ARARATBANK OJSC

Financial Statements

for the year ended 31 December 2024

Contents

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Independent Auditors' Report

To the Shareholders and Board of Directors of ARARATBANK OJSC

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

KPMG Armenia LLC, a company incorporated under the Laws of the Republic of Armenia, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Expected credit losses for loans and advances to customers

Please refer to the Note 27(b) and Note 17 in the financial statements.

The key audit matter	How the matter was addressed in our audit
Loans and advances to customers represent 52% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used. The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas: – timely identification of significant increase in credit risk and default events related to loans and advances to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 *Financial Instruments* (hereinafter, "IFRS 9")); – assessment of probability of default (PD) and loss given default (LGD); – expected cash flows forecast, including from realization of collateral for loans and advances to customers classified in Stage 3. Due to the significant volume of loans and advances to customers, and complexity and subjectivity over estimating amount of ECL this area is a key audit matter.	We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of our internal credit risks specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate our audit procedures included the following: – for loans to legal entities we assessed and tested the design, implementation and operating effectiveness of monitoring control over allocation of loans into Stages, – for total portfolio of loans to customers, with involvement of our specialists on information risk management, we tested the design, implementation and operating effectiveness of controls over calculation of overdue days used as a basis for the allocation of loans into stages; – for a sample of loans to legal entities for which potential changes in ECL may have a significant impact on the financial statements, we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank. – for loans to legal entities and individuals assigned to Stages 1 and 2, where PDs are assessed collectively, we assessed the appropriateness of the related models, and reconciled the model input data to primary sources, on a sample basis. – for a sample of Stage 3 loans, where ECL are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and their expected disposal terms based on our understanding and publicly available market information. We specifically focused on those loans to customers that potentially may have the most significant impact on the financial statements.

	– for a sample of Stage 1 and Stage 2 loans, where LGD is assessed individually, we tested the accuracy and appropriateness of data inputs for LGD calculation, by agreeing collateral values to external valuation reports and to market details and testing the appropriateness of discounts applied. – for loans to legal entities and individuals, where LGD is are assessed collectively, we assessed the correctness of the related models and reconciled the model input data against primary documents on a sample basis. – we assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 1 January 2024 with the actual results for 2024. – we assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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 auditors' 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 partner on the audit resulting in this independent auditors' report is:

Lusine Sardaryan
Engagement Partner

Irina Gevorgyan
Director of KPMG Armenia LLC

KPMG Armenia LLC

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KPMG Armenia LLC
30 April 2025

	Notes	2024 AMD'000	2023 AMD'000
Interest income calculated using the effective interest method	5	34,824,592	28,686,345
Other interest income	5	186,864	36,584
Interest expense	5	(14,281,873)	(11,890,488)
Net interest income		**20,729,583**	**16,832,441**
Fee and commission income	6	5,294,044	5,083,013
Fee and commission expense	6	(2,873,066)	(2,199,349)
Net fee and commission income		**2,420,978**	**2,883,664**
Net foreign exchange gain	7	4,905,303	5,298,680
Net gain on financial instruments at fair value through other comprehensive income		6,524	46,562
Net gain/(loss) on financial instruments at fair value through profit or loss		4,712	(9,769)
Other operating income	8	660,398	1,047,027
Banking direct expenses	9	(866,663)	(899,056)
Operating income before impairment and other administrative expenses		**27,860,835**	**25,199,549**
Net impairment losses on financial instruments	10	(722,240)	(1,071,774)
Personnel expenses		(7,693,312)	(7,100,471)
Other general administrative expenses	11	(4,265,905)	(3,518,045)
Profit before income tax		**15,179,378**	**13,509,259**
Income tax expense	12	(2,988,234)	(2,683,638)
Profit for the year		**12,191,144**	**10,825,621**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve for investment securities:			
– Net change in fair value		840,561	1,037,484
– Net amount reclassified to profit or loss		(5,350)	(38,181)
Total items that are or may be reclassified subsequently to profit or loss		*835,211*	*999,303*
Other comprehensive income for the year, net of income tax		**835,211**	**999,303**
Total comprehensive income for the year		**13,026,355**	**11,824,924**
Earnings per share			
Basic	26	6.51	5.78
Diluted	26	6.51	5.78

The financial statements as set out on pages 7 to 82 were approved by the management on 30 April 2025 and were signed on its behalf by:

Mher Ananyan
Chairman of the Executive Board

Anahit Vardanyan
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2024 AMD'000	2023 AMD'000
ASSETS			
Cash and cash equivalents	13	43,729,842	41,026,726
Investment securities measured at fair value through profit or loss	14		
− Held by the Bank		26,468	-
Investment securities measured at fair value through other comprehensive income	14		
− Held by the Bank		46,616,105	43,195,798
− Pledged under sale and repurchase agreements		-	2,061,819
Investment securities measured at amortised cost	14		
− Held by the Bank		6,334,731	8,828,333
Loans and advances to banks and other financial institutions	15	62,946,100	81,945,350
Amounts receivable under reverse repurchase agreements	16	25,857,102	11,388,297
Loans and advances to customers	17	218,113,724	200,539,343
Property, equipment, and intangible assets	18	5,708,289	5,686,187
Right of use asset	19	2,929,373	2,741,445
Repossessed assets	17	1,472,840	1,636,735
Other assets	20	5,754,478	4,446,257
Total assets		**419,489,052**	**403,496,290**
LIABILITIES			
Deposits and balances from banks and other financial institutions	21	1,809,432	2,917,868
Other borrowed funds	23	41,016,345	46,731,176
Subordinated debt	23	1,634,588	1,668,804
Amounts payable under repurchase agreements		-	2,002,626
Debt securities issued	22	7,268,836	7,789,421
Current accounts and deposits from customers	24	290,167,925	275,693,387
Deferred tax liabilities		418,304	25,610
Provision for credit related commitments	29	9,736	9,422
Lease liability	19	3,054,988	3,015,741
Current tax liabilities		1,291,767	1,566,580
Other liabilities	25	2,986,673	2,771,552
Total liabilities		**349,658,594**	**344,192,187**
EQUITY			
Share capital	26	9,366,725	9,366,725
Share premium		10,263,687	10,263,687
Revaluation reserve for investment securities		601,270	(233,941)
Retained earnings		49,598,776	39,907,632
Total equity		**69,830,458**	**59,304,103**
Total liabilities and equity		**419,489,052**	**403,496,290**

The statement financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2024 AMD'000	2023 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		34,943,545	28,384,106
Interest payments		(14,008,809)	(11,472,231)
Fee and commission receipts		5,294,044	5,083,013
Fee and commission payments		(2,873,066)	(2,199,349)
Net payments from financial instruments at fair value through profit or loss		-	(13,569)
Net receipts from foreign exchange		5,059,908	5,556,880
Net other operating income receipts		(408,272)	147,971
Payments to employees		(7,795,572)	(6,878,911)
Other general administrative expenses payments		(2,760,063)	(2,179,863)
(Increase)/decrease in operating assets			
Financial instrument measured at fair value through profit or loss		-	2,068
Loans and advances to banks and other financial institutions		17,760,464	(47,581,499)
Amounts receivable under reverse repurchase agreements		(14,782,027)	(3,401,642)
Loans to customers		(21,105,580)	(30,803,377)
Other assets		(1,475,803)	(1,600,046)
Increase/(decrease) in operating liabilities			
Financial liabilities measured at fair value through profit or loss		-	3,800
Deposits and balances from banks and other financial institutions		(1,148,703)	(2,156,270)
Amounts payable under repurchase agreements		(2,000,023)	2,000,023
Current accounts and deposits from customers		21,165,910	41,078,994
Other liabilities		473,552	(327,693)
Net cash provided by operating activities before income tax paid		**16,339,505**	**(26,357,595)**
Income tax paid		(3,056,985)	(3,331,641)
Cash flows from/(used in) operating activities		**13,282,520**	**(29,689,236)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(864,519)	(1,189,009)
Acquisition of investment securities measured at FVOCI		(20,886,327)	(45,504,703)
Proceeds from sale and repayment of investment securities measured at FVOCI		20,379,754	44,022,454
Acquisition of investment securities measured at amortized cost		(43,975)	(1,666,335)
Proceeds from repayment of investment securities measured at amortized cost		2,502,234	1,326,021
Cash flows from/(used in) investing activities		**1,087,167**	**(3,011,572)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(894,885)	(775,333)
Dividends paid		(2,500,000)	(5,000,000)
Receipt of other borrowed funds and subordinated liabilities		19,980,525	5,114,865
Repayment of other borrowed funds and subordinated liabilities		(24,646,672)	(14,440,294)
Proceeds from debt securities issued		3,909,273	3,316,201
Repayment of debt securities issued		(4,278,857)	(1,158,420)
Cash flows used in financing activities		**(8,430,616)**	**(12,942,981)**
Net increase/(decrease) in cash and cash equivalents		**5,939,071**	**(45,643,789)**
Effect of changes in exchange rates on cash and cash equivalents		(3,248,444)	1,157,263
Effect of changes in ECL on cash and cash equivalents		12,489	16,578
Cash and cash equivalents as at the beginning of the year		41,026,726	85,496,674
Cash and cash equivalents as at the end of the year	13	**43,729,842**	**41,026,726**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

AMD'000	**Share capital**	**Share premium**	**Revaluation reserve for investment securities**	**Retained earnings**	**Total equity**
Balance at 1 January 2023	9,366,725	10,263,687	(1,233,244)	34,082,011	52,479,179
Profit for the year	-	-	-	10,825,621	10,825,621
Other comprehensive income					
− Net change in fair value	-	-	1,037,484	-	1,037,484
− Net amount reclassified to profit or loss	-	-	(38,181)	-	(38,181)
Total comprehensive income for the year	**-**	**-**	**999,303**	**10,825,621**	**11,824,924**
Transactions with owners, recorded directly in equity					
Dividends declared and paid	-	-	-	(5,000,000)	(5,000,000)
Total transactions with owners	**-**	**-**	**-**	**(5,000,000)**	**(5,000,000)**
Balance as at 31 December 2023	**9,366,725**	**10,263,687**	**(233,941)**	**39,907,632**	**59,304,103**
Balance as at 1 January 2024	9,366,725	10,263,687	(233,941)	39,907,632	59,304,103
Profit for the year	-	-	-	12,191,144	12,191,144
Other comprehensive income					
− Net change in fair value	-	-	840,561	-	840,561
− Net amount reclassified to profit or loss	-	-	(5,350)	-	(5,350)
Total comprehensive income for the year	**-**	**-**	**835,211**	**12,191,144**	**13,026,355**
Transactions with owners, recorded directly in equity					
Dividends declared and paid	-	-	-	(2,500,000)	(2,500,000)
Total transactions with owners	**-**	**-**	**-**	**(2,500,000)**	**(2,500,000)**
Balance as at 31 December 2024	**9,366,725**	**10,263,687**	**601,270**	**49,598,776**	**69,830,458**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organisation and operations

ARARATBANK OJSC (the "Bank") is an open joint-stock company, which is regulated by the legislation of RA and is the legal successor of "Haykap Bank" CJSC founded in 1991. The Bank conducts its business under license number 4, granted on 20 September 1991, by the Central Bank of Armenia (the "CBA").

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

The Bank is a member of Individuals deposit compensation guarantee state system of RA, as well as member of Union of Banks of Armenia, ArCa, MasterCard, Visa International, Diners Club payment systems.

The Bank operates through its main office located in Yerevan and 51 branches. The registered office of the Bank is located at: Buzand St., bldg. 87, prem. 85, Yerevan.

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

	2024	**2023**
Flash LLC	68.35%	68.35%
Barsegh Beglaryan	21.37%	21.37%
Sanasar Beglaryan	9.94%	9.94%
Other minority shareholders	0.34%	0.34%
	100.00%	**100.00%**

The Bank is ultimately controlled by a single individual, Mr. Barsegh Beglaryan, who has the power to direct the transactions of the Bank at his own discretion and for his own benefit. He also has a number of other business interests outside the Bank.

The shareholders' structure did not change after the reporting date.

As at 31 December 2024 the number of employees was 1,068 (2023: 1,066).

Related party transactions are described in detail in Note 31.

(b) Armenian business environment

The Bank's operations are primarily located in Armenia. Consequently, the Bank is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, continuous military conflicts between Armenia and Azerbaijan eventually leading to Azerbaijan remaining in effective control of Nagorno-Karabakh territory in September 2023 and ongoing military conflict between the Russian Federation and Ukraine have increased the level of uncertainty in the business environment. The situation between Armenia and Azerbaijan continues to be tense due to ongoing disagreements regarding the delimitation of borders between Armenia and Azerbaijan.

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

2 Basis of accounting

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that derivative financial assets and investment securities at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) are stated at fair value.

(c) Functional and presentation currency

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

The AMD is also the presentation currency for the purposes of these financial statements.

The official CBA exchange rates as of 31 December 2024 and 2023, were AMD 396.56 and AMD 404.79 to USD 1, and AMD 413.89 and AMD 447.90 to EUR 1, respectively.

Financial information presented in AMD is rounded to the nearest thousand, unless otherwise mentioned.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 4(e)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition or has defaulted, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ("ECL") and selection of models used to measure ECL – Note 27(b).

Assumptions and estimations uncertainty

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

- impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information – Note 27(b);

3 Changes in material accounting policies

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

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

4 Material accounting policies

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

(a) Foreign currency transactions

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

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

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

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

(b) Cash and cash equivalents

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

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

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

Presentation

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

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

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on net investments in finance leases.

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

(d) Fees and commission

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

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

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

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

(e) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

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

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

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

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

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

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

Financial liabilities

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

iii. Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial. If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

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

Financial liabilities

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

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

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

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

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

iv. Impairment

See also Note 27(c).

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

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

No impairment loss is recognised on equity investments.

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

– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition (see Note 26(c)).

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

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

Measurement of ECL

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

– *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
– *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 27(c).

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 27(c)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to 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, and net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

– *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
– *loan commitments and financial guarantee contracts*: generally, as a provision;
– *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
– *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

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

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

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

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

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

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

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

(f) Loans and advances to customers

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

- loans to customers measured at amortised cost (see Note 4(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- net investments in finance leases.

(g) Deposits, debt securities issued and subordinated liabilities

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

(h) Financial guarantees and loan commitments

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

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

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

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

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

(i) Repurchase and reverse repurchase agreements

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

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

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

(j) Share capital

(i) Ordinary shares

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

(ii) Share premium

Any amount paid in excess of par value of shares issued is recognised as a share premium.

(iii) Dividends

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

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

(k) Earnings per share

The Bank presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(l) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at and during the years ended 31 December 2024 and 2023 the Management considers that the Bank comprises one operating segment.

(m) Taxation

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

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(n) New standards and interpretations not yet adopted

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

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

(i) IFRS 18 Presentation and Disclosure in Financial Statements

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

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

(ii) Other accounting standards

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

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

5 Net interest income

	2024 AMD'000	2023 AMD'000
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	25,155,511	20,973,090
Loans and advances to banks and other financial institutions*	2,748,290	1,802,871
Amounts receivable under reverse repurchase agreements	1,962,671	1,099,081
Investment securities measured at amortised cost	634,951	603,540
Other*	18	411
	30,501,441	**24,478,993**
Financial assets measured at fair value through other comprehensive income		
Investment securities measures at FVOCI	4,323,151	4,207,352
Interest income calculated using effective interest rate	**34,824,592**	**28,686,345**
Other interest income		
Receivables from finance leases	186,864	36,584
Total interest income	**35,011,456**	**28,722,929**
Interest expense		
Current accounts and deposits from customers	9,845,652	7,273,554
Other borrowed funds and subordinated borrowings	3,429,515	3,626,250
Debt securities issued	391,984	275,488
Lease liabilities	279,457	271,840
Amounts payable under repurchase agreements	194,962	200,330
Deposits and balances from banks and other financial institutions	140,303	243,026
	14,281,873	**11,890,488**
Net interest income	**20,729,583**	**16,832,441**

* For 2023, an amount of AMD 128,558 thousand was reclassified from other to loans and advances to banks and other financial institutions to conform to changes in presentation in the current year.

6 Net fee and commission expense

	2024 AMD'000	2023 AMD'000
Fee and commission income		
Plastic card servicing	2,825,195	2,301,545
Cash withdrawal and accounts service	1,070,210	976,523
Remittances	988,429	1,388,407
Other	410,210	416,538
	5,294,044	**5,083,013**
Fee and commission expense		
Card transactions	2,201,906	1,508,191
Payment systems services	500,383	450,818
Stock exchange services	86,183	143,955
Guarantees	84,594	96,385
	2,873,066	**2,199,349**
Net fee and commission expense	**2,420,978**	**2,883,664**

Revenue from contracts with customers

The Bank's revenue from contract with customers mainly comprises fee and commission income. The Bank recognises majority of revenue from fees and commission services at a point in time. Revenue from contracts with customers recognised in the statement of profit or loss and other comprehensive income for the years ended 31 December 2024 and 2023 comprised to:

	2024 AMD'000	2023 AMD'000
Fee and commission income	5,294,044	5,083,013
Income from arrangement and custodian services (Note 8)	149,665	101,582
	5,443,709	**5,184,595**

As at 31 December 2024 and 2023 the Bank did not have material receivable or contract liabilities from contracts with customers.

7 Net foreign exchange gain

	2024 AMD'000	2023 AMD'000
Gain on spot transactions	5,059,862	5,556,879
Loss from revaluation of financial assets and liabilities	(154,559)	(258,199)
	4,905,303	**5,298,680**

8 Other operating income

	2024 AMD'000	2023 AMD'000
Income from modification of lease contracts	234,165	-
Income from arrangement and custodian services*	149,665	101,582
Fines and penalties received	109,522	281,698
Net gain from sale of property and equipment and other assets	41,412	103,225
Net income from sales of precious metals*	34,069	49,102
Insurance reimbursement	3,687	388,188
Other operating income*	87,878	123,232
	660,398	**1,047,027**

* For 2023, amounts of AMD 101,582 thousand and AMD 49,102 thousand were reclassified from other operating income to income from arrangement and custodian services and income from sale of precious metals respectively to conform to changes in presentation in the current year.

9 Banking direct expenses

	2024 AMD'000	2023 AMD'000
Payments to deposit guarantee fund	399,300	406,294
Cash collection expenses	126,015	118,479
Refund of commission fees from early repayment of loans to customers**	114,217	75,384
Plastic card issuance costs	81,354	68,583
Payments to Financial System Mediator	41,020	36,042
Loss on initial recognition of investment securities at fair value	-	174,908
Other operating expenses**	104,757	19,366
	866,663	**899,056**

** For 2023, an amount of AMD 75,384 thousand and AMD 68,583 thousand were reclassified from other operating expenses to refund of commission fees from early repayment of loans to customers and plastic card issuance costs respectively to conform to changes in presentation in the current year.

10 Net impairment losses on financial instruments

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024:

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	(12,489)	-	-	(12,489)
Loans and advances to banks and other financial institutions at amortised cost	(19,293)	-	-	(19,293)
Amounts receivable under reverse repurchase agreements	(7,743)	-	-	(7,743)
Loans to legal entities	65,641	151,288	(726,309)	(509,380)
Loans to retail customers	181,172	(88,846)	(302,693)	(210,367)
Receivables from finance lease	(7,253)	(1,743)	-	(8,996)
Other financial assets at amortised cost	28,669	-	-	28,669
Debt investment securities at FVOCI	9,784	-	-	9,784
Debt investment securities at amortised cost	7,889	-	-	7,889
Financial guarantee contracts	(314)	-	-	(314)
Total	**246,063**	**60,699**	**(1,029,002)**	**(722,240)**

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	15,739	-	-	15,739
Loans and advances to banks and other financial institutions at amortised cost	(43,447)	-	-	(43,447)
Loans to legal entities	(269,970)	174,447	270,931	175,408
Loans to retail customers	(117,919)	250,918	(365,456)	(232,457)
Receivables from finance lease	(4,633)	-	-	(4,633)
Other financial assets at amortised cost	(21,417)	-	-	(21,417)
Debt investment securities at FVOCI*	(378,827)	-	-	(378,827)
Debt investment securities at amortised cost*	(588,621)	-	-	(588,621)
Financial guarantee contracts	6,481	-	-	6,481
Total	**(1,402,614)**	**425,365**	**(94,525)**	**(1,071,774)**

* Included in the net impairment gains/(losses) for debt investment securities at amortised cost and debt investment securities at FVOCI are write-offs of Artsakh debt securities exposure of AMD 574,779 thousand and AMD 561,378 thousand respectively.

11 Other general administrative expenses

	2024 AMD'000	2023 AMD'000
Depreciation and amortization	1,505,842	1,338,182
Repair and maintenance	480,999	371,449
Advertising and marketing	447,709	336,934
Security	368,781	259,891
None-refundable taxes and duties	348,476	316,391
Communications and information services	227,753	209,970
Office and utility expenses	179,145	183,369
Insurance	177,466	146,660
Rent expenses	102,661	70,983
Professional services*	78,150	64,991
Representation and organizational expenses	12,489	4,465
Other	336,434	214,760
	4,265,905	**3,518,045**

* Included in the professional services for the year ended 31 December 2024 is AMD 46,800 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2024, (2023: AMD 38,400 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2023 and AMD 4,800 thousand for agreed upon procedures) which were paid/are payable to the audit firm. All these fees include VAT.

12 Income tax expense

	2024 AMD'000	2023 AMD'000
Current tax expense	2,655,797	2,559,113
Under provided in prior years	123,082	-
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	209,355	124,525
Total income tax expense	**2,988,234**	**2,683,638**

In 2024 the applicable tax rate for current tax is 18% (2023: 18%).

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

	2024 AMD'000	%	2023 AMD'000	%
Profit before income tax	15,179,378		13,509,259	
Income tax at the applicable tax rate	(2,732,288)	(18.0)	(2,431,667)	(18.0)
Under provided in prior years	(123,082)	(0.8)	-	-
Non-deductible expenses	(132,864)	(0.9)	(251,971)	(1.9)
	(2,988,234)	**(19.7)**	**(2,683,638)**	**(19.9)**

(a) Deferred tax assets and liabilities

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

Movements in temporary differences during the years ended 31 December 2024 and 2023 are presented as follows:

AMD'000	Balance 1 January 2024	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2024
Cash and cash equivalents	1,991	(6,285)	-	(4,294)
Investment securities measured at FVOCI	129,976	(44,015)	(183,339)	(97,378)
Investment securities measured at amortised cost	(13,492)	4,753	-	(8,739)
Investment securities measured at profit or loss	-	(2,188)	-	(2,188)
Loans and advances to banks and other financial institutions	(85,950)	34,701	-	(51,249)
Loans and advances to customers	(575,962)	(110,908)	-	(686,870)
Right of use asset	(493,460)	(141,827)	-	(635,287)
Other assets	(13,559)	(1,141)	-	(14,700)
Lease liability	542,833	115,065	-	657,898
Current accounts and deposits from customers	(800)	1,713	-	913
Other liabilities	482,813	(59,223)	-	423,590
	(25,610)	**(209,355)**	**(183,339)**	**(418,304)**

AMD'000	Balance 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2023
Cash and cash equivalents	4,858	(2,867)	-	1,991
Investment securities measured at FVOCI	361,899	(12,563)	(219,360)	129,976
Investment securities measured at amortised cost	(60,800)	47,308	-	(13,492)
Loans and advances to banks and other financial institutions	19,437	(105,387)	-	(85,950)
Loans and advances to customers	(525,674)	(50,288)	-	(575,962)
Right of use asset	(561,857)	68,397	-	(493,460)
Other assets	(8,416)	(5,143)	-	(13,559)
Lease liability	583,846	(41,013)	-	542,833
Current accounts and deposits from customers	8	(808)	-	(800)
Other liabilities	504,974	(22,161)	-	482,813
	318,275	**(124,525)**	**(219,360)**	**(25,610)**

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

13 Cash and cash equivalents

	2024 AMD'000	2023 AMD'000
Cash on hand	17,272,992	15,743,937
Nostro accounts with the CBA	22,253,141	20,292,220
Nostro accounts with other banks		
− rated from A1 to A3	1,349,281	3,441,357
− rated from Baa1 to Baa3	213,145	291,112
− rated from Ba1 to Ba3	497,428	243,428
− rated from B1 to B3	190	-
− not rated	2,167,522	1,026,040
Total nostro accounts with other banks	**4,227,566**	**5,001,937**
Total gross cash and cash equivalents	**43,753,699**	**41,038,094**
Credit loss allowance	(23,857)	(11,368)
Total net cash and cash equivalents	**43,729,842**	**41,026,726**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of cash and cash equivalents. When counterparties do not have ratings per Moody's, but are rated by Standard & Poor's and/or Fitch rating agencies, the ratings are converted to Moody's equivalent. Included in the not rated category as at 31 December 2023 are balances held with Russian banks of AMD 733,706 thousand with ratings Ba1 to Ba3 per Moody's before withdrawal of ratings of Russian banks. Management estimates that balance of AMD 2,061,212 thousand included in not rated category as at 31 December 2024 approximates to Caa1 rating by Moody's.

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

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

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(11,368)	-	-	(11,368)
Net remeasurement of loss allowance	11,368	-	-	11,368
New financial assets originated or purchased	(23,857)	-	-	(23,857)
Balance at 31 December	**(23,857)**	**-**	**-**	**(23,857)**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(27,107)	-	-	(27,107)
Net remeasurement of loss allowance	27,107	-	-	27,107
New financial assets originated or purchased	(11,368)	-	-	(11,368)
Balance at 31 December	**(11,368)**	**-**	**-**	**(11,368)**

14 Investment securities

(a) Investment securities measured at fair value through profit or loss

	2024 AMD'000	2023 AMD'000
Held by the Bank		
Equity instruments		
− Corporate shares	26,468	-
Total investment securities measured at FVTPL	**26,468**	-

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

	2024 AMD'000	2023 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
− Government securities of the Republic of Armenia	33,408,400	28,088,788
Total government bonds	**33,408,400**	**28,088,788**
Corporate bonds		
− rated from Ba1 to Ba3	6,496,059	6,749,449
− rated from B1 to B3	2,136,484	3,433,725
− not rated	4,352,650	4,782,986
Total corporate bonds	**12,985,193**	**14,966,160**
Equity instruments		
Corporate shares	222,512	140,850
Total investment securities measured at FVOCI held by the Bank	**46,616,105**	**43,195,798**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
− Eurobonds of the Republic of Armenia	-	2,061,819
Total investment securities measured at FVOCI pledged under sale and repurchase agreements	**-**	**2,061,819**
Total investment securities measured at FVOCI	**46,616,105**	**45,257,617**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at fair value through other comprehensive income. When counterparties do not have ratings per Moody's but are rated by Standard & Poor's and/or Fitch rating agencies, the ratings are converted to Moody's equivalent. Management estimates that the unrated instruments approximate to range of B1-B2 rating under Moody's rating system (2023: B1-B2 rating under Moody's rating system).

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

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	(184,631)	-	-	(184,631)
New financial assets originated or purchased	(55,464)	-	-	(55,464)
Repaid/sold	29,371	-	-	29,371
Net remeasurement of loss allowance	35,877	-	-	35,877
Balance at 31 December	**(174,847)**	-	-	**(174,847)**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	(367,182)	-	-	(367,182)
New financial assets originated or purchased	(87,583)	-	-	(87,583)
Repaid/sold	155,988	-	-	155,988
Net remeasurement of loss allowance	114,146	-	-	114,146
Balance at 31 December	**(184,631)**	-	-	**(184,631)**

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

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

Name	**Country of incorporation**	**Main activity**	**% controlled 2024**	**% controlled 2023**	**2024 AMD'000**	**2023 AMD'000**
ArCa	Republic of Armenia	Payment system	6.25%	6.25%	168,285	82,500
ACRA Credit Reporting CJSC	Republic of Armenia	Credit reporting agency	4.69%	4.69%	25,065	25,065
SWIFT	Belgium	Money transfer	0.00%	0.00%	29,162	3,285
					222,512	**110,850**

As at 31 December 2024 and 2023 investments include private company shares in exchanges, clearing houses and credit bureaus. The Bank's management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2024 and 2023.

(c) Investment securities measured at amortised cost

	2024 AMD'000	2023 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
− Government securities of the Republic of Armenia	6,346,560	8,518,780
Total government bonds	**6,346,560**	**8,518,780**
Corporate bonds		
− rated from Ba1 to Ba3	-	1,011
− rated from B1 to B3	-	18,470
− not rated	5,667	315,457
Total corporate bonds	**5,667**	**334,938**
Total investment securities measured at amortised cost held by the Bank	**6,352,227**	**8,853,718**
Credit loss allowance	(17,496)	(25,385)
Total net investment securities measured at amortised cost	**6,334,731**	**8,828,333**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at amortised cost. Management estimates that the unrated instruments approximate to B1 rating under Moody's rating system as at 31 December 2024 (2023: B1).

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2024 and 2023. The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortised cost for the years ended 31 December 2024 and 2023.

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost				
Balance at 1 January	(25,385)	-	-	(25,385)
New financial assets originated or purchased	(106)	-	-	(106)
Repaid	5,029	-	-	5,029
Net remeasurement of loss allowance	2,966	-	-	2,966
Balance at 31 December	**(17,496)**	**-**	**-**	**(17,496)**

	2023			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost				
Balance at 1 January	(11,543)	-	-	(11,543)
New financial assets originated or purchased	(9,457)	-	-	(9,457)
Repaid	47,473	-	-	47,473
Net remeasurement of loss allowance	(51,858)	-	-	(51,858)
Balance at 31 December	**(25,385)**	**-**	**-**	**(25,385)**

15 Loans and advances to banks and other financial institutions

	2024 AMD'000	2023 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	2,095,000	2,642,500
Deposit with the Central Bank of Armenia, obligatory reserves	21,550,444	24,247,731
Total due from the CBA	**23,645,444**	**26,890,231**
Loans and deposits		
Armenian banks and financial institutions		
− not rated	1,914,412	4,845,932
Other non-resident banks and financial institutions		
− rated from Aa1 to Aa3	632,460	622,425
− rated from A1 to A3	19,197,084	28,956,750
− rated from Baa1 to Baa3	4,139,553	6,721,500
− rated from Ba1 to Ba3	277,611	7,085,186
− not rated	13,273,930	6,938,427
Total loans and deposits	**39,435,050**	**55,170,220**
Total gross loans and advances to banks and other financial institutions	**63,080,494**	**82,060,451**
Credit loss allowance	(134,394)	(115,101)
Total net loans and advances to banks and other financial institutions	**62,946,100**	**81,945,350**

(a) Balances with the CBA

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

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 4% (2023: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted (2023: 6% maintained in AMD and 12% in the respective currency of attracted funds). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may be applied. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 13) as these funds are readily available for withdrawal.

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

(b) Concentration of loans and advances to banks and other financial institutions

As at 31 December 2024 the Bank has one counterparty except for the CBA (2023: four counterparties except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 13,803,322 thousand (2023: 35,678,250 thousand).

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks at amortised cost				
Balance at 1 January	(115,101)	-	-	(115,101)
Assets repaid	115,101	-	-	115,101
New assets originated	(134,394)	-	-	(134,394)
Balance at 31 December	**(134,394)**	**-**	**-**	**(134,394)**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks at amortised cost				
Balance at 1 January	(71,654)	-	-	(71,654)
Assets repaid	71,654	-	-	71,654
New assets originated	(115,101)	-	-	(115,101)
Balance at 31 December	**(115,101)**	**-**	**-**	**(115,101)**

(c) Credit quality of loans and advances to banks and financial institutions

Included in the not rated category of other non-resident banks and financial institutions as at 31 December 2024 are balances held with Russian banks of AMD 6,616,935 thousand and AMD 6,626,045 thousand for which the Management estimates the ratings to approximate to Ca-C and Caa1 per Moody's respectively (2023: balances held with Russian bank of AMD 2,184,055 thousand which held a Ba2 rating per Moody's before withdrawal and AMD 4,548,761 thousand for which Management estimates the rating approximates to Ca-C per Moody's).

Management estimates that balances included in the not rated category of loans and deposits to Armenian banks and financial institutions as at 31 December 2024 approximate to B2 rating under Moody's rating system (2023: B2).

Loans and advances to banks and other financial institutions are fully in Stage 1 and measured at amortised cost as at 31 December 2024 and 2023. No loans and advances to banks and other financial institutions are credit impaired or past due.

The Bank uses credit ratings per Moody's in disclosing credit quality. When counterparties do not have ratings per Moody's, but are rated by Standard & Poor's and/or Fitch rating agencies, the ratings are converted to Moody's equivalent.

16 Amounts receivable under reverse repurchase agreements

	2024 AMD'000	**2023 AMD'000**
Amounts receivable from local financial institutions	25,864,845	11,388,297
Total gross amounts receivable under reverse repurchases agreements	**25,864,845**	**11,388,297**
Credit loss allowance	(7,743)	-
Total net amounts receivable under reverse repurchases agreements	**25,857,102**	**11,388,297**

As at 31 December 2024 and 2023 the Bank has no amounts receivable under reverse repurchase agreements, whose balances exceeded 10% of equity.

Amounts receivable under reverse repurchase agreements are from non-rated reputable local financial institutions. All of them are categorized under Stage 1 and are measured at amortised cost as at 31 December 2024 and 2023. Management estimates that the unrated instruments approximate to range of B1 to B2 rating under Moody's rating system. No amounts receivable under reverse repurchase agreements are credit impaired or past due.

The following tables shows reconciliations from the opening to the closing balances of the loss allowance for reverse repurchase agreements for the years ended 31 December 2024.

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Amounts receivable under reverse repurchase agreements				
Balance at 1 January	-	-	-	-
New asset generated	(7,743)	-	-	(7,743)
Balance at 31 December	**(7,743)**	**-**	**-**	**(7,743)**

(a) Collateral accepted as security for assets

As at 31 December 2024 the fair value of financial assets (Government securities of the Republic of Armenia) collateralizing reverse repurchase agreements is AMD 28,412,125 thousand (2023: AMD 12,011,051 thousand).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

17 Loans to customers

	Note	2024 AMD'000	2023 AMD'000
Loans to legal entities			
Loans to large companies	17(i)	78,389,839	78,943,484
Loans to small and medium size companies	17(i)	27,134,091	25,840,957
Total loans to legal entities		**105,523,930**	**104,784,441**
Loans to retail customers			
Agricultural loans	17(i)	4,685,655	4,156,951
Consumer loans secured by real estate	17(i)	53,048,352	45,236,250
Gold secured loans	17(i)	9,689,419	9,257,396
Mortgage loans	17(i)	35,526,107	30,708,396
Secured other consumer loans	17(i)	3,421,692	2,033,826
Unsecured consumer loans	17(i)	8,262,883	7,316,708
Total loans to retail customers		**114,634,108**	**98,709,527**
Gross loans to customers		**220,158,038**	**203,493,968**
Receivables from finance lease	17(ii)	**2,059,631**	**775,978**
Credit loss allowance		(4,103,945)	(3,730,603)
Net loans to customers		**218,113,724**	**200,539,343**

(i) Loans to customers

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2024:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large companies				
− not overdue	71,997,758	-	2,346,452	74,344,210
- overdue more than 270 days	-	-	4,045,629	4,045,629
Total gross loans to large companies	**71,997,758**	**-**	**6,392,081**	**78,389,839**
Credit loss allowance	(205,318)	-	(1,379,610)	(1,584,928)
Total net loans to large companies	**71,792,440**	**-**	**5,012,471**	**76,804,911**
Loans to small and medium size companies				
not overdue	26,178,922	344,581	10,982	26,534,485
overdue less than 30 days	19,459	8,984	41,846	70,289
overdue of 31-90 days	-	164,993	-	164,993
overdue of 91-270 days	-	-	140,644	140,644
overdue more than 270 days	-	-	223,680	223,680
Total gross loans to small and medium size companies	**26,198,381**	**518,558**	**417,152**	**27,134,091**
Credit loss allowance	(111,590)	(154,518)	(201,964)	(468,072)
Total net loans to small and medium size companies	**26,086,791**	**364,040**	**215,188**	**26,666,019**
Total gross loans to legal entities	**98,196,139**	**518,558**	**6,809,233**	**105,523,930**
Total net loans to legal entities	**97,879,231**	**364,040**	**5,227,659**	**103,470,930**
Agricultural loans				
− not overdue	4,445,835	37,001	8,124	4,490,960
− overdue less than 30 days	1,448	-	8,956	10,404
− overdue of 31-90 days	-	35,751	-	35,751
− overdue of 91-270 days	-	-	120,518	120,518
− overdue more than 270 days	-	-	28,022	28,022
Total gross agricultural loans	**4,447,283**	**72,752**	**165,620**	**4,685,655**
Credit loss allowance	(24,264)	(21,033)	(70,729)	(116,026)
Total net agricultural loans	**4,423,019**	**51,719**	**94,891**	**4,569,629**
Consumer loans secured by real estate				
− not overdue	48,773,771	603,132	147,312	49,524,215
− overdue less than 30 days	501,198	64,236	43,433	608,867
− overdue of 31-90 days	-	562,833	78,914	641,747
− overdue of 91-270 days	-	-	966,971	966,971
− overdue more than 270 days	-	-	1,306,552	1,306,552
Total gross consumer loans secured by real estate	**49,274,969**	**1,230,201**	**2,543,182**	**53,048,352**
Credit loss allowance	(242,156)	(148,615)	(1,104,759)	(1,495,530)
Total net consumer loans secured by real estate	**49,032,813**	**1,081,586**	**1,438,423**	**51,552,822**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Gold secured loans				
− not overdue	9,627,547	3,544	20,956	9,652,047
− overdue less than 30 days	29,905	132	2,846	32,883
− overdue of 31-90 days	-	983	952	1,935
− overdue of 91-270 days	-	-	437	437
− overdue more than 270 days	-	-	2,117	2,117
Total gross gold secured loans	**9,657,452**	**4,659**	**27,308**	**9,689,419**
Credit loss allowance	(752)	(79)	(4,582)	(5,413)
Total net gold secured loans	**9,656,700**	**4,580**	**22,726**	**9,684,006**
Mortgage				
− not overdue	35,124,257	100,704	112,046	35,337,007
− overdue less than 30 days	42,662	-	-	42,662
− overdue 31 to 90 days	-	9,172	-	9,172
− overdue 91 to 270 days	-	-	137,266	137,266
Total gross mortgage loans	**35,166,919**	**109,876**	**249,312**	**35,526,107**
Credit loss allowance	(20,941)	(9,742)	(99,458)	(130,141)
Total net mortgage loans	**35,145,978**	**100,134**	**149,854**	**35,395,966**
Secured other consumer loans				
− not overdue	3,322,511	25,149	4,057	3,351,717
− overdue less than 30 days	11,575	3,890	727	16,192
− overdue of 31-90 days	-	1,941	-	1,941
− overdue 91 to 270 days	-	-	51,842	51,842
Total gross secured other consumer loans	**3,334,086**	**30,980**	**56,626**	**3,421,692**
Credit loss allowance	(11,896)	(5,221)	(23,036)	(40,153)
Total net secured other consumer loans	**3,322,190**	**25,759**	**33,590**	**3,381,539**
Unsecured consumer loans				
− not overdue	8,054,069	28,506	27,702	8,110,277
− overdue less than 30 days	14,370	1,495	2,617	18,482
− overdue of 31-90 days	-	16,251	11,617	27,868
− overdue of 91-270 days	-	-	80,896	80,896
− overdue more than 270 days	-	-	25,360	25,360
Total gross unsecured consumer loans	**8,068,439**	**46,252**	**148,192**	**8,262,883**
Credit loss allowance	(131,361)	(21,829)	(96,866)	(250,056)
Total net unsecured consumer loans	**7,937,078**	**24,423**	**51,326**	**8,012,827**
Total gross loans to retail customers	**109,949,148**	**1,494,720**	**3,190,240**	**114,634,108**
Total net loans to retail customers	**109,517,778**	**1,288,201**	**1,790,810**	**112,596,789**
Total gross loans to customers	**208,145,287**	**2,013,278**	**9,999,473**	**220,158,038**
Total net loans to customers	**207,397,009**	**1,652,241**	**7,018,469**	**216,067,719**

* The loss allowance in this table includes ECL on loan commitments for certain corporate products, retail products such as credit cards and overdrafts.

The following table provides information on the credit quality of loans to customers as at 31 December 2023:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large companies				
− not overdue	71,777,091	3,304,456	420,603	75,502,150
- overdue more than 270 days	-	-	3,441,334	3,441,334
Total gross loans to large companies	**71,777,091**	**3,304,456**	**3,861,937**	**78,943,484**
Credit loss allowance	(238,723)	(234,337)	(867,475)	(1,340,535)
Total net loans to large companies	**71,538,368**	**3,070,119**	**2,994,462**	**77,602,949**
Loans to small and medium size companies				
not overdue	25,035,882	136,611	108,465	25,280,958
overdue less than 30 days	242,502	34,496	72,069	349,067
overdue of 31-90 days	-	119,991	-	119,991
overdue of 91-270 days	-	-	57,723	57,723
overdue more than 270 days	-	-	33,218	33,218
Total gross loans to small and medium size companies	**25,278,384**	**291,098**	**271,475**	**25,840,957**
Credit loss allowance	(148,956)	(71,861)	(90,074)	(310,891)
Total net loans to small and medium size companies	**25,129,428**	**219,237**	**181,401**	**25,530,066**
Total gross loans to legal entities	**97,055,475**	**3,595,554**	**4,133,412**	**104,784,441**
Total net loans to legal entities	**96,667,796**	**3,289,356**	**3,175,863**	**103,133,015**
Agricultural loans				
− not overdue	4,003,788	8,345	8,660	4,020,793
− overdue less than 30 days	10,123	-	2,905	13,028
− overdue of 31-90 days	-	18,805	1,481	20,286
− overdue of 91-270 days	-	-	8,789	8,789
− overdue more than 270 days	-	-	94,055	94,055
Total gross agricultural loans	**4,013,911**	**27,150**	**115,890**	**4,156,951**
Credit loss allowance	(15,846)	(7,776)	(49,216)	(72,838)
Total net agricultural loans	**3,998,065**	**19,374**	**66,674**	**4,084,113**
Consumer loans secured by real estate				
− not overdue	42,069,565	249,401	245,811	42,564,777
− overdue less than 30 days	380,107	72,502	40,823	493,432
− overdue of 31-90 days	-	133,766	52,659	186,425
− overdue of 91-270 days	-	-	668,043	668,043
− overdue more than 270 days	-	-	1,323,573	1,323,573
Total gross consumer loans secured by real estate	**42,449,672**	**455,669**	**2,330,909**	**45,236,250**
Credit loss allowance	(290,860)	(69,355)	(1,034,941)	(1,395,156)
Total net consumer loans secured by real estate	**42,158,812**	**386,314**	**1,295,968**	**43,841,094**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Gold secured loans				
− not overdue	9,184,346	5,735	26,958	9,217,039
− overdue less than 30 days	20,006	1,128	1,127	22,261
− overdue of 31-90 days	-	6,081	690	6,771
− overdue of 91-270 days	-	-	9,240	9,240
− overdue more than 270 days	-	-	2,085	2,085
Total gross gold secured loans	**9,204,352**	**12,944**	**40,100**	**9,257,396**
Credit loss allowance	(2,310)	(543)	(7,525)	(10,378)
Total net gold secured loans	**9,202,042**	**12,401**	**32,575**	**9,247,018**
Mortgage				
− not overdue	30,177,471	196,339	186,205	30,560,015
− overdue less than 30 days	98,893	-	2,748	101,641
− overdue of 91-270 days	-	-	46,740	46,740
Total gross mortgage loans	**30,276,364**	**196,339**	**235,693**	**30,708,396**
Credit loss allowance	(17,564)	(11,020)	(98,335)	(126,919)
Total net mortgage loans	**30,258,800**	**185,319**	**137,358**	**30,581,477**
Secured other consumer loans				
− not overdue	1,939,869	-	61,367	2,001,236
− overdue less than 30 days	23,530	-	-	23,530
− overdue of 31-90 days	-	7,064	1,996	9,060
Total gross secured other consumer loans	**1,963,399**	**7,064**	**63,363**	**2,033,826**
Credit loss allowance	(8,780)	(2,609)	(6,855)	(18,244)
Total net secured other consumer loans	**1,954,619**	**4,455**	**56,508**	**2,015,582**
Unsecured consumer loans				
− not overdue	6,948,974	45,903	140,297	7,135,174
− overdue less than 30 days	27,426	1,134	5,164	33,724
− overdue of 31-90 days	-	21,698	3,033	24,731
− overdue of 91-270 days	-	-	94,030	94,030
− overdue more than 270 days	-	-	29,049	29,049
Total gross unsecured consumer loans	**6,976,400**	**68,735**	**271,573**	**7,316,708**
Credit loss allowance	(280,270)	(27,286)	(143,453)	(451,009)
Total net unsecured consumer loans	**6,696,130**	**41,449**	**128,120**	**6,865,699**
Total gross loans to retail customers	**94,884,098**	**767,901**	**3,057,528**	**98,709,527**
Total net loans to retail customers	**94,268,468**	**649,312**	**1,717,203**	**96,634,983**
Total gross loans to customers	**191,939,573**	**4,363,455**	**7,190,940**	**203,493,968**
Total net loans to customers	**190,936,264**	**3,938,668**	**4,893,066**	**199,767,998**

* The loss allowance in this table includes ECL on loan commitments for certain corporate products, retail products such as credit cards and overdrafts.

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	97,055,475	3,595,554	4,133,412	104,784,441
New assets originated or purchased	65,676,429	-	-	65,676,429
Assets repaid	(62,457,982)	(314,304)	(67,206)	(62,839,492)
Transfer to Stage 1	1,257,815	(1,257,815)	-	-
Transfer to Stage 2	(417,048)	457,000	(39,952)	-
Transfer to Stage 3	(1,008,903)	(2,082,515)	3,091,418	-
Recoveries	-	-	186,333	186,333
Amounts written off	-	-	(253,873)	(253,873)
Net change in asset from interest and foreign exchange revaluation	(1,909,647)	120,638	(240,899)	(2,029,908)
Balance at 31 December	**98,196,139**	**518,558**	**6,809,233**	**105,523,930**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	82,000,872	4,437,277	3,322,196	89,760,345
New assets originated or purchased	50,614,776	-	-	50,614,776
Assets repaid	(35,169,804)	(2,476,318)	(171,944)	(37,818,066)
Transfer to Stage 1	317,821	(317,821)	-	-
Transfer to Stage 2	(2,201,479)	2,211,430	(9,951)	-
Transfer to Stage 3	(138,538)	(461,343)	599,881	-
Recoveries	-	-	174,929	174,929
Amounts written off	-	-	(252,638)	(252,638)
Net change in asset from interest and foreign exchange revaluation	1,631,827	202,329	470,939	2,305,095
Balance at 31 December	**97,055,475**	**3,595,554**	**4,133,412**	**104,784,441**

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

	2024			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	387,679	306,198	957,549	1,651,426
New assets originated or purchased	218,895	-	-	218,895
Assets repaid	(208,507)	(93,655)	(15,609)	(317,771)
Transfer to Stage 1	99,330	(99,330)	-	-
Transfer to Stage 2	(2,325)	31,990	(29,665)	-
Transfer to Stage 3	(29,263)	(147,680)	176,943	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(143,771)	157,387	594,640	608,256
Recognized in statement of profit or loss	**(65,641)**	**(151,288)**	**726,309**	**509,380**
Recoveries	-	-	186,333	186,333
Amounts written off	-	-	(253,873)	(253,873)
Foreign exchange adjustments	(5,130)	(392)	(34,744)	(40,266)
Balance at 31 December	**316,908**	**154,518**	**1,581,574**	**2,053,000**

	2023			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	115,817	478,139	1,180,509	1,774,465
New assets originated or purchased	214,160	-	-	214,160
Assets repaid	(152,466)	(210,884)	(39,833)	(403,183)
Transfer to Stage 1	34,722	(34,722)	-	-
Transfer to Stage 2	(4,694)	6,469	(1,775)	-
Transfer to Stage 3	(261)	(46,589)	46,850	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	178,509	111,279	(276,173)	13,615
Recognized in statement of profit or loss	**269,970**	**(174,447)**	**(270,931)**	**(175,408)**
Recoveries	-	-	174,929	174,929
Amounts written off	-	-	(252,638)	(252,638)
Unwinding of discount			94,677	94,677
Foreign exchange adjustments	1,892	2,506	31,003	35,401
Balance at 31 December	**387,679**	**306,198**	**957,549**	**1,651,426**

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	94,884,098	767,901	3,057,528	98,709,527
New assets originated or purchased	103,443,693	-	-	103,443,693
Assets repaid	(85,101,269)	(664,166)	(1,236,495)	(87,001,930)
Transfer to Stage 1	568,566	(270,170)	(298,396)	-
Transfer to Stage 2	(1,183,919)	1,575,597	(391,678)	-
Transfer to Stage 3	(1,702,697)	(246,927)	1,949,624	-
Recoveries	-	-	715,842	715,842
Amounts written off	-	-	(945,057)	(945,057)
Net change in asset from interest and foreign exchange revaluation	(959,324)	332,485	338,872	(287,967)
Balance at 31 December	**109,949,148**	**1,494,720**	**3,190,240**	**114,634,108**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	76,475,924	1,457,762	2,787,528	80,721,214
New assets originated or purchased	96,743,395	-	-	96,743,395
Assets repaid	(77,352,179)	(680,492)	(765,910)	(78,798,581)
Transfer to Stage 1	295,129	(274,003)	(21,126)	-
Transfer to Stage 2	(508,941)	649,231	(140,290)	-
Transfer to Stage 3	(1,145,706)	(319,760)	1,465,466	-
Recoveries	-	-	655,755	655,755
Amounts written off	-	-	(1,376,070)	(1,376,070)
Net change in asset from interest and other charges	376,476	(64,837)	452,175	763,814
Balance at 31 December	**94,884,098**	**767,901**	**3,057,528**	**98,709,527**

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

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	615,630	118,589	1,340,325	2,074,544
New assets originated or purchased	405,849	-	-	405,849
Assets repaid	(333,885)	(91,765)	(546,922)	(972,572)
Transfer to Stage 1	116,007	(47,048)	(68,959)	-
Transfer to Stage 2	(23,921)	91,596	(67,675)	-
Transfer to Stage 3	(11,989)	(8,403)	20,392	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(333,233)	144,466	965,857	777,090
Recognized in statement of profit or loss	**(181,172)**	**88,846**	**302,693**	**210,367**
Recoveries	-	-	715,842	715,842
Amounts written off	-	-	(945,057)	(945,057)
Foreign exchange adjustments	(3,088)	(916)	(14,373)	(18,377)
Balance at 31 December	**431,370**	**206,519**	**1,399,430**	**2,037,319**

	2023			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	494,686	368,172	1,398,632	2,261,490
New assets originated or purchased	630,842			630,842
Assets repaid	(186,492)	(247,871)	(147,937)	(582,300)
Transfer to Stage 1	55,224	(51,969)	(3,255)	-
Transfer to Stage 2	(7,874)	69,537	(61,663)	-
Transfer to Stage 3	(18,600)	(93,981)	112,581	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(355,181)	73,366	465,730	183,915
Recognized in statement of profit or loss	**117,919**	**(250,918)**	**365,456**	**232,457**
Recoveries	-	-	655,755	655,755
Amounts written off	-	-	(1,376,070)	(1,376,070)
Unwinding	-	-	223,222	223,222
Foreign exchange adjustments	3,025	1,335	73,330	77,690
Balance at 31 December	**615,630**	**118,589**	**1,340,325**	**2,074,544**

(b) Key assumptions and judgements for estimating credit loss allowance

Key assumptions and judgements for estimating credit loss allowance is presented in Note 27(b).

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

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

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2024 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral: for collateral assessed as of loan inception date**
Loans which are not credit impaired		
Cash and deposits	1,777,280	1,777,280
Government bonds of Republic of Armenia	20,107,086	20,107,086
Real estate	62,305,470	62,305,470
Motor vehicles	758,147	758,147
Other collateral	7,912,026	7,912,026
No collateral or other credit enhancement	5,383,262	-
Total loans which are not credit impaired	**98,243,271**	**92,860,009**
		Assessed as of reporting date
Credit impaired loans		
Real estate	5,041,471	5,041,471
Motor vehicles	7,373	7,373
Other collateral	178,815	178,815
Total credit impaired loans	**5,227,659**	**5,227,659**
Total loans to corporate customers	**103,470,930**	**98,087,668**

31 December 2023 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral: for collateral assessed as of loan inception date**
Loans which are not credit impaired		
Cash and deposits	1,267,603	1,267,603
Government bonds of Republic of Armenia	20,875,226	20,875,226
Gold and jewelry	3,252	3,252
Real estate	64,497,049	64,497,049
Motor vehicles	1,068,732	1,068,732
Other collateral	7,264,080	7,264,081
No collateral or other credit enhancement	4,981,210	-
Total loans which are not credit impaired	**99,957,152**	**94,975,943**
		Assessed as of reporting date
Credit impaired loans		
Real estate	2,942,377	2,942,377
Motor vehicles	22,188	22,188
Other collateral	211,298	211,298
Total credit impaired loans	**3,175,863**	**3,175,863**
Total loans to corporate customers	**103,133,015**	**98,151,806**

The tables above exclude overcollateralization.

The Bank has loans, for which the fair value of collateral was assessed on the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

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

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio at the date of loan issuance of a maximum of 80%.

Consumer loans secured by real estate and other retail loans are mainly secured by real estate. The Bank's policy is to issue consumer loans with a loan-to-value ratio at the date of loan issuance of 70-80%, depending on location of collateral.

Gold secured loans are secured by gold jewelry. The Bank's policy is to issue gold secured loans with a loan-to-value ratio at the date of loan issuance of a maximum of 95-100%, depending on loan terms.

Agricultural loans and secured other consumer loans are secured by motor vehicles, real estate, other movable and fixed assets. The Bank's policy is to issue these loans with a loan-to-value ratio at the date of loan issuance of a maximum of 80%.

Unsecured consumer loans mainly represent credit cards and overdrafts.

(iii) Repossessed collateral

As at 31 December 2024 and 31 December 2023, the repossessed collateral comprises mainly real estate.

	2024	2023
	Carrying amount AMD'000	**Carrying amount AMD'000**
Balance at 1 January	1,636,735	1,805,492
Additions	138,481	221,384
Sales	(302,376)	(390,141)
Balance at 31 December	**1,472,840**	**1,636,735**

On the date of foreclosure the collateral is measured at the carrying amount of the defaulted loan. Subsequent to foreclosure repossessed assets are measured at cost less impairment losses. Impairment is estimated based on the market approach. The market approach for real estate is based upon an analysis of the results of comparable recent sales of similar assets or announced prices for sale of similar assets, applying a discount of between 10% and 30% depending on the nature and location of the asset for the announced prices for sale. The Bank's policy is to sell these assets as soon as it is practicable.

(d) Industry and geographical analysis of the loan portfolio

Loans are issued to customers that operate in the following economic sectors:

	2024 AMD'000	2023 AMD'000
Trade	51,076,999	52,331,164
Construction	17,840,793	19,673,324
Industry and other production	7,963,670	8,541,707
Hotel and restaurant services	4,193,052	4,768,100
Agriculture and Food processing	2,956,634	2,437,518
Energy	2,287,281	2,512,384
Communication services	1,219,842	1,274,127
Medical services	995,546	754,367
Transport	781,608	1,094,674
Tourism	500,593	487,759
Manufacturing	13,301	16,151
Other	15,694,611	10,893,166
Loans to retail customers	114,634,108	98,709,527
	220,158,038	**203,493,968**
Credit loss allowance	(4,090,319)	(3,725,970)
	216,067,719	**199,767,998**

As at 31 December 2024, loans to legal entities with a gross value of AMD 105,516,889 thousand (2023: AMD 104,784,442 thousand) are issued to customers located within the Republic of Armenia.

(e) Assets under lien

As at 31 December 2024, loans to customers with a gross value of AMD thousand 10,939,287 (2023: AMD 12,123,081 thousand) serve as collateral for secured loans from credit organisations and borrowings from the Central Bank of Armenia (Note 21).

(f) Significant credit exposures

As at 31 December 2024 the Bank had one borrower or group of connected borrowers (2023: one), whose loan balances exceed 10% of the Bank's equity. The exposure on these loans as at 31 December 2024 is AMD 24,734,196 thousand (2023: AMD 24,891,276 thousand). The balances are fully in Stage 1 as at 31 December 2024 and 2023. Expected credit losses for the balances as at 31 December 2024 comprised AMD 40,234 thousand (2023: AMD 48,563 thousand).

(g) Loan maturities

The maturity of the loan portfolio is presented in Note 27(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(ii) Receivables from finance leases

	2024 AMD'000	2023 AMD'000
Gross investment in finance leases receivable		
Less than one year	717,680	346,914
Between one and two years	654,906	327,833
Between two and three years	518,269	226,934
Between three and four years	463,640	93,143
Between four and five years	174,500	59,799
More than five years	5,290	-
	2,534,285	**1,054,623**
Unearned finance income	**(474,654)**	(278,645)
Gross investment in finance lease receivables	**2,059,631**	**775,978**
Credit loss allowance	(13,626)	(4,633)
Net investments in finance leases	**2,046,005**	**771,345**

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance leases for the years ended 31 December 2024.

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	775,978	-	-	775,978
New assets originated or purchased	1,688,531	-	-	1,688,531
Assets repaid	(370,782)	(6,869)	-	(377,651)
Transfer to Stage 2	(6,869)	6,869	-	-
Net measurment of loss allowance	(39,232)	12,005	-	(27,227)
Balance at 31 December	**2,047,626**	**12,005**	**-**	**2,059,631**

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance leases for the years ended 31 December 2023.

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	-	-	-	-
New assets originated or purchased	827,651	-	-	827,651
Assets repaid	(84,681)	-	-	(84,681)
Net measurment of loss allowance	33,008	-	-	33,008
Balance at 31 December	**775,978**	**-**	**-**	**775,978**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance leases for the years ended 31 December 2024.

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	4,633	-	-	4,633
New assets originated or purchased	11,171	-	-	11,171
Assets repaid	(2,453)	(45)	-	(2,498)
Transfer to Stage 2	(45)	45	-	-
Net measurment of loss allowance	(1,423)	1,743	-	320
Balance at 31 December	**11,883**	**1,743**	**-**	**13,626**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance leases for the years ended 31 December 2023.

AMD'000	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	-	-	-	-
New assets originated or purchased	4,939	-	-	4,939
Assets repaid	(505)	-	-	(505)
Net measurement of loss allowance	199	-	-	199
Balance at 31 December	**4,633**	**-**	**-**	**4,633**

(i) Quality analysis of finance leases

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

AMD'000	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
− not overdue	2,047,626	12,005	-	2,059,631
Total gross receivables from finance lease	2,047,626	12,005	-	2,059,631
ECL	(11,883)	(1,743)	-	(13,626)
Total net receivables from finance lease	**2,035,743**	**10,262**	**-**	**2,046,005**

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

AMD'000	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
− not overdue	775,978	-	-	775,978
Total gross receivables from finance lease	775,978	-	-	775,978
ECL	(4,633)	-	-	(4,633)
Total net receivables from finance lease	**771,345**	**-**	**-**	**771,345**

(ii) Concentration of receivables from finance leases

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

(iii) Analysis of collateral

The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2024:

31 December 2024

AMD'000	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of loan inception date
Receivables from finance lease, which are not credit impaired		
Motor vehicles	1,162,556	1,162,556
Solar panels	222,693	222,693
Equipment	67,954	67,954
No collateral or other credit enhancement	592,801	-
Total receivables from finance lease	**2,046,004**	**1,453,203**

The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2023:

31 December 2023

AMD'000	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of loan inception date
Receivables from finance lease, which are not credit impaired		
Motor vehicles	775,978	775,978
Total receivables from finance lease	**775,978**	**775,978**

18 Property, equipment and intangible assets

AMD'000	Buildings	Leasehold improvements	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost							
Balance as at 1 January 2024	4,038,276	559,352	4,239,266	2,042,076	180,806	2,519,501	13,579,277
Additions	17,550	31,121	538,186	141,957	22,700	113,005	864,519
Disposals/write-offs	-	(67,530)	(372,510)	(89,107)	-	(170,949)	(700,096)
Balance at 31 December 2024	**4,055,826**	**522,943**	**4,404,942**	**2,094,926**	**203,506**	**2,461,557**	**13,743,700**
Depreciation and amortisation							
Balance at 1 January 2024	1,161,816	133,562	3,318,483	1,504,159	97,898	1,677,172	7,893,090
Depreciation and amortisation for the year	108,119	22,819	314,979	116,840	17,722	184,843	765,322
Disposals/write-offs	-	(27,342)	(350,724)	(81,617)	-	(163,318)	(623,001)
Balance at 31 December 2024	**1,269,935**	**129,039**	**3,282,738**	**1,539,382**	**115,620**	**1,698,697**	**8,035,411**
Carrying amount							
At 31 December 2024	**2,785,891**	**393,904**	**1,122,204**	**555,544**	**87,886**	**762,860**	**5,708,289**
Cost							
Balance as at 1 January 2023	3,969,687	531,463	3,800,075	1,988,074	185,825	2,097,249	12,572,373
Additions	68,589	72,388	479,779	128,955	17,046	422,252	1,189,009
Disposals/write-offs	-	(44,499)	(40,588)	(74,953)	(22,065)	-	(182,105)
Balance at 31 December 2023	**4,038,276**	**559,352**	**4,239,266**	**2,042,076**	**180,806**	**2,519,501**	**13,579,277**
Depreciation and amortisation							
Balance at 1 January 2023	1,056,033	141,945	3,121,573	1,470,494	102,610	1,440,717	7,333,372
Depreciation and amortisation for the year	105,783	35,894	237,457	108,594	16,806	236,455	740,989
Disposals/write-offs	-	(44,277)	(40,547)	(74,929)	(21,518)	-	(181,271)
Balance at 31 December 2023	**1,161,816**	**133,562**	**3,318,483**	**1,504,159**	**97,898**	**1,677,172**	**7,893,090**
Carrying amount							
At 31 December 2023	**2,876,460**	**425,790**	**920,783**	**537,917**	**82,908**	**842,329**	**5,686,187**

19 Leases

The Bank leases assets such as head office, branches and other spaces, which typically run for a period of 5 to 10 years. Information about leases for which the Bank is a lessee is presented below:

(a) Right of use asset

	2024 AMD'000	2023 AMD'000
Balance at 1 January	2,741,445	3,121,428
Additions to right of use assets	231,968	374,251
Depreciation charge for the period	(700,912)	(597,193)
Lease contract modifications and derecognitions	656,872	(157,041)
Balance at 31 December	**2,929,373**	**2,741,445**

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

	2024 AMD'000	2023 AMD'000
Balance at 1 January	**3,015,741**	**3,302,024**
Changes from financing cash flows		
Repayments	(894,885)	(775,333)
Total changes from financing cash flows	**(894,885)**	**(775,333)**
Other changes		
Addition	231,968	374,251
Interest accrual	279,457	271,840
Lease contract modifications and derecognitions	422,707	(157,041)
Balance at 31 December	**3,054,988**	**3,015,741**

(c) Amounts recognised in profit and loss

	2024 AMD'000	2023 AMD'000
Depreciation of right of use asset	(700,912)	(597,193)
Interest on lease liabilities	(279,457)	(271,840)
Expenses relating to short-term leases	(78,150)	(70,983)

(d) Amounts recognized in the statement of cash flows

	2024 AMD'000	2023 AMD'000
Total cash outflow for leases		
Payment on lease liabilities	894,885	775,333

20 Other assets

	2024 AMD'000	2023 AMD'000
Receivables under money transfer systems	2,487,390	2,305,523
Receivables from state budget*	1,852,201	-
Other receivables	425,720	383,834
Credit loss allowance	(23,362)	(52,031)
Total net other financial assets	**4,741,949**	**2,637,326**
Prepayments	677,803	1,275,458
Precious metals	161,426	231,836
Materials and supplies	160,692	181,291
Other	12,608	120,346
Total other non-financial assets	**1,012,529**	**1,808,931**
Total other assets	**5,754,478**	**4,446,257**

*Receivables from state budget were settled on 3 January 2025.

As at 31 December 2024 other financial assets with gross amount of AMD 4,765,311 thousand (2023: 2,689,357 thousand) were allocated to Stage 1 and were not overdue.

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other financial assets at amortised cost				
Balance at 1 January	(52,031)	-	-	(52,031)
Assets repaid	52,031	-	-	52,031
New assets originated or purchased	(23,362)	-	-	(23,362)
Balance at 31 December	**(23,362)**	**-**	**-**	**(23,362)**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other financial assets at amortised cost				
Balance at 1 January	(30,614)	-	-	(30,614)
Assets repaid	30,614	-	-	30,614
New assets originated or purchased	(52,031)	-	-	(52,031)
Balance at 31 December	**(52,031)**	**-**	**-**	**(52,031)**

21 Deposits and balances from banks and other financial institutions

	2024 AMD'000	2023 AMD'000
Loans from the CBA through international programs	1,548,768	2,685,644
Loro accounts	6,735	228,137
Loans from commercial banks	253,929	4,087
	1,809,432	**2,917,868**

According to the agreement the Central Bank of Armenia provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring of the loans is performed by the Program Management Unit of "German-Armenian Fund" Institution.

As at 31 December 2024 the Bank has no banks and other financial institutions (2023: no bank and other financial institution), whose balances exceed 10% of equity.

22 Debt securities issued

	2024 AMD'000	2023 AMD'000
Debt securities issued	**7,268,836**	**7,789,421**

As at 31 December 2024 the Bank has issued and placed debt securities denominated in USD with nominal amount of USD 18,291 thousand (2023: USD 19,145 thousand). During 2024 the Bank issued bonds with nominal amount of USD 10,000 thousand (2023: USD 8,291 thousand).

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

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

'000 AMD	**2024 AMD'000**	**2023 AMD'000**
Balance at 1 January	7,789,421	5,487,085
Changes from financing cash flows		
Proceeds from debt securities issued	3,909,273	3,316,201
Repayment of debt securities issued	(4,278,857)	(1,158,420)
Total changes from financing cash flows	**(369,584)**	**2,157,781**
The effect of changes in foreign exchange rates	**(107,734)**	**153,744**
Other changes		
Interest expense	391,984	275,488
Interest paid (operating cash flows)	(435,251)	(284,677)
Balance at 31 December	**7,268,836**	**7,789,421**

23 Other borrowed funds and subordinated borrowings

	2024 AMD'000	2023 AMD'000
Borrowings from international financial institutions	31,625,825	37,293,739
Borrowings from Armenian financial institutions	9,390,520	9,437,437
	41,016,345	**46,731,176**
Subordinated borrowings	1,634,588	1,668,804
	1,634,588	**1,668,804**

(a) Concentration of borrowings from international financial institutions

As at 31 December 2024 the Bank has three financial institutions (as at 31 December 2023: four financial institutions except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 26,485,145 thousand (31 December 2023: AMD 30,728,096 thousand).

(b) Subordinated borrowing

As at 31 December 2024 and 2023 subordinated borrowings represents single borrowing received from individual shareholder maturing on 13 January 2025. Subsequent to the reporting period the borrowing has been fully repaid according to schedule.

The Bank considers borrowings received as subordinated borrowings, if in case of bankruptcy, the repayment of the borrowing will be made after repayment in full of all other liabilities of the Bank.

(c) Covenants

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

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

'000 AMD	**Other borrowed funds**	**Subordinated borrowings**
Balance at 1 January 2024	**46,731,176**	**1,668,804**
Changes from financing cash flows		
Proceeds	19,980,525	-
Repayments	(24,646,672)	-
Total changes from financing cash flows	**(4,666,147)**	**-**
The effect of changes in foreign exchange rates	**(990,750)**	**(33,851)**
Other changes		
Interest expense	3,324,572	104,943
Interest paid	(3,382,506)	(105,308)
Balance at 31 December 2024	**41,016,345**	**1,634,588**

’000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2023	**55,024,829**	**1,622,546**
Changes from financing cash flows		
Proceeds	5,114,865	-
Repayments	(14,440,294)	-
Total changes from financing cash flows	**(9,325,429)**	**-**
The effect of changes in foreign exchange rates	**975,185**	**46,513**
Other changes		
Interest expense	3,521,670	104,580
Interest paid	(3,465,079)	(104,835)
Balance at 31 December 2023	**46,731,176**	**1,668,804**

24 Current accounts and deposits from customers

	2024 AMD’000	2023 AMD’000
Current accounts and demand deposits		
− Retail	88,311,284	77,168,125
− Corporate	54,763,358	86,693,208
Term deposits		
− Retail	120,642,439	94,641,578
− Corporate	26,450,844	17,190,476
	290,167,925	**275,693,387**

As at 31 December 2024, the Bank maintained customer current accounts and deposit balances that serve as collateral for loans and credit related commitments granted by the Bank amounting to AMD 5,573,699 thousand (2023: AMD 3,620,410 thousand).

As of 31 December 2024, the Bank has three customers or groups of related customers (31 December 2023: five), whose account and deposit balances exceed 10% of the Bank’s equity. These balances as at 31 December 2024 are AMD 53,581,881 thousand (31 December 2023: AMD 59,136,322 thousand).

25 Other liabilities

	2024 AMD’000	2023 AMD’000
Payables to suppliers	292,233	327,281
Payables from unsettled transactions	393,079	3,609
Payments in transit	287,207	333,861
Payables to deposit guarantee fund	89,487	99,964
Other financial liabilities	240,289	271,151
Total other financial liabilities	**1,302,295**	**1,035,866**
Payables to employees	1,312,904	1,415,164
Taxes payable other than on income	371,474	320,522
Total other non-financial liabilities	**1,684,378**	**1,735,686**
Total other liabilities	**2,986,673**	**2,771,552**

26 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2024 the authorized, issued and outstanding share capital comprises 1,873,345 ordinary shares (2023: 1,873,345 ordinary shares). All shares have a nominal value of AMD 5 thousand (2023: AMD 5 thousand) and are fully paid.

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

(b) Nature and purpose of reserves

Fair value reserve for investment securities

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

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank excluding non-distributable reserves, which are determined according to legislation of the Republic of Armenia. 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.

In 2024, the Bank declared and fully paid dividends totalling to AMD 2,500,000 on ordinary shares (AMD 1,334.5 per share) (2023: AMD 5,000,000 thousand, AMD 2,669 per share).

(d) Earnings per share

The calculation of basic earnings per share at 31 December 2024 was based on the profit attributable to ordinary shareholders of AMD 12,191,144 thousand (2023: AMD 10,825,621 thousand), and a weighted-average number of ordinary shares outstanding of 1,873,345 (2023: 1,873,345), calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2024	**2023**
Issued shares at 1 January	1,873,345	1,873,345
Weighted average number of shares for the year ended 31 December	**1,873,345**	**1,873,345**
Earnings per share – basic in AMD '000	**6.51**	**5.78**
Earnings per share – diluted in AMD '000	**6.51**	**5.78**

27 Risk management

(a) Risk management policies and procedures

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

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

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

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

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

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

In compliance with the Bank's internal documentation the Risk Department and internal audit function frequently prepare reports, which cover the Bank's significant risks management. The reports include observations as to assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement.

(b) Credit risk

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

The credit policy establishes:

– procedures for reviewing and approving loan credit applications
– methodology for the credit assessment of borrowers (corporate and retail)
– methodology for the credit assessment of counterparties, issuers and insurance companies
– methodology for the evaluation of collateral
– credit documentation requirements
– procedures for the ongoing monitoring of loans and other credit exposures.

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

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

Credit risk – Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4 (e)(iv).

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD — The *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 ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination but there is no evidence of credit impairment, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. The Bank records an allowance for the LTECL.

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

Definition of default

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

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

PD estimation process

Treasury and interbank relationships

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

Loans to customers

PDs for loans and advances to customers are based on historic information and are calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring between overdue categories from the total number at the beginning of the period. In calculation of PDs the Bank considers forward looking macroeconomic parameters that had material impact on the probability of default.

Overdue days are primary input into the determination of the term structure of PD for collectively assessed exposures in Markov's model of transition matrices. Transition matrices are constructed using historical data over the past 12 months.

For loans and advances to customers assigned to Stage 1 and Stage 2, where ECL are assessed collectively, the following average PDs are applied.

	12-month PD	Lifetime PD
Loans to corporate clients		
− not overdue	0.69%-1.32%	28.26%-42.99%
− overdue less than 30 days	27.36%-41.90%	65.97%-78.77%
− overdue 30-89 days	65.68%-92.20%	86.15%-92.25%
Loans to retail clients		
− not overdue	0.04%-2.08%	0.04%-7.12%
− overdue less than 30 days	2.01%-48.07%	2.01%-49.66%
− overdue 30-89 days	11.43%-91.96%	11.44%-92.00%

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets EAD is equal to the carrying amount.

Loss given default

For collateralized portfolio the Bank calculates LGD individually considering expected cash flows from realisation of collateral.

To arrive to individually assessed LGD, the Bank applies the following assumptions:

- haircut of 30% is applied on immovable collateral and 40% is applied on movable collateral;
- the period of collateral realization is estimated 36 months.

For unsecured portfolio the Bank calculates LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate.

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition.

The Bank uses two criteria for determining whether there has been a significant increase in credit risk:

– qualitative indicators; and
– backstop of 30 days past due.

The exposures of the Bank's borrowers are subject to ongoing monitoring, which may result in a determination about significant increase in credit risk. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	– Payment record – this includes overdue status as well as a range of variables about payment ratios
– Data from credit reference agencies, press articles, changes in external credit ratings	– Utilisation of the granted limit – Requests for and granting of forbearance
– Quoted bond and credit default swap (CDS) prices for the borrower where available – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	– Existing and forecast changes in business, financial and economic conditions

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs The Bank incorporates in ECL model the economic indicators which have high correlation with the portfolio's historical default rates such as:

- unemployment rate;
- number of employees;
- AMD denominated loan interest rate
- USD/AMD exchange rate;
- real GDP growth;
- inflation rate.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

	2024 AMD'000 Exposure	2023 AMD'000 Exposure	External benchmarks used PD	External benchmarks used LGD
Cash and cash equivalent	26,480,707	25,294,157	Moody's default studies	Moody's default studies
Investment securities measured at FVOCI	46,616,105	45,257,617	Moody's default studies	Moody's default studies
Investment securities measured at amortised cost	6,352,227	8,853,718	Moody's default studies	Moody's default studies
Loans and advances to banks and other financial institutions	63,080,494	82,060,451	Moody's default studies	Moody's default studies
Amounts receivable under reverse repurchase agreements	25,864,845	11,388,297	Moody's default studies	Moody's default studies
Other financial assets	4,765,311	2,689,357	Moody's default studies	Moody's default studies

Concentrations of credit risk

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

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

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers, see Note 17.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 29.

Offsetting financial assets and financial liabilities

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

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

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

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

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

The above arrangements do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties.

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

AMD'000

				Related amounts not offset in the statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Amounts receivable under reverse repurchase agreements	25,864,845	-	25,864,845	(25,864,845)	-	-
Total financial assets	**25,964,845**	-	**25,964,845**	**(25,964,845)**	-	-

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

AMD'000

				Related amounts not offset in the statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Amounts receivable under reverse repurchase agreements	11,388,297	-	11,388,297	(11,388,297)	-	-
Total financial assets	**11,388,297**	-	**11,388,297**	**(11,388,297)**	-	-
Amounts payable under repurchase agreements	(2,002,626)	-	(2,002,626)	2,002,626	-	-
Total financial liabilities	**(2,002,626)**	-	**(2,002,626)**	**2,002,626**	-	-

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

(c) Market risk

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

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALCO, based on recommendations of the Risk Department.

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2024							
ASSETS							
Cash and cash equivalents	2,837,029	-	-	-	-	40,892,813	43,729,842
Investment securities measured at fair value through profit or loss	-	-	-	-	-	26,468	26,468
Investment securities measured at fair value through other comprehensive income	985,640	4,297,291	1,497,536	30,209,779	9,403,347	222,512	46,616,105
Investment securities measured at amortised cost	-	308,234	420,478	2,243,092	3,362,927	-	6,334,731
Loans and advances to banks and other financial institutions	36,569,119	30,737	66,971	1,129,652	1,504,177	23,645,444	62,946,100
Amounts receivable under reverse repurchase agreements	25,857,102	-	-	-	-	-	25,857,102
Loans and advances to customers	19,121,479	11,088,640	18,597,724	112,396,220	54,863,532	-	216,067,595
Receivables from finance leases	137,398	128,218	263,224	1,512,299	4,990	-	2,046,129
	85,507,767	**15,853,120**	**20,845,933**	**147,491,042**	**69,138,973**	**64,787,237**	**403,624,072**
LIABILITIES							
Deposits and balances from banks and other financial institutions	286,203	306,357	301,604	885,864	29,404	-	1,809,432
Other borrowed funds and subordinated liabilities	3,980,399	5,935,896	5,994,887	24,847,147	1,892,604	-	42,650,933
Debt securities issued	-	190,501	1,815,547	5,262,788	-	-	7,268,836
Current accounts and deposits from customers	22,766,183	11,575,164	21,135,311	103,334,028	175,454	131,181,785	290,167,925
Lease liability	175,480	155,822	303,958	2,276,814	142,914	-	3,054,988
	27,208,265	**18,163,740**	**29,551,307**	**136,606,641**	**2,240,376**	**131,181,785**	**344,952,114**
	58,299,502	**(2,310,620)**	**(8,705,374)**	**10,884,401**	**66,898,597**	**(66,394,548)**	**58,671,958**

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2023							
ASSETS							
Cash and cash equivalents	1,725,915	-	-	-	-	39,300,811	41,026,726
Investment securities measured at fair value through other comprehensive income	3,482,757	6,710,149	1,105,161	24,304,314	9,514,386	140,850	45,257,617
Investment securities measured at amortised cost	1,008	2,487,748	25,011	854,458	5,460,108	-	8,828,333
Loans and advances to banks and other financial institutions	52,566,292	206,036	78,103	1,679,801	526,582	26,888,536	81,945,350
Amounts receivable under reverse repurchase agreements	11,388,297	-	-	-	-	-	11,388,297
Loans and advances to customers	15,638,919	10,280,708	30,453,322	94,788,630	48,606,419	-	199,767,998
Receivables from finance leases	20,709	35,439	-	175,712	539,485	-	771,345
	84,823,897	**19,720,080**	**31,661,597**	**121,802,915**	**64,646,980**	**66,330,197**	**388,985,666**
LIABILITIES							
Deposits and balances from banks and other financial institutions	294,492	450,442	433,945	1,738,989	-	-	2,917,868
Other borrowed funds and subordinated liabilities	2,367,772	6,979,726	11,096,939	24,912,478	3,043,065	-	48,399,980
Debt securities issued	1,185,086	9,064	-	3,238,165	3,357,106	-	7,789,421
Current accounts and deposits from customers	32,556,294	6,030,225	20,438,029	75,309,322	145,050	141,214,467	275,693,387
Amounts payable under repurchase agreements	2,002,626	-	-	-	-	-	2,002,626
Lease liability	127,012	135,382	323,692	1,928,507	501,148	-	3,015,741
	38,533,282	**13,604,839**	**32,292,605**	**107,127,461**	**7,046,369**	**141,214,467**	**339,819,023**
	46,290,615	**6,115,241**	**(631,008)**	**14,675,454**	**57,600,611**	**(74,884,270)**	**49,166,643**

Average effective interest rates

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

	2024 Average effective interest rate, %			2023 Average effective interest rate, %		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	-	1.43%	2.42%	-	0.50%	-
Investment securities measured at fair value through other comprehensive income	10.60%	5.05%	2.78%	10.46%	4.92%	4.01%
Investment securities measured at fair value through profit or loss	-	-	-			
Investment securities measured at amortised cost	9.06%	-	-	8.50%	5.82%	-
Loans and advances to banks and other financial institutions	14.66%	3.93%	13.55%	14.39%	4.11%	6.63%
Amounts receivable under reverse repurchase agreements	8.04%	5.38%	4.07%	10.67%	4.94%	4.08%
Loans to customers	15.45%	10.08%	8.39%	14.89%	9.98%	7.86%
Receivables from finance leases	13.85%	9.33%	8.60%	15.93%	8.82%	8.25%
Interest bearing liabilities						
Other borrowed funds and subordinated liabilities	6.74%	8.29%	-	6.87%	7.89%	4.91%
Deposits and balances from banks and other financial institutions	6.73%	-	-	6.85%	-	-
Current accounts and deposits from customers						
− Term deposits	10.08%	4.14%	2.33%	9.99%	4.15%	2.38%
− Current accounts	0-7%	0-3.5%	0-1.75%	0-7%	0-3.5%	0-1.75%
Debt securities issued	-	5.45%	-	-	4.92%	-
Lease liability	9.00%	-	-	9.00%	-	-
Amounts payable under repurchase agreements	-	-	-	9.95%	-	-

Interest rate sensitivity analysis

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

	2024 AMD'000	2023 AMD'000
100 bp parallel fall	901,940	(311,311)
100 bp parallel rise	(901,940)	311,311

An analysis of the sensitivity of equity as a result of changes in the fair value of financial assets measured at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2024 and 2023 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2024 Equity AMD'000	**2023 Equity AMD'000**
100 bp parallel fall	1,364,684	1,069,383
100 bp parallel rise	(1,364,684)	(1,069,383)

(ii) Currency risk

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

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

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

	USD AMD'000	**EUR AMD'000**	**Other currencies AMD'000**	**Total AMD'000**
ASSETS				
Cash and cash equivalents	8,584,998	4,706,522	2,864,381	16,155,901
Investment securities measured at fair value through other comprehensive income	6,183,484	701,573	-	6,885,057
Investment securities measured at amortised cost	5,634	-	-	5,634
Loans and advances to banks and other financial institutions	33,669,880	13,035,402	13,474,369	60,179,651
Amounts receivable under reverse repurchase agreements	5,541,857	1,524,652	-	7,066,509
Loans to customers	86,344,082	9,140,221	-	95,484,303
Receivables from finance leases	1,038,302	131,776	-	1,170,078
Other financial assets	772,886	35,460	84,004	892,350
Total assets	**142,141,123**	**29,275,606**	**16,422,754**	**187,839,483**
LIABILITIES				
Deposits and balances from banks and other financial institutions	121,952	65,619	-	187,571
Other borrowed funds and subordinated liabilities	33,260,413	-	-	33,260,413
Debt securities issued	7,268,836	-	-	7,268,836
Current accounts and deposits from customers	97,731,290	29,136,806	16,441,126	143,309,222
Other financial liabilities	401,648	104,125	2,212	507,985
Total liabilities	**138,784,139**	**29,306,550**	**16,443,338**	**184,534,027**
Net position	**3,356,984**	**(30,944)**	**(20,584)**	**3,305,456**
Effect of derivatives	156,645	-	(156,645)	-
Net position	**3,513,629**	**(30,944)**	**(177,229)**	**3,305,456**

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

	USD	EUR	Other currencies	Total
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
ASSETS				
Cash and cash equivalents	11,021,369	11,819,980	2,311,585	25,152,934
Investment securities measured at fair value through other comprehensive income	5,455,922	282,591	-	5,738,513
Investment securities measured at amortised cost	332,199	-	-	332,199
Loans and advances to banks and other financial institutions	47,159,484	24,139,011	6,910,237	78,208,732
Amounts receivable under reverse repurchase agreements	3,736,766	1,120,360	-	4,857,126
Loans to customers	96,995,444	6,339,716	8,885	103,344,045
Receivables from finance leases	386,007	192,334	-	578,341
Other financial assets	517,883	111,934	31,993	661,810
Total assets	**165,605,074**	**44,005,926**	**9,262,700**	**218,873,700**
LIABILITIES				
Deposits and balances from banks and other financial institutions	101,197	110,519	-	211,716
Other borrowed funds and subordinated liabilities	37,166,711	1,795,832	-	38,962,543
Debt securities issued	7,789,421	-	-	7,789,421
Current accounts and deposits from customers	117,714,750	42,424,582	9,253,483	169,392,815
Other financial liabilities	60,333	19,259	456	80,048
Total liabilities	**162,832,412**	**44,350,192**	**9,253,939**	**216,436,543**
Net position	**2,772,662**	**(344,266)**	**8,761**	**2,437,157**

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2024 and 2023, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2024 AMD'000	2023 AMD'000
10% appreciation of USD against AMD	351,363	277,266
10% appreciation of EUR against AMD	(3,094)	(34,427)

A strengthening of the AMD against the above currencies at 31 December 2024 and 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

– projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
– maintaining a diverse range of funding sources
– managing the concentration and profile of debts
– maintaining debt financing plans
– maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
– maintaining liquidity and funding contingency plans
– monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment.

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	270,752	15,644	313,080	318,063	1,042,459	1,959,998	1,809,432
Other borrowed funds and subordinated liabilities	2,700,205	1,398,032	6,106,320	6,408,775	33,733,827	50,347,159	42,650,933
Debt securities issued	-	96,969	96,969	1,895,637	6,199,474	8,289,049	7,268,836
Current accounts and deposits from customers	145,842,534	7,792,555	11,932,004	22,313,454	118,159,512	306,040,059	290,167,925
Lease liability	73,968	159,830	216,172	415,669	2,811,965	3,677,604	3,054,988
Other financial liabilities	1,196,913	105,382	-	-	-	1,302,295	1,302,295
Total financial liabilities	**150,084,372**	**9,568,412**	**18,664,545**	**31,351,598**	**161,947,237**	**371,616,164**	**346,254,409**
Credit related commitments	**15,373,594**					**15,373,594**	**-**

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	274,696	20,081	460,344	458,531	2,024,484	3,238,136	2,917,868
Other borrowed funds and subordinated liabilities	1,489,825	691,118	7,418,357	11,809,133	34,521,235	55,929,668	48,399,980
Amounts payable under repurchase agreements	2,076,529	-	-	-	-	2,076,529	2,002,626
Debt securities issued	1,195,488	53,696	77,730	3,369,746	3,627,627	8,324,287	7,789,421
Current accounts and deposits from customers	169,127,927	5,977,897	7,638,813	23,368,464	81,510,166	287,623,267	275,693,387
Lease liability	90,638	80,615	193,364	455,528	2,955,514	3,775,659	3,015,741
Other financial liabilities	923,836	112,030	-	-	-	1,035,866	1,035,866
Total financial liabilities	**175,178,939**	**6,935,437**	**15,788,608**	**39,461,402**	**124,639,026**	**362,003,412**	**340,854,889**
Credit related commitments	**17,108,251**	**-**	**-**	**-**	**-**	**17,108,251**	**-**

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2024:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue*	Total
ASSETS								
Cash and cash equivalents	43,729,842	-	-	-	-	-	-	43,729,842
Investment securities measured at fair value through profit or loss	-	-	-	-	-	26,468	-	26,468
Investment securities measured at fair value through other comprehensive income	510,871	474,769	5,794,827	30,209,779	9,403,347	222,512	-	46,616,105
Investment securities measured at amortised cost	-	-	728,712	2,243,092	3,362,927	-	-	6,334,731
Loans and advances to banks and other financial institutions	36,759,225	182,776	97,707	1,129,652	470,571	24,306,169	-	62,946,100
Amounts receivable under reverse repurchase agreements	25,857,102	-	-	-	-	-	-	25,857,102
Loans and advances to customers	4,364,382	9,947,438	29,686,364	112,396,220	54,863,532	-	4,809,659	216,067,595
Receivables from finance leases	52,835	84,563	391,442	1,512,299	4,990	-	-	2,046,129
Property, equipment and intangible assets	-	-	-	-	-	5,708,289	-	5,708,289
Right of use asset	-	-	-	-	-	2,929,373	-	2,929,373
Repossessed assets	-	-	-	-	-	1,472,840	-	1,472,840
Other assets	4,352,895	656,179	423,286	-	-	322,118	-	5,754,478
Total assets	**115,627,152**	**11,345,725**	**37,122,338**	**147,491,042**	**68,105,367**	**34,987,769**	**4,809,659**	**419,489,052**
LIABILITIES								
Deposits and balances from banks and other financial institutions	270,742	15,461	607,961	885,864	29,404	-	-	1,809,432
Other borrowed funds and subordinated liabilities	2,603,392	1,377,007	11,930,783	24,847,147	1,892,604	-	-	42,650,933
Debt securities issued	-	95,893	1,910,154	5,262,789	-	-	-	7,268,836
Current accounts and deposits from customers	146,277,531	7,670,437	32,710,475	103,334,028	175,454	-	-	290,167,925
Lease liability	58,099	117,381	459,780	2,276,814	142,914	-	-	3,054,988
Current tax liabilities	-	-	-	-	-	1,291,767	-	1,291,767
Deferred tax liabilities	-	-	-	-	-	418,304	-	418,304
Provision for credit related commitments	9,736	-	-	-	-	-	-	9,736
Other liabilities	1,196,913	476,856	-	-	-	1,312,904	-	2,986,673
Total liabilities	**150,416,413**	**9,753,035**	**47,619,153**	**136,606,642**	**2,240,376**	**3,022,975**	**-**	**349,658,594**
Net position	**(34,789,261)**	**1,592,690**	**(10,496,815)**	**10,884,400**	**65,864,991**	**31,964,794**	**4,809,659**	**69,830,458**

* Overdue portion of outstanding overdue loans

For management of negative short-term interest liquidity position the Bank relies on the financial securities, which can be sold or pledged under repo agreements and the assumption that the withdrawn current accounts and term deposits will be successfully replaced.

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2023:

AMD’000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue*	Total
ASSETS								
Cash and cash equivalents	41,026,726	-	-	-	-	-	-	41,026,726
Investment securities measured at fair value through other comprehensive income	-	3,482,757	7,815,310	24,304,314	9,514,386	140,850	-	45,257,617
Investment securities measured at amortised cost	-	1,008	2,512,759	854,458	5,460,108	-	-	8,828,333
Loans and advances to banks and other financial institutions	51,944,167	-	284,139	1,679,801	526,582	27,510,661	-	81,945,350
Amounts receivable under reverse repurchase agreements	11,388,297	-	-	-	-	-	-	11,388,297
Loans and advances to customers	3,693,956	9,394,100	40,734,030	94,788,630	48,606,419	-	2,550,863	199,767,998
Receivables from finance leases	20,709	35,439	-	175,712	539,485	-	-	771,345
Property, equipment and intangible assets	-	-	-	-	-	5,686,187	-	5,686,187
Right of use asset	-	-	-	-	-	2,741,445	-	2,741,445
Repossessed assets	-	-	-	-	-	1,636,735	-	1,636,735
Other assets	2,340,856	1,202,715	489,559	-	-	413,127	-	4,446,257
Total assets	**110,414,711**	**14,116,019**	**51,835,797**	**121,802,915**	**64,646,980**	**38,129,005**	**2,550,863**	**403,496,290**
LIABILITIES								
Deposits and balances from banks and other financial institutions	274,652	19,841	884,386	1,738,989	-	-		2,917,868
Other borrowed funds and subordinated liabilities	1,461,425	679,505	18,303,507	24,912,478	3,043,065	-		48,399,980
Amounts payable under repurchase agreements	2,002,626	-	-	-	-	-	-	2,002,626
Debt securities issued	1,185,086	9,064	3,238,165	3,357,106	-			7,789,421
Current accounts and deposits from customers	168,898,897	4,871,864	26,468,255	75,309,321	145,050	-	-	275,693,387
Lease liability	71,863	55,149	459,074	1,928,507	501,148	-	-	3,015,741
Current tax liabilities	-	-	1,566,580	-	-	-	-	1,566,580
Deferred tax liabilities	-	-	-	-	-	25,610	-	25,610
Provision for credit related commitments	9,422	-	-	-	-	-	-	9,422
Other liabilities	923,835	432,553	-	-	-	1,415,164	-	2,771,552
Total liabilities	**174,827,806**	**6,067,976**	**50,919,967**	**107,246,401**	**3,689,263**	**1,440,774**	**-**	**344,192,187**
Net position	**(64,413,095)**	**8,048,043**	**915,830**	**14,556,514**	**60,957,717**	**36,688,231**	**2,550,863**	**59,304,103**

* Overdue portion of outstanding overdue loans

28 Capital management

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

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

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2024 and 2023, this minimum level was 11%. The Bank is in compliance with the statutory capital ratio as at 31 December 2024 and 2023.

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

	2024 AMD'000 Unaudited	**2023 AMD'000 Unaudited**
Tier 1 capital	58,473,089	55,805,728
Tier 2 capital	2,435,286	2,798,747
Total capital	**60,908,375**	**58,604,475**
Total risk weighted assets	**338,781,206**	**334,080,839**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**18.0%**	**17.5%**

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

29 Credit related commitments

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

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

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

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

	2024 AMD'000	2023 AMD'000
Contracted amount		
Credit card commitments	6,786,624	8,280,075
Guarantees and letter of credit	2,937,814	4,449,364
Loan and credit line commitments	5,649,156	4,378,812
	15,373,594	**17,108,251**
Impairment allowance	**(9,736)**	**(9,422)**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

As at 31 December 2024 and 2023 total financial credit related commitments were allocated to Stage 1. Guarantees and letters of credit are provided to corporate borrowers of the Bank, which had no overdue liabilities to the Bank as at 31 December 2024 and 2023.

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

AMD'000	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commitments				
Balance at 1 January	9,422	-	-	9,422
New exposures originated	3,683	-	-	3,683
Exposures expired	(1,278)	-	-	(1,278)
Net remeasurement of loss allowance	(2,091)	-	-	(2,091)
Balance at 31 December	**9,736**	**-**	**-**	**9,736**

AMD'000	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commitments				
Balance at 1 January	15,903	-	-	15,903
New exposures originated	8,767	-	-	8,767
Exposures expired	(14,297)	-	-	(14,297)
Net remeasurement of loss allowance	(951)	-	-	(951)
Balance at 31 December	**9,422**	**-**	**-**	**9,422**

30 Contingencies

(a) Litigation

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

(b) Taxation contingencies

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

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

31 Related party transactions

(a) Control relationships

The ultimate controlling party of the Bank is businessman Barsegh Beglaryan, who is the shareholder of the Bank and simultaneously the owner of “Flash” LLC. No publicly available financial statements are produced by the Bank’s parent company.

(b) Transactions with members of the Council and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2024 and 2023 is as follows:

	2024 AMD’000	**2023 AMD’000**
Members of the Council of the Bank	174,547	153,404
Members of the Management Board	480,051	411,318
	654,598	**564,722**

These amounts include cash and non-cash benefits in respect of members of the Council and the Management Board.

The outstanding balances and average effective interest rates as at 31 December 2024 and 2023 for transactions with members of the Council and the Management Board are as follows:

	2024 AMD'000	Average effective interest rate, %	2023 AMD'000	Average effective interest rate, %
Statement of financial position				
ASSETS				
Loans issued (gross)	398,126	9.81%	356,233	9%
Loan impairment allowance	(1,867)		(3,137)	-
Other assets	1,270	-	574	-
LIABILITIES				
Current accounts and deposits from customers				
− Current accounts	222,055	1%	201,708	1%
− Term deposits	2,175,849	6.80%	2,101,387	10.12%
Debt securities issued	87,390	5.64%	101,556	5.2%
Commitments	79,527	-	91,388	-

Amounts included in profit or loss in relation to transactions with members of the Council and the Management Board for the year ended 31 December are as follows:

	2024 AMD'000	2023 AMD'000
Profit or loss		
Interest income	24,940	25,342
Interest expense	(138,311)	(122,901)
Impairment gain net	1,312	(667)

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2024 and related profit or loss amounts of transactions for the year ended 31 December 2024 with other related parties are as follows:

	Shareholders		Entities under common control		Other		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Statement of financial position							
ASSETS							
Loans to customers	21,662,757	10.82%	2,901,511	10.35%	101,110	10.06%	24,665,378
Receivables from finance lease	79,201	14.01%	-	-	-	-	79,201
Impairment allowance	(28,012)		(12,150)		(127)		(40,289)

	Shareholders		Entities under common control		Other		
	AMD'000	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**Total AMD'000**
LIABILITIES							
Subordinated liabilities	1,634,588	7%	-	-	-	-	1,634,588
Current accounts and deposits from customers							
− Current accounts	7,906,243	-	58,792	-	149,159	-	8,114,194
− Term deposits	1,063,467	10.18%	-		58,095	6.81%	1,121,562
Lease liabilities	7,594	9.00%	1,928,264	9.00%	111,669	9.00%	2,047,527
Debt securities issued		-	12,516	5.00%	3,979	5.75%	16,495
Other liabilities	-	-	9,865	-	-	-	9,865
Commitments	729,040	-	-	-	-	-	729,040
Profit (loss)							
Interest income	824,741		79,704		3,279		955,724
Impairment gain, net	6,285		1,453		575		8,313
Interest expense	106,255		202,894		14,225		322,291

The outstanding balances and the related average effective interest rates as at 31 December 2023 and related profit or loss amounts of transactions for the year ended 31 December 2023 with other related parties are as follows:

	Shareholders		Entities under common control		Other		
	AMD'000	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**Total AMD'000**
Statement of financial position							
ASSETS							
Loans to customers	21,912,649	11%	2,870,378	10%	139,270	10%	24,922,297
Impairment allowance	(34,296)		(13,603)		(702)		(48,601)
LIABILITIES							
Subordinated liabilities	1,668,804	7%					1,668,804
Current accounts and deposits from customers							
− Current accounts	5,713,147	2%	88,056	-	243,248	2%	6,044,451
− Term deposits	1,050,620	5%	-	-	84,109	7%	1,134,729
Lease liabilities	62,917	9%	1,888,090	9.0%	156,108	9%	2,107,115
Debt securities issued	202,962	5%	-	-	3,268	5%	206,230
Commitments	1,490,169		190,814		6,895		1,687,878
Profit (loss)							
Interest income	2,041,670		325,352		12,694		2,390,885
Impairment loss, net	(24,235)		(9,295)		110		(33,420)
Interest expense	(226,705)		(203,443)		(14,112)		(444,260)

The presentation of current accounts and deposits in the amount of AMD 4,467,475 thousand and AMD 2,012,242 thousand included in balances from Council and Management Board and Other related parties respectively as at 31 December 2023 were changed to balances from shareholders to correct presentation in prior period.

Loan to shareholder is fully secured by Government bonds of Republic of Armenia with total amount of AMD 22,890,979 thousand and frozen deposit with carrying amount of AMD 1,689,680 thousand.

32 Financial assets and liabilities: fair values and accounting classifications

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

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

As at 31 December 2024 and 2023 the estimated fair values of all financial instruments except for loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorised in Level 3 fair value hierarchy and fair value of investment securities measured at amortised cost is categorised in Level 2 in fair value hierarchy.

As at 31 December 2024 and 2023 the Bank had outstanding borrowings from the Central Bank of Armenia denominated in AMD and bearing nominal interest rate of 5.5%-7.0% (Note 23). The loans are considered to be separate market segment loans, therefore the Bank assesses that the loans are received at market rates.

As at 31 December 2024 included in borrowings from Armenian financial institutions are loans of AMD 9,390,520 thousand (31 December 2023: AMD 9,437,437 thousand) with arrangements to sub-lend these funds to borrowers for qualifying mortgage loans. There is no actual market for this type of financing, provided by local and international non-government organisations to support small and medium-size businesses in specific sectors of economy and develop the mortgage market. These loans bear interest rate of CBA refinancing rate and are represent a separate market segment.

The table below sets out the carrying amounts and fair values of loans and advances to customers and investment securities at amortised cost as at 31 December 2024 and 2023. Fair valued of the financial instruments in the below tables is in the Level 3 of fair value hierarchy:

2024	**Carrying amount AMD'000**	**Fair value AMD'000**	**Difference AMD'000**
Loans to customers	218,113,724	218,396,633	(282,909)
Investment securities measured at amortised cost	6,334,731	6,346,942	(12,211)
Total	**224,448,455**	**224,743,575**	**(295,120)**

2023	**Carrying amount AMD'000**	**Fair value AMD'000**	**Difference AMD'000**
Loans to customers	199,767,998	200,522,408	754,410
Investment securities measured at amortised cost	8,828,333	8,511,023	317,310
Total	**208,596,331**	**212,759,401**	**1,071,720**

The table below analyses financial instruments measured at fair value at 31 December 2024, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

AMD'000	**Level 1**	**Level 2**	**Total**
Investment securities			
− Debt and other fixed income instruments	-	46,393,593	46,393,593
− Equity instruments	-	248,980	248,980

The table below analyses financial instruments measured at fair value at 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

AMD'000	**Level 1**	**Level 2**	**Total**
Investment securities			
− Debt and other fixed income instruments	-	43,054,948	43,054,948
− Equity instruments	-	140,850	140,850

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

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

The following assumptions are used by management to estimate the fair values of loans to customers: discount rates of 7.78%-10.76% for loans denominated in foreign currency and 11.84%-15.38% for loans denominated in Armenian drams, are used for discounting future cash flows from loans to customers.

The following assumptions are used by management to estimate the fair values of investment securities measured at amortised cost – 8.21%-9.88% for securities denominated in AMD and rates of 4.9%-5.02% for securities denominated in foreign currency.