stage 3	(58,091)	(49,878)	107,969	-
Net remeasurement of loss allowance inclusive repayments	(228,175)	40,413	(352,902)	(540,664)
New financial assets originated or purchased	259,745	-	-	259,745
Recoveries	-	-	1,146,967	1,146,967
Amounts written off during the year	-	-	(848,333)	(848,333)
Balance at 31 December	290,702	113,802	213,774	618,278

In thousand Armenian drams

	31 December 2023 (audited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL allowance as at 1 January	431,538	139,658	334,474	905,670
Changes due to financial assets recognised in opening balance that have:				
- Transfer to Stage 1	91,395	(68,500)	(22,895)	-
- Transfer to Stage 2	(10,549)	18,081	(7,532)	-
- Transfer to Stage 3	(6,783)	(33,372)	40,155	-
Net remeasurement of loss allowance inclusive repayments	(349,146)	28,158	(536,050)	(857,038)
New financial assets originated or purchased	184,555	-	-	184,555
Recoveries	-	-	1,137,506	1,137,506
Amounts written off during the year	-	-	(770,130)	(770,130)
Balance at 31 December	341,010	84,025	175,528	600,563

Credit quality of loans to customers

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2024. Additional information about credit quality of corporate loans and advances to customers based on Internal Credit Rating model is disclosed in Note 29.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to large companies				
not overdue	33,044,236	1,431,907	-	34,476,143
overdue less than 30 days	-	-	42,568	42,568
overdue more than 90 days	-	-	5,327,236	5,327,236
Gross carrying amount	33,044,236	1,431,907	5,369,804	39,845,947
ECL allowance	(164,848)	(14,584)	(1,866,761)	(2,046,193)
Net carrying amount	32,879,388	1,417,323	3,503,043	37,799,754
Loans to small and medium size companies				
not overdue	82,749,362	54,257	20,993	82,824,612
overdue less than 30 days	295,122	80,583	1,763,225	2,138,930
overdue more than 30 days and less than 90 days	-	68,748	-	68,748
overdue more than 90 days	-	-	1,210,077	1,210,077
Gross carrying amount	83,044,484	203,588	2,994,295	86,242,367
ECL allowance	(224,681)	(16,967)	(250,209)	(491,857)
Net carrying amount	82,819,803	186,621	2,744,086	85,750,510
Loans to credit and investment organizations				
not overdue	7,390,036	-	-	7,390,036
Gross carrying amount	7,390,036	-	-	7,390,036
ECL allowance	(150,664)	-	-	(150,664)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Net carrying amount	7,239,372	-	-	7,239,372
<i>Mortgage</i>				
not overdue	93,940,566	274,720	142,796	94,358,082
overdue less than 30 days	48,142	5,974	10,398	64,514
overdue more than 30 days and less than 90 days	-	20,873	24,471	45,344
overdue more than 90 days	-	-	86,096	86,096
Gross carrying amount	93,988,708	301,567	263,761	94,554,036
ECL allowance	(67,066)	(45,045)	(53,864)	(165,975)
Net carrying amount	93,921,642	256,522	209,897	94,388,061
<i>Consumer lending</i>				
not overdue	44,166,815	162,627	38,205	44,367,647
overdue less than 30 days	93,986	29,980	26,345	150,311
overdue more than 30 days and less than 90 days	-	141,866	20,464	162,330
overdue more than 90 days	-	-	209,596	209,596
Gross carrying amount	44,260,801	334,473	294,610	44,889,884
ECL allowance	(223,636)	(68,757)	(159,910)	(452,303)
Net carrying amount	44,037,165	265,716	134,700	44,437,581
Total gross loans and advances to customers	261,728,265	2,271,535	8,922,470	272,922,270
Total net loans and advances to customers	260,897,370	2,126,182	6,591,726	269,615,278

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to large companies</i>				
not overdue	36,464,183	1,724,724	552,259	38,741,166
overdue more than 30 days and less than 90 days	-	-	2,042,779	2,042,779
overdue more than 90 days	-	-	3,045,438	3,045,438
Gross carrying amount	36,464,183	1,724,724	5,640,476	43,829,383
ECL allowance	(246,811)	(12,233)	(2,347,412)	(2,606,456)
Net carrying amount	36,217,372	1,712,491	3,293,064	41,222,927
<i>Loans to small and medium size companies</i>				
not overdue	56,571,150	1,650,086	-	58,221,236
overdue less than 30 days	7,263	26,768	-	34,031
overdue more than 30 days and less than 90 days	-	396	10,994	11,390

31 December 2023

	Stage 1	Stage 2	Stage 3	Total
overdue more than 90 days	-	-	1,089,481	1,089,481
Gross carrying amount	56,578,413	1,677,250	1,100,475	59,356,138
ECL allowance	(150,922)	(15,878)	(129,350)	(296,150)
Net carrying amount	56,427,491	1,661,372	971,125	59,059,988
<i>Loans to credit and investment organizations</i>				
not overdue	7,849,754	-	-	7,849,754
Gross carrying amount	7,849,754	-	-	7,849,754
ECL allowance	(100,529)	-	-	(100,529)
Net carrying amount	7,749,225	-	-	7,749,225
<i>Mortgage</i>				
not overdue	72,221,297	158,193	199,101	72,578,591
overdue less than 30 days	11,315	23,017	13,678	48,010
overdue more than 30 days and less than 90 days	-	41,403	-	41,403
overdue more than 90 days	-	-	62,589	62,589
Gross carrying amount	72,232,612	222,613	275,368	72,730,593
ECL allowance	(39,537)	(26,080)	(57,247)	(122,864)
Net carrying amount	72,193,075	196,533	218,121	72,607,729
<i>Consumer lending</i>				
not overdue	28,116,824	60,189	440	28,177,453
overdue less than 30 days	128,296	10,281	-	138,577
overdue more than 30 days and less than 90 days	-	95,238	751	95,989
overdue more than 90 days	-	269	181,389	181,658
Gross carrying amount	28,245,120	165,977	182,580	28,593,677
ECL allowance	(301,473)	(57,945)	(118,281)	(477,699)
Net carrying amount	27,943,647	108,032	64,299	28,115,978
Total gross loans and advances to customers	201,370,082	3,790,564	7,198,899	212,359,545
Total net loans and advances to customers	200,530,810	3,678,428	4,546,609	208,755,847

(i) *Analysis of collateral and other credit enhancements*

Loans to legal entities

Loans to legal entities are subject to individual credit appraisal and impairment testing. The general creditworthiness of a legal entity tends to be the most relevant indicator of credit quality of the loan. However, collateral provides additional security and the Bank generally requires corporate borrowers to provide it.

The main types of collateral obtained are real estate properties, equipment, inventory and cash collateral.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

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

Loans to individuals

Mortgage loans are secured by the underlying housing real estate.

As at 31 December 2024 consumer loans are secured by real estate, movable property, cash and gold.

The analysis of gross loan portfolio by collateral is represented as follows:

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Real estate	211,704,192	161,845,204
Movable property and other fixed assets	7,271,752	7,967,117
Current accounts and deposits	9,143,206	3,403,289
Guarantees	21,070,607	11,342,408
Precious metals, gold	1,702,816	1,456,745
Other	737,315	1,526,381
Unsecured	21,292,382	24,818,401
Total loans and advances, gross	<u>272,922,270</u>	<u>212,359,545</u>

Reposessed collateral

During the period ended 31 December 2024, the Bank obtained certain assets by taking possession of collateral for loans to customers with a carrying amount of AMD 75,223 thousand (2023: AMD 198,862 thousand).

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Real estate	1,360,456	1,518,724
Other reposessed assets	-	8,216
Total reposessed assets	<u>1,360,456</u>	<u>1,526,940</u>

The Bank's intention is to sell these assets as soon as it is practicable.

(ii) Industry and geographical analysis of the loans to legal entities and individuals

Loans to customers were issued to finance in the following economic sectors:

	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Trade	31,735,716	27,048,229
Construction	39,222,923	24,585,775
Manufacturing	22,895,919	18,669,843
Finance and investment	7,390,036	7,849,754
Energy	6,282,803	6,847,592
Transportation and communication	5,192,271	6,400,752

	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Food and beverage	7,956,399	5,364,183
Hospitality and food service	7,313,562	6,289,663
Culture and leisure	509,438	4,256,944
Agriculture	1,983,617	1,786,846
Other	2,995,666	1,935,694
Loans to individuals	139,443,920	101,324,270
	272,922,270	212,359,545
ECL allowance	(3,306,992)	(3,603,698)
	269,615,278	208,755,847

(iii) Significant credit exposures

As of 31 December 2024 and 31 December 2023, the Bank has no borrowers and groups of related borrowers, whose loan balances exceed 10% of the Bank's equity.

(iv) Loan maturities

The maturity of the loan portfolio is presented in Note 29 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(b) Receivables from finance leases

<i>In thousand Armenian drams</i>	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Gross investment in finance leases receivable		
Less than one year	3,249,546	1,008,483
Between one and two years	3,384,529	1,000,057
Between two and three years	1,658,394	948,551
Between three and four years	683,050	485,344
Between four and five years	204,428	173,607
More than five years	-	16,832
	9,179,947	3,632,874
Unearned finance income	(1,872,485)	(629,950)
Gross investment in finance lease receivables	7,307,462	3,002,924
Impairment allowance	(16,294)	(7,406)
Net investment in finance leases	7,291,168	2,995,518

(i) Quality analysis of finance leases

The following table provides information on the credit quality of receivables from finance leases as at 31 December 2024:

In thousand Armenian drams

	Stage 1	Stage 2	Stage 3	Total
Receivables from finance leases				
- not overdue	7,307,462	-	-	7,307,462
Total gross receivables from finance leases	7,307,462	-	-	7,307,462
Credit loss allowance	(16,294)	-	-	(16,294)
Total net receivables from finance leases	7,291,168	-	-	7,291,168

The following table provides information on the credit quality of receivables from finance leases as at 31 December 2023:

In thousand Armenian drams

	Stage 1	Stage 2	Stage 3	Total
Receivables from finance leases				
- not overdue	3,002,924	-	-	3,002,924
Total gross receivables from finance leases	3,002,924	-	-	3,002,924
Credit loss allowance	(7,406)	-	-	(7,406)
Total net receivables from finance leases	2,995,518	-	-	2,995,518

(ii) Concentration of receivables from finance leases

As at 31 December 2024 and 31 December 2023 the Bank has no customers whose balances exceed 10% of the Bank's equity.

19 Property, equipment and intangible assets

<i>In thousand Armenian drams</i>	Land and buildings	Leasehold improve- ments	Computer and communic ation equipment	Vehicles	Office equipmen t and other fixed assets	Capital investm ents on property and equipme nt	Intangibl e assets	Total
<i>Cost</i>								
At 1 January 2023 (audited)	6,630,480	248,031	1,150,981	187,293	2,316,324	-	886,422	11,419,531
Additions	607,016	22,734	226,827	95,538	421,725	-	245,524	1,619,364
Reclassificati ons	-	-	100	-	(100)	-	-	-
Disposals	-	(42,254)	(6,349)	-	(43,021)	-	(51,494)	(143,118)
At 31 December 2023	7,237,496	228,511	1,371,559	282,831	2,694,928	-	1,080,452	12,895,777
At 1 January 2024 (audited)	7,237,496	228,511	1,371,559	282,831	2,694,928	-	1,080,452	12,895,777
Additions	-	107,295	245,822	130	606,436	12,274	374,647	1,346,604
Reclassificati ons	-	6,167	(100)	-	5,942	(12,009)	-	-
Disposals	-	(2,201)	(13,226)	(56,912)	(40,890)	-	-	(113,229)
Revaluation	847,327	-	-	-	-	-	-	847,327
Elimination of accumulated depreciation	(1,005,728)	-	-	-	-	-	-	(1,005,728)
At 31 December 2024	7,079,095	339,772	1,604,055	226,049	3,266,416	265	1,455,099	13,970,751
<i>Accumulated depreciation</i>								
At 1 January 2023 (audited)	544,185	77,372	595,060	96,121	1,340,143	-	284,135	2,937,016
Charge for the year	229,805	14,641	150,731	24,487	215,115	-	165,574	800,353
Reclassificati ons	-	-	2	-	(2)	-	-	-
Disposals	-	(4,899)	(6,349)	-	(41,355)	-	(51,494)	(104,097)
At 31 December 2023	773,990	87,114	739,444	120,608	1,513,901	-	398,215	4,184,016
At 1 January 2024 (audited)	773,990	87,114	739,444	120,608	1,513,901	-	398,215	4,184,016
Charge for the year	231,736	17,526	203,571	32,596	242,994	-	261,090	989,513
Reclassificati ons	-	1	(17)	-	16	-	-	-
Disposals	-	(125)	(13,224)	(52,215)	(38,087)	-	-	(103,651)

*In thousand
Armenian
drams*

	<u>Land and buildings</u>	<u>Leasehold improve- ments</u>	<u>Computer and communic ation equipment</u>	<u>Vehicles</u>	<u>Office equipmen t and other fixed assets</u>	<u>Capital investm ents on property and equipme nt</u>	<u>Intangibl e assets</u>	<u>Total</u>
Elimination of accumulated depreciation	(1,005,728)	-	-	-	-	-	-	(1,005,728)
At 31 December 2024	(2)	104,516	929,774	100,989	1,718,824	-	659,305	3,513,406
Carrying amount At 31 December 2023 (audited) At 31 December 2024	6,463,506	141,397	632,115	162,223	1,181,027	-	682,237	9,262,505
	7,079,097	235,256	674,281	125,060	1,547,592	265	795,794	10,457,345

(a) Restrictions on title of fixed assets and intangible assets

As of 31 December 2024 and 31 December 2023, the Bank does not possess any fixed assets and intangible assets pledged as security for liabilities or whose title is otherwise restricted.

(b) Contractual commitments

As of 31 December 2024 and 31 December 2023 the Bank had not contractual commitments of making investments in fixed assets and intangible assets.

(c) Revaluation of assets

The carrying value of land and buildings as at 31 December 2024, if the land and buildings would not have been revalued, would amount to AMD 2,422,293 thousand (31 December 2023: AMD 2,473,457 thousand).

The fair value of the land and buildings was last determined as at 31 December 2024 based on valuation performed by an external, independent licensed valuator, having appropriate recognised professional qualifications and recent experience in the category of property being valued. The fair value was determined using a combination of the cost and market approaches. The market approach was based on announced asking prices for similar properties in terms of use, age, location and condition applying coefficients for adjusting the input prices for differences in use, age, location and condition, if any, ranging from 0.98 to 1.4. The cost approach calculated the investments needed to construct a similar building minus accumulated physical depreciation. Functional and economic depreciation were assessed as nil considering the location and age of the buildings..

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

20 Leases

The Bank leases assets such as branch offices and other spaces. The leases of branch office and other spaces typically run for a period of 5 to 12 years.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about leases for which the Bank is a lessee is presented below:

(a) Right of use asset

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Balance at 1 January	1,055,100	1,077,445
Additions to right of use assets	305,345	378,333
Lease contract terminations	(55,707)	(271,961)
Depreciation charge for the period	(253,611)	(205,687)
Lease contract modifications	77,651	76,970
Balance at reporting date	1,128,776	1,055,100

(b) Amounts recognised in profit or loss

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Depreciation of right of use asset	253,611	205,687
Interest on lease liabilities	123,915	103,786
Expenses of short term and low value assets leases (Note 13)	96,161	70,151

(c) Amounts recognised in the statement of cash flows

	31 December 2024	31 December 2023 (audited)
Total cash outflow for leases	354,400	353,073

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Balance at 1 January	1,150,077	1,166,032
Changes from financing cash flows		
Repayments	(342,138)	(282,922)
Total changes from financing cash flows	(342,138)	(282,922)
Other changes		
Additions to lease liability	305,345	353,678
Termination	(67,971)	(258,325)
Modification	77,651	67,828
Interest expense	123,915	103,786

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)
Balance at 31 December	1,246,879	1,150,077

21 Other assets

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)
Receivables and other proceeds	1,949,522	1,712,671
Proceeds on cash transfers	1,463,606	599,091
Other financial assets	3,413,128	2,311,762
Less allowance for assets impairment	(3,372)	(3,738)
Total other financial assets	3,409,756	2,308,024
Prepayments	1,224,488	1,419,363
Materials	128,009	115,682
Tax prepayments	2,887	1,195
Other	628,253	376,039
Total non-financial assets	1,983,637	1,912,279
Total other assets	5,393,393	4,220,303

As at 31 December 2024 other financial assets in the amount of AMD 3,413,128 thousand were allocated to Stage 1 and were not overdue (2023: AMD 2,311,762 thousand fully allocated to Stage 1 and not overdue.)

The following tables show reconciliations from the opening to the closing balances of the loss allowance for other financial assets for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	3,738	13,790
Net remeasurement of loss allowance inclusive repayments	(3,738)	(13,790)
New financial assets originated or purchased	(25,364)	41,938
Net amounts written off	28,736	(38,200)
Balance at 31 December	3,372	3,738

22 Deposits and balances from banks

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Time deposits from banks	-	6,720,267
Vostro accounts	20,003,354	1,987,393
Other payables to banks	543	2,874,049
Total amounts due to banks	20,003,897	11,581,709

As of 31 December 2024, the Bank has no counterparty banks (31 December 2023: no banks), whose balances exceed 10% of the Bank's equity.

23 Amounts payable under repurchase agreements

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Repurchase agreements with the CBA	17,023,540	6,007,733
Total amounts payable under repurchase agreements	17,023,540	6,007,733

(a) Concentration of amounts payable under repurchase agreements

As at 31 December 2024 and 31 December 2023, the Bank has no counterparty whose balances exceed 10% of equity.

24 Current accounts and deposits from customers

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
<i>Legal entities</i>		
Current/Settlement accounts	97,035,043	82,007,289
Time deposits	41,057,010	33,900,900
	138,092,053	115,908,189
<i>Individuals</i>		
Current/Settlement accounts	58,984,338	49,085,302

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Time deposits	132,427,609	115,828,100
	191,411,947	164,913,402
Total amounts due to customers	<u>329,504,000</u>	<u>280,821,591</u>

As of 31 December 2024, time deposits of legal entities/individuals include deposits amounting to AMD 11,525,716 thousand (31 December 2023: AMD 6,516,116 thousand) held as security against loans to customers, guarantees issued and other transaction related contingent obligations. The fair value of those deposits approximates the carrying amount.

As at 31 December 2024, the Bank has two counterparties (31 December 2023: one customer) , the balances of which exceed 10% of the Bank's equity. The gross value of these balances as of 31 December 2024 is AMD 21,498,079 thousand(gross value of those balance as 31 December 2023 is AMD 7,216,537 thousand).

25 Debt securities issued

In thousand Armenian drams	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Debt securities issued	32,862,442	21,296,245
Total debt securities issued	<u>32,862,442</u>	<u>21,296,245</u>

On 27 March 2023, the Bank issued bonds with a public placement for a total of AMD 2 billion, USD 10 million and EUR 7 million. The bonds have been fully placed. The coupon annual yield of the bonds is 11%, 5.25% and 4%, the coupon payment frequency is quarterly, the turnover term is 30 and 39 months.

On 25 September 2023, the Bank issued bonds with a public placement for a total of AMD 2 billion and USD 10 million. The bonds have been fully placed. The coupon annual yield of the bonds is 11% and 5%, the coupon payment frequency is quarterly, the turnover term is 30 months.

On 25 July 2023, the Bank issued bonds with a public placement for a total of AMD 3 billion and USD 15 million. The bonds have been fully placed. The coupon annual yield of the bonds is 10.25% and 5.25%, the coupon payment frequency is quarterly, the turnover term is 36 months.

On 30 September 2024, the Bank issued bonds with a public placement for a total of AMD 3 billion and USD 15 million. The bonds have The coupon annual yield of the bonds is 10% and 5%, the coupon payment frequency is quarterly, the turnover term is 36 months.

Bonds issued by the Bank are listed in Armenia Securities Exchange stock exchange.

26 Other borrowed funds and subordinated borrowings

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)
Loans from credit organizations	22,134,434	20,144,512
Borrowings received from RA government and CBA	3,850,872	4,875,973
Borrowings from international financial institutions	27,032,969	18,332,942
Total other borrowings	53,018,275	43,353,427

According to the agreement the Central Bank of Armenia provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring of the loans is performed by the "Directing Office of the "German Armenian Foundation" program". These loans are considered to be separate market segment loans.

As at 31 December 2024 included in loans from credit organizations are loans of AMD 22,134,434 thousand (31 December 2023: AMD 20,144,512 thousand) with arrangements to sub-lend these funds to borrowers for qualifying mortgage 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 bear interest rate of CBA refinancing rate and are represent a separate market segment.

(a) Concentration of borrowings from international financial institutions

As of 31 December 2024, the Bank has two counterparties (31 December 2023: three counterparties), the balances of which exceed 10% of the Bank's equity. These borrowings as of 31 December 2024 amounted to AMD 22,135,321 thousand (31 December 2023: AMD 31,781,102 thousand).

(b) Subordinated borrowing

Subordinate debt represents a long-term borrowing agreement, which, in case of the Bank's default, would be secondary to the Bank's other obligations, including deposits and other debt instruments.

During 2016 The Bank has received a subordinated debt in amount of US dollar 10,000 thousand maturing in 2031.

(c) Covenants

The Bank is required to meet certain covenants in connection with borrowing agreements. The Bank was in compliance with all covenants as at 31 December 2024 and 31 December 2023.

27 Other liabilities

In thousand Armenian drams

	31 December 2024	31 December 2023 (audited)
Due to personnel	640,516	461,388
Dividends payable on preference shares	646,000	646,000
Accounts payables	4,011,089	2,837,304
Total other financial liabilities	6,544,484	3,944,692
Tax payable, other than income tax	1,336,232	940,036
Grants related to assets	35,340	37,439
Expected loss allowance for financial guarantee contracts	78,216	66,457
Other	39,520	35,394

In thousand Armenian drams

	<u>31 December 2024</u>	<u>31 December 2023</u> <u>(audited)</u>
Total other non-financial liabilities	1,489,308	1,079,326
Total other liabilities	6,786,913	5,024,018

28 Share capital and reserves

(a) Issued capital

As of 31 December 2024, the Bank's registered and paid-in charter capital was AMD 23,000,000 thousand. In accordance with the Bank's statutes, the share capital consists of 172,500 ordinary shares, all of which have a par value of AMD 100,000 each and 57,500 non-redeemable preference shares, all of which have a par value of AMD 100,000 each.

As of 31 December 2024 and 31 December 2023 the Bank did not possess any of its own shares.

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

The holders of preference shares are entitled to annual dividends of 10-12% of nominal value of preference shares and are not entitled to vote, except for issues on reorganization or liquidation of the Bank.

(b) Nature and purpose of reserves

Fair value reserve for investment securities

The fair value reserve for investment securities comprises the cumulative net change in the fair value of investment securities measured at FVOCI, until the assets are derecognised. This amount is reduced by the amount of loss allowance. Upon derecognition of the asset the respective portion of the reserve is reclassified to profit or loss.

Revaluation surplus for land and buildings

The revaluation surplus for land and buildings comprises the cumulative positive revalued value of land and buildings, until the assets are derecognised or impaired. Depreciation is recycled through profit or loss.

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia.

According to legal requirements, the Bank is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

The amount of preference dividends recognized in the financial statements as at 31 December 2024 amounted of AMD 646,000 thousand (31 December 2023: AMD 646,000 thousand). Dividends per preference share for 2024 amounted to AMD 11,235(31 December 2023: AMD 11,325).

Dividends on ordinary shares declared and paid by the Bank in 2024 amounted to AMD 1,400,000 thousand (2023: AMD 2,800,000 thousand dividends). Dividends per ordinary share for 2024 amounted to AMD 8,116(31 December 2023: AMD 16,232).

29 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(i) Interest rate risk

Average effective interest rates

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

In thousand Armenian drams

	31 December 2024			31 December 2023 (audited)		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD, EUR and other convertible currencies	Other currencies	AMD	USD, EUR and other convertible currencies	Other currencies
Interest earning assets						
Amounts receivable under reverse repurchase agreements	8.0	4.6	-	10.4	4.3	-
Loans and advances to banks and other financial institutions	-	8.1	-	-	6.0	21.0
Investment securities	10.7	8.0	-	10.8	2.6	-
Loans and advances to customers	13.7	7.9	9.5	13.2	8.4	10.4
Interest earning liabilities						
Amounts due to banks	-	-	-	-	1.9	-
Amounts payable under repurchase agreements	7.5	-	-	9.9	-	-
Amounts due to customers	10.0	4.4	5.4	10.6	4.4	5.4
Debt securities issued	10.9	5.1	-	11.4	4.9	-
Other borrowings	8.0	9.5	-	6.9	10.9	-
Subordinated debt	-	9.3	-	-	9.3	-

Interest rate sensitivity analysis

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

	31 December 2024	31 December 2023 (audited)
100 bp parallel rise	239,871	145,484
100 bp parallel fall	(239,871)	(145,484)

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

	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
100 bp parallel rise	(1,482,102)	(916,764)
100 bp parallel fall	1,482,102	916,764

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.

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

In thousand Armenian drams

	<u>31 December 2024</u>			
	<u>AMD</u>	<u>Freely convertible currencies</u>	<u>Non-freely convertible currencies</u>	<u>Total</u>
Assets				
Cash and cash equivalents	32,425,502	44,188,215	6,543,742	83,157,459
Amounts receivable under reverse repurchase agreements	42,975,822	2,747,946	-	45,723,768
Loans and advances to banks and other financial institutions	2,572,740	30,109,016	1,314,417	33,996,173
Investment securities	85,261,940	8,840,615	-	94,102,555
Loans and advances to customers	138,409,047	136,991,557	1,505,842	276,906,446
Other financial assets	2,189,858	1,203,164	16,734	3,409,756
Total	303,834,909	224,080,513	9,380,735	537,296,157
Liabilities				
Amounts due to banks	(3,390,020)	23,133,129	260,788	20,003,897
Amounts payable under repurchase agreements	17,023,540	-	-	17,023,540
Amounts due to customers	164,861,190	156,836,994	7,805,816	329,504,000
Debt securities issued	10,067,207	22,795,235	-	32,862,442
Other borrowings	34,842,557	18,175,718	-	53,018,275
Subordinated debt	-	4,023,289	-	4,023,289
Lease liability	1,246,879	-	-	1,246,879
Other financial liabilities	3,738,970	1,481,162	77,473	5,297,605
Total	228,390,323	226,445,527	8,144,077	462,979,927
Regular way purchase agreements – foreign exchange spot transactions effect	-	1,135,260	(1,135,260)	-
Net position	75,444,586	(1,229,754)	101,398	74,316,230
Commitments and contingent liabilities	17,969,873	12,262,624	-	30,232,497

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

In thousand Armenian drams

	31 December 2023 (audited)			
	AMD	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and cash equivalents	24,927,453	34,804,505	1,205,775	60,937,733
Amounts receivable under reverse repurchase agreements	27,487,145	2,762,086	-	30,249,231
Loans and advances to banks and other financial institutions	3,801,381	31,645,532	5,317,862	40,764,775
Investment securities	65,393,438	20,481,974	-	85,875,412
Loans and advances to customers	100,381,215	110,914,414	455,736	211,751,365
Other financial assets	1,626,515	480,428	201,081	2,308,024
Total	223,617,147	201,088,939	7,180,454	431,886,540
Liabilities				
Amounts due to banks	12,460	11,561,548	7,701	11,581,709
Amounts payable under repurchase agreements	6,007,733	-	-	6,007,733
Amounts due to customers	123,151,191	151,526,628	6,143,772	280,821,591
Debt securities issued	6,007,965	15,288,280	-	21,296,245
Other borrowings	25,656,867	17,696,560	-	43,353,427
Subordinated debt	-	4,107,166	-	4,107,166
Lease liability	1,150,077	-	-	1,150,077
Other financial liabilities	3,134,831	772,546	37,314	3,944,692
Total	165,121,124	200,952,728	6,188,788	372,262,640
Regular way purchase agreements – foreign exchange spot transactions effect	(5,000)	380,730	(375,730)	-
Net position	58,491,023	516,941	615,936	59,623,900
Commitments and contingent liabilities	12,344,449	12,195,393	-	24,539,842

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee and Risk Management Center, which actively monitor credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (legal entities and individuals);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing control and monitoring of loans and other credit exposures.

Legal entity loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the loan portfolio of legal entities. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal Department depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Loans to individuals credit applications are reviewed by the Retail Lending Subdivisions..

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans and advances to customers and concentration of credit risk in respect of loans and advances to customers refer to Note 18.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 31.

Impairment assessment

From 1 January 2018, the Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. 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. 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, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 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 revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay, based on management's judgment. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

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 analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Loans and advances to customers

The Bank implements its own internal credit rating model for individually significant large-scale loans, the later consists about 47% of total corporate loan portfolio. The Bank assigns ratings in accordance with Moody's ratings scale and applies PD's by Moody's corresponding to the respective rating.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12m ECL. 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.

EAD is derived based loan individual repayment schedules.

Loss given default

For unsecured retail Stage 1, Stage 2 and Stage 3 exposures, the Bank calculated LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate of each loan. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, etc.). For remaining Stage 1, Stage 2 and Stage 3 exposures the Bank calculates LDG individually considering expected cash, including cash flows from realisation 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 risk in credit risk of the assets, when payments related to that assets 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;
- difficulties in the financial conditions of the borrower;
- renegotiation of the loan terms resulting from deterioration of the borrower's financial position.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a macroeconomic indicators as forward-looking information, such as:

- USD/AMD exchange rate;
- real GDP growth.

The Bank obtains the forecasts of macroeconomic data from third party source (Economic Intelligence Unit, Ministry of Finance of RA). The projected value real GDP growth for 2024 is 7% and projected USD/AMD rate is 389.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Bank receives and accepts collateral in the form of marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The above 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.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2024:

In thousand Armenian drams	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	Financial instruments	Net amount
Types of financial assets/liabilities						
Amounts receivable under reverse repurchase agreements	45,738,840	-	45,738,840		-	-
Total financial assets	45,738,840	-	45,738,840		-	-
Amounts payable under repurchase agreements	17,023,540	-	17,023,540		-	-
Total financial liabilities	17,023,540	-	17,023,540		-	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2023:

In thousand Armenian drams	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	Financial instruments	Net amount
Types of financial assets/liabilities						
Amounts receivable under reverse repurchase agreements	30,249,231	-	30,249,231		-	-
Total financial assets	30,249,231	-	30,249,231		-	-
Amounts payable under repurchase agreements	6,007,733	-	6,007,733		-	-
Total financial liabilities	6,007,733	-	6,007,733		-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortised cost basis.

(d) Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and international financial organisations, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;

- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Assets and Liabilities Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called. 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.

The maturity analysis for financial liabilities as at 31 December 2024 and 31 December 2023 is as follows:

In thousand Armenian drams	31 December 2024					
	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying value
<i>Non-derivative financial liabilities</i>						
Amounts due to banks	20,003,897	-	-	-	20,003,897	20,003,897
Amounts payable under repurchase agreements	17,033,658	-	-	-	17,033,658	17,023,540
Amounts due to customers	169,362,876	103,769,595	67,182,348	88,463	340,403,282	329,504,000
Debt securities issued	154,947	3,969,627	33,121,961	-	37,246,535	32,862,442
Other borrowings	332,145	14,927,508	37,228,949	13,420,259	65,908,861	53,018,275
Subordinated debt	18,382	337,933	1,428,789	4,642,447	6,427,551	4,023,289
Lease liability	31,870	322,963	861,182	115,660	1,331,675	1,246,879
Total undiscounted non-derivative financial liabilities	206,937,775	123,327,626	139,823,229	18,266,829	488,355,459	457,682,322
Commitments and contingent liabilities	30,232,497	-	-	-	30,232,497	30,232,497

In thousand Armenian drams

31 December 2023 (audited)

	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying value
<i>Non-derivative financial liabilities</i>						
Amounts due to banks	11,581,709	-	-	-	11,581,709	11,581,709
Amounts payable under repurchase agreements	6,012,374	-	-	-	6,012,374	6,007,733
Amounts due to customers	142,872,717	90,546,134	56,067,147	70,016	289,556,014	280,821,591
Debt securities issued	-	7,345,018	16,430,984	-	23,776,002	21,296,245
Other borrowings	508,944	14,954,533	24,753,182	12,391,329	52,607,988	43,353,427
Subordinated debt	18,573	346,915	1,457,843	5,103,304	6,926,635	4,107,166
Lease liability	27,040	273,740	1,040,465	129,571	1,470,816	1,150,077
Total undiscounted non-derivative financial liabilities	161,021,357	113,466,340	99,749,621	17,694,220	391,931,538	368,317,948
Commitments and contingent liabilities	24,539,842	-	-	-	24,539,842	24,539,842

The tables below show an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2024 and 31 December 2023:

In thousand Armenian drams

	31 December 2024						
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash and cash equivalents	83,157,459	-	83,157,459	-	-	-	83,157,459
Amounts receivable under reverse repurchase agreements	45,723,768	-	45,723,768	-	-	-	45,723,768
Loans and advances to banks and other financial institutions	27,368,989	1,949,172	29,318,161	4,678,012	-	4,678,012	33,996,173
Investment securities at fair value through other comprehensive income including the pledged ones	5,218	8,349,104	8,354,322	45,954,202	8,285,288	54,239,490	62,593,812
Investment securities at amortized cost including the pledged ones	1,215,332	10,559,028	11,774,360	15,235,177	4,392,399	19,627,576	31,401,936
Loans and advances to customers	15,457,664	59,066,110	74,523,774	118,087,166	84,295,506	202,382,672	276,906,446
Other financial assets	3,409,756	-	3,409,756	-	-	-	3,409,756
	176,338,186	79,923,414	256,261,600	183,954,557	96,973,193	280,927,750	537,189,350
Liabilities							
Amounts due to banks	20,003,897	-	20,003,897	-	-	-	20,003,897
Amounts payable under repurchase agreements	17,023,540	-	17,023,540	-	-	-	17,023,540
Amounts due to customers	169,169,296	98,787,817	267,957,113	61,492,488	54,399	61,546,887	329,504,000
Debt securities issued	116,362	2,020,850	2,137,212	30,725,230	-	30,725,230	32,862,442
Other borrowings	288,388	11,801,995	12,090,383	29,272,258	11,655,634	40,927,892	53,018,275
Subordinated debt	17,991	39,893	57,884	-	3,965,405	3,965,405	4,023,289
Lease liability	198,375	237,110	435,485	709,109	102,285	811,394	1,246,879
Other financial liabilities	4,611,705	685,900	5,297,605	-	-	-	5,297,605
	211,429,554	113,573,565	325,003,119	122,199,085	15,777,723	137,976,808	462,979,927
Net position	(35,091,368)	(33,650,151)	(68,741,519)	61,755,472	81,195,470	142,950,942	74,209,423

In thousand Armenian drams

	31 December 2023 (audited)						
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>							
Cash and cash equivalents	60,937,733		60,937,733			-	60,937,733
Amounts receivable under reverse repurchase agreements	30,249,231	-	30,249,231	-	-	-	30,249,231
Loans and advances to banks and other financial institutions	33,767,305	4,729,244	38,496,549	2,268,226	-	2,268,226	40,764,775
Investment securities at fair value through other comprehensive income including the pledged ones	-	6,152,413	6,152,413	22,906,470	7,675,388	30,581,858	36,734,271
Investment securities at amortized cost including the pledged ones	8,507,638	13,039,328	21,546,966	20,598,971	6,995,204	27,594,175	49,141,141
Loans and advances to customers	6,338,563	45,300,291	51,638,854	96,040,114	64,072,397	160,112,511	211,751,365
Other financial assets	2,308,024	-	2,308,024			-	2,308,024
	142,108,494	69,221,276	211,329,770	141,813,781	78,742,989	220,556,770	431,886,540
<i>Liabilities</i>							
Amounts due to banks	11,581,709	-	11,581,709	-	-	-	11,581,709
Amounts payable under repurchase agreements	6,007,733	-	6,007,733	-	-	-	6,007,733
Amounts due to customers	142,644,218	86,139,853	228,784,071	51,993,403	44,117	52,037,520	280,821,591
Debt securities issued	-	6,065,145	6,065,145	15,231,100	-	15,231,100	21,296,245
Other borrowings	462,114	12,600,786	13,062,900	19,653,537	10,636,990	30,290,527	43,353,427
Subordinated debt	18,164	41,320	59,484	-	4,047,682	4,047,682	4,107,166
Lease liability	5,597	210,867	216,464	846,480	87,133	933,613	1,150,077
Other financial liabilities	3,255,192	689,500	3,944,692	-	-	-	3,944,692
	163,974,727	105,747,471	269,722,198	87,724,520	14,815,922	102,540,442	372,262,640
Net position	(21,866,233)	(36,526,195)	(58,392,428)	54,089,261	63,927,067	118,016,328	59,623,900

30 Capital management

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 CBA sets and monitors capital requirements for the Bank. Under the current capital requirements set by the CBA, banks have to maintain a minimum total capital of AMD 30,000,000 thousand (2023: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2024 and 31 December 2023.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2024 and 31 December 2023, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2024 and 31 December 2023.

The following table shows the composition of the capital position calculated in accordance with Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks:

In thousand Armenian drams	31 December 2024	31 December 2023
Total regulatory capital	80,078,261	64,775,776
Risk-weighted assets	468,929,395	249,827,345
Capital adequacy ratio	17.08%	25.93%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

31 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to legal entities and individuals.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
Undrawn loan commitments	19,480,437	20,495,537
Guarantees	10,752,060	4,044,305
Total commitments and contingent liabilities	30,232,497	24,539,842
Less loss allowances	(78,216)	(66,457)

As at 31 December 2024 and 31 December 2023 financial credit related commitments are fully in Stage 1.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for commitments for the periods ended 31 December 2024 and 31 December 2023.

In thousand Armenian drams	31 December 2024	31 December 2023 (audited)
	Stage 1	Stage 1
ECL allowance as at 1 January	66,457	80,560
Net remeasurement of loss allowance inclusive repayments	(5,075)	(24,527)
New financial assets originated or purchased	16,834	10,424
Balance at 31 December	78,216	66,457

32 Contingencies

(a) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

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.

33 Related party transactions

(a) Transactions with key management personnel

Total remuneration included in personnel expenses for the period ended 31 December are as follows:

In thousand Armenian drams

	<u>31 December 2024</u>	<u>31 December 2023 (audited)</u>
Salaries and bonuses	3,046,217	2,420,421
Total key management compensation	<u>3,046,217</u>	<u>2,420,421</u>

These amounts include benefits to key management personnel accrued in the statement of profit or loss and other comprehensive income of respective periods.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions comprise loans, deposits, etc.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

In thousand Armenian drams

	<u>31 December 2024</u>		<u>31 December 2023 (audited)</u>	
	<u>Shareholders and parties related with them</u>	<u>Key management personnel and parties related with them</u>	<u>Shareholders and parties related with them</u>	<u>Key management personnel and parties related with them</u>
<i>Interim statement of financial position</i>				
<i>Loans and advances to customers</i>				
Loan balance as at 1 January, gross	2,989,344	315,061	19,408	324,702
Loans issued during the year	10,392,034	324,731	3,115,118	214,748
Loan repayments during the year	(5,694,995)	(277,476)	(145,182)	(224,389)
Loan balance at 31 December, gross	7,686,383	362,316	2,989,344	315,061
Less allowance for loan impairment	(30,690)	(1,041)	(53,906)	(1,282)
Loan balance at 31 December	7,655,693	361,275	2,935,438	313,779
<i>Amounts due to customers</i>				
Deposit and current account balance as at 1 January	2,989,344	315,061	19,408	324,702
Received during the year	10,392,034	324,731	3,115,118	214,748
Repayments during the year	(5,694,995)	(277,476)	(145,182)	(224,389)
Deposit and current account balance at 31 December	7,686,383	362,316	2,989,344	315,061

In thousand Armenian drams

	31 December 2024		31 December 2023 (audited)	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
Subordinated debt	4,023,289	-	4,107,166	-
Interim statement of profit or loss and other comprehensive income				
Interest income on loans	330,098	31,388	51,387	32,089
Impairment (losses)/recoveries	23,216	241	(52,110)	720
Interest expense on deposits	(11,934)	(82,254)	(129)	(57,313)
Interest expense on subordinated debt	(354,412)	-	(353,178)	-
Interest expense on other borrowings	-	-	(40,745)	-
Fee and commission expense	(17)	(4,788)	-	(2,973)

34 Financial assets and liabilities: fair values and accounting classifications

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2024 the estimated fair values of all financial instruments except for loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorised in Level 3 fair value hierarchy and fair value of investment securities measured at amortised cost is categorised in Level 2 in fair value hierarchy. As at 31 December 2024 the Bank had outstanding borrowings from the Central Bank of Armenia denominated in AMD and bearing nominal interest rate of 6%-7.5% and from local credit organization denominated in AMD and bearing interest rate of 4.5%-10.5%. The loans are considered to be separate market segment loans, therefore the Bank assesses that the loans are received at market rates.

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2024 and 31 December 2023 by the level in the fair value hierarchy into which the fair value

measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

In thousand Armenian drams	31 December 2024			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt and other fixed-income instruments	1,784,698	42,588,734	-	44,373,432
Equity instruments	-	-	309,465	309,465
Securities pledged under repurchase agreements	-	17,910,915	-	17,910,915
Total assets	1,784,698	60,499,649	309,465	62,593,812

AMD'000	31 December 2023 (audited)			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt and other fixed-income instruments	320,080	30,190,240	-	30,510,320
Equity instruments	-	-	42,825	42,825
Securities pledged under repurchase agreements	-	6,181,126	-	6,181,126
Total assets	320,080	36,371,366	42,825	36,734,271

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. For financial instruments allocated to Level 2 the Bank uses quoted prices for similar instruments in markets that are considered less than active.

The following assumptions are used by management to estimate the fair values of loans and advances to customers: discount rates of 7.8%-8.6% for loans denominated in foreign currency and 11.5%-16.8% for loans denominated in Armenian drams, are used for discounting future cash flows from loans and advances to customers.

The following assumptions are used by management to estimate the fair values of investment securities measured at amortised cost – 10.2%-11.4% for securities denominated in AMD and rates of 5.5%-6.9% for securities denominated in foreign currency.