ARARATBANK OJSC

Financial Statements

for the year ended 31 December 2025

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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 2025, 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 2025, 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*), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements in the Republic of Armenia. We have also 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 Note 28(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 55% 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 and advances 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 and advances to customers, with involvement of our IT specialists, 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 and advances 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 and advances 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. We have involved our internal valuation specialists to assess the appropriateness of the values of pledged collateral used for LGD calculation, on a sample basis. We specifically focused on those loans and advances 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 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 2025 with the actual results for 2025.

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.

Lusine Sardaryan
Engagement Partner

Irina Gevorgyan
Director of KPMG Armenia LLC

KPMG Armenia LLC

KPMG Armenia LLC
28 April 2026

	Notes	2025 AMD'000	2024 AMD'000
Interest income calculated using the effective interest method	5	38,599,760	34,824,592
Other interest income	5	258,891	186,864
Interest expense	5	(15,286,059)	(14,281,873)
Net interest income		**23,572,592**	**20,729,583**
Fee and commission income	6	5,392,221	5,294,044
Fee and commission expense	6	(3,020,614)	(2,873,066)
Net fee and commission income		**2,371,607**	**2,420,978**
Net foreign exchange gain	7	4,058,080	4,905,303
Net gain on financial instruments at fair value through other comprehensive income		14,713	6,524
Net gain on financial instruments at fair value through profit or loss		32,211	4,712
Other operating income	8	636,983	660,398
Banking direct expenses	9	(956,590)	(866,663)
Operating income before impairment and other administrative expenses		**29,729,596**	**27,860,835**
Net impairment losses on financial instruments	10	(2,838,867)	(722,240)
Personnel expenses		(8,011,378)	(7,693,312)
Other general administrative expenses	11	(4,632,286)	(4,265,905)
Profit before income tax		**14,247,065**	**15,179,378**
Income tax expense	12	(2,541,866)	(2,988,234)
Profit for the year		**11,705,199**	**12,191,144**
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		871,840	840,561
- Net amount reclassified to profit or loss		(12,065)	(5,350)
Total items that are or may be reclassified subsequently to profit or loss		*859,775*	*835,211*
Items that will not be reclassified subsequently to profit or loss:			
Movement in fair value reserve for equity instruments:			
- Net change in fair value		338,354	-
Total items that will not be reclassified subsequently to profit or loss		*338,354*	-
Other comprehensive income for the year, net of income tax		**1,198,129**	**835,211**
Total comprehensive income for the year		**12,903,328**	**13,026,355**
Earnings per share			
Basic	26	6.25	6.51
Diluted	26	6.25	6.51

The financial statements as set out on pages 7 to 84 were approved by the management on 28 April 2026 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	2025 AMD'000	2024 AMD'000
ASSETS			
Cash and cash equivalents	13	19,476,643	43,729,842
Investment securities measured at fair value through profit or loss	14		
− Held by the Bank		36,352	26,468
Investment securities measured at fair value through other comprehensive income	14		
− Held by the Bank		43,382,861	46,616,105
− Pledged under sale and repurchase agreements		11,852,197	-
Investment securities measured at amortised cost	14		
− Held by the Bank		5,625,643	6,334,731
Loans and advances to banks and other financial institutions	15	73,533,247	62,946,100
Amounts receivable under reverse repurchase agreements	16	19,760,378	25,857,102
Loans and advances to customers	17	234,157,275	218,113,724
Property, equipment, and intangible assets	18	5,788,372	5,708,289
Right of use asset	19	2,508,061	2,929,373
Repossessed assets	17	1,978,615	1,472,840
Other assets	20	5,163,582	5,754,478
Total assets		**423,263,226**	**419,489,052**
LIABILITIES			
Deposits and balances from banks and other financial institutions	21	1,301,239	1,809,432
Other borrowed funds	23	38,283,570	41,016,345
Subordinated debt	23	-	1,634,588
Amounts payable under repurchase agreements	25	11,523,143	-
Debt securities issued	22	5,350,679	7,268,836
Current accounts and deposits from customers	24	280,082,609	290,167,925
Deferred tax liabilities		677,587	418,304
Provision for credit related commitments	30	17,001	9,736
Lease liability	19	2,759,027	3,054,988
Current tax liabilities		1,391,831	1,291,767
Other liabilities	26	3,142,754	2,986,673
Total liabilities		**344,529,440**	**349,658,594**
EQUITY			
Share capital	27	9,366,725	9,366,725
Share premium		10,263,687	10,263,687
Revaluation reserve for investment securities		1,799,399	601,270
Retained earnings		57,303,975	49,598,776
Total equity		**78,733,786**	**69,830,458**
Total liabilities and equity		**423,263,226**	**419,489,052**

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

	Notes	2025 AMD'000	2024 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		38,146,373	34,943,545
Interest payments		(15,426,329)	(14,288,266)
Fee and commission receipts		5,392,221	5,294,044
Fee and commission payments		(3,020,614)	(2,873,066)
Net receipts from foreign exchange		4,182,280	5,059,908
Net other operating income receipts		(307,268)	(408,272)
Payments to employees		(8,079,867)	(7,795,572)
Other general administrative expenses payments		(2,977,800)	(2,760,063)
(Increase)/decrease in operating assets			
Financial instrument measured at fair value through profit or loss		(9,884)	-
Loans and advances to banks and other financial institutions		(8,865,275)	17,760,464
Amounts receivable under reverse repurchase agreements		5,899,546	(14,782,027)
Loans to customers		(21,158,430)	(21,105,580)
Other assets		536,186	(1,475,803)
Increase/(decrease) in operating liabilities			
Financial liabilities measured at fair value through profit or loss		32,215	-
Deposits and balances from banks and other financial institutions		(148,639)	(1,148,703)
Amounts payable under repurchase agreements		11,505,994	(2,000,023)
Current accounts and deposits from customers		(12,276,387)	21,165,910
Other liabilities		188,693	473,552
Net cash (used in)/from operating activities before income tax paid		**(6,386,985)**	**16,060,048**
Income tax paid		(2,445,523)	(3,056,985)
Cash flows (used in)/from operating activities		**(8,832,508)**	**13,003,063**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(934,703)	(864,519)
Acquisition of investment securities measured at FVOCI		(22,810,313)	(20,886,327)
Proceeds from sale and repayment of investment securities measured at FVOCI		15,655,510	20,379,754
Acquisition of investment securities measured at amortized cost		(27,014)	(43,975)
Proceeds from repayment of investment securities measured at amortized cost		725,779	2,502,234
Cash flows (used in)/from investing activities		**(7,390,741)**	**1,087,167**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(684,350)	(615,428)
Dividends paid		(4,000,000)	(2,500,000)
Receipt of other borrowed funds and subordinated liabilities		12,365,668	19,980,525
Repayment of other borrowed funds and subordinated liabilities		(15,435,147)	(24,646,672)
Proceeds from debt securities issued		-	3,909,273
Repayment of debt securities issued		(1,637,074)	(4,278,857)
Cash flows used in financing activities		**(9,390,903)**	**(8,151,159)**
Net (decrease)/ increase in cash and cash equivalents		**(25,614,152)**	**5,939,071**
Effect of changes in exchange rates on cash and cash equivalents		1,365,013	(3,248,444)
Effect of changes in ECL on cash and cash equivalents		(4,060)	12,489
Cash and cash equivalents as at the beginning of the year		43,729,842	41,026,726
Cash and cash equivalents as at the end of the year	13	**19,476,643**	**43,729,842**

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 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**
Balance as at 1 January 2025	9,366,725	10,263,687	601,270	49,598,776	69,830,458
Profit for the year	-	-	-	11,705,199	11,705,199
Other comprehensive income					
– Net change in fair value	-	-	1,210,194	-	1,210,194
– Net amount reclassified to profit or loss	-	-	(12,065)	-	(12,065)
Total comprehensive income for the year	**-**	**-**	**1,198,129**	**11,705,199**	**12,903,328**
Transactions with owners, recorded directly in equity					
Dividends declared and paid	-	-	-	(4,000,000)	(4,000,000)
Total transactions with owners	**-**	**-**	**-**	**(4,000,000)**	**(4,000,000)**
Balance as at 31 December 2025	**9,366,725**	**10,263,687**	**1,799,399**	**57,303,975**	**78,733,786**

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 the Republic of Armenia 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 49 branches. The registered office of the Bank is located at: Buzand St., bldg. 87, prem. 85, Yerevan.

As at 31 December 2025 and 2024 the Bank's shareholding structure was as follows:

	2025	**2024**
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 exercises control through his ownership interest in Flash LLC, the Bank's main shareholder. 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 2025 the number of employees was 1,078 (2024: 1,068).

Related party transactions are described in detail in Note 32.

(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 and tend to improve over the last years.

After a prolonged period of military tensions between Armenia and Azerbaijan, peace discussions and the border delimitation process remain ongoing. In August 2025, Armenia and Azerbaijan signed a Joint Declaration expressing a mutual intention to normalize bilateral relations, including commitments to reduce tensions, advance border delimitation discussions, and promote regional stability. However, the practical implementation of the declaration and its long-term impact on economic activity remain uncertain. At the same time, ongoing military conflict between the Russian Federation and Ukraine as well as geopolitical tensions in the Middle East contributes to uncertainty in the broader business environment.

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

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that derivative financial assets and investment securities measured 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 at 31 December 2025 and 2024, were AMD 381.36 and AMD 396.56 to USD 1, and AMD 449.01 and AMD 413.89 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 28(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 Note 28(b) - 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.

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 2025, 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)).

Financial liabilities

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

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 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;
– 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 28(b).

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 28(b)).

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 28(b).

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 28(b)).
– 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.

(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. The Banks has no dilutive potential ordinary shares and the diluted EPS is presented as equal to the basic EPS.

(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 2025 and 2024 the Management considers that the Bank comprises one operating segment.

The Bank's operations are concentrated in the Republic of Armenia, with no significant revenue from foreign customers and substantially all non-current assets located in Armenia.

The Bank's revenues from external customers detailed for each product and service are presented in Notes 5 and 6.

The Bank does not have any single customer accounting for 10% or more of total revenue. However, the Bank has one borrower or a group of connected borrowers from which interest income exceeds 10% of total interest income.

(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 2025 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) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

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

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Bank has assessed that the amendments do not have a significant impact on the Bank's financial statements.

(ii) 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, 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".

(iii) Other accounting standards

The following new and amended standard is not expected to have a significant impact on the Bank's financial statements: Annual Improvements to IFRS Accounting Standards – Volume 11.

5 Net interest income

	2025 AMD'000	2024 AMD'000
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	28,438,185	25,155,511
Loans and advances to banks and other financial institutions	3,336,266	2,748,290
Amounts receivable under reverse repurchase agreements	1,654,609	1,962,671
Investment securities measured at amortised cost	560,979	634,951
Other	1,555	18
	33,991,594	**30,501,441**
Financial assets measured at fair value through other comprehensive income		
Investment securities measured at FVOCI	4,608,166	4,323,151
Interest income calculated using effective interest rate	**38,599,760**	**34,824,592**
Other interest income		
Receivables from finance leases	258,891	186,864
Total interest income	**38,858,651**	**35,011,456**
Interest expense		
Current accounts and deposits from customers	11,302,703	9,845,652
Other borrowed funds and subordinated borrowings	2,809,250	3,429,515
Amounts payable under repurchase agreements	418,836	194,962
Debt securities issued	375,441	391,984
Lease liabilities	289,780	279,457
Deposits and balances from banks and other financial institutions	90,049	140,303
	15,286,059	**14,281,873**
Net interest income	**23,572,592**	**20,729,583**

6 Net fee and commission income

	2025 AMD'000	2024 AMD'000
Fee and commission income		
Plastic card servicing	2,761,155	2,825,195
Cash withdrawal and accounts service	1,093,031	1,070,210
Remittances	1,029,736	988,429
Other	508,299	410,210
	5,392,221	**5,294,044**
Fee and commission expense		
Card transactions	2,257,271	2,201,906
Payment systems services	538,252	500,383
Stock exchange services	81,122	86,183
Guarantees	127,003	84,594
Other	16,966	-
	3,020,614	**2,873,066**
Net fee and commission expense	**2,371,607**	**2,420,978**

Fee and commission income and expense disclosed in the above table represent fees other than amounts included in determining the effective interest rate and are arising from financial assets and financial liabilities that are not measured at fair value through profit or loss.

Revenue from contracts with customers

The Bank's revenue from contract with customers mainly comprises fee and commission income. Revenue from contracts with customers recognised in the statement of profit or loss and other comprehensive income for the years ended 31 December 2025 and 2024 comprised to:

	2025 AMD'000	2024 AMD'000
Fee and commission income	5,392,221	5,294,044
Income from arrangement and custodian services (Note 8)	193,660	149,665
	5,585,881	**5,443,709**

As at 31 December 2025 and 2024 the Bank did not have material receivable or contract liabilities from contracts with customers.

Disaggregation of revenue from contracts with customers

	2025 AMD'000	2024 AMD'000
Timing of revenue recognition		
Revenue recognized at a point in time	4,904,309	4,820,071
Revenue recognized overtime	681,572	623,638
	5,585,881	**5,443,709**

Performance obligations and revenue recognition policies

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Banking service	The Bank provides banking services to retail and corporate customers, including plastic cards servicing, cash withdrawal and depositing, money transfers. The Bank sets the rates separately for retail and corporate banking customers in the Republic of Armenia. Main part of commission income fees are transaction-based fees and are charged to the customer's account or by direct cash when the transaction takes place. The remaining part of commission income fees which are mainly related to account service, card annual service fees are charged on an annual basis and are based on fixed rates reviewed throughout the year by the Bank.	Revenue related to transactions is recognised at the point in time when the transaction takes place. Revenue from account service fees is recognised over time as the services are provided.

7 Net foreign exchange gain

	2025 AMD'000	2024 AMD'000
Gain on spot transactions	4,182,280	5,059,862
Loss from revaluation of financial assets and liabilities	(124,200)	(154,559)
	4,058,080	**4,905,303**

8 Other operating income

	2025 AMD'000	2024 AMD'000
Income from arrangement and custodian services	193,660	149,665
Fines and penalties received	147,754	109,522
Net gain from sale of other assets	98,245	41,412
Income from arbitration settlements	54,866	28,745
Net income from sales of precious metals	42,680	34,069
Income from modification of lease contracts	-	234,164
Other operating income	99,778	62,821
	636,983	**660,398**

9 Banking direct expenses

	2025 AMD'000	2024 AMD'000
Payments to deposit guarantee fund	498,574	399,300
Cash collection expenses	144,800	126,015
Refund of commission fees from early repayment of loans to customers	122,526	114,217
Plastic card issuance costs	72,372	81,354
Payments to Financial System Mediator	41,932	41,020
Other operating expenses	76,386	104,757
	956,590	**866,663**

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 2025:

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	4,060	-	-	4,060
Loans and advances to banks and other financial institutions at amortised cost	(228,685)	-	-	(228,685)
Amounts receivable under reverse repurchase agreements	2,964	-	-	2,964
Loans to legal entities	76,143	(36,318)	(2,440,603)	(2,400,778)
Loans to retail customers	(30,484)	(154,229)	(57,079)	(241,792)
Receivables from finance lease	950	390	(4,110)	(2,770)
Other financial assets at amortised cost	(26,670)	-	-	(26,670)
Debt investment securities at FVOCI	60,027	-	-	60,027
Debt investment securities at amortised cost	2,042	-	-	2,042
Financial guarantee contracts	(7,265)	-	-	(7,265)
Total	**(146,918)**	**(190,157)**	**(2,501,792)**	**(2,838,867)**

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)**

11 Other general administrative expenses

	2025 AMD'000	2024 AMD'000
Depreciation and amortization	1,654,486	1,505,842
Advertising and marketing	534,772	447,709
Repair and maintenance	499,875	480,999
None-refundable taxes and duties	413,031	348,476
Security	411,139	368,781
Communications and information services	234,698	227,753
Insurance	180,930	177,466
Office and utility expenses	169,051	179,145
Rent expenses	70,181	78,150
Professional services*	62,813	102,661
Representation and organizational expenses	9,622	12,489
Other	391,688	336,434
	4,632,286	**4,265,905**

* Included in the professional services for the year ended 31 December 2025 is AMD 46,800 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2025 and AMD 1,600 thousand for non-audit services, (2024: AMD 46,800 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2024 and AMD 1,600 thousand for non-audit services) which were paid/are payable to the audit firm. All these fees include VAT.

12 Income tax expense

	2025 AMD'000	2024 AMD'000
Current tax expense	2,503,965	2,655,797
Under provided in prior years	41,622	123,082
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(3,721)	209,355
Total income tax expense	**2,541,866**	**2,988,234**

In 2025 the applicable tax rate for current tax is 18% (2024: 18%).

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

	2025 AMD'000	%	2024 AMD'000	%
Profit before income tax	14,247,065		15,179,378	
Income tax at the applicable tax rate	(2,564,472)	(18.0)	(2,732,288)	(18.0)
Under provided in prior years	(41,622)	(0.3)	(123,082)	(0.8)
Non-taxable income/(Non-deductible expenses)	64,228	0.5	(132,864)	(0.9)
	(2,541,866)	**(17.8)**	**(2,988,234)**	**(19.7)**

(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 2025 and 31 December 2024.

Movements in temporary differences during the years ended 31 December 2025 and 2024 are presented as follows:

AMD'000	Balance 1 January 2025	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2025
Cash and cash equivalents	(4,294)	7,857	-	3,563
Investment securities measured at FVOCI	(97,378)	(56,952)	(263,004)	(417,334)
Investment securities measured at amortised cost	(8,739)	8,737	-	(2)
Investment securities measured at FVTPL	(2,188)	(1,106)	-	(3,294)
Loans and advances to banks and other financial institutions	(51,249)	44,967	-	(6,282)
Amounts receivable under reverse repurchase agreements	-	860	-	860
Loans and advances to customers	(686,870)	(72,302)	-	(759,172)
Right of use asset	(635,287)	183,836	-	(451,451)
Other assets	(14,700)	(2,835)	-	(17,535)
Lease liability	657,898	(161,273)	-	496,625
Current accounts and deposits from customers	913	(1,150)	-	(237)
Other borrowed funds	-	22,780	-	22,780
Other liabilities	423,590	30,302	-	453,892
	(418,304)	**3,721**	**(263,004)**	**(677,587)**

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 FVTPL	-	(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)**

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

	2025 AMD'000	2024 AMD'000
Cash on hand	11,915,275	17,272,992
Nostro accounts with the CBA	3,502,187	22,253,141
Nostro accounts with other banks		
− rated from Aa1 to Aa3	1,083,143	-
− rated from A1 to A3	2,690,579	1,349,281
− rated from Baa1 to Baa3	4,181	213,145
− rated from Ba1 to Ba3	160,605	497,428
− rated from B1 to B3	100	190
− not rated	140,370	2,167,522
Total nostro accounts with other banks	**4,078,978**	**4,227,566**
Total gross cash and cash equivalents	**19,496,440**	**43,753,699**
Credit loss allowance	(19,797)	(23,857)
Total net cash and cash equivalents	**19,476,643**	**43,729,842**

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 2025 are balances held with Russian banks of AMD 1,763 thousand with ratings Ba1 to Ba3 per Moody's before withdrawal of ratings of Russian banks. Management estimates that balance of AMD 42,667 thousand included in not rated category as at 31 December 2025 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 2025 and 2024.

As at 31 December 2025 the Bank has no counterparty whose balances exceeded 10% of the equity (2024: no counterparties except for the Central Bank of Armenia).

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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(23,857)	-	-	(23,857)
Net remeasurement of loss allowance	23,857	-	-	23,857
New financial assets originated or purchased	(19,797)	-	-	(19,797)
Balance at 31 December	**(19,797)**	-	-	**(19,797)**

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)**

14 Investment securities

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

	2025 AMD'000	2024 AMD'000
Held by the Bank		
Equity instruments		
– Corporate shares	36,352	26,468
Total investment securities measured at FVTPL	**36,352**	**26,468**

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

	2025 AMD'000	2024 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
– Government securities of the Republic of Armenia	27,229,643	33,408,400
Total government bonds	**27,229,643**	**33,408,400**
Corporate bonds		
– rated from Ba1 to Ba3	8,431,394	6,496,059
– rated from B1 to B3	1,880,972	2,136,484
– not rated	5,271,017	4,352,650
Total corporate bonds	**15,583,383**	**12,985,193**
Equity instruments		
Corporate shares	569,835	222,512
Total investment securities measured at FVOCI held by the Bank	**43,382,861**	**46,616,105**
Pledged under sale and repurchase agreements		
– Government securities of the Republic of Armenia	11,852,197	-
Total investment securities measured at FVOCI pledged under sale and repurchase agreements	**11,852,197**	**-**
Total investment securities measured at FVOCI	**55,235,058**	**46,616,105**

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 ratings under Moody's rating system (2024: 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 2025 and 2024.

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 2025 and 2024. 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	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	(174,847)	-	-	(174,847)
New financial assets originated or purchased	(44,002)	-	-	(44,002)
Repaid/sold	37,258	-	-	37,258
Net remeasurement of loss allowance	66,771	-	-	66,771
Balance at 31 December	**(114,820)**	-	-	**(114,820)**

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)**

(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**		**2025 AMD'000**	**2024 AMD'000**
			2025	**2024**		
ArCa	Republic of Armenia	Payment system	6.25%	6.25%	430,510	168,285
ACRA Credit Reporting CJSC	Republic of Armenia	Credit reporting agency	4.69%	4.69%	101,194	25,065
SWIFT	Belgium	Money transfer	0.00%	0.00%	38,131	29,162
					569,835	**222,512**

As at 31 December 2025 and 2024 investments include private company shares in exchanges, clearing houses and credit bureaus.

(c) Investment securities measured at amortised cost

	2025 AMD'000	2024 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
− Government securities of the Republic of Armenia	5,618,981	6,346,560
Total government bonds	**5,618,981**	**6,346,560**
Corporate bonds		
− rated from Ba1 to Ba3	22,116	-
− not rated	-	5,667
Total corporate bonds	**22,116**	**5,667**
Total investment securities measured at amortised cost held by the Bank	**5,641,097**	**6,352,227**
Credit loss allowance	(15,454)	(17,496)
Total net investment securities measured at amortised cost	**5,625,643**	**6,334,731**

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

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2025 and 2024.

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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities at amortised cost				
Balance at 1 January	(17,496)	-	-	(17,496)
New financial assets originated or purchased	-	-	-	-
Repaid	1,345	-	-	1,345
Net remeasurement of loss allowance	697	-	-	697
Balance at 31 December	**(15,454)**	**-**	**-**	**(15,454)**

	2024			
AMD'000	**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)**

15 Loans and advances to banks and other financial institutions

	2025 AMD'000	2024 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	2,007,643	2,095,000
Deposit with the Central Bank of Armenia, obligatory reserves	26,121,328	21,550,444
Deposits with Central Bank of Armenia	8,002,191	-
Total due from the CBA	**36,131,162**	**23,645,444**
Loans and deposits		
Armenian banks and financial institutions		
– rated from Ba1 to Ba3	645	-
– not rated	6,091,346	1,914,412
Other non-resident banks and financial institutions		
– rated from Aa1 to Aa3	13,094,100	632,460
– rated from A1 to A3	10,793,920	19,197,084
– rated from Baa1 to Baa3	-	4,139,553
– rated from Ba1 to Ba3	-	277,611
– not rated	7,785,153	13,273,930
Total loans and deposits	**37,765,164**	**39,435,050**
Total gross loans and advances to banks and other financial institutions	**73,896,326**	**63,080,494**
Credit loss allowance	(363,079)	(134,394)
Total net loans and advances to banks and other financial institutions	**73,533,247**	**62,946,100**

(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% (2024: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 15% of the attracted funds (2024: 18% of which 6% in AMD and 12% in respective currency of funds attracted). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 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 2025 the Bank has two counterparties except for the CBA (2024: one counterparties except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2025 is AMD 23,144,562 thousand (2024: AMD 13,803,322 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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks at amortised cost				
Balance at 1 January	(134,394)	-	-	(134,394)
Assets repaid	134,394	-	-	134,394
New assets originated	(363,079)	-	-	(363,079)
Balance at 31 December	**(363,079)**	**-**	**-**	**(363,079)**

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)**

(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 2025 are balances held with Russian banks of AMD 399,697 thousand and AMD 7,360,590 thousand for which the Management estimates the ratings to approximate to Ca-C and Caa1 per Moody's respectively (2024: balances held with Russian bank of AMD 6,616,935 thousand which held a Ba2 rating per Moody's before withdrawal and AMD 6,626,045 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 2025 approximate to ratings B1 to B3 under Moody's rating system (2024: B2).

Loans and advances to banks and other financial institutions are fully in Stage 1 and measured at amortised cost as at 31 December 2025 and 2024. 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

	2025 AMD'000	2024 AMD'000
Amounts receivable from local financial institutions		
- rated from B1 to B3	6,922,980	1,249,747
- not rated	12,842,177	24,615,098
Total gross amounts receivable under reverse repurchases agreements	**19,765,157**	**25,864,845**
Credit loss allowance	(4,779)	(7,743)
Total net amounts receivable under reverse repurchases agreements	**19,760,378**	**25,857,102**

As at 31 December 2025 and 2024 the Bank has no amounts receivable under reverse repurchase agreements, whose balances exceeded 10% of equity.

Not-rated amounts receivable under reverse repurchase agreements are from reputable local financial institutions. All of them are categorized under Stage 1 and are measured at amortised cost as at 31 December 2025 and 2024. 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. Management estimates that the unrated instruments approximate to B3 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 2025 and 31 December 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Amounts receivable under reverse repurchase agreements				
Balance at 1 January	(7,743)	-	-	(7,743)
Assets repaid	7,743	-	-	7,743
New asset originated	(4,779)	-	-	(4,779)
Balance at 31 December	**(4,779)**	**-**	**-**	**(4,779)**

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

(a) Collateral accepted as security for assets

As at 31 December 2025 the fair value of financial assets (Government securities of the Republic of Armenia) collateralizing reverse repurchase agreements is AMD 22,173,629 thousand (2024: AMD 28,412,125 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	2025 AMD'000	2024 AMD'000
Loans to legal entities	17(i)		
Loans to large companies		88,944,377	78,389,839
Loans to small and medium size companies		27,364,110	27,134,091
Total loans to legal entities		**116,308,487**	**105,523,930**
Loans to retail customers	17(i)		
Agricultural loans		4,844,737	4,685,655
Consumer loans secured by real estate		53,444,104	53,048,352
Gold secured loans		12,086,318	9,689,419
Mortgage loans		38,358,099	35,526,107
Secured other consumer loans		4,170,220	3,421,692
Unsecured consumer loans		8,198,722	8,262,883
Total loans to retail customers		**121,102,200**	**114,634,108**
Gross loans to customers		**237,410,687**	**220,158,038**
Receivables from finance lease	17(ii)	2,903,797	2,059,631
Credit loss allowance		(6,157,209)	(4,103,945)
Net loans to customers		**234,157,275**	**218,113,724**

(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 2025:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large companies				
− not overdue	76,567,208	1,483,785	1,055,064	79,106,057
− overdue less than 30 days	-	-	168,378	168,378
− overdue of 31-90 days	-	-	3,287,119	3,287,119
− overdue of 91-270 days	-	-	797,605	797,605
− overdue more than 270 days	-	-	5,585,218	5,585,218
Total gross loans to large companies	**76,567,208**	**1,483,785**	**10,893,384**	**88,944,377**
Credit loss allowance	(144,915)	(136,414)	(3,444,164)	(3,725,493)
Total net loans to large companies	**76,422,293**	**1,347,371**	**7,449,220**	**85,218,884**

	Stage 1	Stage 2	Stage 3	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to small and medium size companies				
not overdue	26,076,856	216,062	208,965	26,501,883
overdue less than 30 days	20,010	9,542	29,747	59,299
overdue of 31-90 days	-	70,756	167,105	237,861
overdue of 91-270 days	-	-	419,165	419,165
overdue more than 270 days	-	-	145,902	145,902
Total gross loans to small and medium size companies	**26,096,866**	**296,360**	**970,884**	**27,364,110**
Credit loss allowance	(91,517)	(53,859)	(526,936)	(672,312)
Total net loans to small and medium size companies	**26,005,349**	**242,501**	**443,948**	**26,691,798**
Total gross loans to legal entities	**102,664,074**	**1,780,145**	**11,864,268**	**116,308,487**
Total net loans to legal entities	**102,427,642**	**1,589,872**	**7,893,168**	**111,910,682**
Agricultural loans				
− not overdue	4,613,728	24,340	5,955	4,644,023
− overdue less than 30 days	51,324	3,134	1,843	56,301
− overdue of 31-90 days	-	16,009	15,356	31,365
− overdue of 91-270 days	-	-	70,533	70,533
− overdue more than 270 days	-	-	42,515	42,515
Total gross agricultural loans	**4,665,052**	**43,483**	**136,202**	**4,844,737**
Credit loss allowance	(9,933)	(4,813)	(38,861)	(53,607)
Total net agricultural loans	**4,655,119**	**38,670**	**97,341**	**4,791,130**
Consumer loans secured by real estate				
− not overdue	49,200,994	1,130,683	634,897	50,966,574
− overdue less than 30 days	767,110	65,338	84,421	916,869
− overdue of 31-90 days	-	715,543	120,034	835,577
− overdue of 91-270 days	-	-	656,558	656,558
− overdue more than 270 days	-	-	68,526	68,526
Total gross consumer loans secured by real estate	**49,968,104**	**1,911,564**	**1,564,436**	**53,444,104**
Credit loss allowance	(293,453)	(290,447)	(637,003)	(1,220,903)
Total net consumer loans secured by real estate	**49,674,651**	**1,621,117**	**927,433**	**52,223,201**
Gold secured loans				
− not overdue	12,015,860	4,749	7,956	12,028,565
− overdue less than 30 days	50,297	50	1,392	51,739
− overdue of 31-90 days	-	3,463	206	3,669
− overdue of 91-270 days	-	-	418	418
− overdue more than 270 days	-	-	1,927	1,927
Total gross gold secured loans	**12,066,157**	**8,262**	**11,899**	**12,086,318**
Credit loss allowance	(964)	(190)	(3,013)	(4,167)
Total net gold secured loans	**12,065,193**	**8,072**	**8,886**	**12,082,151**

	Stage 1	Stage 2	Stage 3	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Mortgage				
– not overdue	37,829,069	179,518	35,442	38,044,029
– overdue less than 30 days	92,593	-	14,262	106,855
– overdue 31 to 90 days	-	45,989	17,032	63,021
– overdue 91 to 270 days	-	-	85,756	85,756
– overdue more than 270 days	-	-	58,438	58,438
Total gross mortgage loans	**37,921,662**	**225,507**	**210,930**	**38,358,099**
Credit loss allowance	(26,722)	(23,662)	(85,163)	(135,547)
Total net mortgage loans	**37,894,940**	**201,845**	**125,767**	**38,222,552**
Secured other consumer loans				
– not overdue	4,017,542	14,025	30,053	4,061,620
– overdue less than 30 days	15,351	-	21,362	36,713
– overdue of 31-90 days	-	11,401	9,945	21,346
– overdue 91 to 270 days	-	-	50,541	50,541
Total gross secured other consumer loans	**4,032,893**	**25,426**	**111,901**	**4,170,220**
Credit loss allowance	(9,314)	(7)	(40,649)	(49,970)
Total net secured other consumer loans	**4,023,579**	**25,419**	**71,252**	**4,120,250**
Unsecured consumer loans				
– not overdue	7,971,882	21,665	32,782	8,026,329
– overdue less than 30 days	27,915	1,973	4,726	34,614
– overdue of 31-90 days	-	30,717	3,874	34,591
– overdue of 91-270 days	-	-	74,508	74,508
– overdue more than 270 days	-	-	28,680	28,680
Total gross unsecured consumer loans	**7,999,797**	**54,355**	**144,570**	**8,198,722**
Credit loss allowance	(119,259)	(41,806)	(117,748)	(278,813)
Total net unsecured consumer loans	**7,880,538**	**12,549**	**26,822**	**7,919,909**
Total gross loans to retail customers	**116,653,665**	**2,268,597**	**2,179,938**	**121,102,200**
Total net loans to retail customers	**116,194,020**	**1,907,672**	**1,257,501**	**119,359,193**
Total gross loans to customers	**219,317,739**	**4,048,742**	**14,044,206**	**237,410,687**
Total net loans to customers	**218,621,662**	**3,497,544**	**9,150,669**	**231,269,875**

* 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 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	Stage 2	Stage 3	Total
	AMD'000	AMD'000	AMD'000	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 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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	98,196,139	518,558	6,809,233	105,523,930
New assets originated or purchased	65,999,365	-	-	65,999,365
Assets repaid	(53,790,983)	(84,729)	(508,560)	(54,384,272)
Transfer to Stage 1	116,416	(105,909)	(10,507)	-
Transfer to Stage 2	(1,728,767)	1,728,767	-	-
Transfer to Stage 3	(5,035,511)	(202,629)	5,238,140	-
Recoveries	-	-	213,989	213,989
Amounts written off	-	-	(212,985)	(212,985)
Net change in asset from interest and foreign exchange revaluation	(1,092,585)	(73,913)	334,958	(831,540)
Balance at 31 December	**102,664,074**	**1,780,145**	**11,864,268**	**116,308,487**

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**

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 2025 and 2024.

	2025			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	316,908	154,518	1,581,574	2,053,000
New assets originated or purchased	151,994	-	-	151,994
Assets repaid	(123,296)	(36,128)	(170,317)	(329,741)
Transfer to Stage 1	32,764	(25,948)	(6,816)	-
Transfer to Stage 2	(4,381)	4,381	-	-
Transfer to Stage 3	(33,202)	(91,820)	125,022	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(100,022)	185,833	2,492,714	2,578,525
Recognized in statement of profit or loss	**(76,143)**	**36,318**	**2,440,603**	**2,400,778**
Recoveries	-	-	213,989	213,989
Amounts written off	-	-	(212,985)	(212,985)
Foreign exchange adjustments	(4,333)	(563)	(52,081)	(56,977)
Balance at 31 December	**236,432**	**190,273**	**3,971,100**	**4,397,805**

	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**

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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	109,949,148	1,494,720	3,190,240	114,634,108
New assets originated or purchased	101,921,739	-	-	101,921,739
Assets repaid	(91,752,459)	(885,712)	(1,374,821)	(94,012,992)
Transfer to Stage 1	549,519	(492,569)	(56,950)	-
Transfer to Stage 2	(2,173,222)	2,300,823	(127,601)	-
Transfer to Stage 3	(1,448,620)	(138,472)	1,587,092	-
Recoveries	-	-	615,300	615,300
Amounts written off	-	-	(1,268,943)	(1,268,943)
Net change in asset from interest and foreign exchange revaluation	(392,440)	(10,193)	(384,379)	(787,012)
Balance at 31 December	**116,653,665**	**2,268,597**	**2,179,938**	**121,102,200**

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**

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 2025 and 2024.

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January	431,370	206,519	1,399,430	2,037,319
New assets originated or purchased	401,598	-	-	401,598
Assets repaid	(361,528)	(140,914)	(581,753)	(1,084,195)
Transfer to Stage 1	69,911	(56,426)	(13,485)	-
Transfer to Stage 2	(19,844)	46,054	(26,210)	-
Transfer to Stage 3	(7,698)	(15,849)	23,547	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(51,955)	321,364	654,980	924,389
Recognized in statement of profit or loss	**30,484**	**154,229**	**57,079**	**241,792**
Recoveries	-	-	615,300	615,300
Amounts written off	-	-	(1,268,943)	(1,268,943)
Unwinding	-	-	139,306	139,306
Foreign exchange adjustments	(2,209)	177	(19,735)	(21,767)
Balance at 31 December	**459,645**	**360,925**	**922,437**	**1,743,007**

	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**

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

Key assumptions and judgements for estimating credit loss allowance is presented in Note 28(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 2025 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral: assessed as of reporting date**
Credit impaired loans		
Real estate	6,445,728	6,445,728
Motor vehicles	77,221	77,221
Other collateral	1,370,219	1,370,219
Total credit impaired loans	**7,893,168**	**7,893,168**

31 December 2024 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral: 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**

The tables above exclude overcollateralization.

The Bank has loans in Stage 1 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.

(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 2025 and 31 December 2024, the repossessed collateral comprises mainly real estate.

	2025 AMD'000	2024 AMD'000
Balance at 1 January	1,472,840	1,636,735
Additions	784,859	138,481
Sales	(279,084)	(302,376)
Balance at 31 December	**1,978,615**	**1,472,840**

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:

	2025 AMD'000	2024 AMD'000
Trade	52,512,369	51,076,999
Construction	9,470,077	17,840,793
Agriculture and Food processing	7,800,407	2,956,634
Industry and other production	4,986,336	7,963,670
Hotel and restaurant services	3,799,514	4,193,052
Tourism	2,496,181	500,593
Energy	2,404,860	2,287,281
Communication services	1,237,747	1,219,842
Transport	545,259	781,608
Medical services	440,453	995,546
Other	30,615,284	15,707,912
Loans to retail customers	121,102,200	114,634,108
Total gross loans to customers	**237,410,687**	**220,158,038**
Credit loss allowance	(6,140,812)	(4,090,319)
Total loans to customers	**231,269,875**	**216,067,719**

As at 31 December 2025, loans to legal entities with a gross value of AMD 119,192,349 thousand (2024: AMD 105,516,889 thousand) are issued to customers located within the Republic of Armenia.

(e) Assets under lien

As at 31 December 2025, loans to customers with a gross value of AMD thousand 9,843,650 (2024: AMD 10,939,287 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 2025 the Bank had one borrower or group of connected borrowers (2024: one), whose loan balances exceed 10% of the Bank's equity. The exposure on these loans as at 31 December 2025 is AMD 29,617,936 thousand (2024: AMD 24,734,196 thousand). The balances are fully in Stage 1 as at 31 December 2025 and 2024. Expected credit losses for the balances as at 31 December 2025 comprised AMD 26,906 thousand (2024: AMD 40,234 thousand).

(g) Loan maturities

The maturity of the loan portfolio is presented in Note 28(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(ii) Receivables from finance leases

	2025 AMD'000	2024 AMD'000
Gross investment in finance leases receivable		
Less than one year	1,071,270	717,680
Between one and two years	941,755	654,906
Between two and three years	858,983	518,269
Between three and four years	487,193	463,640
Between four and five years	212,252	174,500
More than five years	907	5,290
	3,572,360	**2,534,285**
Unearned finance income	(668,563)	(474,654)
Gross investment in finance lease receivables	**2,903,797**	**2,059,631**
Credit loss allowance	(16,397)	(13,626)
Net investments in finance leases	**2,887,400**	**2,046,005**

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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	2,047,626	12,005	-	2,059,631
New assets originated or purchased	1,483,197	-	-	1,483,197
Assets repaid	(606,532)	(7,728)	-	(614,260)
Transfer to Stage 1	5,021	(5,021)	-	-
Transfer to Stage 2	(20,104)	20,104	-	-
Transfer to Stage 3	(4,110)	-	4,110	-
Net change in asset from interest and foreign exchange revaluation	(25,515)	744	-	(24,771)
Balance at 31 December	**2,879,583**	**20,104**	**4,110**	**2,903,797**

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)	-	-	(370,782)
Transfer to Stage 2	(12,005)	12,005	-	-
Net change in asset from interest and foreign exchange revaluation	(34,096)	-	-	(34,096)
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 loss allowance for receivables from finance leases for the years ended 31 December 2025 and 2024.

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	11,883	1,743	-	13,626
New assets originated or purchased	8,375	-	-	8,375
Assets repaid	(3,425)	(44)	-	(3,469)
Transfer to Stage 2	(114)	114	-	-
Net measurment of loss allowance	(5,786)	(460)	4,110	(2,136)
Foreign exchange revaluation	(8)	9	-	1
Balance at 31 December	**10,925**	**1,362**	**4,110**	**16,397**

AMD'000	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**

(i) Quality analysis of finance leases

The following table provides information on the credit quality of receivables from finance lease as at 31 December 2025:

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
– not overdue	2,879,583	20,104	4,110	2,903,797
Total gross receivables from finance lease	**2,879,583**	**20,104**	**4,110**	**2,903,797**
ECL	(10,925)	(1,362)	(4,110)	(16,397)
Total net receivables from finance lease	**2,868,658**	**18,742**	**-**	**2,887,400**

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**

(ii) Concentration of receivables from finance leases

As at 31 December 2025 and 2024 the Bank has no customers whose balances exceed 10% of the Bank's equity.

(iii) Analysis of collateral

The receivables from finance lease classified at Stage 3 as at 31 December 2025 are secured by equipment with fair value of AMD 1,837 thousand excluding overcollateralization.

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 2025	4,055,826	522,943	4,404,942	2,094,926	203,506	2,461,557	13,743,700
Additions	-	1,968	826,668	70,219	7,800	28,048	934,703
Disposals/write-offs	-	-	(136,033)	(35,579)	(36,267)	(1,800)	(209,679)
Balance at 31 December 2025	**4,055,826**	**524,911**	**5,095,577**	**2,129,566**	**175,039**	**2,487,805**	**14,468,724**
Depreciation and amortisation							
Balance at 1 January 2025	1,269,935	129,039	3,282,738	1,539,382	115,620	1,698,697	8,035,411
Depreciation and amortisation for the year	108,265	23,631	395,258	124,533	19,542	171,053	842,282
Disposals/write-offs	-	-	(128,515)	(33,345)	(34,454)	(1,027)	(197,341)
Balance at 31 December 2025	**1,378,200**	**152,670**	**3,549,481**	**1,630,570**	**100,708**	**1,868,723**	**8,680,352**
Carrying amount							
At 31 December 2025	**2,677,626**	**372,241**	**1,546,096**	**498,996**	**74,331**	**619,082**	**5,788,372**
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**

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

	2025 AMD'000	2024 AMD'000
Balance at 1 January	2,929,373	2,741,445
Additions to right of use assets	255,344	231,968
Depreciation charge for the period	(812,204)	(740,520)
Lease contract modifications and derecognitions	135,548	696,480
Balance at 31 December	**2,508,061**	**2,929,373**

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

	2025 AMD'000	2024 AMD'000
Balance at 1 January	3,054,988	3,015,741
Changes from financing cash flows		
Repayments	(974,130)	(894,885)
Total changes from financing cash flows	**(974,130)**	**(894,885)**
Other changes		
Addition	255,344	231,968
Interest accrual	289,780	279,457
Lease contract modifications and derecognitions	133,045	422,707
Balance at 31 December	**2,759,027**	**3,054,988**

(c) Amounts recognised in profit and loss

	2025 AMD'000	2024 AMD'000
Depreciation of right of use asset	(812,204)	(740,520)
Interest on lease liabilities	(289,780)	(279,457)
Expenses relating to short-term leases	(70,181)	(78,150)

(d) Amounts recognized in the statement of cash flows

	2025 AMD'000	2024 AMD'000
Payment on lease liabilities	974,130	894,885
Payment for short-term lease contracts	70,181	78,150
Total cash outflow for leases	**1,044,311**	**973,035**

20 Other assets

	2025 AMD'000	2024 AMD'000
Receivables under money transfer systems	2,441,647	2,487,390
Receivables from state budget	17,189	1,852,201
Other receivables	661,393	425,720
Credit loss allowance	(50,032)	(23,362)
Total net other financial assets	**3,070,197**	**4,741,949**
Prepayments	1,868,046	677,803
Materials and supplies	156,129	160,692
Precious metals	50,518	161,426
Other	18,692	12,608
Total other non-financial assets	**2,093,385**	**1,012,529**
Total other assets	**5,163,582**	**5,754,478**

As at 31 December 2025 other financial assets with gross amount of AMD 3,120,229 thousand (2024: 4,765,311 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 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other financial assets at amortised cost				
Balance at 1 January	(23,362)	-	-	(23,362)
Assets repaid	23,362	-	-	23,362
New assets originated or purchased	(50,032)	-	-	(50,032)
Balance at 31 December	**(50,032)**	**-**	**-**	**(50,032)**

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)**

21 Deposits and balances from banks and other financial institutions

	2025 AMD'000	2024 AMD'000
Loans from the CBA through international programs	1,020,523	1,548,768
Loro accounts	275,217	253,929
Loans from commercial banks	5,499	6,735
	1,301,239	**1,809,432**

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 2025 the Bank has no banks and other financial institutions (2024: no bank and other financial institution), whose balances exceed 10% of equity.

22 Debt securities issued

	2025 AMD'000	2024 AMD'000
Debt securities issued	5,350,679	7,268,836

As at 31 December 2025 the Bank has issued and placed debt securities denominated in USD with nominal amount of USD 14,000 thousand (2024: USD 18,291 thousand). During 2025 the Bank has not issued bonds (2024: USD 10,000 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	**2025 AMD'000**	**2024 AMD'000**
Balance at 1 January	7,268,836	7,789,421
Changes from financing cash flows		
Proceeds from debt securities issued	-	3,909,273
Repayment of debt securities issued	(1,637,074)	(4,278,857)
Total changes from financing cash flows	**(1,637,074)**	**(369,584)**
The effect of changes in foreign exchange rates	**(279,695)**	**(107,734)**
Other changes		
Interest expense	375,441	391,984
Interest paid (operating cash flows)	(376,829)	(435,251)
Balance at 31 December	**5,350,679**	**7,268,836**

23 Other borrowed funds and subordinated borrowings

	2025 AMD'000	2024 AMD'000
Borrowings from international financial institutions	29,460,443	31,625,825
Borrowings from Armenian financial institutions	8,823,127	9,390,520
	38,283,570	**41,016,345**
Subordinated borrowings	-	1,634,588
	-	**1,634,588**

(a) Concentration of borrowings from international financial institutions

As at 31 December 2025 the Bank has one financial institution (as at 31 December 2024: three financial institutions except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2025 is AMD 11,080,570 thousand (31 December 2024: AMD 26,485,145 thousand).

(b) Subordinated borrowing

The Bank had no subordinated borrowings outstanding as at 31 December 2025. As at 31 December 2024 subordinated borrowings represent single borrowing received from individual shareholder maturing on 13 January 2025.

(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 2025 and 2024.

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

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2025	41,016,345	1,634,588
Changes from financing cash flows		
Proceeds	12,365,668	-
Repayments	(13,806,545)	(1,628,602)
Total changes from financing cash flows	**(1,440,877)**	**(1,628,602)**
The effect of changes in foreign exchange rates	**(1,183,197)**	**2,717**
Other changes		
Interest expense	2,805,779	3,471
Interest paid	(2,914,480)	(12,174)
Balance at 31 December 2025	**38,283,570**	**-**

'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**

24 Current accounts and deposits from customers

	2025 AMD'000	2024 AMD'000
Current accounts and demand deposits		
– Retail	85,786,070	88,311,284
– Corporate	42,475,135	54,763,358
Term deposits		
– Retail	127,845,425	120,642,439
– Corporate	23,975,979	26,450,844
	280,082,609	**290,167,925**

As at 31 December 2025, 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 4,765,978 thousand (2024: AMD 5,573,699 thousand).

As of 31 December 2025, the Bank has two customers or groups of related customers (31 December 2024: three), whose account and deposit balances exceed 10% of the Bank's equity. These balances as at 31 December 2025 are AMD 39,703,112 thousand (31 December 2024: AMD 53,581,881 thousand).

25 Amounts payable under repurchase agreements

	2025 AMD'000	2024 AMD'000
Amounts payable to other Armenian banks, not rated	11,523,143	-
	11,523,143	**-**

As at 31 December 2025 and 2024, the Bank has no counterparty whose balances exceed 10% of equity.

As at 31 December 2025 the fair value of financial assets pledged as collateral for repurchase agreements is AMD 11,852,197 thousand (2024: nil).

26 Other liabilities

	2025 AMD'000	2024 AMD'000
Payables from unsettled transactions	555,469	393,079
Payables under letters of credit	201,854	-
Payments in transit	192,824	287,207
Payables to suppliers	148,563	292,233
Payables to deposit guarantee fund	131,961	89,487
Other financial liabilities	297,101	240,289
Total other financial liabilities	**1,527,772**	**1,302,295**
Payables to employees	1,244,415	1,312,904
Taxes payable other than on income	370,567	371,474
Total other non-financial liabilities	**1,614,982**	**1,684,378**
Total other liabilities	**3,142,754**	**2,986,673**

27 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2025 the authorized, issued and outstanding share capital comprises 1,873,345 ordinary shares (2024: 1,873,345 ordinary shares). All shares have a nominal value of AMD 5 thousand (2024: 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 increased 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. Upon derecognition of FVOCI equity instruments, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings.

(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 2025 the Bank declared and fully paid dividends totaling to AMD 4,000,000 on ordinary shares (2024: AMD 2,500,000 thousand). Dividends per share amounted to AMD 2,135.2 (2024: AMD 1,334.5).

(d) Earnings per share

The calculation of basic earnings per share at 31 December 2025 was based on the profit attributable to ordinary shareholders of AMD 11,706,252 thousand (2024: AMD 12,191,144 thousand), and a weighted average number of ordinary shares outstanding of 1,873,345 (2024: 1,873,345), calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2025	2024
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	**6.25**	**6.51**
Earnings per share – diluted in AMD '000	**6.25**	**6.51**

28 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. The Bank does not have any loans classified as POCI.

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 as at 31 December 2025 and 2024.

31 December 2025	**12-month PD**	**Lifetime PD**
Loans to corporate clients		
− not overdue	1.23% - 2.00%	40.17% - 52.38%
− overdue less than 30 days	38.55% - 50.69%	62.86% - 73.50%
− overdue 30-89 days	61.95% - 87.69%	81.76% - 88.02%
Loans to retail clients		
− not overdue	0.02% - 3.08%	0.03% - 14.33%
− overdue less than 30 days	1.24% - 59.43%	1.25% - 60.83%
− overdue 30-89 days	10.04% - 93.02%	10.04% - 93.03%

31 December 2024	**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 real estate and movable property collateral realization is estimated 60 months for counterparties under bankruptcy proceedings and 36 months for the remaining portfolio.

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, including 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	– Existing and forecast changes in business, financial and economic conditions
– Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

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;
- inflation rate;
- USD/AMD exchange rate;
- EUR/AMD exchange rate;
- CBA refinancing rate.

The Bank obtains the forecasts of macroeconomic data from third party source (Central Bank of Armenia, Statistical Committee of Republic of Armenia). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations.

	ECL scenario	Assigned probabilities, %	2026
Key drivers			
CPI index			
	Upside	10%	1.5%
	Base case	70%	3.2%
	Downside	20%	4.0%
CPI index to 2010 base year			
	Upside	10%	320.4%
	Base case	70%	347.6%
	Downside	20%	383.3%
Central Bank policy rate			
	Upside	10%	5.5%
	Base case	70%	6.5%
	Downside	20%	7.3%
Employed population			
	Upside	10%	AMD 1,225m
	Base case	70%	AMD 1,205m
	Downside	20%	AMD 1,186m
EUR/AMD exchange rate			
	Upside	10%	480.19
	Base case	70%	457.05
	Downside	20%	443.00
USD/AMD exchange rate			
	Upside	10%	415.00
	Base case	70%	395.00
	Downside	20%	382.86
Interest rate on AMD loans			
	Upside	10%	11.76%
	Base case	70%	13.89%
	Downside	20%	15.50%

Sensitivity of ECL to future economic conditions

The ECL is sensitive to judgements and assumptions made regarding the formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The tables below shows the loss allowance on loans to legal entities and individuals assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100 percent instead of applying scenario probability weights across the three scenarios as at 31 December 2025. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the consolidated financial statements.

	31 December 2025			
AMD'000	**Upside**	**Base**	**Downside**	**Probability weighted**
Loans to legal entities				
Gross balance	116,308,487	116,308,487	116,308,487	116,308,487
Credit loss allowance	4,379,262	4,394,660.56	4,418,283.56	4,397,805
Loans to individuals				
Gross balance	121,102,200	121,102,200	121,102,200	121,102,200
Credit loss allowance	1,627,910	1,727,649	1,854,321	1,743,007

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:

	2025 AMD'000	**2024 AMD'000**	**External benchmarks used**	
	Exposure	**Exposure**	**PD**	**LGD**
Cash and cash equivalent	7,581,165	26,480,707	Moody's default studies	Moody's default studies
Investment securities measured at FVOCI	54,665,223	46,393,593	Moody's default studies	Moody's default studies
Investment securities measured at amortised cost	5,641,097	6,352,227	Moody's default studies	Moody's default studies
Loans and advances to banks and other financial institutions	73,896,326	63,080,494	Moody's default studies	Moody's default studies
Amounts receivable under reverse repurchase agreements	19,765,157	25,864,845	Moody's default studies	Moody's default studies
Other financial assets	3,120,229	4,765,311	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 30.

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 2025:

AMD'000

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	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	19,765,157	-	19,765,157	(22,173,629)	-	-
Total financial assets	**19,765,157**	**-**	**19,765,157**	**(22,173,629)**	-	-
Amounts payable under repurchase agreements	(11,523,143)	-	(11,523,143)	11,852,197	-	-
Total financial liabilities	**(11,523,143)**	-	**(11,523,143)**	**11,852,197**	-	-

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

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	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	25,864,845	-	25,864,845	(28,412,125)	-	-
Total financial assets	**25,864,845**	-	**25,864,845**	**(28,412,125)**	-	-

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 2025							
ASSETS							
Cash and cash equivalents	2,486,154	-	-	-	-	16,990,489	19,476,643
Investment securities measured at fair value through profit or loss	-	-	-	-	-	36,352	36,352
Investment securities measured at fair value through other comprehensive income	2,996,861	19,503,640	491,448	20,754,903	10,918,371	569,835	55,235,058
Investment securities measured at amortised cost	-	115,724	-	2,194,588	3,315,331	-	5,625,643
Loans and advances to banks and other financial institutions	38,506,566	-	-	5,824,180	-	29,202,501	73,533,247
Amounts receivable under reverse repurchase agreements	19,760,378	-	-	-	-	-	19,760,378
Loans and advances to customers	18,462,528	12,366,055	20,095,472	123,737,150	56,608,670	-	231,269,875
Receivables from finance leases	209,005	198,488	368,302	2,110,690	915	-	2,887,400
	82,421,492	**32,183,907**	**20,955,222**	**154,621,511**	**70,843,287**	**46,799,177**	**407,824,596**
LIABILITIES							
Deposits and balances from banks and other financial institutions	366,980	185,880	255,802	481,984	10,593	-	1,301,239
Other borrowed funds and subordinated liabilities	1,084,733	4,148,871	5,649,803	25,175,243	2,224,920	-	38,283,570
Debt securities issued	73,978	72,945	869,994	4,333,762	-	-	5,350,679
Current accounts and deposits from customers	32,384,868	14,854,112	30,252,113	82,872,830	241,630	119,477,056	280,082,609
Amounts payable under repurchase agreements	11,523,143	-	-	-	-	-	11,523,143
Lease liability	234,196	161,454	332,475	2,020,742	10,160	-	2,759,027
	45,667,898	**19,423,262**	**37,360,187**	**114,884,561**	**2,487,303**	**119,477,056**	**339,300,267**
	36,753,594	**12,760,645**	**(16,404,965)**	**39,736,950**	**68,355,984**	**(72,677,879)**	**68,524,329**

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	112,396,344	54,863,532	-	216,067,719
Receivables from finance leases	137,398	128,218	263,224	1,512,175	4,990	-	2,046,005
	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**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2025 and 2024. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2025 Average effective interest rate, %			2024 Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	-	1.38%	6.13%	-	1.43%	2.42%
Investment securities measured at fair value through other comprehensive income	10.34%	5.09%	2.77%	10.60%	5.05%	2.78%
Investment securities measured at amortised cost	9.32%	5.32%	-	9.50%	3.53%	-
Loans and advances to banks and other financial institutions	6.47%	3.62%	13.31%	14.66%	3.93%	13.55%
Amounts receivable under reverse repurchase agreements	7.59%	4.96%	-	8.04%	5.38%	4.07%
Loans to customers	15.13%	9.48%	7.73%	15.45%	10.08%	8.39%
Receivables from finance leases	13.82%	9.29%	8.59%	13.85%	9.33%	8.60%
Interest bearing liabilities						
Other borrowed funds and subordinated liabilities	6.36%	7.83%	-	6.74%	8.29%	-
Deposits and balances from banks and other financial institutions	6.38%	-	-	6.73%	-	-
Current accounts and deposits from customers						
− Term deposits	9.79%	4.27%	2.32%	10.08%	4.14%	2.33%
− Current accounts	0-7%	0-3.5%	0-1.75%	0-7%	0-3.5%	0-1.75%
Debt securities issued	-	5.72%	-	-	5.45%	-
Lease liability	9.00%	-	-	9.00%	-	-
Amounts payable under repurchase agreements	7.03%	-	-	-	-	-

Other currencies as at 31 December 2025 and 2024 mainly represent EUR and Russian Rubles.

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 2025 and 2024, is as follows:

	2025 AMD'000	2024 AMD'000
100 bp parallel rise	304,195	387,032
100 bp parallel fall	(304,195)	(387,032)

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 2025 and 2024 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2025 Equity AMD'000	2024 Equity AMD'000
100 bp parallel fall	1,200,516	1,364,684
100 bp parallel rise	(1,200,516)	(1,364,684)

(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 2025:

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	4,881,839	3,206,892	2,078,018	10,166,749
Investment securities measured at fair value through other comprehensive income	6,453,857	754,318	-	7,208,175
Investment securities measured at amortised cost	22,018	-	-	22,018
Loans and advances to banks and other financial institutions	50,216,779	3,806,743	8,021,150	62,044,672
Amounts receivable under reverse repurchase agreements	3,865,983	-	-	3,865,983
Loans to customers	69,172,113	15,803,171	303	84,975,587
Receivables from finance leases	1,042,731	77,671	-	1,120,402
Other financial assets	369,110	33,020	125,275	527,405
Total assets	**136,024,430**	**23,681,815**	**10,224,746**	**169,930,991**
LIABILITIES				
Deposits and balances from banks and other financial institutions	188,883	33,637	-	222,520
Other borrowed funds and subordinated liabilities	29,460,444	-	-	29,460,444
Debt securities issued	5,350,679	-	-	5,350,679
Current accounts and deposits from customers	99,754,014	21,066,104	9,967,170	130,787,288
Other financial liabilities	510,567	43,247	88	553,902
Total liabilities	**135,264,587**	**21,142,988**	**9,967,258**	**166,374,833**
Net position	**759,843**	**2,538,827**	**257,488**	**3,556,158**
Effect of derivatives	2,487,492	(2,487,243)	-	**249**
Net position	**3,247,335**	**51,584**	**257,488**	**3,556,407**

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

	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	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**

Other currencies as at 31 December 2025 and 2024 mainly represent Russian Rubles.

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2025 and 2024, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2025 AMD'000	2024 AMD'000
10% appreciation of USD against AMD	324,734	351,363
10% appreciation of EUR against AMD	5,158	(3,094)

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

(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 assets and liabilities as at 31 December 2025 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From to 12 months	More than 1 year	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative assets							
Cash and cash equivalents	19,476,643	-	-	-	-	19,476,643	19,476,643
Investment securities measured at fair value through other comprehensive income	384,929	3,648,841	19,483,171	2,213,806	44,864,033	70,594,780	55,235,058
Investment securities measured at amortised cost	44,002	88,003	153,767	263,642	8,235,294	8,784,708	5,625,643
Loans and advances to banks and other financial institutions	67,853,434	759,066	139,428	266,188	5,578,202	74,596,318	73,533,247
Amounts receivable under reverse repurchase agreements	19,784,500	-	-	-	-	19,784,500	19,760,378
Loans and advances to customers	8,741,370	14,694,769	19,283,415	32,644,683	264,997,875	340,362,112	231,269,875
Receivables from finance leases	92,825	185,650	279,052	513,743	2,501,090	3,572,360	2,887,400
Other financial assets	3,120,229	-	-	-	-	3,120,229	3,070,197
Total financial assets	**119,497,932**	**19,376,329**	**39,338,833**	**35,902,062**	**326,176,494**	**540,291,650**	**410,858,441**
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	347,107	20,166	189,775	269,208	555,228	1,381,484	1,301,239
Other borrowed funds and subordinated liabilities	253,509	935,618	4,266,463	6,019,718	33,402,824	44,878,132	38,283,570
Amounts payable under repurchase agreements	11,531,723	-	-	-	-	11,531,723	11,523,143
Debt securities issued	-	74,842	74,842	902,870	4,909,296	5,961,850	5,350,679
Current accounts and deposits from customers	148,905,846	16,197,043	14,926,901	30,404,676	83,113,251	293,547,717	280,082,609
Lease liability	51,431	215,494	227,064	454,128	2,459,590	3,407,707	2,759,027
Other financial liabilities	1,369,272	158,500	-	-	-	1,527,772	1,527,772
Total financial liabilities	**162,458,888**	**17,601,663**	**19,685,045**	**38,050,600**	**124,440,189**	**362,236,385**	**340,828,039**
Net position	**(42,960,956)**	**1,774,666**	**19,653,788**	**(2,148,538)**	**201,736,305**	**178,055,265**	**70,030,402**
Credit related commitments	**13,703,301**	**-**	**-**	**-**	**-**	**13,703,301**	**-**

The maturity analysis for financial assets and 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 assets							
Cash and cash equivalents	43,729,842	-	-	-	-	43,729,842	43,729,842
Investment securities measured at fair value through other comprehensive income	866,822	1,180,977	5,217,744	3,463,213	53,693,444	64,422,200	46,616,105
Investment securities measured at amortised cost	47,346	94,692	441,878	688,385	9,183,046	10,455,347	6,334,731
Loans and advances to banks and other financial institutions	61,277,631	217,439	210,259	314,973	1,424,076	63,444,378	62,946,100
Amounts receivable under reverse repurchase agreements	25,900,675	-	-	-	-	25,900,675	25,857,102
Loans and advances to customers	10,470,705	14,333,048	17,123,522	30,324,900	246,487,941	318,740,116	216,067,719
Receivables from finance leases	60,371	120,447	180,044	356,817	1,816,604	2,534,283	2,046,005
Other financial assets	4,765,311	-	-	-	-	4,765,311	4,741,949
Total financial assets	**147,118,703**	**15,946,603**	**23,173,447**	**35,148,288**	**312,605,111**	**533,992,152**	**408,339,553**
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**
Net position	**(2,965,669)**	**6,378,191**	**4,508,902**	**3,796,690**	**150,657,874**	**162,375,988**	**62,085,144**
Credit related commitments	**15,373,594**	**-**	**-**	**-**	**-**	**15,373,594**	**-**

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2025:

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	19,476,643	-	-	-	-	-	-	19,476,643
Investment securities measured at fair value through profit or loss	-	-	-	-	-	36,352	-	36,352
Investment securities measured at fair value through other comprehensive income	12,667	2,984,194	19,995,088	20,754,903	10,918,371	569,835	-	55,235,058
Investment securities measured at amortised cost	-	-	115,724	2,194,588	3,315,331	-	-	5,625,643
Loans and advances to banks and other financial institutions	38,500,182	6,384	-	5,824,180	-	29,202,501	-	73,533,247
Amounts receivable under reverse repurchase agreements	19,760,378	-	-	-	-	-	-	19,760,378
Loans and advances to customers	4,509,916	9,950,418	32,461,528	123,737,150	56,608,667	-	4,002,196	231,269,875
Receivables from finance leases	76,761	132,300	566,735	2,110,690	914	-	-	2,887,400
Property, equipment and intangible assets	-	-	-	-	-	5,788,372	-	5,788,372
Right of use asset	-	-	-	-	-	2,508,061	-	2,508,061
Repossessed assets	-	-	-	-	-	1,978,615	-	1,978,615
Other assets	2,475,653	1,863,714	617,572	-	-	206,643	-	5,163,582
Total assets	**84,812,200**	**14,937,010**	**53,756,647**	**154,621,511**	**70,843,283**	**40,290,379**	**4,002,196**	**423,263,226**
LIABILITIES								
Deposits and balances from banks and other financial institutions	346,936	20,044	441,682	481,984	10,593	-	-	1,301,239
Other borrowed funds and subordinated liabilities	162,649	922,084	9,798,674	25,175,243	2,224,920	-	-	38,283,570
Amounts payable under repurchase agreements	11,523,143	-	-	-	-	-	-	11,523,143
Debt securities issued	-	73,978	942,939	4,333,762	-	-	-	5,350,679
Current accounts and deposits from customers	135,702,266	16,159,658	45,106,225	82,872,830	241,630	-	-	280,082,609
Lease liability	-	-	-	-	-	2,759,027	-	2,759,027
Current tax liabilities	-	-	-	-	-	1,391,831	-	1,391,831
Deferred tax liabilities	-	-	-	-	-	677,587	-	677,587
Provision for credit related commitments	17,001	-	-	-	-	-	-	17,001
Other liabilities	1,369,272	529,067	-	-	-	1,244,415	-	3,142,754
Total liabilities	**149,121,267**	**17,704,831**	**56,289,520**	**112,863,819**	**2,477,143**	**6,072,860**	**-**	**344,529,440**
Net position	**(64,309,067)**	**(2,767,821)**	**(2,532,873)**	**41,757,692**	**68,366,140**	**34,217,519**	**4,002,196**	**78,733,786**

* 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 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

29 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 (2024: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2025 and 2024.

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 2025 and 2024, this minimum level was 11%. The Bank is in compliance with the statutory capital ratio as at 31 December 2025 and 2024.

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:

	2025 AMD'000 Unaudited	**2024 AMD'000 Unaudited**
Tier 1 capital	71,652,544	58,473,089
Tier 2 capital	2,648,181	2,435,286
Total capital	**74,300,725**	**60,908,375**
Total risk weighted assets	**357,753,126**	**338,781,206**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**20.8%**	**18.0%**

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.

30 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.

	2025 AMD'000	2024 AMD'000
Contracted amount		
Credit card commitments	5,128,094	6,786,624
Guarantees and letter of credit	3,378,736	2,937,814
Loan and credit line commitments	5,196,471	5,649,156
	13,703,301	**15,373,594**
Impairment allowance	**(17,001)**	**(9,736)**

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 2025 and 2024 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 2025 and 2024.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for commitments for the years ended 31 December 2025 and 2024.

AMD'000	**2025**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commitments				
Balance at 1 January	9,736	-	-	9,736
New exposures originated	11,546	-	-	11,546
Exposures expired	(5,873)	-	-	(5,873)
Net remeasurement of loss allowance	1,592	-	-	1,592
Balance at 31 December	**17,001**	**-**	**-**	**17,001**

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**

31 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.

32 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 majority 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 2025 and 2024 is as follows:

	2025 AMD'000	2024 AMD'000
Members of the Council of the Bank	188,985	174,547
Members of the Management Board	506,189	480,051
	695,174	**654,598**

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

The outstanding balances and average effective interest rates and related profit or loss amounts of transactions as at 31 December 2025 and 2024 for transactions with members of the Council and the Management Board and entities and close family members of the Council and the Management Board are as follows:

	Council and the Management Board		Entities and close family members of Council and the Management Board		Total
	2025 AMD'000	**Average effective interest rate, %**	**2025 AMD'000**	**Average effective interest rate, %**	**2025 AMD'000**
Statement of financial position					
ASSETS					
Loans issued (gross)	370,733	9.67%	14,087	10.11%	384,820
Loan impairment allowance	(1,529)		(78)		(1,607)
LIABILITIES					
Current accounts and deposits from customers					
− Current accounts	235,078	-	17,789		252,867
− Term deposits	2,270,108	7.05%	116,741	6.54%	2,386,849
Debt securities issued	95,500	5.69%	15,863	5.38%	111,363
Commitments	90,503	-	2,181	-	92,684
Profit (loss)					
Interest income	34,313	-	1,138	-	35,451
Interest expense	(145,862)	-	(5,698)	-	(151,560)

	Council and the Management Board		Entities and close family members of Council and the Management Board		Total
	2024 AMD'000	**Average effective interest rate, %**	**2024 AMD'000**	**Average effective interest rate, %**	**2024 AMD'000**
Statement of financial position					
ASSETS					
Loans issued (gross)	398,126	9.88%	10,381	13.21%	408,507
Loan impairment allowance	(1,867)	-	(63)	-	(1,930)
LIABILITIES					
Current accounts and deposits from customers					
− Current accounts	222,055	-	16,663	-	238,718
− Term deposits	2,175,849	6.80%	58,095	-	2,233,944
Debt securities issued	87,390	5.67%	16,496	5.38%	103,886
Commitments	79,527	-	-	-	79,527
Profit (loss)					
Interest income	24,940	-	846	-	25,786
Interest expense	(138,311)		(3,380)		(141,691)
Impairment gain net	1,312	-	6	-	1,318

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2025 and 2024 and related profit or loss amounts of transactions for the years ended 31 December 2025 and 2024 with other related parties are as follows:

	Shareholders		Entities under common control and close family members of Shareholders		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Statement of financial position					
ASSETS					
Loans to customers	26,263,307	11.68%	3,288,454	11.67%	29,551,761
Receivables from finance lease	67,218	13.00%	-	-	67,218
Impairment allowance	(20,620)		(6,286)		(26,906)
LIABILITIES					
Current accounts and deposits from customers					
– Current accounts	6,416,650	-	109,726	-	6,526,376
– Term deposits	759,938	9.55%	10,576	9.10%	770,514
Lease liabilities	122,668	9.00%	1,849,768	9.00%	1,972,436
Other liabilities					
Commitments	1,536,283		199,000		1,735,283
Profit (loss)					
Interest income	2,562,680		369,569		2,932,249
Interest expense	(104,008)		(229)		(104,237)

	Shareholders		Entities under common control and close family members of Shareholders		
	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%	2,992,239	11.04%	24,654,996
Receivables from finance lease	79,201	14.01%	-	-	79,201
Impairment allowance	(28,012)	-	(12,214)	-	(40,226)
LIABILITIES					
Subordinated liabilities	1,634,588	7%	-	-	1,634,588
Current accounts and deposits from customers					
– Current accounts	7,906,243	-	191,288	-	8,097,531
– Term deposits	1,063,467	10.2%	-	-	1,063,467
Lease liabilities	7,594	9.00%	2,039,933	9.00%	2,047,527
Commitments	729,040	-	-	-	729,040
Profit (loss)					
Interest income	824,741	-	82,317	-	907,058
Impairment gain, net	6,285	-	2,022	-	8,307
Interest expense	(106,255)	-	(213,739)	-	(319,994)

As at 31 December 2025 loan to shareholder is fully secured by Government bonds of Republic of Armenia with total amount of AMD 25,164,158 thousand (2024: AMD 22,890,979 thousand) and frozen deposit with carrying amount of AMD 1,644,080 thousand (2024: AMD 1,689,680 thousand).

33 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 2025 and 2024 the estimated fair values of all financial instruments except for loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorised in Level 3 fair value hierarchy and fair value of investment securities measured at amortised cost is categorised in Level 2 in fair value hierarchy.

As at 31 December 2025 and 2024 the Bank had outstanding borrowings from the Central Bank of Armenia denominated in AMD and bearing nominal interest rate of 5.5%-7.5% (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 2025 included in borrowings from Armenian financial institutions are loans of AMD 8,823,127 thousand (31 December 2024: AMD 9,390,520 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 organizations 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 2025 and 2024. Fair valued of the financial instruments in the below tables is in the Level 3 of fair value hierarchy:

2025	**Carrying amount AMD'000**	**Fair value AMD'000**	**Difference AMD'000**
Loans and advances to customers	234,157,275	233,276,459	880,816
Investment securities measured at amortised cost	5,625,643	6,051,682	(426,039)
Total	**239,782,918**	**239,328,141**	**454,777**

2024	**Carrying amount AMD'000**	**Fair value AMD'000**	**Difference AMD'000**
Loans and advances 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)**

The table below analyses financial instruments measured at fair value at 31 December 2025, 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	-	54,665,223	54,665,223
− Equity instruments	-	606,187	606,187

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 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	-	46,393,593	46,393,593
− Equity instruments	-	248,980	248,980

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 8.1%-9.5% for loans denominated in foreign currency and 12.6%-16.2% 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 – 7.25%-9.88% for securities denominated in AMD and rates of 5.25% for securities denominated in foreign currency.