Financial Statements and Independent Auditor's Report

"ARMECONOMBANK" OPEN JOINT STOCK COMPANY

31 December 2024

Contents

Independent Auditor's Report

Grant Thornton CJSC
Yerevan Plaza Business Center
9 Grigor Lusavorich Street
Yerevan 0015
Republic of Armenia

T +374 10 50 09 64/61

Գրանթ Թորնթոն ՓԲԸ
Երևան Պլազա բիզնես կենտրոն
ՀՀ, ք. Երևան 0015
Գրիգոր Լուսավորչի 9

Հեռ.՝ +374 10 50 09 64/61

To the shareholders of "ARMECONOMBANK" OPEN JOINT STOCK COMPANY

Opinion

We have audited the financial statements of "ARMECONOMBANK" OPEN JOINT STOCK COMPANY (the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

Allowance for expected credit loss

See Note 4.6 of the financial statements for a description of the accounting policies and to Note 36.1 for an analysis of credit risk.

Expected credit loss allowance was considered as a key audit matter due to significance of loans to customers as well as the subjectivity of assumptions underlying the impairment assessment. Applying different judgments and assumptions can lead to significantly different results of the expected credit loss allowance, which may have a material effect on the Bank's financial results.

Key areas of judgment included the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With respect to impairment methodology, our audit procedures comprised the following:

- We read the Bank's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9.
- We assessed the design and tested the operating effectiveness of relevant controls over the data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model.
- We assessed the design and tested the operating effectiveness of relevant controls over the expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy.
- We checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages.
- For a sample of risk exposures, we checked the appropriateness of the Bank's staging.
- We assessed and tested the material modeling assumptions as well as overlays with a focus on the key modeling assumptions adopted by the Bank and sensitivity of the provisions to changes in modeling assumptions.
- For forward looking assumptions used by the Bank's management in its expected credit loss calculations, we held discussions with management and corroborated the assumptions using publicly available information.
- We examined a sample of risk exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis.
- We checked the completeness of loans and advances, off-balance sheet items, investment securities, placements and other financial assets included in calculation of allowances for expected credit loss as at 31 December 2024. We understood the theoretical soundness and tested the mathematical integrity of the models applied.
- For data from external sources, we understood the process of choosing such data, its relevance for the Bank, and the controls and governance over such data;
- We involved our IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model).
- We assessed the accuracy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Bank for the year ended 31 December 2024, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement manager on the audit resulting in this independent auditor's report is Nairia Ulunts.

Armen Hovhannisyan	Naira Ulunts
Chief Executive Officer of "Grant Thornton" CJSC	Engagement Manager

29 April 2025

Statement of profit or loss and other comprehensive income

In thousand AMD

	Notes	2024	2023
Interest income calculated using effective interest rate	5	46,223,799	39,155,699
Interest expense	5	(27,540,052)	(23,592,409)
Net interest income		**18,683,747**	**15,563,290**
Fee and commission income	6	7,705,470	5,951,229
Fee and commission expense	6	(2,472,701)	(2,090,915)
Net fee and commission income		**5,232,769**	**3,860,314**
Net gain (loss) on financial assets and liabilities at fair value through profit or loss		(59,010)	129,042
Net income from foreign exchange operations	7	2,487,204	2,381,544
Net gain from derecognition of financial assets measured at FVOCI		370,645	30,662
Other income	8	779,342	700,178
(Credit loss expense) reversal of credit loss expense	9	2,563,699	(1,693,649)
Loss on derecognition of financial assets measured at amortised cost	10	(3,631,059)	(399,343)
Personnel expenses	11	(7,599,024)	(6,898,603)
Depreciation of property and equipment	21	(2,203,995)	(1,929,992)
Amortization of intangible assets	22	(259,540)	(229,018)
Other expenses	12	(5,231,322)	(4,737,235)
Profit before income tax		**11,133,456**	**6,777,190**
Income tax expense	13	(2,129,144)	(2,037,102)
Profit for the year		**9,004,312**	**4,740,088**

Statement of profit or loss and other comprehensive income (continued)

In thousand AMD

	Notes	2024	2023
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property and equipment		-	4,827,028
Income tax relating to items not reclassified		-	(868,865)
Total items that will not be reclassified subsequently to profit or loss		**-**	**3,958,163**
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of investment securities at FVOCI		693,407	1,157,857
Net gain reclassified in profit or loss from sale of debt instruments measured at FVOCI		(313,157)	(12,847)
Changes in allowance for expected credit losses		(141,090)	(109,562)
Income tax relating to items that will be reclassified		(43,049)	(186,381)
Total items that are or may be reclassified subsequently to profit or loss		**196,111**	**849,067**
Other comprehensive income for the year, net of tax		**196,111**	**4,807,230**
Total comprehensive income for the year		**9,200,423**	**9,547,318**
Earnings per share	14	0.71	0.35

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 81.

Statement of financial position

In thousand AMD	Notes	31 December 2024	31 December 2023
Assets			
Cash	15	63,820,315	71,569,185
Derivative financial assets	16	-	1,326
Amounts due from financial institutions	17	6,800,474	5,926,385
Reverse repurchase agreements	18	14,217,780	12,464,832
Loans and advances to customers	19	342,101,456	291,399,069
Investment securities	20	10,100,701	23,546,194
Securities pledged under sale and repurchase agreements	20	66,906,555	36,659,534
Property and equipment	21	17,894,294	17,267,014
Intangible assets	22	1,064,637	1,054,183
Other assets	23	4,751,530	5,009,369
Total assets		**527,657,742**	**464,897,091**
Liabilities and equity			
Liabilities			
Derivative financial liabilities	16	119,575	15,184
Amounts due to financial institutions	24	168,098,604	158,676,902
Repurchase agreements	18	63,046,386	34,127,375
Amounts due to customers	25	191,353,019	183,942,323
Debt securities issued	26	14,115,869	11,295,283
Subordinated debt	27	6,104,831	9,679,494
Current income tax liabilities		1,134,862	1,112,304
Deferred income tax liabilities	13	1,103,051	1,187,997
Other liabilities	28	5,311,412	4,394,506
Total liabilities		**450,387,609**	**404,431,368**

Statement of financial position (continued)

In thousand AMD	Notes	31 December 2024	31 December 2023
Equity			
Share capital	29	31,578,015	28,132,240
Share premium		7,762,974	2,265,076
Statutory general reserve		4,190,000	3,952,000
Fair value reserve		(183,297)	(379,408)
Other reserves		6,681,896	6,896,366
Retained earnings		27,240,545	19,599,449
Total equity		**77,270,133**	**60,465,723**
Total liabilities and equity		**527,657,742**	**464,897,091**

The financial statements were approved on 29 April 2025:

Artak Arakelyan
Chief Executive Officer

Nona Galstyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 81.

Statement of changes in equity

In thousand AMD

	Share capital	Share premium	Statutory general reserve	Revaluation reserve for investment securities	Revaluation reserve of property and equipment	Retained earnings	Total
Balance at 1 January 2024	**28,132,240**	**2,265,076**	**3,952,000**	**(379,408)**	**6,896,366**	**19,599,449**	**60,465,723**
Profit for the year	-	-	-	-	-	9,004,312	9,004,312
Other comprehensive income:							
Adjustment to reserve on amortization or disposal of property and equipment	-	-	-	-	(214,470)	214,470	-
Net change in fair value of investment securities at FVOCI	-	-	-	693,407	-	-	693,407
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	- -		(313,157)	-	-	(313,157)
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	-	-	(141,090)	-	-	(141,090)
Income tax relating to components of other comprehensive income	-	-	-	(43,049)	-	-	(43,049)
Total comprehensive income for the year	**-**	**-**	**-**	**196,111**	**(214,470)**	**9,218,782**	**9,200,423**
Increase in share capital	3,445,775	5,497,898	-	-	-	-	8,943,673
Distribution to reserve	-	-	238,000	-	-	(238,000)	-
Dividends to shareholders	-	-	-	-	-	(1,339,686)	(1,339,686)
Total transactions with owners	**3,445,775**	**5,497,898**	**238,000**	**-**	**-**	**(1,577,686)**	**7,603,987**
Balance at 31 December 2024	**31,578,015**	**7,762,974**	**4,190,000**	**(183,297)**	**6,681,896**	**27,240,545**	**77,270,133**

Statement of changes in equity (continued)

In thousand AMD	Share capital	Share premium	Statutory general reserve	Revaluation reserve for investment securities	Revaluation reserve of property and equipment	Retained earnings	Total
Balance at 1 January 2023	**26,652,068**	**745,223**	**3,663,000**	**(1,228,475)**	**3,112,039**	**16,166,442**	**49,110,297**
Profit for the year	-	-	-	-	-	4,740,088	4,740,088
Other comprehensive income:							
Revaluation of property and equipment	-	-	-	-	4,827,028	-	4,827,028
Adjustment to reserve on amortization or disposal of property and equipment	-	-	-	-	(173,836)	173,836	-
Net change in fair value of investment securities at FVOCI -	-	-	-	1,157,857	-	-	1,157,857
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	-	-	(12,847)	-	-	(12,847)
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	-	-	(109,562)	-	-	(109,562)
Income tax relating to components of other comprehensive income	-	-	-	(186,381)	(868,865)	-	(1,055,246)
Total comprehensive income for the year	**-**	**-**	**-**	**849,067**	**3,784,327**	**4,913,924**	**9,547,318**
Increase in share capital	1,480,172	1,519,853	-	-	-	-	3,000,025
Distribution to reserve	-	-	289,000	-	-	(289,000)	-
Dividends to shareholders	-	-	-	-	-	(1,191,917)	(1,191,917)
Total transactions with owners	**1,480,172**	**1,519,853**	**289,000**	**-**	**-**	**(1,480,917)**	**1,808,108**
Balance at 31 December 2023	**28,132,240**	**2,265,076**	**3,952,000**	**(379,408)**	**6,896,366**	**19,599,449**	**60,465,723**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 81.

Statement of cash flows

In thousand AMD

	2024	2023
Cash flows from operating activities		
Profit before tax	11,133,456	6,777,190
Adjustments for:		
Depreciation allowances	2,203,995	1,929,992
Amortization allowances	259,540	229,018
Loss from disposal of property and equipment	2,734	48,819
Loss on derecognition of financial assets carried at amortized cost	3,631,059	399,343
Credit loss expense (reversal of credit loss expense) on financial assets	(2,563,699)	1,693,649
Foreign currency translation net loss	89,754	304,026
Net (gain) loss from financial assets and liabilities measured at FVTPL	82,267	(129,042)
Net gain arising from derecognition of financial assets measured at FVOCI	(313,157)	(30,662)
Interest receivable	(89,648)	(683,743)
Interest payable	287,255	1,011,140
Cash flows from operating activities before changes in operating assets and liabilities	**14,723,556**	**11,549,730**
(Increase) decrease in operating assets		
Derivative financial assets	(943)	156,426
Amounts due from financial institutions	(1,087,392)	5,754,658
Reverse repurchase agreements	(1,725,119)	(6,022,791)
Loans and advances to customers	(53,666,600)	(33,757,884)
Other assets	(932,676)	217,175
Increase (decrease) in operating liabilities		
Repurchase agreements	28,885,216	(4,600,073)
Amounts due to customers	8,541,775	26,032,937
Other liabilities	2,000,828	(1,091,399)
Net cash flows used in operating activities before income tax	**(3,261,355)**	**(1,761,221)**
Income tax paid	(2,233,065)	(1,775,646)
Net cash used in operating activities	**(5,494,420)**	**(3,536,867)**

Statement of cash flows (continued)

In thousand AMD

	2024	2023
Cash flows from investing activities		
Purchase of investment securities	(77,823,286)	(55,054,703)
Proceeds from sale of investment securities	61,840,064	43,380,939
Purchase of property and equipment	(1,709,865)	(1,177,789)
Proceeds from sale of property and equipment	4,519	108,787
Purchase of intangible assets	(269,994)	(472,892)
Net cash used in investing activities	**(17,958,562)**	**(13,215,658)**
Cash flows from financing activities		
Increase in share capital	2,051,107	3,000,025
Prepayment for the issuance of shares	-	168
Amounts due to financial institutions	10,832,547	9,762,517
Proceeds from debt securities issued	4,998,075	6,400,173
Repayment of debt securities issued	(2,137,728)	(3,931,116)
Payment of lease liabilities	(1,063,946)	(1,001,530)
Proceeds from subordinated debt	4,049,609	6,007,459
Repayment of subordinated debt	(435,006)	(603,524)
Dividends paid	(1,295,932)	(1,150,794)
Net cash from financing activities	**16,998,726**	**18,483,378**
Net increase (decrease) in cash and cash equivalents	**(6,454,256)**	**1,730,853**
Cash at the beginning of the year	71,569,185	69,081,631
Effect of changes in credit loss allowance on cash	21,126	20,186
Exchange differences on cash	(1,315,740)	736,515
Cash at the end of the year (Note 15)	**63,820,315**	**71,569,185**
Supplementary information:		
Interest received	46,134,151	38,471,956
Interest paid	(27,252,797)	(22,581,269)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 81.

Notes to the financial statements

"ARMECONOMBANK" OPEN JOINT STOCK COMPANY

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

1 Nature of operations

The principal activity of “ARMECONOMBANK” OJSC is accepting deposits and extending credit (transfers and exchange transactions in the Republic of Armenia and abroad) as well as providing other banking services to its corporate and retail customers.

2 General information, statement of compliance with IFRS and going concern assumption

“ARMECONOMBANK” OJSC (the “Bank”) was incorporated in the Republic of Armenia in 1991, on the basis of USSR Armenian Republican Bank “State Social Bank” (1991-1993 “Armstatecombank” CJSC) and in 1995 restructured to an open joint stock company. The Bank is regulated by the legislation of RA and conducts its business under license number 1, granted by the Central Bank of Armenia (the “CBA”).

On 8 February 2024, Fitch Ratings’ international rating account is open, chaning the Bank’s long-term foreign currency issuer default rating (IDR) from ‘’B’’ to ‘’B+’’ with a stable outlook. At the same time, the Bank’s Viability Rating (VR) has also been improved from ‘’b’’ to ‘’b+’’.

On 31 January 2024 Moody's Investors Service ("Moody's") affirmed ARMECONOMBANK OJSC's B1 long-term local and foreign currency bank deposit ratings with a stable outlook, updating the credit opinion on the Bank.

Concurrently, Moody's affirmed the Bank's b1 Baseline Credit Assessment (BCA) and Adjusted BCA, Not Prime (NP) short-term local and foreign currency bank deposit ratings, the Bank's Ba3/NP long-term and short-term local and foreign currency Counterparty Risk Ratings (CRRs) and the Ba3(cr)/NP(cr) long-term and short-term Counterparty Risk Assessments (CR Assessments).

The Bank has 53 branches and head office through which it carries out its activities. The registered office of the Bank is located at Amiryan str. 23/1, Yerevan.

As at 31 December 2024 the number of employees of the Bank was 905 (2023: 886).

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projection of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

Business environment

Armenia's business environment faces challenges due to geopolitical tensions, particularly ongoing aggression from Azerbaijan, and regional instability. The war in Ukraine has further complicated the situation, causing disruptions in trade, sanctions on Russia, and global inflation. Armenia’s reliance on Russia has strained, affecting trade, remittances, and security guarantees, urging Armenia to diversify its economic relationships, though this comes with its own risks.

The Armenian dram is stronger than expected, controlling inflation but creating difficulties for exporters and businesses with foreign-currency liabilities. Global inflation and rising energy costs pressure Armenia’s economy, especially due to reliance on imports.

Despite these challenges, businesses are diversifying supply chains and exploring new markets, while the government’s reform efforts provide a path for long-term stability. However, Armenia’s success will depend on its businesses’ ability to navigate these risks effectively.

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

2.1 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 35.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2024

In the current year the Bank has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024.

New standards and amendments described below and applied for the first time in 2024 did not have a material impact on the annual financial statements of the Bank:

- *"Classification of Liabilities as Current or Non-current"* (Amendments to IAS 1)
- *"Lease Liability in a Sale and Leaseback"* (Amendments to IFRS 16)
- *"Supplier Finance Arrangements"* (Amendments to IAS 7 and IFRS 7)
- *"Non-current Liabilities with Covenants"* (Amendments to IAS 1)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Bank.

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning on or after the effective date of the pronouncement, which are presnted below:

- *"Lack of Exchangeability"* (Amendments to IAS 21)
- IFRS 19 *"Subsidiaries without Public Accountability: Disclosures"*
- *"Classification and Measurement of Financial Instruments"* (Amendments to IFRS 9 and IFRS 7)
- IFRS 18 *"Presentation and Disclosures in Financial Statements"*

Management does not anticipate a material impact on the Bank's financial statements from these Standards and Amendments except for the Standards presented below, which are in the process of assessment.

"Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

settling financial liabilities using electronic payments system; and

assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Bank is in the process of assessing the impact of the new amendments.

IFRS 18 *"Presentation and Disclosures in Financial Statements"*

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

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

Enhanced guidance is provided on how to group information in the financial statements.

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

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

4 Material accounting policies

The following material accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

4.1 Basis of preparation

The financial statements have been prepared on a fair value basis for financial instruments at fair value through profit or loss and at fair value through other comprehensive income. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost with the exception of land and buildings, which are stated at revalued amount.

4.2 Climate-related matters

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks.

Physical risks arise as the result of acute weather events such as floods, droughts and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves and droughts.

Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

4.3 Foreign currency

Functional and presentation currency

The national currency of Armenia is the Armenian dram ("AMD"), which is the Bank's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Bank.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

These financial statements are presented in AMD (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in AMD has been rounded to the nearest thousand.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of profit or loss in net income from foreign exchange operations. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as investment securities at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in the own equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as equity investment in respect of which an election has been made to present subsequent changes in fair value in OCI are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2024	31 December 2023
AMD/1 USD	396.56	404.79
AMD/1 EUR	413.89	447.90
AMD/1 RUB	3.71	4.50

4.4 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Bank and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

The effective interest rate method

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 (ECL). For purchased or originated creditimpaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

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.

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 net 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 4.6 (vi).

Other interest income

In calculating other interest income, the nominal interest rate is applied to the gross asset value on a straight-line basis.

Fee and commission income

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.

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.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net gain (loss) from derecognition of financial assets and financial liabilities measured at fair value

Net gain (loss) from derecognition of financial assets and financial liabilities measured at fair value comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes.

Net income from foreign exchange operations

Net income from foreign exchange operations includes net gain from trading in foreign currencies and also foreign exchange translation gain or loss and is recognized in profit or loss when the corresponding service is provided.

4.5 Income tax

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

Current tax

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

Deferred tax

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

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

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

4.6 Financial instruments

i) Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which The Bank becomes a party to the contractual provisions of the instrument.

At initial recognition Bank measures a financial asset or financial liability at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) 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.

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 OCI. This election is made on an investment-by-investment basis.

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 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.

Assessment whether contractual cash flows are solely payments of principal and interest (The SPPI test)

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.

Reclassifications

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 are never reclassified.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost or FVTPL.

iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see Note 4.6 (vi)), 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 OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI 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.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

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.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

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

iv) Modifications of financial assets and financial liabilities

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, 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 (see Note 4.6 (iii) and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, The Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see Note 4.6 (vi), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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.

v) Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vi) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income
- lease receivables
- loan commitments to provide a loan
- financial guarantee contracts

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 on which credit risk has not increased significantly since their initial recognition.

12-month ECL (12mECLs) 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.

Lifetime expected credit losses (LTECLs) are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

Both LTECLs and 12mECLs 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. This is further explained in Note 36.1.2.

Based on the above process, The Bank groups its financial instruments 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 12mECLs. 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 LTECLs. 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 LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

PD (the Probability of Default) 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 Exposure at Default) 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 Loss Given Default) 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 PD, the EAD and the LGD are further explained in Note 36.1.2.

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 4.6 (iii)) 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.
- 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 the 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 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 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.

Presentation of allowances for ECL in the statement of financial position

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;
- 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.
- loan commitments and financial guarantee contracts: generally, as a provision;
  - When estimating LTECLs for undrawn loan commitments, The Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. Expected credit losses are subsequently based on the present value of the expected cash flow shortfall if the loan were drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  - 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;
  - the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within Provisions.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. 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. Both the total carrying amount of the asset and the impairment allowance (if any) are written off directly. A write-off represents a partial or complete derecognition. However, 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.

4.6.1 Cash

Cash comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), and amounts due from other banks, which can be converted into cash at short notice, including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash are carried at amortised cost.

4.6.2 Amounts due from financial institutions

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from financial institutions are carried net of any allowance for impairment losses.

4.6.3 Trading assets and liabilities

"Trading assets and liabilities" are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

4.6.4 Loans and advances

Loans and advances are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans granted with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loans and advances are measured at amortised cost using the effective interest method. Loans and advances that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans and advances to customers are carried net of any allowance for impairment losses.

4.6.5 Investment securities

The "investment securities" caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

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

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

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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 OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

4.6.6 Repurchase and reverse repurchase agreements

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

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

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

4.7 Leases

For any new contracts the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank,

the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defies scope of the contract,

the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

Bank as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in the other liabilities.

4.8 Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the statement of financial position.

Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income and expense.

4.9 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. The Bank's buildings are stated at fair value less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Land is carried at historical cost and it has unlimited useful life and thus is not depreciated.

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

	Useful life (years)	Rate (%)
Buildings	50	2
Computers	3-5	33.3-20
Vehicles	8	12.5
Other fixed assets	8	12.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses. Upon completion of construction assets are transferred to property plant and equipment and accounted at their carrying amounts. Assets under the course of construction are not depreciated until they are ready for usage.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Along with the usage of fixed assets, the difference of the calculated depreciation based on the revalued amount of the asset and calculated depreciation based on the cost of the asset is transferred to retained earnings.

In case of sale or write-off of fixed assets the balance relating to revaluation reserve of that fixed assets is totally transferred to retained earnings.

4.10 Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

4.11 Repossessed assets

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

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

4.12 Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their air value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.13 Borrowings

Borrowings, which include *[add or delete if necessary]* amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

4.14 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 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Non-financial guarantee agreements issued by the Bank meet the definition of a loan commitment and the Bank applies IFRS 9.

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

4.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions also include liabilities arising from financial guarantees and loan commitments as provided in Note 4.14.

4.16 Equity

Share capital

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

Share premium

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

Retained earnings

Include accumulated earnings of current and previous periods.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date.

Dividends on preferred shares are deducted from capital and have a guaranteed annual dividend of no less than 14% of their nominal value per share.

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of property and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Fair value reserve for investments securities at FVOCI

This reserve records fair value changes in investment securities at fair value through other comprehensive income.

4.17 Segment reporting

In terms of IFRS 8 the Bank's operations are not separated to operating segments and are a complete business unit. The Bank's chief operating decision making body makes the decisions based on the joint results and no operational segment is extracted from the general operations. The Bank's assets are mainly distributed in the territory of the Republic of Armenia. The Bank's income is derived from the Armenian sources.

4.18 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

4.18.1 Significant judgements in applying accounting policies

The following are the judgements made by management in applying the accounting policies that have the most significant effect on the financial statements.

Classification of financial assets:

The Bank assesses the business model within which the assets are held and also assesses whether the contractual terms of the financial asset are solely payments of principal and interest on the outstanding principal amount (see Note 4.6 (ii)).

Establish criteria for calculating ECL

The Bank establishes the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determines methodology for incorporating forward- looking information into measurement of ECL and selects and approves of models used to measure ECL.

4.18.2 Assumptions and estimations uncertainty

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 33).

Useful Life of property and equipment

Useful life evaluation of property and equipment is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Bank expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation arising from the changes in the market conditions.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Extension options for leases

When the Bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Impairment of financial instruments

The Bank assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see Note 36.1.2), as well as the key assumptions used in estimating recoverable cash flows (see Note 4.6 (vi)).

Tax legislation

Armenian tax legislation is subject to varying interpretations. see Note 31.

5 Net interest income

	2024	2023
Interest income calculated using effective interest rate		
Loans and advances to customers	38,615,741	33,075,269
Amounts due from financial institutions	375,679	682,823
Reverse repurchase agreements	1,121,583	874,826
Investment securities at FVOCI	1,281,924	2,187,963
Investment securities at amortised cost	4,761,301	2,256,245
Other interest income	67,571	78,573
Total interest income	**46,223,799**	**39,155,699**
Current accounts and deposits from customers	9,902,421	7,579,766
Deposits and balances in banks	8,342,841	8,683,575
Repurchase agreements	4,124,927	2,886,840
Subordinated debt	699,945	649,867
Loans from CBA and Government of the Republic of Armenia	2,659,916	2,044,766
Loans from international financial institutions	793,665	862,857
Debt securities issued	837,289	727,079
Lease liabilities	179,048	157,659
Total interest expense	**27,540,052**	**23,592,409**
Total net interest income	**18,683,747**	**15,563,290**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

6 Fee and commission income and expense

	2024	2023
Wire transfer fees	2,919,819	2,136,435
Cash out operations	339,916	345,272
Plastic cards operations	4,133,182	3,178,773
Guarantees and letters of credit	310,427	289,613
Other commissions income	2,126	1,136
Total fee and commission income	**7,705,470**	**5,951,229**
Plastic cards operations	1,913,837	1,640,112
Costs associated with getting loans	99,910	88,942
Wire transfer fees	292,632	189,423
Guarantees and letters of credit	25,169	24,082
Cash out operations	120,004	132,556
Service fees for correspondent accounts	6,437	951
Other commission expenses	14,712	14,849
Total fee and commission expense	**2,472,701**	**2,090,915**

7 Net income from foreign exchange operations

	2024թ.	2023թ.
Net gain from trading in foreign currencies	2,576,958	2,685,570
Foreign exchange translation loss	(89,754)	(304,026)
Total net income from foreign exchange operations	**2,487,204**	**2,381,544**

8 Other income

	2024թ.	2023թ.
Fines and penalties received	387,086	450,095
Income from operations in precious metals	184,222	26,808
Other income	208,034	223,275
Total other income	**779,342**	**700,178**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

9 Credit loss expense (reversal of credit loss expense)

					2024
	Note	Stage 1	Stage 2	Stage 3	Total
Cash	15	(21,126)	-	-	(21,126)
Amounts due from financial institutions	17	(10,850)	-	-	(10,850)
Reverse repurchase agreements	18	(66,193)	-	-	(66,193)
Loans and advances to customers	19	(2,768,128)	277,549	274,296	(2,216,283)
Investment securities	20	(305,668)	-	-	(305,668)
Other assets	23	8,050	-	-	8,050
Financial guarantees	30	48,371	-	-	48,371
Total credit loss expense (reversal of credit loss expense)		**(3,115,544)**	**277,549**	**274,296**	**(2,563,699)**

					2023
	Note	Stage 1	Stage 2	Stage 3	Total
Cash	15	(20,186)	-	-	(20,186)
Amounts due from financial institutions	17	(21,592)	-	-	(21,592)
Reverse repurchase agreements	18	8,324	-	-	8,324
Loans and advances to customers	19	2,889,637	154,239	(1,104,779)	1,939,097
Investment securities	20	(92,579)	-	-	(92,579)
Other assets	23	(35,299)	-	-	(35,299)
Financial guarantees	30	(84,116)	-	-	(84,116)
Total credit loss expense (reversal of credit loss expense)		**2,644,189**	**154,239**	**(1,104,779)**	**1,693,649**

10 Loss from derecognition of financial assets at amortized cost

In 19 September 2023, Azerbaijan initiated renewed military operations in the territory of Nagorno Karabagh, leading to the displacement of its population from their residences. In response to the escalating situation, the President of Nagorno Karabagh issued a decree for the dissolution of all state institutions and organizations under departmental subordination, effective until 1 January 2024.

In December 2023, recognizing the significance of recovering the losses incurred by the impacted financial institutions and their consequential impact on economic development, the Government of the Republic of Armenia initiated measures to support financial organizations affected by the armed conflict.

In December 2023, the Government of the Republic of Armenia made a decision to issue long-term state treasury bonds with a coupon yield of 9.6% in exchange for the concession of financial claims (property rights) held by financial organizations of the Republic of Armenia against the Government of Nagorno-Karabakh, its foundations, individual legal entities, and individuals, for the purpose of placement.

As at 31 December 2024 the Bank assigned to the Government of the Republic of Armenia the right of claim consumer and mortgage loans granted to individuals in the amount of AMD 8,451 thousand and commercial loans granted to legal entities in the amount of AMD 12,095,078 thousand (see Note 19), in return for which it received government bonds issued by the Government of the Republic of Armenia with a total nominal value of AMD 8,472,470 thousand (see Notes 19, 20). The nominal value of the bonds received at the time of the exchange corresponded to 70% of the amount of the assigned right to claim, as a result of which the Bank incurred a loss from the assignment of debt in the amount of AMD 3,631,059 thousand (see Note 19) as at the date of the transaction.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

As at 31 December 2023 the Bank assigned to the Government of the Republic of Armenia the right of claim for investments in securities issued by the Government of Nagorno-Karabakh (see Note 20) and its funds with a carrying amount of AMD 639,648 thousand and loans of AMD 691,493 thousand to individuals (see Note 20), in return for which it received from the Government of the Republic of Armenia government bonds issued for a total amount of AMD 931,798 thousand nominal value (see Note 19). The nominal value of the received bonds at the time of exchange corresponded to 70% of the assigned claim, as a result of which the Bank incurred a loss of AMD 399,343 thousand (see Notes 19, 20) from the assignment of debt as at the date of the transaction.

11 Personnel expenses

	2024	2023
Compensations of employees, related taxes included	7,540,220	6,867,300
Personnel training and other expenses	58,804	31,303
Total personnel expenses	**7,599,024**	**6,898,603**

12 Other expenses

	2024	2023
Repair and maintenance of property and equipment	1,159,315	993,288
Charity expenses	168,850	218,645
Advertising and representative costs	455,016	483,481
Expenses for cash collection services	374,089	347,255
Security	418,188	402,641
Taxes, other than income tax, duties	515,720	446,690
VISA membership and card issuance costs	670,189	451,775
Guarantee payments to deposit guarantee fund	251,155	247,746
Insurance costs	204,911	180,239
Office supplies	240,097	279,845
Communications	148,068	130,962
Business trip expenses	82,686	51,499
Consulting and professional services	41,477	28,477
Other operating expenses	501,561	474,692
Total other expenses	**5,231,322**	**4,737,235**

13 Income tax expense

	2024	2023
Current tax expense	2,255,643	2,057,386
Adjustments of income tax of previous years	1,496	24,411
Deferred tax expense (recovery)	(127,995)	(44,695)
Total income tax expense	**2,129,144**	**2,037,102**

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

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

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

	2024	Effective tax rate (%)	2023	Effective tax rate (%)
Profit before taxation	11,133,456		6,777,190	
Income tax	2,004,022	18	1,219,894	18
Non-taxable income from financial assets measured at fair value through profit and loss	(4,249)	-	(22,383)	-
Non-deductible expenses	111,719	1	760,455	11
Foreign exchange losses	16,156	-	54,725	1
Non-deductible expense of previous year	1,496	-	24,411	-
Income tax expense	**2,129,144**	**19**	**2,037,102**	**30**

Deferred tax calculation in respect of temporary differences:

				2024		
	2023	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Accrued expenses and other liabilities	292,301	16,334	-	308,635	308,635	-
Right-of-use assets	127,925	15,488	-	143,413	143,413	-
Loans and advances to customers	(268,500)	113,131	-	(155,369)	-	(155,369)
Cash	2,492	(3,436)	-	(944)	-	(944)
Investments in securities	165,007	(55,021)	(43,049)	66,937	66,937	-
Contingent liabilities	(22,205)	7,066	-	(15,139)	-	(15,139)
Amounts due from financial institutions	16,323	(12,646)	-	3,677	3,677	-
Property and equipment	(1,501,340)	47,079	-	(1,454,261)	-	(1,454,261)
Deferred tax asset (liability)	**(1,187,997)**	**127,995**	**(43,049)**	**(1,103,051)**	**522,662**	**(1,625,713)**

				2023		
	2022	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Accrued expenses and other liabilities	247,035	45,266	-	292,301	292,301	-
Right-of-use assets	73,867	54,058	-	127,925	127,925	-
Loans and advances to customers	(198,951)	(69,549)	-	(268,500)	-	(268,500)
Cash	6,068	(3,576)	-	2,492	2,492	-
Investments in securities	366,281	(14,893)	(186,381)	165,007	165,007	-
Contingent liabilities	(10,313)	(11,892)	-	(22,205)	-	(22,205)
Amounts due from financial institutions	9,202	7,121	-	16,323	16,323	-
Property and equipment	(670,635)	38,160	(868,865)	(1,501,340)	-	(1,501,340)
Deferred tax asset (liability)	**(177,446)**	**44,695**	**(1,055,246)**	**(1,187,997)**	**604,048**	**(1,792,045)**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

14 Earnings per share

	2024	2023
Profit for the year	9,004,312	4,740,088
Dividends on preferred shares	(894,103)	(891,660)
Net profit attributable to owners of ordinary shares*	8,110,209	3,848,428
Weighted average number of ordinary shares	11,443,104	10,869,430
Earnings per share – basic	**0.71**	**0.35**

The increase in the number of shares is due to the registration of a stock split in the ratio of 1 share to 5 shares.

15 Cash

	31 December 2024	31 December 2023
Correspondent accounts with banks	1,518,613	1,722,339
Correspondent account with the CBA	43,875,985	53,348,800
Cash on hand	18,435,660	16,529,115
	63,830,258	**71,600,254**
Credit loss allowance	(9,943)	(31,069)
Total cash	**63,820,315**	**71,569,185**

As at 31 December 2024 correspondent account with Central Bank of Armenia represents the obligatory minimum reserve deposits with the CBA, which as at 31 December is computed at 4% of the Bank obligations denominated in Armenian drams and 18% of the Bank obligations, denominated in foreign currency. The banks are required to maintain 6% of amounts attracted in foreign currency as cash deposit with CBA in Armenian drams, and 12% - in the foreign currency.

The Bank's right to withdraw reserves held in AMD is not limited by the legislation; however, if the Bank doesn't ensure the minimum average monthly amount of the reserve, sanctions may be applied to the latter. For mandatory reserves held in foreign currency, the Bank is obliged to ensure a minimum daily balance.

As at 31 December 2024 the reserves amounts to AMD 24,863,699 thousand (2023: AMD 26,496,582 thousand).

As at 31 December 2024 correspondent accounts in amounts of AMD 940,546 thousand (61.9%) (2023: AMD 1,422,452 thousand (83%) in 2 banks) were due from 3 commercial banks.

An analysis of changes in the ECLs on cash as follows:

	31 December 2024		31 December 2023	
	Stage 1	Total	Stage 1	Total
ECL allowance at 1 January	31,069	31,069	51,255	51,255
Net remeasurement of loss allowance	(21,126)	(21,126)	(20,186)	(20,186)
Balance at 31 December	**9,943**	**9,943**	**31,069**	**31,069**

Non-cash transactions performed by the Bank during 2024 are represented by:

- repayment of loan in amount of AMD 15,818 thousand by providing collaterals (2023: AMD 2,435,818 thousand) (see Note 19).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

16 Derivative financial instruments

The Bank enters into derivative financial instruments principally for trading purposes. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below:

			31 December 2024
	Notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange contracts			
Other derivative instuments	531,139	-	119,575
Total derivative financial instruments			**119,575**

			31 December 2023
	Notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange contracts			
Foreign exchange swap contracts	1,701,769	829	13,518
Other derivative instruments	1,042,006	497	1,666
Total derivative financial instruments	-	**1,326**	**15,184**

17 Amounts due from financial institutions

	31 December 2024	31 December 2023
Loans to banks and financial institutions	1,010,649	620,821
Deposited funds on card clearing transactions	2,882,754	2,391,966
Payment system receivables	2,937,942	2,945,644
Other amounts receivable from financial institutions	12,992	22,667
	6,844,337	**5,981,098**
Credit loss allowance	(43,863)	(54,713)
Total amounts due from financial institutions	**6,800,474**	**5,926,385**

Deposited funds on card clearing transactions include a guaranteed deposit for settlements via ArCa, Visa and Mastercard payment system.

An analysis of changes in the ECLs on amount due from financial institutions as follows:

		2024		2023
	Stage 1	Total	Stage 1	Total
ECL allowance at 1 January	54,713	54,713	76,305	76,305
Net remeasurement of loss allowance	(10,850)	(10,850)	(21,592)	(21,592)
Balance at 31 December	**43,863**	**43,863**	**54,713**	**54,713**

18 Reverse repurchase/repurchase agreements

The Bank has transactions under repurchase and reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Bank. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Bank acts as intermediary.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Reverse repurchase agreements

As at 31 December 2024 and 31 December 2023 the Bank had reverse repurchase agreements:

	2024	2023
Reverse repurchase agreements with financial institutions	14,244,938	12,523,116
Reverse repurchase agreements with other organizations	-	35,067
	14,244,938	**12,558,183**
Credit loss allowance	(27,158)	(93,351)
Total amounts due from financial institutions	**14,217,780**	**12,464,832**

Fair value of securities purchased under reverse repurchase agreements and carrying value of loans provided are presented as follows:

	2024		2023	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
RA state securities	15,095,720	14,041,942	13,024,793	11,711,800
Corporate bonds	232,106	202,996	317,646	846,383
Total	**15,327,826**	**14,244,938**	**13,342,439**	**12,558,183**

An analysis of changes in the ECLs on loans under reverse repurchase agreements as follow:

	2024		2023	
	Stage 1	Total	Stage 1	Total
ECL allowance as at 1 January	93,351	93,351	85,027	85,027
Net remeasurement of loss allowance	(66,193)	(66,193)	8,324	8,324
Balance at 31 December	**27,158**	**27,158**	**93,351**	**93,351**

Repurchase agreements

	31 December 2024	31 December 2023
Repurchase agreements with the CBA	53,775,838	20,527,311
Repurchase agreements with the financial institutions	9,270,548	13,600,064
Total repurchase agreements	**63,046,386**	**34,127,375**

The loans attracted under repurchase agreements are secured by investment securities at amortised cost in the amount of AMD 54,438,166 thousand (2023: AMD 29,943,888 thousand) and investment securities at FVOCI in the amount of AMD 12,573,292 thousand (2023: AMD 6,938,430 thousand) pledged by the Bank. See Note 20.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

19 Loans and advances to customers

	31 December 2024			31 December 2023		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Mortgage and consumer lending						
Mortgage	51,615,491	(73,503)	51,541,988	45,990,803	(257,282)	45,733,521
Consumer lending	103,225,612	(1,488,788)	101,736,824	66,929,717	(1,197,813)	65,731,904
	154,841,103	**(1,562,291)**	**153,278,812**	**112,920,520**	**(1,455,095)**	**111,465,425**
Commercial lending						
Trading	48,430,800	(378,000)	48,052,800	47,450,546	(384,315)	47,066,231
Manufacture	18,920,145	(142,435)	18,777,710	28,710,284	(70,499)	28,639,785
Construction	55,425,547	(639,817)	54,785,730	34,332,533	(371,013)	33,961,520
Agriculture	14,556,135	(153,991)	14,402,144	32,652,067	(3,289,577)	29,362,490
Other	53,370,404	(566,144)	52,804,260	40,953,882	(50,264)	40,903,618
	190,703,031	**(1,880,387)**	**188,822,644**	**184,099,312**	**(4,165,668)**	**179,933,644**
Total	**345,544,134**	**(3,442,678)**	**342,101,456**	**297,019,832**	**(5,620,763)**	**291,399,069**

The ECL allowance in these tables includes ECL on loan commitments for products such as credit cards and overdrafts, because the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

During the year ended 31 December 2024 the Bank obtained assets by taking possession of collateral for loans to customers. As at 31 December 2024 the carrying amount of such assets amounted to AMD 15,818 thousand (2023: AMD 2,435,818 thousand). The Bank is intended to sell these assets in a short period.

As at 31 December 2024, the Bank had a concentration of loans represented by AMD 63,436,023 thousand due from the ten largest third party entities and parties related with them (18.4% of gross loan portfolio) (2023: AMD 66,253,775 thousand or 22.3 %). An allowance of AMD 562,348 thousand (2023: AMD 3,376,646 thousand) was made against these loans.

As at 31 December 2024, the loans to customers with a gross amount of AMD 27,621,154 thousand (2023: AMD 24,963,031 thousand) were the transfer of rights to borrowed funds, and AMD 28,735,955 thousand (2023: AMD 26,583,641 thousand) were the transfer of rights to loans from the CBA within the framework of international programs (see Note 24).

The Bank assigned to the Government of the Republic of Armenia the right to claim loans to individuals in the total amount of AMD 8,451 thousand and loans to based on the RA Government's decision of December 2024 (2023: AMD 691,493 thousand), in return for which it received state bonds issued by the Government of the Republic of Armenia with a nominal value of AMD 8,472,470 thousand (2023: AMD 484,045 thousand) (see Note 10). The incurred loss of this transaction amounted to AMD 3,631,059 thousand (2023: AMD 207,448 thousand).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

An analysis of changes in gross carrying amounts in relation to mortgage and consumer lending and commercial lending are as follows:

				2024
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
Balance at 1 January	110,590,419	1,967,537	362,564	112,920,520
New assets originated or purchased	127,353,855	342,650	1,042,233	128,738,738
Assets repaid	(85,083,213)	(720,884)	(90,300)	(85,894,397)
- Transfer to Stage 1	974,239	(883,747)	(90,492)	-
- Transfer to Stage 2	(447,021)	447,021	-	-
- Transfer to Stage 3	(335,493)	(221,342)	556,835	-
Change in balance of asset from interest and foreign exchange	(390,793)	(46,859)	(484,744)	(922,396)
Recoveries	-	-	431,358	431,358
Amounts written off during the year	-	-	(432,720)	(432,720)
Balance at 31 December	**152,661,993**	**884,376**	**1,294,734**	**154,841,103**

				2024
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
Balance at 1 January	183,587,241	474,185	37,886	184,099,312
New assets originated or purchased	179,579,089	214,743	435	179,794,267
Assets repaid	(134,982,469)	(342,650)	14,433	(135,310,686)
- Transfer to Stage 1	173,216	(161,558)	(11,658)	-
- Transfer to Stage 2	(252,033)	252,033	-	-
- Transfer to Stage 3	(95,463)	(3,839)	99,302	-
Change in balance of asset from interest and foreign exchange	(37,869,168)	65,275	(115,529)	(37,919,422)
Recoveries	-	-	54,270	54,270
Amounts written off during the year	-	-	(14,710)	(14,710)
Balance at 31 December	**190,140,413**	**498,189**	**64,429**	**190,703,031**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

				2023
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
Balance at 1 January	91,731,922	2,054,118	2,534,086	96,320,126
New assets originated or purchased	80,033,496	144,589	30,531	80,208,616
Assets repaid	(67,025,909)	(287,522)	(13,029)	(67,326,460)
- Transfer to Stage 1	2,505	(2,505)	-	-
- Transfer to Stage 2	(949,874)	952,152	(2,278)	-
- Transfer to Stage 3	(252,174)	(345,017)	597,191	-
Change in balance of asset from interest and foreign exchange	7,050,453	(548,278)	(2,771,406)	3,730,769
Recoveries	-	-	508,374	508,374
Amounts written off during the year	-	-	(520,905)	(520,905)
Balance at 31 December	**110,590,419**	**1,967,537**	**362,564**	**112,920,520**

				2023
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
Balance at 1 January	165,912,676	448,923	290,590	166,652,189
New assets originated or purchased	296,052,693	36,899	-	296,089,592
Assets repaid	(293,646,294)	(32,444)	(4,934)	(293,683,672)
- Transfer to Stage 1	472	(472)	-	-
- Transfer to Stage 2	(257,369)	257,369	-	-
- Transfer to Stage 3	(43,383)	(87,573)	130,956	-
Change in balance of asset from interest and foreign exchange	15,568,446	(148,517)	(514,103)	14,905,826
Recoveries	-	-	227,387	227,387
Amounts written off during the year	-	-	(92,010)	(92,010)
Balance at 31 December	**183,587,241**	**474,185**	**37,886**	**184,099,312**

An analysis of changes in ECL allowances in relation to mortgage and consumer lending and commercial lending are as follows:

				2024
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
ECL allowance at 1 January	695,445	498,875	260,775	1,455,095
- Transfer to Stage 1	269,931	(205,784)	(64,147)	-
- Transfer to Stage 2	(4,057)	4,057	-	-
- Transfer to Stage 3	(2,762)	(69,679)	72,441	-
Net remeasurement of loss allowance	(664,729)	(3,080)	(100,091)	(767,900)
Net remeasurement of loss allowances on new originated financial assets	443,722	58,456	374,280	876,458
Recoveries	-	-	431,358	431,358
Amounts written off during the year	-	-	(432,720)	(432,720)
Balance at 31 December	**737,550**	**282,845**	**541,896**	**1,562,291**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

				2024
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
ECL allowance at 1 January	4,015,655	126,344	23,669	4,165,668
- Transfer to Stage 1	59,484	(52,900)	(6,584)	-
- Transfer to Stage 2	(3,277)	3,277	-	-
- Transfer to Stage 3	(367)	(899)	1,266	-
Net remeasurement of loss allowance	(3,292,029)	107,400	(27)	(3,184,656)
Net remeasurement of loss allowances on new originated financial assets	744,908	114,773	134	859,815
Recoveries	-	-	54,270	54,270
Amounts written off during the year	-	-	(14,710)	(14,710)
Balance at 31 December	**1,524,374**	**297,995**	**58,018**	**1,880,387**

				2023
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
ECL allowance at 1 January	643,853	388,946	1,015,724	2,048,523
- Transfer to Stage 1	980	(980)	-	-
- Transfer to Stage 2	(14,208)	14,228	(20)	-
- Transfer to Stage 3	(4,124)	(82,070)	86,194	-
Net remeasurement of loss allowance	(232,016)	103,043	(852,115)	(981,088)
Net remeasurement of loss allowances on new originated financial assets	300,960	75,708	23,523	400,191
Recoveries	-	-	508,374	508,374
Amounts written off during the year	-	-	(520,905)	(520,905)
Balance at 31 December	**695,445**	**498,875**	**260,775**	**1,455,095**

				2023
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
ECL allowance at 1 January	1,196,643	175,717	137,937	1,510,297
- Transfer to Stage 1	196	(196)	-	-
- Transfer to Stage 2	(1,573)	1,573	-	-
- Transfer to Stage 3	(304)	(26,238)	26,542	-
Net remeasurement of loss allowance	2,581,373	(73,398)	(285,862)	2,222,113
Net remeasurement of loss allowances on new originated financial assets	239,320	48,886	9,675	297,881
Recoveries	-	-	227,387	227,387
Amounts written off during the year	-	-	(92,010)	(92,010)
Balance at 31 December	**4,015,655**	**126,344**	**23,669**	**4,165,668**

The increase in ECLs of the portfolio was due to the fact the Bank has assigned the right of claim on loans (Note 10) to the RA Government.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Further analysis of economic factors is outlined in Note 36.1.2.

As at 31 December 2024 and 2023 the estimated fair value of loans and advances to customers approximates it carrying amount.

Maturity analysis of loans and advances to customers are disclosed in Note 35.

Credit, currency and interest rate analyses of loans and advances to customers are disclosed in Note 36. The information on related party balances is disclosed in Note 32.

20 Investment securities

Investment securities measured at amortised cost

	31 December 2024	31 December 2023
Investment securities measured at amortised cost		
RA state bonds	9,104,611	8,634,533
	9,104,611	**8,634,533**
Credit loss allowance	(17,544)	(64,241)
Total investment securities at amortised cost	**9,087,067**	**8,570,292**
Investment securities measured at amortised cost pledged under repurchase agreements		
RA state bonds	54,438,166	29,943,888
	54,438,166	**29,943,888**
Credit loss allowance	(104,903)	(222,784)
Total investment securities at amortised cost pledged under repurchase agreements	**54,333,263**	**29,721,104**
Total investment securities at amortised cost	**63,420,330**	**38,291,396**

Investment securities measured at FVOCI

	31 December 2024	31 December 2023
Investment securities measured at FVOCI		
RA state bonds	607,409	14,863,645
Equity instruments	406,225	112,257
Total investment securities measured at FVOCI	**1,013,634**	**14,975,902**
Debt investment securities measured at FVOCI pledged under repurchase agreements		
RA state bonds	12,573,292	6,938,430
Total investment securities measured at FVOCI pledged under repurchase agreements	**12,573,292**	**6,938,430**
Total investment securities measured at FVOCI	**13,586,926**	**21,914,332**
Total investment securities	**10,100,701**	**23,546,194**
Total securities pledged under sale and repurchase agreements	**66,906,555**	**36,659,534**

As at 31 December 2024 the Bank received from the RA Government state bonds issued by the RA Government with a nominal value of AMD 8,472,470 thousand, in return for which it assigned the right to claim loans provided to individuals and legal entities (see Note 19).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

As at 31 December 2023 the Bank assigned to the RA Government the right to claim investments in securities in amount of AMD 639,648 thousand issued by the Government of the Republic of Nagorno Karabagh and its foundations (Note 10), in return for which it received government bonds issued by the Government of the Republic of Armenia with a nominal value of AMD 447,753 thousand. The incurred loss of this transaction amounted to AMD 191,895 thousand.

The securities received in 2023 and 2024 were classified as investment securities measured at amortized cost. According to the management's assessment, the nominal value of the bonds received at the time of replacement was not significantly different from the real value of the bonds.

An analysis of changes in the ECLs on debt investment securities measured at FVOCI, including pledged under repurchase agreements as follow:

	2024		2023	
	Stage 1	Total	Stage 1	Total
ECL allowance as at 1 January	287,025	287,025	270,042	270,042
Net remeasurement of loss allowance	(164,578)	(164,578)	16,983	16,983
Balance as at 31 December	**122,447**	**122,447**	**287,025**	**287,025**

Investment securities measured at amortised cost by effective profitability and maturity terms:

	31 December 2024		31 December 2023	
	%	Maturity	%	Maturity
RA state bonds	6.08-12.34	2025-2050	6.56-12.34	2024-2050

An analysis of changes in the ECLs on investment securities measured at FVOCI pledged under repurchase agreements as follows:

	2024		2023	
	Stage 1	Total	Stage 1	Total
ECL allowance as at 1 January	166,993	166,993	276,555	276,555
Net remeasurement of loss allowance	(141,090)	(141,090)	(109,562)	(109,562)
Balance as at 31 December	**25,903**	**25,903**	**166,993**	**166,993**

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

All debt securities have fixed coupons.

The Bank has not reclassified any financial assets measured at amortised cost rather than fair value during the year (2023: nil).

Investment securities measured at FVOCI by effective profitability and maturity terms:

	31 December 2024		31 December 2023	
	%	Maturity	%	Maturity
RA state bonds	2.94-11.71	2025-2050	2.94-12.17	2024-2050

	Country of incorporation	% controlled		In thousand AMD	
		2024	2023	2024	2023
ARCA	Republic of Armenia	6.25	6.25	168,285	82,500
ACRA Credit Reporting	Republic of Armenia	4.58	4.58	23,255	23,255
Yes em CJSC	Republic of Armenia	8.3	-	200,000	-
Telcell OJSC	Republic of Armenia	0.06	-	8,000	-
SWIFT		-	-	6,685	6,502
				406,225	**112,257**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

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.

21 Property and equipment

						Right-of-use assets		
	Land and buildings	Vehicles	Computers	Leasehold improve-ments	Other	Land and buildings	Vehicles	Total
Cost or revalued amount								
Balance at 1 January 2023	8,724,328	1,185,597	4,363,163	873,480	2,685,556	3,513,242	23,648	21,369,014
Additions	51,202	327,249	422,412	69,370	307,556	10,888	33,618	1,222,295
Disposals	-	(245,394)	(354,773)	(106,705)	(377,073)	(23,789)	-	(1,107,734)
Revaluation	4,827,028	-	-	-	-	-	-	4,827,028
Depreciation adjustment due to revaluation	(961,532)	-	-	-	-	-	-	(961,532)
Remeasurement	-	-	-	-	-	773,423	-	773,423
Balance at 31 December 2023	**12,641,026**	**1,267,452**	**4,430,802**	**836,145**	**2,616,039**	**4,273,764**	**57,266**	**26,122,494**
Additions	357,318	90,412	1,079,707	22,708	159,720	11,958	42,631	1,764,454
Disposals	(627)	(12,247)	(82,421)	-	(144,221)	-	-	(239,516)
Reclassification	-	-	(3,462)	-	3,462	-	-	-
Remeasurement	-	-	-	-	-	1,074,074	-	1,074,074
Balance at 31 December 2024	**12,997,717**	**1,345,617**	**5,424,626**	**858,853**	**2,635,000**	**5,359,796**	**99,897**	**28,721,506**
Accumulated depreciation								
Balance at 1 January 2023	910,093	478,884	3,173,943	224,483	1,820,898	2,224,575	5,124	8,838,000
Expenses for the year	333,263	145,140	353,488	51,952	203,410	838,832	3,907	1,929,992
Disposals	-	(175,796)	(349,551)	(57,256)	(368,377)	-	-	(950,980)
Depreciation adjustment due to revaluation	(961,532)	-	-	-	-	-	-	(961,532)
Balance at 31 December 2023	**281,824**	**448,228**	**3,177,880**	**219,179**	**1,655,931**	**3,063,407**	**9,031**	**8,855,480**
Expenses for the year	385,957	145,686	493,377	103,584	222,948	835,776	16,667	2,203,995
Disposals	-	(12,125)	(79,348)	-	(140,790)	-	-	(232,263)
Balance at 31 December 2024	**667,781**	**581,789**	**3,591,909**	**322,763**	**1,738,089**	**3,899,183**	**25,698**	**10,827,212**
Carrying amount								
As at 31 December 2023	**12,359,202**	**819,224**	**1,252,922**	**616,966**	**960,108**	**1,210,357**	**48,235**	**17,267,014**
As at 31 December 2024	**12,329,936**	**763,828**	**1,832,717**	**536,090**	**896,911**	**1,460,613**	**74,199**	**17,894,294**

Revaluation of assets

The land and buildings owned by the Bank are represented by a revalued amount. Land and buildings were evaluated by an independent appraiser in May 2023 using the comparative sales methods resulting in a revaluation of AMD 4,827,028 thousand. Management has based their estimate of the fair value of the land and buildings on the results of the independent appraisal.

If the land and buildings were presented with the difference between the initial cost and the accumulated depreciation, as at 31 December 2024 the carrying amount would amount to AMD 4,181,282 thousand (2023: AMD 3,948,941 thousand).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Right-of-use assets

The Bank has leases for the branches. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Bank classifies its right of use assets in accordance with the classification of its property and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Fully depreciated items

As at 31 December 2024 property and equipment included fully depreciated assets in amount of AMD 394,413 thousand (2023: AMD 471,348 thousand).

Restrictions on title of fixed assets

As at 31 December 2024, the Bank does not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted (2023: neither).

Contractual commitments

As at 31 December 2024 the Bank had no contractual commitment in respect of acquisition of property and equipment (2023: neither).

22 Intangible assets

	Licenses	Acquired software licenses	Other	Total
Cost				
As at 1 January 2023	713,614	730,987	32,981	1,477,582
Additions	113,506	359,386	-	472,892
Disposals	(27,181)	-	-	(27,181)
As at 31 December 2023	**799,939**	**1,090,373**	**32,981**	**1,923,293**
Additions	117,226	152,768	-	269,994
Disposals	(63,928)	-	(1,287)	(65,215)
As at 31 December 2024	**853,237**	**1,243,141**	**31,694**	**2,128,072**
Accumulated amortisation				
As at 1 January 2023	422,009	219,049	25,363	666,421
Amortisation charge	130,766	96,100	2,152	229,018
Disposals	(26,329)	-	-	(26,329)
As at 31 December 2023	**526,446**	**315,149**	**27,515**	**869,110**
Amortisation charge	129,236	128,152	2,152	259,540
Disposals	(63,928)	-	(1,287)	(65,215)
As at 31 December 2024	**591,754**	**443,301**	**28,380**	**1,063,435**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

	Licenses	Acquired software licenses	Other	Total
Carrying amount				
Balance at 31 December 2023	273,493	775,224	5,466	1,054,183
Balance at 31 December 2024	261,483	799,840	3,314	1,064,637

Contractual commitments

As at 31 December 2024 the Bank did not have a contractual commitment to invest in property and equipment. (2023: neither).

As at 31 December 2024, the Bank does not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted (2023: neither).

As of 31 December 2024, the cost of fully depreciated assets included in intangible assets amounted to AMD 363,194 thousand (2023: AMD 306,536 thousand).

23 Other assets

	31 December 2024	31 December 2023
Settlements with employees	33,300	31,370
Amounts receivable	56,685	72,227
	89,985	**103,597**
Credit loss allowance	(966)	(1,036)
Total other financial assets	**89,019**	**102,561**
Repossessed assets	2,855,368	2,963,269
Prepayments and other debtors	435,173	439,759
Materials	644,618	493,357
Precious metals	531,149	396,358
Prepaid taxes	162,458	254,669
Other assets	33,745	359,396
Total non-financial assets	**4,662,511**	**4,906,808**
Total other assets	**4,751,530**	**5,009,369**

An analysis of changes in the ECLs on other financial as follow:

	2024		2023	
	Stage 1	Total	Stage 1	Total
ECL allowance as at 1 January	1,036	1,036	7,825	7,825
Net remeasurement of loss allowance	8,050	8,050	(35,299)	(35,299)
Write-off	(8,421)	(8,421)	(144)	(144)
Recovery	301	301	28,654	28,654
Balance at 31 December	**966**	**966**	**1,036**	**1,036**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Details of non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as at 31 December are shown below:

	31 December 2024	31 December 2023
Real estate	54,000	72,096
Buildings	2,800,844	2,890,649
Car	524	524
Total repossessed assets	**2,855,368**	**2,963,269**

As of the date of repossession the collateral is measured at the lower of the carrying amount of outstanding loan commitment and fair value of realizable collateral.

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell.

24 Amounts due to financial institutions

	31 December 2024	31 December 2023
Loans from the CBA	39,458,541	37,158,135
Total loans from CBA	**39,458,541**	**37,158,135**
Loans from financial institutions	38,900,427	33,075,623
Deposits from financial institutions	29,301,196	33,302,456
Current accounts of financial institutions	6,392,129	6,545,832
Correspondent accounts of other banks	16,938	54,923
Other	328,470	204,558
Total liabilities	**74,939,160**	**73,183,392**
Loans from international financial institutions	**53,700,903**	**48,335,375**
Total amounts due to financial institutions	**168,098,604**	**158,676,902**

Loans from CBA and RA Government include loans received within the scope of “Small and medium business loan project” and "Small, Medium Business Energy Efficiency Support" borrowings within the scope of "Renewable energy", "Agricultural support" and ''Women's SME Support'' loan programs of German-Armenian fund.

As at 31 December 2024 and 31 December 2023 loans and deposits from financial institutions represent loans and deposits from resident and non-resident financial institutions.

All deposits from financial institutions have fixed interest rates. Loans from financial institutions have variable and fixed interest rates.

As at 31 December 2024 loans from financial institutions are secured with the transfer of rights of loans from customers in gross amount of AMD 27,621,154 thousand (2023: AMD 24,963,031 thousand) (see Note 19).

As at 31 December 2024 loans from the CBA are secured with the transfer of rights of loans from customers in gross amount of AMD 28,735,955 thousand (2023: AMD 26,583,641 thousand) (see Note 19).

The Bank has not had any defaults of principal, interest or other breaches with respect to amounts due to international financial institutions for the year ended 31 December 2024 (2023: neither).

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As at 31 December 2024 and 2023 loans from international financial institutions, including accrued interest, with stipulated compliance with certain capital and financial covenants as per respective loan agreements are presented below:

		31 December 2024		31 December 2023	
	Currency	Maturity	Carrying amount	Maturity	Carrying amount
Dual Return Fund S.I.C.A.V	USD	1-3 years	2,990,977	1-3 years	4,073,911
AFD-PROPARCO	USD	4-5 years	3,265,674	5 years	4,086,086
ResponsAbility Global Micro and SME Finance Fund	USD	1-2 years	1,208,920	2-3 years	6,156,410
ResponsAbility SICAV (Lux)		1-2 years	3,324,529	-	-
Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF	USD	2-3 years	1,999,046	3 years	2,034,705
EBRD	AMD	1-4 years	3,622,938	2-3 years	2,855,617
DEG	USD	Less than 1 year	414,972	1-2 years	1,271,628
INCOFIN CVBA	USD	1-2 years	4,006,129	2-3 years	6,126,170
FMO	USD	1-5 years	12,519,585	1-2 years	3,286,950
FMO	EUR	Less than 1 year	346,677	1-2 years	1,123,843
Blue Orchard MicrofinanceFund LLC	USD	2-4 years	6,053,674	3-4 years	6,167,821
Asian development Bank	USD	1-2 years	2,161,918	1-3 years	3,969,013
Microfinance Enhancement Facility S.A., SICAV-SIF	USD	Less than 1 year	1,010,382	1-2 years	2,058,573
Symbiotics SICAV II	USD	1-3 years	953,827	1-2 years	723,766
Symbiotics SICAV II	AMD	2-4 years	1,615,975	-	-
Symbiotics Sicav (Lux)	USD	2-3 years	1,294,488	-	-
Symbiotics Sicav (Lux)	AMD	2-4 years	2,713,663	-	-
OFID/MSME/Climate/Green	USD	4-5 years	3,998,402	-	-
FINSCA/MSE	USD	2-3 years	199,127	-	-
BSTDB	USD	-	-	Less than 1 year	1,382,820
MSME BSA	USD	-	-	Less than 1 year	3,018,062
Total			**53,700,903**		**48,335,375**

Violation of mandatory terms

The Bank is obligated to comply with financial covenants in relation to the above borrowed funds. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 31 December 2024 the Bank had not breached these covenants (2023: neither).

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25 Amounts due to customers

	31 December 2024	31 December 2023
Corporate customers		
Current/Settlement accounts	38,151,190	59,050,927
Time deposits	37,118,257	19,346,014
	75,269,447	**78,396,941**
Individual customers		
Current/Settlement accounts	36,100,354	36,547,548
Time deposits	79,983,218	68,997,834
	116,083,572	**105,545,382**
Total amounts due to customers	**191,353,019**	**183,942,323**

Deposits of corporate and individual customers carry fixed interest rates.

As at 31 December 2024 included in amounts due to corporate/individual customers are deposits amounting to AMD 5,387,090 thousand (2023: AMD 2,788,823 thousand) held as security against loans, guarantees and other related instruments. The fair value of those deposits approximates their carrying amount.

As at 31 December 2024 the aggregate balance of top ten customers of the Bank (including relating parties, see Note 32) amounts to AMD 43,336,759 thousand (2023: AMD 50,228,108 thousand) or 27.87% of total customer deposits (2023: 27.3%).

As at 31 December 2024 the Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities to customers during the period (2023: neither).

26 Debt securities issued

As at 31 December 2024, the Bank had issued interest-bearing bonds with following terms:

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
03.10.2022	AMD	10,000	100,000	11.00	03.10.2025	1,000,000,000
03.10.2022	USD	100	75,000	5.00	03.10.2025	7,500,000
04.05.2022	AMD	10,000	150,000	10.5	04.05.2025	1,500,000,000
04.05.2022	USD	100	50,000	5.25	04.05.2025	5,000,000
18.07.2023	AMD	10,000	150,000	11.25	18.07.2026	1,500,000,000
18.07.2023	USD	100	50,000	5.00	18.07.2026	5,000,000
22.07.2024	AMD	10,000	150,000	10.25	22.07.2027	1,500,000,000
22.07.2024	USD	100	35,000	5.00	22.07.2027	3,500,000

The Bank has not repurchased any of its own bonds during the year (2023: neither).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2023: neither).

The Bank's bonds are quoted and listed on Armenia Stock Exchange.

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27 Subordinated debt

	31 December 2024	31 December 2023
Subordinated debt provided by international financial institutions	1,996,332	2,032,400
Subordinate debt from the individual	597,066	609,385
Subordinate debt from the related party	3,511,433	7,037,709
Total subordinated debt	**6,104,831**	**9,679,494**

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.

Maturity for subordinated debt attracted by international financial institutions is set up in 2028.

Maturity for subordinated debt attracted by individuals is set up in 2029.

AMD 6,892,566 thousand of subordinated debt attracted by related party was used to replanish share capital.

Maturity for subordinated debt attracted by related parties is set up in 2031.

The Bank has not had any defaults of principal, interest or other breaches during the period (2023: nil).

28 Other liabilities

	31 December 2024	31 December 2023
Compensation payable to employees	1,550,450	1,497,355
Amounts due to individuals	987,483	479,638
Advances received from the issuance of shares	-	168
Dividends payable	584,961	541,207
Amounts payable	66,944	59,878
Lease liabilities	1,669,847	1,426,082
Total other financial liabilities	**4,859,685**	**4,004,328**
Tax payable, other than income tax	384,086	370,908
Provisions*	67,641	19,270
Total other non-financial liabilities	**451,727**	**390,178**
Total other liabilities	**5,311,412**	**4,394,506**

*Provisions have been made in respect of costs arising from financial guarantees. For an analysis of changes in the ECLs on undrawn credit line limits and financial guarantees see Note 30.

Lease liabilities

The Bank has leases for the branches. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Bank classifies its right-of-use assets in a consistent manner to its property and equipment (see Note 21).

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Set out below are presented the movements of lease liabilities during the period.

	2024	2023
As at 1 January	1,426,082	1,475,813
Additions	54,589	45,850
Remeasurement	1,074,074	773,423
Termination	-	(25,133)
Accretion of interest	179,048	157,659
Payments	(1,063,946)	(1,001,530)
Total lease liabilities at 31 December	**1,669,847**	**1,426,082**

In 2024 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 10.65% (2023: 10.25%).

Lease liabilities are secured by the respective assets that are the subject of the contract. The undiscounted maturity analysis of lease liabilities as of 31 December 2023 is disclosed in the Note 36.3.

29 Equity

As of 31 December 2024 the Bank's declared, paid and registered share capital was AMD 31,578,015 thousand. In accordance with the Bank's statues, the share capital consists of 12,119,719 ordinary shares, all of which have a par value of AMD 2,080 each and 424,600 preference shares, all of which have a par value of AMD 15,000.

The respective shareholders were as follows:

	31 December 2024		31 December 2023	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Saribek Sukiasyan	10,485,715	33.21	9,836,884	34.97
Khachatur Sukiasyan	4,638,533	14.69	4,638,533	16.49
Eduard Sukiasyan	4,479,677	14.19	3,432,828	12.20
Arik Sukiasyan	1,734,735	5.49	292,545	1.04
Robert Sukiasyan	206,569	0.65	205,040	0.73
ZRL Beteiligungs AG	1,427,171	4.52	1,427,171	5.07
Other shareholders	8,605,615	27.25	8,299,239	29.50
	31,578,015	**100**	**28,132,240**	**100**

As at 31 December 2024, 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.

In 2024 the shareholders of the Bank increased its share capital by AMD 3,445,775 thousand (2023: AMD 1,480,172 thousand).

The share capital of the Bank was contributed by the shareholders in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams. Preference shares are non-voting and guarantee annual dividends of not less than 14% of their nominal amount.

The amount of declared and paid dividends on preference shares recognized in the financial statements as of 31 December 2024 amounted to AMD 894,103 thousand (2023: AMD 891,660 thousand) (see Note 4.16).

The amount of declared and paid dividends on ordinary shares recognized in the financial statements as at 31 December 2024 amounted to AMD 445,583 thousand (2023: AMD 300,257 thousand), which was paid based on 2023 financial results.

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Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books.

30 Financial guarantees and loan commitments

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

As at 31 December the nominal or contract amounts were:

	31 December 2024	31 December 2023
Undrawn loan commitments	2,518,236	941,322
Guarantees	13,237,505	14,126,256
Total commitments and contingent liabilities	**15,755,741**	**15,067,578**

An analysis of changes in the ECLs on loan commitment included in allowances of loans and advances to customers (see Note 19).

The changes in the ECLs on financial guarantees and letters of credit are presented in other liabilities. An analysis of these changes as follow:

	2024		2023	
	Stage 1	Total	Stage 1	Total
ECL allowance at 1 January	19,270	19,270	103,386	103,386
Net remeasurement of loss allowance	48,371	48,371	(84,116)	(84,116)
Balance at 31 December	**67,641**	**67,641**	**19,270**	**19,270**

ECLs on guarantees are included in "Other liabilities" (see Note 28).

Information on capital liabilities is disclosed in Notes 21, 22).

31 Contingencies

Tax and legal matters

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

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

Management believes that the Bank has complied with all regulations and has completely settled all its tax liabilities.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

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

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to Bank operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

However as of 31 December 2024 the Bank had insurance for its head office building and branches, transportation means. The Bank also had insurance for total liabilities of the Bank, electronic and computer crime and professional responsibility.

32 Transactions with related parties

In accordance with IAS 24 "*Related Party Disclosures*", parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively.

The Sukiasyan family is a direct significant participant of the bank, which controls the bank.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates.

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

	2024		2023	
	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
Statement of financial position				
Loans and advances to customers				
Loans outstanding at 1 January gross	7,383,299	427,628	6,895,807	418,212
Loans provided during the year	2,539,039	507,310	3,268,289	1,432,483
Loan repayments during the year	(2,704,968)	(369,076)	(2,780,797)	(1,423,067)
Loans outstanding at 31 December gross	7,217,370	565,862	7,383,299	427,628
Credit loss allowance	(39,308)	(661)	(10,008)	(1,860)
Loans outstanding at 31 December	**7,178,062**	**565,201**	**7,373,291**	**425,768**
Amounts due from financial institutions				
As at 1 January	276,953	-	227,716	-
Received during the year	15,202,814	-	14,320,652	-
Paid during the year	(15,007,263)	-	(14,271,415)	-
Balance at 31 December	**472,504**	**-**	**276,953**	**-**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

	2024		2023	
	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
Amounts due to customers				
Deposits at 1 January	3,371,080	705,520	3,489,963	598,712
Deposits received during the year	50,871,544	3,957,372	39,195,334	3,480,660
Deposits paid during the year	(53,406,110)	(3,826,521)	(39,314,217)	(3,373,852)
Deposits at 31 December	**836,514**	**836,371**	**3,371,080**	**705,520**
Subordinated debt				
As at 1 January	7,038,020	-	1,407,315	-
Borrowings received during the year	3,777,467	-	6,685,086	-
Borrowings repaid during the year	(7,304,055)	-	(1,054,381)	-
Balance at 31 December	**3,511,432**	**-**	**7,038,020**	**-**
Debt securities issued	**-**	**185,259**	**-**	**144,532**
Guarantees issued	**274,580**	**-**	**98,652**	**-**
Statement of profit or loss and other comprehensive income				
Interest and similar income	732,784	46,788	694,139	46,538
Interest and similar expenses	551,555	44,939	498,567	36,573
(Credit loss expense) reversal of credit loss expense	(29,300)	1,199	39,870	(661)
Advertising expenses	45,900	-	52,500	-
Insurance expenses	229,807	-	180,239	-
Finance lease expenses	527,366	-	456,001	-
Business trip expenses	53,769	7,680	12,471	19,470
Other expenses	781,538	13,240	891,513	15,717

The loans issued to the Bank's related party are repayable over 1-20 years and have interest rates of 5.0-21.5%.

Compensation of key management personnel was comprised of the following:

	31 December 2024	31 December 2023
Salaries and bonuses	1,128,051	1,121,777
Total key management compensation	**1,128,051**	**1,121,777**

33 Fair value measurement

Financial and non-financial assets and liabilities measured at fair value are presented below in accordance with the fair value hierarchy. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33.1 Financial instruments that are not measured at fair value

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

					31 December 2024
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash	-	63,820,315	-	63,820,315	63,820,315
Amounts due from financial institutions	-	6,800,474	-	6,800,474	6,800,474
Reverse repurchase agreements	-	14,217,780	-	14,217,780	14,217,780
Loans and advances to customers	-	340,840,294	-	340,840,294	342,101,456
Investments securities measured at amortised cost including those pledged	-	63,171,648	-	63,171,648	63,420,330
Other financial assets	-	89,019	-	89,019	89,019
Financial liabilities					
Amounts due to financial institutions	-	168,098,604	-	168,098,604	168,098,604
Repurchase agreements	-	63,046,386	-	63,046,386	63,046,386
Amounts due to customers	-	190,498,678	-	190,498,678	191,353,019
Debt securities issued	-	13,871,755	-	13,871,755	14,115,869
Subordinated debt	-	6,104,831	-	6,104,831	6,104,831
Lease liabilities	-	1,669,847	-	1,669,847	1,669,847
Other financial liabilities	-	3,189,838	-	3,189,838	3,189,838

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

	31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash	-	71,569,185	-	71,569,185	71,569,185
Amounts due from financial institutions	-	5,926,385	-	5,926,385	5,926,385
Reverse repurchase agreements	-	12,464,832	-	12,464,832	12,464,832
Loans and advances to customers	-	290,453,818	-	290,453,818	291,399,069
Investments securities measured at amortised cost the pledged securities		36,516,570	-	36,516,570	38,291,396
Other financial assets	-	102,561	-	102,561	102,561
Financial liabilities					
Amounts due to financial institutions	-	158,676,902	-	158,676,902	158,676,902
Repurchase agreements	-	34,127,375	-	34,127,375	34,127,375
Amounts due to customers	-	182,340,469	-	182,340,469	183,942,323
Debt securities issued	-	11,103,870	-	11,103,870	11,295,283
Subordinated debt	-	9,679,494	-	9,679,494	9,679,494
Lease liabilities	-	1,426,082	-	1,426,082	1,426,082
Other financial liabilities	-	2,578,246	-	2,578,246	2,578,246

Amounts due from and to financial institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

Loans and advances to customers

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

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property appraisers.

Investment securities measured at amortised cost

Market values have been used to determine the fair value of investment securities measured at amortised cost traded on an active market. For securities that are not traded on an active market, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

Due to customers

The fair value of deposits from financial institutions and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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Due to financial institutions

The estimated fair value of borrowing with fixed and unquoted interest rates is determined by calculating expected future cash flows which are discounted by interest rates on new debt instruments with a similar maturity.

Debt securities issued

The estimated fair value of the debt securities issued is determined on the basis of the expected future cash flows, which are discounted by the corresponding interest rates at the end of the year, which mainly coincide with the current interest rates.

33.2 Financial instruments that are measured at fair value

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
State bonds	-	13,180,701	-	13,180,701
Equity instruments	-	-	406,225	406,225
Total	**-**	**13,180,701**	**406,225**	**13,586,926**
Financial liabilities				
Derivative financial liabilities	-	119,575	-	119,575
Total	**-**	**119,575**	**-**	**119,575**
Net fair value	**-**	**13,061,126**	**406,225**	**13,467,351**

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
State bonds	-	21,802,075	-	21,802,075
Equity instruments	-	-	112,257	112,257
Derivative financial assets	-	1,326	-	1,326
Total	**-**	**21,803,401**	**112,257**	**21,915,658**
Financial liabilities				
Derivative financial liabilities	-	15,184	-	15,184
Total	**-**	**15,184**	**-**	**15,184**
Net fair value	**-**	**21,788,217**	**112,257**	**21,900,474**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Unquoted debt securities

The fair value of unquoted debt securities at FVOCI is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

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Unquoted equity investments

For determining the fair value of unquoted equity instruments the Bank uses a combination of market and income approaches. The market approach and the income approach are common valuation techniques for equity investments that are not publicly traded. Under the market approach, the Bank uses prices and other relevant information generated by market transactions involving identical or comparable securities. Under the income approach, future amounts are converted into a single present amount (e.g. a discounted cash flows model). The market approach is preferred as the main inputs used are typically observable.

Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter market the Bank uses the closing price at the reporting date. The fair values of these contracts are estimated using valuation techniques that maximises the use of observable market inputs, eg. market exchange rates (Level 2). Most derivatives entered into by the Bank are included in Level 2 and consist of foreign currency forward contracts.

33.3 Fair value measurement of non-financial assets

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

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

The land and buildings was revalued in May 2023.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

34 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Bank performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the 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.

						31 December 2024
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial assets/ liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial assets						
Reverse repurchase agreements (Note 18)	14,244,938	-	14,244,938	-	15,327,826	1,082,888
Total	**14,244,938**	**-**	**14,244,938**	**-**	**15,327,826**	**1,082,888**
Financial liabilities						
Reverse repurchase agreements (Note 18, 20)	63,046,386	-	63,046,386	67,011,458	-	(3,965,072)
Total	**63,046,386**	**-**	**63,046,386**	**67,011,458**	**-**	**(3,965,072)**

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				31 December 2023		
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial assets/ liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial assets						
Reverse repurchase agreements (Note 18)	12,558,183	-	12,558,183	-	13,342,439	784,256
Total	**12,558,183**	**-**	**12,558,183**	**-**	**13,342,439**	**784,256**
Financial liabilities						
Reverse repurchase agreements (Note 18, 20)	34,127,375	-	34,127,375	36,882,318	-	(2,754,943)
Total	**34,127,375**	**-**	**34,127,375**	**36,882,318**	**-**	**(2,754,943)**

35 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled. See Note 36.3 for the Bank's contractual undiscounted repayment obligations.

							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	63,820,315	-	63,820,315	-	-	-	63,820,315
Amounts due from financial institutions	3,332,050	932,934	4,264,984	7,990	2,527,500	2,535,490	6,800,474
Reverse repurchase agreements	14,217,780	-	14,217,780	-	-	-	14,217,780
Loans and advances to customers	8,766,169	72,364,908	81,131,077	160,362,501	100,607,878	260,970,379	342,101,456
Investment securities							
- Investment securities at fair value through other comprehensive income including those pledged	12,573,291	409,383	12,982,674	198,027	406,225	604,252	13,586,926
- Investments securities at amortised cost including those pledged	54,333,452	769,013	55,102,465	-	8,317,865	8,317,865	63,420,330
Other financial assets	74,098	14,921	89,019	-	-	-	89,019
	157,117,155	**74,491,159**	**231,608,314**	**160,568,518**	**111,859,468**	**272,427,986**	**504,036,300**

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							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
Liabilities							
Derivative financial liabilities	119,575	-	119,575	-	-	-	119,575
Amounts due to financial institutions	13,940,301	48,803,994	62,744,295	90,088,578	15,265,731	105,354,309	168,098,604
Repurchase agreements	63,046,386	-	63,046,386	-	-	-	63,046,386
Amounts due to customers	75,777,615	78,194,198	153,971,813	36,862,040	519,166	37,381,206	191,353,019
Debt securities issued	220,410	7,563,301	7,783,711	6,332,158	-	6,332,158	14,115,869
Subordinated debt	29,575	19,118	48,693	2,572,135	3,484,003	6,056,138	6,104,831
Lease liabilities	72,437	718,785	791,222	794,219	84,406	878,625	1,669,847
Other financial liabilities	937,114	2,240,178	3,177,292	-	12,546	12,546	3,189,838
	154,143,413	**137,539,574**	**291,682,987**	**136,649,130**	**19,365,852**	**156,014,982**	**447,697,969**
Net position	**2,973,742**	**(63,048,415)**	**(60,074,673)**	**23,919,388**	**92,493,616**	**116,413,004**	**56,338,331**
Accumulated gap	**2,973,742**	**(60,074,673)**		**(36,155,285)**	**56,338,331**		

							31 December 2023
	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	71,569,185	-	71,569,185	-	-	-	71,569,185
Derivative financial assets	1,326	-	1,326	-	-	-	1,326
Amounts due from financial institutions	3,306,962	477,764	3,784,726	19,159	2,122,500	2,141,659	5,926,385
Reverse repurchase agreements	12,464,832	-	12,464,832	-	-	-	12,464,832
Loans and advances to customers	7,298,125	58,998,921	66,297,046	136,815,989	88,286,034	225,102,023	291,399,069
Investment securities							
- Investment securities at fair value through other comprehensive income including those pledged	6,938,430	3,137,282	10,075,712	5,751,259	6,087,361	11,838,620	21,914,332
- Investments securities at amortised cost including those pledged	29,721,104	-	29,721,104	3,736,439	4,833,853	8,570,292	38,291,396
Other financial assets	93,946	8,144	102,090	471	-	471	102,561
	131,393,910	**62,622,111**	**194,016,021**	**146,323,317**	**101,329,748**	**247,653,065**	**441,669,086**

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	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
Liabilities							
Derivative financial liabilities	15,184	-	15,184	-	-	-	15,184
Amounts due to financial institutions	14,619,284	44,421,821	59,041,105	84,574,449	15,061,348	99,635,797	158,676,902
Repurchase agreements	34,127,375	-	34,127,375	-	-	-	34,127,375
Amounts due to customers	93,086,447	68,888,074	161,974,521	21,388,383	579,419	21,967,802	183,942,323
Debt securities issued	122,508	106,403	228,911	11,066,372	-	11,066,372	11,295,283
Subordinated debt	68,012	18,628	86,640	2,013,772	7,579,082	9,592,854	9,679,494
Lease liabilities	13,914	385,085	398,999	798,771	228,312	1,027,083	1,426,082
Other financial liabilities	2,506,134	70,210	2,576,344	1,541	361	1,902	2,578,246
	144,558,858	113,890,221	258,449,079	119,843,288	23,448,522	143,291,810	401,740,889
Net position	**(13,164,948)**	**(51,268,110)**	**(64,433,058)**	**26,480,029**	**77,881,226**	**104,361,255**	**39,928,197**
Accumulated gap	**(13,164,948)**	**(64,433,058)**		**(37,953,029)**	**39,928,197**		

The gap of 1 to 12 months is due to the short terms of customer deposits, which are periodically extended and the Bank has the opportunity to repay them in full upon request.

36 Risk management

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

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board is responsible for monitoring the overall risk management, approval of strategy and risk management principles. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

Executive Board

The Executive Board has the responsibility to monitor the uninterrupted risk management process within the Bank. It is responsible for elaboration and application of the risk management strategy, principles, policies and limits. The Executive Board is responsible for solving problems related with risk management and monitors the application of respective decisions made with respect to them.

Risk Management Subdivision

Risk management is carried out by Strategy Risk Management Administration under policies approved by the Board of Directors. Strategy and Risk Management Department diagnoses, identifies, analyses, evaluates and hedges financial risks in close co-operation with the Bank's operating departments. The Risk Management Subdivision is responsible for monitoring risk management principles, policy and the Bank's risk limits, as well as implementing and realizing procedures connected with risk management.

Internal audit

Internal audit is responsible for the independent assessment of risk management and monitoring for the overall environment. Risk management processes throughout the Bank are audited annually by the internal audit, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the respective management body.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Executive Body receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

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

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Bank's Risk Management Department and reported to the Board and Exeutive Board.

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36.1.1 Credit quality analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of internal rating grades is included in Note 36.1.2.

Internal rating grade				31 December 2024
	Stage 1	Stage 2	Stage 3	Total
Cash				
High	18,435,660	-	-	18,435,660
Standard	45,394,598	-	-	45,394,598
Gross carrying amount	**63,830,258**	**-**	**-**	**63,830,258**
Credit loss allowance	(9,943)	-	-	(9,943)
Net carrying amount	**63,820,315**	**-**	**-**	**63,820,315**
Amounts due from financial institutions				
Standard	6,844,337	-	-	6,844,337
Gross carrying amount	**6,844,337**	**-**	**-**	**6,844,337**
Credit loss allowance	(43,863)	-	-	(43,863)
Net carrying amount	**6,800,474**	**-**	**-**	**6,800,474**
Reverse repurchase agreements				
Standard grade	14,244,938	-	-	14,244,938
Gross carrying amount	**14,244,938**	**-**	**-**	**14,244,938**
Credit loss allowance	(27,158)	-	-	(27,158)
Net carrying amount	**14,217,780**	**-**	**-**	**14,217,780**
Loans to mortgage and consumer customers				
High grade	152,609,968	-	-	152,609,968
Standard grade	52,025	722,172	-	774,197
Low grade	-	162,204	-	162,204
Non-performing grade	-	-	1,294,734	1,294,734
Gross carrying amount	**152,661,993**	**884,376**	**1,294,734**	**154,841,103**
Credit loss allowance	(737,550)	(282,845)	(541,896)	(1,562,291)
Net carrying amount	**151,924,443**	**601,531**	**752,838**	**153,278,812**
Loans to commercial customers				
High grade	190,117,613	-	-	190,117,613
Standard grade	22,800	349,619	-	372,419
Low grade	-	148,570	-	148,570
Non-performing grade	-	-	64,429	64,429
Gross carrying amount	**190,140,413**	**498,189**	**64,429**	**190,703,031**
Credit loss allowance	(1,524,374)	(297,995)	(58,018)	(1,880,387)
Net carrying amount	**188,616,039**	**200,194**	**6,411**	**188,822,644**

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Internal rating grade				31 December 2024
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortised cost including pledged securities				
Standard	63,542,777	-	-	63,542,777
Gross carrying amount	**63,542,777**	**-**	**-**	**63,542,777**
Credit loss allowance	(122,447)	-	-	(122,447)
Net carrying amount	**63,420,330**	**-**	**-**	**63,420,330**
Debt investment securities at FVOCI including pledged securities				
Standard	13,180,701	-	-	13,180,701
Carrying amount-fair value	**13,180,701**	**-**	**-**	**13,180,701**
Credit loss allowance	(25,903)	-	-	(25,903)
Other financial assets				
Standard grade	89,985	-	-	89,985
Gross carrying amount	**89,985**	**-**	**-**	**89,985**
Credit loss allowance	(966)	-	-	(966)
Net carrying amount	**89,019**	**-**	**-**	**89,019**
Loan commitments and financial guarantees				
Standard grade	15,755,741	-	-	15,755,741
Gross carrying amount	**15,755,741**	**-**	**-**	**15,755,741**
Credit loss allowance*	(67,641)	-	-	(67,641)

Internal rating grade				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
Cash				
High	16,529,115	-	-	16,529,115
Standard	55,071,139	-	-	55,071,139
Gross carrying amount	**71,600,254**	**-**	**-**	**71,600,254**
Credit loss allowance	(31,069)	-	-	(31,069)
Net carrying amount	**71,569,185**	**-**	**-**	**71,569,185**
Amounts due from financial institutions				
Standard	5,981,098	-	-	5,981,098
Gross carrying amount	**5,981,098**	**-**	**-**	**5,981,098**
Credit loss allowance	(54,713)	-	-	(54,713)
Net carrying amount	**5,926,385**	**-**	**-**	**5,926,385**
Reverse repurchase agreements				
Standard grade	12,558,183	-	-	12,558,183
Gross carrying amount	**12,558,183**	**-**	**-**	**12,558,183**
Credit loss allowance	(93,351)	-	-	(93,351)
Net carrying amount	**12,464,832**	**-**	**-**	**12,464,832**

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Internal rating grade	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to mortgage and consumer customers				
High grade	110,519,176	-	-	110,519,176
Standard grade	71,243	1,822,066	-	1,893,309
Low grade	-	145,471	-	145,471
Non-performing grade	-	-	362,564	362,564
Gross carrying amount	**110,590,419**	**1,967,537**	**362,564**	**112,920,520**
Credit loss allowance	(695,445)	(498,875)	(260,775)	(1,455,095)
Net carrying amount	**109,894,974**	**1,468,662**	**101,789**	**111,465,425**
Loans to commercial customers				
High grade	180,772,367	-	-	180,772,367
Standard grade	2,814,874	433,981	-	3,248,855
Low grade	-	40,204	-	40,204
Non-performing grade	-	-	37,886	37,886
Gross carrying amount	**183,587,241**	**474,185**	**37,886**	**184,099,312**
Credit loss allowance	(4,015,655)	(126,344)	(23,669)	(4,165,668)
Net carrying amount	**179,571,586**	**347,841**	**14,217**	**179,933,644**
Debt investment securities at amortised cost including pledged securities				
Standard	38,578,421	-	-	38,578,421
Gross carrying amount	**38,578,421**	**-**	**-**	**38,578,421**
Credit loss allowance	(287,025)	-	-	(287,025)
Net carrying amount	**38,291,396**	**-**	**-**	**38,291,396**
Debt investment securities at FVOCI including pledged securities				
Standard	21,802,075	-	-	21,802,075
Carrying amount-fair value	**21,802,075**	**-**	**-**	**21,802,075**
Credit loss allowance	(166,993)	-	-	(166,993)
Other financial assets				
Standard grade	103,597	-	-	103,597
Gross carrying amount	**103,597**	**-**	**-**	**103,597**
Credit loss allowance	(1,036)	-	-	(1,036)
Net carrying amount	**102,561**	**-**	**-**	**102,561**
Loan commitments and financial guarantees				
Standard grade	15,067,578	-	-	15,067,578
Gross carrying amount	**15,067,578**	**-**	**-**	**15,067,578**
Credit loss allowance	(19,270)	-	-	(19,270)

* Standard grade includes allowance on financial guarantees (see Note 30).

36.1.2 Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies (see Note 4.6.(vi)).

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

In accordance with the IFRS 9 the Bank uses a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are creditimpaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

For undrawn loan commitments and financial guarantee contracts, ECL is measured based on Credit Conversion Factor of 100%.

Due from financial institutions, interbank deposits and corresponding accounts, investment in debt securities are subject to impairment based on 12-months ECL. The estimates of probability default and loss given default for clients are derived from credit rating information supplied by international rating agencies (Moody's, Fitch, S&P).

Allowance for expected credit losses on other receivables is estimated individually using the loan loss allowance rate of the client. If the client does not have loan exposure in the bank, than the credit rating of the client and the corresponding probability of default and loss given default are used. In addition, expected period of exposure for receivable is estimated. Finally, PDs, LGDs and expected period of exposure are multiplied to calculate expected credit allowance for receivables.

Criteria for loans and advances to customers

To assess credit risk of exposures to the borrowers the Bank has developed methodology in accordance with IFRS 9.

Bank measures expected credit losses on an individual basis, or on a collective basis for portfolios of loans, that share similar credit risk characteristics.

Individually significant exposures are considered borrowers/group of related borrowers which exposure exceeds 0.3% of regulatory capital. Besides, they should have the signs of significant increase in credit risk, such as increase in overdue days or significant financial difficulties.

Due to the deteriorating financial condition of the borrower, the Bank can subjectively classify loans in a more severe stage, as well as, in the absence of deterioration of the borrowers' financial condition, loans can be reclassified to the previous stage.

To determine whether exposure has indicators of significant increase in credit risk or impairment loss event has been incurred, information about the borrowers’ liquidity, solvency and business and financial risk exposures, overdue, restructuring, credit ratings and the fair value of collaterals are analyzed by Risk Management department.

ECLs on individually significant exposures with the signs of significant increase in credit risk are measured on an individual basis. ECLs on individually significant exposures without signs of significant increase in credit risk are measured on a collective basis.

Measurement of ECL on an individual basis

For individually assessed loans, ECLs are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the bank expects to receive arising from the weighting of multiple future economic scenarios, discounted using effective interest rate. Besides, the repayments and realization of any assets held as collateral against the loan are taking into account.

The Bank generally assesses liquidation value of the collaterals considering based on the actual sale dates of previous similar collateral. The general approach is overridden individually if other circumstances demonstrate that generic time to collect period and valuation haircut is not reasonable.

Measurement of ECL on a collective basis

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Collective assessment is performed on a borrower level rather than contract level.

Segmentation

Collectively assessed loans are grouped together according to their credit risk characteristics. Such characteristics are:

- Segment
- Days past due
- Restructuring
- Collateralization

Portfolio subject to collective assessment of ECL is divided into 5 segments: Consumer, Mortgage, Manufacturing, Agriculture, Other.

Definition of default

Critical to the determination is the definition of default. The definition of default is incorporated in measuring the amount of ECL. The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank for collective assessed loans;
- The borrower’s loan was restructured more than once;

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

The information assessed depends on the materiality of exposure too. Qualitative indicators, such as external information about possible deterioration of financial situation of borrower are significant inputs in the analysis and are used for identification of loans for individual assessment of ECL if the borrower's exposure is above materially significant threshold.

Significant increase in credit risk

The Bank monitors financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, Bank considers both quantitative and qualitative information that is reasonable and supportable. Significant deterioration of credit rating of borrower, material decrease the price of collateral could be considered as the qualitative signs of significant increase in credit risks and are used for identification of loans for individual assessment of ECL if the borrowers exposure is above materially significant threshold.

When an asset becomes more than 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Bank offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

The carrying amount of renegotiated loans to customers as at 31 December 2024 and 2023 were AMD 2,250,997 thousand and AMD 1,552,203 thousand, respectively.

Probability of default (PD)

To determine the PD rates for each group, the Bank utilizes migration matrices methodology, which employs statistical analyses of historical data and experience of delinquency and default to reliably estimate the amount of the loans that will eventually be defaulted as a result of the events occurring before the balance sheet date. Observation period for homogenous group was taken as six years from January 2018 to December 2023. During the observation period, the one month migration matrices were generated.

Migrations matrices are used to calculate 12-months probability of default (PD) for each group of collective assessment. Based on that, is calculated marginal PDs for next years until the maturity of portfolio is expired. For calculations of PDs, default was determined as 90 days overdue. The borrower that has defaulted at least once during observation period is considered defaulted during the remaining observation period.

To estimate Point in Time PDs the Bank incorporates of forward looking information under different macro scenarios.

Loss given default (LGD)

Another component of impairment model is LGD (loss given default), that's is an estimate of the loss arising on default. To measure it, defaulted exposures by segments is reduced by deposits pledged and the discounted liquidation value of properties pledged using the actual sale dates of previous similar collaterals. LGD models for unsecured assets considers recovery rates of defaulted assets. LGDs are measured on segment rather than on a borrower level.

Exposure at default (EAD)

EAD represents the expected exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

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Forward-looking information

The Bank uses forward-looking information in its measurement of ECL. The information used includes economic data and economic indicators prognoses published by monetary authorities. Four macroeconomic variables were sued for determining the probability of default: Consumer Price Index (CPI), inflows from money transfers, exchange rate of USD/AMD and RUB/AMD. They will lead to a different probability of default. Weighting of these different variables forms the basis of a weighted average probability of default that is used in calculations of ECL. 12-month ECL (stage 1 loans) is measured only with twelve month PDs. Lifetime ECL (stages 2 and 3 loans) are measured with all annual marginal PDs until the maturity of loan expires.

Macroeconomic indicators prognoses with different scenarios and their weights are published by Armenian Statistical Agency Armstat.

Calculation of ECL

When the marginal PDs and LGD are determined for each group/segment, final calculations of loan loss allowance is made. It depends on risk characteristics of groups: 12 months ECL is calculated for Stage 1 groups (overdue less than 31 days) and lifetime ECLs for stage 2 or 3 groups (overdue more than 90 days or restructured loans). The results of LLP calculation on loan portfolio allows to derive the average impairment rates for each of 9 groups of collective assessment. These rates are used for formation of loan loss allowance until next recalculation of whole model. Recalculation of impairment model was carried out once in 2022 and the last one was done in December 2023 based on last available information.

36.1.3 Risk concentrations

Geographical sectors

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

	Armenia	Other non-OECD countries	OECD countries	Total
Cash	62,556,384	634,657	629,274	63,820,315
Amounts due from financial institutions	6,270,580	125,186	404,708	6,800,474
Reverse repurchase agreements	14,217,780	-	-	14,217,780
Loans and advances to customers	338,835,996	3,265,460	-	342,101,456
Investment securities				
- Investment securities at fair value through other comprehensive income including those pledged	13,580,241	-	6,685	13,586,926
- Investment securities at amortised cost including those pledged	63,420,330	-	-	63,420,330
Other financial assets	88,876	-	143	89,019
As at 31 December 2024	**498,970,187**	**4,025,303**	**1,040,810**	**504,036,300**
As at 31 December 2023	**439,306,184**	**1,452,835**	**910,067**	**441,669,086**

Assets have been classified based on the country in which the counterparty is located.

Industry sectors

As at 31 December 2024, the Bank's main credit exposure, classified by economic sectors, are concentrated in the financial sector, except for loans. For distribution of industry sectors for loans, see Note 19.

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36.1.4 Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, movable properties, equipment, inventory and trade receivables and, in special circumstances, government guarantees
- For consumer lending residential properties,
- For mortgages over residential properties

The Bank did not hold any financial instruments for which no loss allowance is recognised because of collateral.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Generally, no collaterals are required for provision of loans and advances to financial institutions, especially to Banks. The exception is collaterals obtained under repurchase agreements and securities borrowing transactions. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of gross loan portfolio of loans and advances to customers by collateral is represented as follows:

	31 December 2024	31 December 2023
Loans collateralized by real estate	129,250,676	116,384,578
Loans collateralized by guarantees	112,681,723	96,445,054
Loans collateralized by jewellery and other gold items	19,946,484	16,489,411
Loans collateralized by vehicles (cars)	3,050,178	2,580,196
Loans collateralized by cash	1,237,722	692,105
Loans collateralized by materials	4,166,871	4,787,837
Loans collateralized by equipment	4,503,852	5,143,109
Loans collateralized by other securities	18,930	17,364
Loans collateralized by state bonds	275	1,419
Other collateral	57,330,850	41,318,662
Unsecured loans	13,356,573	13,160,097
Total loans and advances to customers (gross)	**345,544,134**	**297,019,832**

As at 31 December 2024, the net carrying amount of credit-impaired loans and advances to customers amounted to 1,359,163 thousand (2023: 400,450 thousand) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to 2,330,791 thousand (2023: 1,400,867 thousand).

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally, they are not updated unless loans are assessed as credit-impaired.

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36.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios. Non-trading positions are managed and monitored using other sensitivity analyses.

36.2.1 Market risk – Non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2024.

The sensitivity of equity is calculated by revaluating fixed rate of financial assets measured at FVOCI as at 31 December 2024 based on the expected changes in the yield curve.

Currency			2024
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(620,292)
AMD	-1	-	689,038
Basic	+/-0.10	12,967	-
Average	+/-0.35	45,706	-
High	+/-0.60	78,531	-

Currency			2023
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(687,245)
AMD	-1	-	746,126
Basic	+/-0.51	23,532	-
Average	+/-0.76	34,093	-
High	+/-1.01	44,670	-

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.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD), except per share amounts)

	2024			2023		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest earning assets						
Amounts due from financial institutions	11.6	8.6	-	12.9	9.9	-
Reverse repurchase agreements	8.0	2.5	-	10.5	2.5	-
Loans and advances to customers	13.0	9.0	17.7	13.9	9.2	16.7
Investment securities at fair value through other comprehensive income including those pledged	9.6	2.9	-	10.4	2.9	-
Investment securities at amortised cost including those pledged	9.6	6.1	-	9.2	-	-
Interest earning liabilities						
Loans from RA Government	7.4	-	-	7.4	-	-
Loans from financial institutions	8.1	7.4	-	7.2	6.3	-
Deposits from financial institutions	11.2	6.1	-	11.3	6.1	-
Amounts due to customers	10.0	4.2	4.9	10.1	4.1	4.8
Repurchase agreements	7.6	-	-	10.1	-	-
Debt securities issued	11.0	5.1	-	11.2	5.1	-
Subordinated debt	16.1	7.5	-	15.7	8.6	-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis *and hedging strategies are used to ensure positions are maintained within established limits*.

The tables below indicate the currencies to which the Bank had significant exposure as at 31 December 2024 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges, and equity instruments). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	31 December 2024			31 December 2023		
	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	10%	(494,292)	(494,292)	10%	(362,540)	(362,540)
EUR	10%	(14,614)	(14,614)	10%	47,628	47,628

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The Bank's exposure to foreign currency exchange risk is as follow:

	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash	26,524,319	35,535,030	1,760,966	63,820,315
Amounts due from financial institutions	4,547,342	2,195,875	57,257	6,800,474
Reverse repurchase agreements	12,234,581	1,983,199	-	14,217,780
Loans and advances to customers	263,121,364	78,960,459	19,633	342,101,456
Investment securities				
- Investment securities at fair value through other comprehensive income including those pledged	13,180,796	406,130	-	13,586,926
- Investments securities at amortised cost including those pledged	61,494,610	1,925,720	-	63,420,330
Other financial assets	84,071	4,655	293	89,019
Total	**381,187,083**	**121,011,068**	**1,838,149**	**504,036,300**
Liabilities				
Amounts due to financial institutions	110,100,801	57,976,449	21,354	168,098,604
Repurchase agreements	63,046,386	-	-	63,046,386
Amounts due to customers	135,086,754	54,391,650	1,874,615	191,353,019
Debt securities issued	5,683,978	8,431,891	-	14,115,869
Subordinated debt	1,013,026	5,091,805	-	6,104,831
Lease liabilities	1,669,847	-	-	1,669,847
Other financial liabilities	3,027,346	161,251	1,241	3,189,838
Total	**319,628,138**	**126,053,046**	**1,897,210**	**447,578,394**
Total effect of derivative financial instruments	**-**	**(119,575)**	**-**	**(119,575)**
Net position at 31 December 2024	**61,558,945**	**(5,161,553)**	**(59,061)**	**56,338,331**
Commitments and contingent liabilities at 31 December 2024	**12,937,566**	**2,783,663**	**34,512**	**15,755,741**
Total financial assets	**321,520,635**	**116,870,097**	**3,277,028**	**441,667,760**
Total financial liabilities	**279,446,137**	**119,928,339**	**2,351,229**	**401,725,705**
Total effect of derivative financial instruments	**(12,689)**	**1,040,837**	**(1,042,006)**	**(13,858)**
Net position at 31 December 2023	**42,061,809**	**(2,017,405)**	**(116,207)**	**39,928,197**
Commitments and contingent liabilitiesat 31 December 2023	**10,675,945**	**4,349,796**	**41,837**	**15,067,578**

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

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36.3 Liquidity risk

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

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

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

As at 31 December, these ratios were as follows:

	Unaudited	
As at 31 December , these ratios were as follows:	2024, %	2023, %
N21- Total liquidity ratio (Highly liquid assets/ Total assets)	17.27	23.66
H22- Current liquidity ratio (Highly liquid assets /liabilities on demand)	99.44	100.52

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2024 based on contractual undiscounted repayment obligations. See Note 35 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	31 December 2024					
	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 amount
Non-derivative financial liabilities						
Amounts due to financial institutions	15,004,158	58,527,852	113,983,242	20,690,799	208,206,051	168,098,604
Repurchase agreements	63,103,194	-	-	-	63,103,194	63,046,386
Amounts due to customers	81,484,699	80,128,464	37,686,182	648,903	199,948,248	191,353,019
Debt securities issued	303,534	8,227,106	6,854,075	-	15,384,715	14,115,869
Subordinated debt	71,980	492,657	4,427,542	3,880,165	8,872,344	6,104,831
Lease liabilities	86,773	826,046	943,040	91,583	1,947,442	1,669,847
Other financial liabilities	937,114	2,240,178	-	12,546	3,189,838	3,189,838
Total undiscounted non-derivative financial liabilities	**160,991,452**	**150,442,303**	**163,894,081**	**25,323,996**	**500,651,832**	**447,578,394**

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	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 amount
Derivative financial liabilities						
Derivative instruments						
Inflow	411,564	-	-	-	411,564	-
Outflow	(531,139)	-	-	-	(531,139)	(119,575)
Total derivative financial liabilities	**(119,575)**	**-**	**-**	**-**	**(119,575)**	**(119,575)**
Commitments and contingent liabilities	**511,944**	**6,965,428**	**8,034,494**	**243,875**	**15,755,741**	**15,755,741**

	31 December 2023					
	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 amount
Non-derivative financial liabilities						
Amounts due to financial institutions	16,402,765	53,946,013	105,159,003	21,031,348	196,539,129	158,676,902
Repurchase agreements	34,182,223	-	-	-	34,182,223	34,127,375
Amounts due to customers	93,135,753	72,647,631	22,601,089	716,336	189,100,809	183,942,323
Debt securities issued	187,892	836,521	11,773,241	-	12,797,654	11,295,283
Subordinated debt	148,596	918,477	5,918,444	8,562,867	15,548,384	9,679,494
Lease liabilities	14,424	378,668	974,676	258,061	1,625,829	1,426,082
Other financial liabilities	2,506,134	70,210	1,541	361	2,578,246	2,578,246
Total undiscounted non-derivative financial liabilities	**146,577,787**	**128,797,520**	**146,427,994**	**30,568,973**	**452,372,274**	**401,725,705**
Derivative financial liabilities						
Derivative instruments						
Inflow	2,728,283	-	-	-	2,728,283	-
Outflow	(2,743,467)	-	-	-	(2,743,467)	(15,184)
Total derivative financial liabilities	**(15,184)**	**-**	**-**	**-**	**(15,184)**	**(15,184)**
Commitments and contingent liabilities	**528,559**	**8,623,361**	**5,183,405**	**732,253**	**15,067,578**	**15,067,578**

36.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness.

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The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Bank to which they relate, with summaries submitted to the Board.

37 Reconciliation of liabilities arising from financing activities

The changes in the Bank's liabilities arising from financing activities can be classified as follows:

	Debt securities issued	Subordinated debt	Amounts due to financial institutions	Lease liabilities	Dividends	Total liabilities from financing activities
Carrying amount at 31 December 2022	8,517,115	3,971,329	146,618,966	1,475,813	500,084	161,083,307
Proceeds from issue	6,400,173	6,007,459	1,566,631,212	-	-	1,579,038,844
Redemption	(3,931,116)	(603,524)	(1,556,868,695)	(1,001,530)	(1,150,794)	(1,563,555,659)
Foreign currency translation	(229,237)	(252,141)	(1,758,239)	-	-	(2,239,617)
Other	538,348	556,371	4,053,658	951,799	1,191,917	7,292,093
Carrying amount at 31 December 2023	**11,295,283**	**9,679,494**	**158,676,902**	**1,426,082**	**541,207**	**181,618,968**
Proceeds from issue	4,998,075	4,049,609	1,630,927,712	-	1,339,686	1,641,315,082
Redemption	(2,137,728)	(435,006)	(1,620,095,165)	(1,063,946)	(1,295,932)	(1,625,027,777)
Foreighn currency translation	(116,412)	(258,262)	(1,041,653)	-	-	(1,416,327)
Other	76,651	(6,931,004)	(369,192)	1,307,711	-	(5,915,834)
Carrying amount at 31 December 2024	**14,115,869**	**6,104,831**	**168,098,604**	**1,669,847**	**584,961**	**190,574,112**

The ''Other'' line includes new leased liabilities and non-cash lease remeasurements. It also includes the effect of accrued but not yet paid interest on debt securities issued, subordinated debt, amounts due to financial liabilities and lease liabilities accrued but not yet paid. The Bank classifies interest paid as cash flows from operating activities.

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38 Capital adequacy

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

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

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

The minimum ratio between total capital and risk weighted assets required by the Central Bank of Armenia is 11%.

The Bank's regulatory capital is the sum of its Tier 1 and Tier 2 capitals. The Bank's Tier 1 capital is the sum of the Bank's Common Equity Tier 1 and Additional Tier 1 capitals after making appropriate deductions and adjustments.

Tier 2 capital includes long-term subordinated debts meeting the requirements of the regulation and the total reserve for potential losses formed according to the asset classification and provisioning procedure with appropriate weights.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

As at 31 December 2024 and 2023 the amount of total capital, risk waited assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.

	Unaudited	
	31 December 2024	31 December 2023
Common Equity Tier 1	67,660,933	50,738,376
Additional Tier 2	9,476,602	12,901,554
Total regulatory capital	**77,137,535**	**63,639,930**
Risk-weighted assets	**427,311,436**	**393,089,042**
Capital adequacy ratio	**18.05%**	**16.19%**

The Bank has complied with all externally imposed capital requirements through the period.

With the aim to enhance the efficiency of the banking system activity, strengthening the ability to resist the shocks in different economic situations, as well as providing more efficient and available banking services, the Board of RA Central Bank decided to establish the minimum size of total capital at 30,000,000 thousand Armenian drams for the banks.

39 Segment reporting

The Bank's operations are highly intergrated and constitute a single operating segment for the purpose of IFRS 8 "Operating Segments".

The majority of income from external customers relates to resdents of the Republic of Armenia. No single customer exists from which the Bank earned 10% or more of its revenue.

The majority of non-current assets are located in the Republic of Armenia.

40 Events after reporting date

On 3 March 2025 the Bank issued dollar and dram bonds with the following terms and conditions through an open placement:

- AMD 3 billion, with an annual coupon yield of 11.00%, a circulation period of 36 months, with semi-annual coupon payments,
- USD 5 million, with an annual coupon yield of 5.50%, a circulation period of 36 months, with semi-annual coupon payments,
- USD 5 million, with an annual coupon yield of 6.25%, a circulation period of 60 months, with semi-annual coupon payments.

2025 On April 16, 2018, it issued coupon bonds with a total volume of 3 billion AMD, an annual yield of 11.00%, with a semi-annual payment frequency, and a circulation period of 36 months.