

Ardshinbank CJSC

Consolidated Financial Statements

*for the year ended 31 December 2024
together with independent auditor's report*

Contents

Independent auditor's report

Consolidated statement of profit or loss and other comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of cash flows	3
Consolidated statement of changes in equity	4-5

Notes to and forming part of the consolidated financial statements

1	Background	6
2	Basis of accounting	6
3	Significant accounting policies	7
4	Segment information	24
5	Business combination	26
6	Net interest income	27
7	Net fee and commission income	28
8	Net loss on other financial instruments at fair value through profit or loss	28
9	Net loss on derecognition of financial assets at amortized cost	29
10	Net foreign exchange gain	29
11	Net other operating income	29
12	Impairment losses on financial instruments	29
13	Other general administrative expenses	31
14	Income tax expense	32
15	Cash and cash equivalents	33
16	Loans and advances to banks and financial institutions and derivative financial assets	34
17	Loans and advances to customers	36
18	Investment securities	44
19	Property, equipment and intangible assets	47
20	Other assets	49
21	Borrowings and other balances from banks and derivative financial liabilities	49
22	Current accounts and deposits from customers	51
23	Debt securities issued	52
24	Other liabilities	52
25	Share capital and reserves	52
26	Risk management	53
27	Capital management	68
28	Credit related commitments	69
29	Contingencies	71
30	Related party transactions	72
31	Fair values of financial instruments	74
32	Disposal of subsidiary	77



Ernst & Young CJSC
Vazgen Sargsyan St., 2 Building,
Yerevan, 0010 Armenia,
Kamar Business Center
Tel: +374 60 50 7777
www.ey.com/am

«Էրնսթ ընդ Յանգ» ՓԲԸ
ՀՀ, ք. Երևան, 0010,
Վազգեն Սարգսյան փող., 2 շենք
«Կամար» Բիզնես Կենտրոն
Հեռ.՝ +374 60 50 7777

Independent auditor's report

To the Shareholders and Supervisory Board of Ardashinbank Closed Joint Stock Company

Opinion

We have audited the consolidated financial statements of Ardashinbank Closed Joint Stock Company ("the Bank") and its subsidiaries (hereinafter, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for impairment of loans and advances to customers</i>	
<p>Allowance for impairment of loans and advances to customers is a key audit matter due to both the significance of loans and advances to customers and the complexity and judgments related to the estimation of expected credit losses (“ECL”) under IFRS 9 Financial Instruments (“IFRS 9”).</p> <p>The calculation of ECL on a portfolio basis involves estimation techniques that use complex statistical modelling and expert judgement. These techniques are used to determine probability of default, projected exposure at default and loss arising at default, based on available historical data, which is adjusted for forward looking information, including forecast of macroeconomic parameters. ECL on a portfolio basis are highly impacted by assessment of whether a significant increase in credit risk has occurred since initial recognition. This assessment is primarily based on the following criteria - days past due (including borrower’s overdue exposures in other financial institutions) and renegotiation of loan terms due to deterioration of financial position of the borrower.</p> <p>The calculation of ECL for significant individually assessed financial assets on an individual basis requires assessment of market value of the collateral.</p> <p>The use of different modelling techniques and assumptions could produce significantly different estimates of ECL. This could have a material effect on the financial results of the Group.</p> <p>Information on the allowance for impairment of loans and advances to customers is included in Note 17 “Loans and advances to customers” and Note 26 “Risk management” to the consolidated financial statements.</p>	<p>We focused our audit on the following:</p> <ul style="list-style-type: none"> ▶ Analysis of credit risk models and assumptions used to determine ECL on a portfolio basis. ▶ Testing controls over the Group’s process for identification of significant increase in credit risk. ▶ Testing the ECL for significant credit-impaired loans and advances to customers assessed on an individual basis. <p>To test the allowance calculated on a portfolio basis, involving internal risk experts we analyzed underlying statistical models, key inputs and assumptions used and forward-looking information incorporated in the calculation of ECL, including forecast of macroeconomic parameters. We tested key statistical data underlying credit risk factors calculation, such as loans’ overdue days and statistics of recoveries of loans and advances to customers after the default date. We also tested the design and operating effectiveness of the key controls over the process for identification of significant increase in credit risk and assessed the consistency of application of the criteria selected by management to identify significant increase in credit risk as at the reporting date. For selected significant individually assessed exposures, we assessed the market values of collaterals pledged under these loans. We also analysed the consolidated financial statements’ disclosures of the Group’s exposure to credit risk.</p>

Acquisition of a subsidiary	
<p>In 2024, the Bank acquired control over a subsidiary "HSBC Bank Armenia CJSC" which was then renamed to "Ardshininvestbank CJSC".</p> <p>Determining the fair value of assets acquired and liabilities assumed during business combination involves significant judgments and estimates by the management of the Bank. Due to the significance of judgment and the potential effect on the consolidated financial statements, we considered assessing the fair value of acquired assets and assumed liabilities recognized in the business combination to be one of the key audit matters.</p> <p>Disclosures related to the acquisition of Ardshininvestbank CJSC are included in Note 5 "Business combination" to the consolidated financial statements.</p>	<p>In the course of our audit procedures, we have gained an understanding of the Bank's procedures and controls, including those related to the process of approval by the Bank's Management of the acquisition of businesses, as well as accounting for this transaction.</p> <p>We analyzed the nature, terms and structure of transactions that led to the acquisition of control over the subsidiary. We read sale and purchase agreement and other relevant documents. We obtained an understanding of the substance and key terms of the transaction.</p> <p>We analyzed and traced to supporting documents the payments made by the Bank to acquire Ardshininvestbank CJSC.</p> <p>We assessed the approaches and judgements used by management in its measurement of the fair value of recognized assets and assumed liabilities.</p> <p>We assessed the disclosures made in respect of this transaction in Note 5 "Business combination" to the consolidated financial statements.</p>

Other information included in the Group's 2024 Investor Presentation

Other information consists of the information included in the Group's 2024 Investor Presentation, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2024 Investor Presentation is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

The partner in charge of the audit resulting in this independent auditor's report is Eric Hayrapetyan.

Ernst & Young CJSC
Yerevan, Armenia

General Director
Partner (Assurance)



Eric Hayrapetyan

Responsible Auditor

26 March 2025



Yelena Adamyan

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2024

	Notes	2024 AMD'000	2023 AMD'000
Interest income calculated using the effective interest method	6	142,498,205	110,736,754
Interest income on FVTPL loans and other interest income	6	1,122,825	1,170,370
Interest expense	6	(43,082,051)	(42,471,618)
Net interest income		100,538,979	69,435,506
Fee and commission income	7	30,809,261	20,812,613
Fee and commission expense	7	(6,303,819)	(5,278,507)
Net fee and commission income		24,505,442	15,534,106
Net gain/(loss) on loans to customers at fair value through profit or loss		37,421	(1,309,352)
Net loss on other financial instruments at fair value through profit or loss	8	(331,335)	(904,343)
Net loss on derecognition of financial assets at amortized cost	9	-	(18,138,042)
Net foreign exchange gain	10	62,548,417	35,255,979
Net gain on investment securities		1,031,924	2,502,044
Net other operating income	11	3,334,318	3,761,686
Operating income		191,665,166	106,137,584
Bargain purchase gain	5	29,395,427	-
Loss on initial recognition of POCI loans	17	(4,196,361)	-
Impairment losses on financial instruments	12	(4,666,977)	(6,143,381)
Other impairment recovery	17	400,439	286,274
Personnel expenses		(40,037,589)	(18,321,066)
Other general administrative expenses	13	(15,229,964)	(9,817,813)
Profit before income tax		157,330,141	72,141,598
Income tax expense	14	(24,620,225)	(11,049,369)
Profit for the year		132,709,916	61,092,229
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value reserve for debt investment securities:			
– net change in fair value and changes in allowance for expected credit losses		785,006	1,171,808
– net amount reclassified to profit or loss		(186,022)	(117,171)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>598,984</i>	<i>1,054,637</i>
Other comprehensive income for the year, net of income tax		598,984	1,054,637
Total comprehensive income for the year		133,308,900	62,146,866

The consolidated financial statements were approved by the Management on 26 March 2025 and were signed on its behalf by:

Artak Ananyan
Chairman of Management Board



Hovhannes Mkrtychyan
Chief Accountant

Armine Khachatryan
Responsible Accountant

Consolidated Statement of Financial Position**As at 31 December 2024**

	Notes	31 December 2024 AMD'000	31 December 2023 AMD'000
Assets			
Cash and cash equivalents	15	518,989,227	433,770,473
Loans and advances to banks and financial institutions and derivative financial assets	16	220,294,637	169,022,765
Loans and advances to customers	17	1,123,746,602	671,580,291
Investment securities			
– Held by the Group	18	216,508,349	198,396,486
– Pledged under sale and repurchase agreements	18	186,643,078	131,085,889
Property, equipment and intangible assets	19	20,860,053	15,953,577
Other assets	20	12,750,110	15,053,444
Total assets		2,299,792,056	1,634,862,925
Liabilities			
Borrowings and other balances from banks and derivative financial liabilities	21	391,010,639	366,839,737
Current accounts and deposits from customers	22	1,466,594,022	977,881,753
Current tax liability		22,202,788	956,811
Debt securities issued	23	61,623,151	84,351,258
Deferred tax liability	14	7,136,097	6,167,255
Other liabilities	24	28,301,484	9,084,308
Total liabilities		1,976,868,181	1,445,281,122
Equity			
Share capital	25	102,454,400	52,227,200
Share premium		51	51
Revaluation surplus for land and buildings		5,649,451	5,649,451
Fair value reserve for investment securities		(3,828)	(602,812)
General reserve		10,580,485	7,525,874
Retained earnings		204,243,316	124,782,039
Total equity		322,923,875	189,581,803
Total liabilities and equity		2,299,792,056	1,634,862,925

The accompanying notes 1-32 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows**For the year ended 31 December 2024**

	Notes	2024 AMD'000	2023 AMD'000
Cash flows from operating activities			
Interest receipts		144,954,653	111,072,810
Interest payments		(42,836,880)	(43,899,616)
Fee and commission receipts		30,809,261	20,812,613
Fee and commission payments		(6,303,819)	(5,278,507)
Net receipts from foreign exchange		63,529,653	35,485,110
Other income receipts		3,333,720	3,759,649
Personnel expenses and other general administrative expenses payments		(43,685,363)	(24,793,488)
(Increase)/decrease in operating assets			
Loans and advances to banks and financial institutions		(18,054,821)	1,936,344
Loans and advances to customers		(301,426,929)	(138,650,400)
Other assets		4,994,976	(4,940,782)
Increase/(decrease) in operating liabilities			
Short term deposits and balances from banks		(6,192,436)	86,059,030
Current accounts and deposits from customers		375,203,355	10,740,695
Other liabilities		1,361,847	191,384
Net cash provided from operating activities before income tax paid			
		205,687,217	52,494,842
Income tax paid		(4,438,640)	(18,075,020)
Cash flows from operations			
		201,248,577	34,419,822
Cash flows from investing activities			
Acquisition of investment securities		(1,554,808,335)	(852,625,911)
Proceeds from sale and repayment of investment securities at FVOCI		186,314,994	286,041,019
Proceeds from repayment of investment securities at amortized cost		1,304,363,902	596,305,517
Acquisition of subsidiary, net of cash acquired	5	(22,402,856)	-
Disposal of subsidiary, net of cash disposed	32	11,045,507	-
Purchases of property and equipment and intangible assets		(1,780,274)	(409,219)
Cash flows from/(used in) investing activities			
		(77,267,062)	29,311,406
Cash flows from financing activities			
Receipts from borrowed funds	21	17,380,111	22,403,252
Repayment of borrowed funds	21	(29,977,855)	(67,250,841)
Proceeds from debt securities issued	21	2,200,000	3,034,256
Repayment and buy-back of debt securities issued	21	(23,608,201)	(36,209,412)
Share capital issued	25	50,227,200	-
Repayment of lease liability	21	(698,569)	(617,774)
Dividends paid	25	(50,354,028)	(18,031,924)
Cash flows used in financing activities			
		(34,831,342)	(96,672,443)
Net increase in cash and cash equivalents			
		89,150,173	(32,941,215)
Effect of changes in exchange rates on cash and cash equivalents		(3,964,113)	11,346,816
Effect of changes in ECL on cash and cash equivalents		32,694	(32,142)
Cash and cash equivalents as at beginning of the year		433,770,473	455,397,014
Cash and cash equivalents as at the end of the year			
	15	518,989,227	433,770,473

The accompanying notes 1-32 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity**For the year ended 31 December 2024**

	<i>Share capital</i>	<i>Share premium</i>	<i>Revaluation surplus for land and buildings</i>	<i>Fair value reserve for investment securities</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance as at 1 January 2023	52,227,200	51	6,430,545	(1,657,449)	4,415,218	84,147,781	145,563,346
Total comprehensive income							
Profit for the year	-	-	-	-	-	61,092,229	61,092,229
Other comprehensive loss							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value and changes in allowance for expected credit losses of debt investment securities, net of income tax	-	-	-	1,171,808	-	-	1,171,808
Net change in fair value of debt investment securities transferred to profit or loss, net of income tax	-	-	-	(117,171)	-	-	(117,171)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	1,054,637	-	-	1,054,637
Total other comprehensive income	-	-	-	1,054,637	-	-	1,054,637
Total comprehensive income for the year	-	-	-	1,054,637	-	61,092,229	62,146,866
Transactions with owners of the Group							
Replenishment of general reserve	-	-	-	-	3,110,656	(3,110,656)	-
Dividends declared (Note 25)	-	-	-	-	-	(18,128,409)	(18,128,409)
Total transactions with owners of the Group	-	-	-	-	3,110,656	(21,239,065)	(18,128,409)
Transfer from revaluation surplus to retained earnings	-	-	(781,094)	-	-	781,094	-
Balance as at 31 December 2023	52,227,200	51	5,649,451	(602,812)	7,525,874	124,782,039	189,581,803

The accompanying notes 1-32 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)**For the year ended 31 December 2024**

	Share capital	Share premium	Revaluation surplus for land and buildings	Fair value reserve for investment securities	General reserve	Retained earnings	Total equity
Balance as at 1 January 2024	52,227,200	51	5,649,451	(602,812)	7,525,874	124,782,039	189,581,803
Total comprehensive income							
Profit for the year	-	-	-	-	-	132,709,916	132,709,916
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value and changes in allowance for expected credit losses of debt investment securities, net of income tax	-	-	-	785,006	-	-	785,006
Net change in fair value of debt investment securities transferred to profit or loss, net of income tax	-	-	-	(186,022)	-	-	(186,022)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	<i>598,984</i>	-	-	<i>598,984</i>
Total other comprehensive income	-	-	-	598,984	-	-	598,984
Total comprehensive income for the year	-	-	-	598,984	-	132,709,916	133,308,900
Transactions with owners of the Group							
Share capital issued (Note 25)	50,227,200						50,227,200
Replenishment of general reserve	-	-	-	-	3,054,611	(3,054,611)	-
Dividends declared (Note 25)	-	-	-	-	-	(50,194,028)	(50,194,028)
Total transactions with owners of the Group	50,227,200	-	-	-	3,054,611	(53,248,639)	33,172
Balance as at 31 December 2024	102,454,400	51	5,649,451	(3,828)	10,580,485	204,243,316	322,923,875

The accompanying notes 1-32 form an integral part of these consolidated financial statements.

Notes to, and forming part of, the consolidated financial statements**For the year ended 31 December 2024****1 Background****(a) Organisation and operations**

Ardshinbank CJSC (the “Bank”) was established in the Republic of Armenia as a closed joint stock company in 2003. The principal activities are deposit taking, customer accounts maintenance, credit operations, issuing guarantees, cash and settlement transactions and securities and foreign exchange transactions. The Bank’s activities are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license and is a member of the state deposit insurance system in the Republic of Armenia.

On 29 November 2024 Ardshinbank CJSC acquired 100% of the shares of HSBC Bank Armenia CJSC. After the acquisition HSBC Bank Armenia CJSC was renamed as Ardshininvestbank CJSC (Note 5).

In the consolidated financial statements for the year ended 31 December 2024 the Bank consolidated Ardshininvestbank CJSC as at 31 December 2024 and for the period of 30 November– 31 December 2024 (together the “Group”).

On 15 March 2024 Ardshinbank CJSC redeemed its units in Fifth sub-fund of Arins Capital non-public interval investment fund of “Arins Management” LLC, which was its’ subsidiary as at 31 December 2023 (Note 32).

The Group has 71 branches (2023: 65 branches) from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 13 Grigor Lusavorich Street, Yerevan, Republic of Armenia. The majority of the Bank’s assets and liabilities are located in the Republic of Armenia.

The Group’s parent company is Arins Group LLC (former “Center for Business Investments” LLC). The Group is ultimately controlled by a single individual, Karen Safaryan, who has the power to direct the transactions of the Group at his own discretion and for his own benefit.

(b) Armenian business environment

The Group’s operations are primarily located in Armenia. Consequently, the Group is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

2 Basis of accounting**(a) Statement of compliance**

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instrument at fair value through profit or loss and through other comprehensive income are stated at fair value and buildings are stated at revalued amounts.

(c) Functional and presentation currency

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****2 Basis of accounting (continued)****(c) Functional and presentation currency (continued)**

The AMD is also the presentation currency for the purposes of these consolidated financial statements. The official CBA exchange rates at 31 December 2024 and 31 December 2023 were AMD 396.56 and AMD 404.79 to USD 1, and AMD 413.89 and AMD 447.90 to EUR 1, respectively.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Judgements

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

- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 26 (b);
- Establishing criteria for determining the write off point for financial assets, over which recoveries are not expected – Note 3(g).

Assumptions and estimations uncertainty

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

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 26 (b);
- Fair value of loans measured at fair value through profit or loss (FVTPL) – Note 31;
- Estimates of fair values of financial assets and liabilities – Note 31.

Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. The Group believes its business model and products will still be viable after the transition to a low-carbon economy, and as such concluded that climate-related matters do not result in material uncertainty in estimates and assumptions underpinning any of the items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements. Certain new amendments to standards effective from 1 January 2024 were implemented but did not have significant impact on the accounting policies of the Group.

(a) New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(a) New and amended standards and interpretations (continued)****Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback**

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's consolidated financial statements.

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have not had an impact on the classification of the Group's liabilities.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments have not had an impact on the Group's consolidated financial statements.

(b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(b) Standards issued but not yet effective (continued)**

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- ▶ A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Group is currently not intending to early adopt the Amendments.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Group is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Group is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(b) Standards issued but not yet effective (continued)*****IFRS 19 Subsidiaries without Public Accountability: Disclosures***

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's debt instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

(c) Foreign currency***(i) Foreign currency transactions***

Transactions in foreign currencies are translated to AMD 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, impairment 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 equity instruments in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income. For such investments foreign currency differences arising on translation are recognised in other comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBA and other banks, deposits with other banks. The mandatory reserve deposit with the CBA is not considered to be a cash equivalent, due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position. Deposits with other banks are highly liquid deposits with initial maturity less than three months.

(e) 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 Group 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(e) Interest (continued)*****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 because 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 after 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 3(g)(vi).

Presentation

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

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

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

(f) 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 3(e)).

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 Group's consolidated 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 Group 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 expensed as the services are received.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(g) 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 Group 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 Group 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(g) Financial assets and financial liabilities (continued)****Business model assessment**

The Group 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 group'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 group'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 Group 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 Group 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 Group holds a portfolio of long-term fixed rate loans for which the Group has the option to revise the interest rate following the change of key rate set by the CBA and other risk related market factors. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group 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 Group considers these loans as in essence floating rate loans (Note 3(g)(v)).

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(g) Financial assets and financial liabilities (continued)***Non-recourse loans*

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- Whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- The fair value of the collateral relative to the amount of the secured financial asset;
- The ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- Whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- The group's risk of loss on the asset relative to a full-recourse loan;
- The extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- Whether the group will benefit from any upside from the underlying assets.

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified after their initial recognition.

ii. Derecognition**Financial assets**

The Group 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 the risks and rewards of ownership of the financial asset are transferred or in which the Group 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, as explained in Note 3(g)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group 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.

Notes to, and forming part of, the consolidated financial statements (continued)

For the year ended 31 December 2024

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

Financial liabilities

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

iii. 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 consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within borrowings and other balances from banks. 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 within loans and advances to banks and financial institutions. 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.

iv. Offsetting

Financial assets and liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

v. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group 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 Group due to changes in the CBA key rate, if the loan agreement entitles the Group to do so.

The Group 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 Group 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 Group analogizes to the guidance on derecognition of financial liabilities.

The Group concludes that the modification is substantial because of the following qualitative factors:

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

Notes to, and forming part of, the consolidated financial statements (continued)

For the year ended 31 December 2024

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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 Group 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 derecognition criteria are not usually met in such cases. The Group 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 Group 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 Group 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 Group 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.

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

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

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

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

vi. Impairment

See also Note 26(b).

The Group 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;
- Financial guarantee contracts issued; and
- Loan commitments issued.

Notes to, and forming part of, the consolidated financial statements (continued)

For the year ended 31 December 2024

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

No impairment loss is recognised on equity investments.

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

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 26(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 but are not credit-impaired are referred to as 'Stage 2' financial instruments. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3' financial instruments.

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 group 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 group if the commitment is drawn down and the cash flows that the group expects to receive; and
- *Financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the group expects to recover.

See also Note 26(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 3(g)(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 26(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 Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(g) Financial assets and financial liabilities (continued)**

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 group on terms that the group 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 Group 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.

Purchased or originated credit-impaired financial assets (hereinafter – "POCI assets")

POCI-assets are assets that are credit-impaired on initial recognition.

- New financial assets issued by the Group in the framework of restructuring a credit-impaired asset (replacement of a credit-impaired asset by another asset with a similar level of credit risk);
- An asset that arose when the financial asset was derecognised as a result of a significant modification of the terms of the contracts in the framework of the restructuring of the credit-impaired financial assets;
- Acquired credit-impaired financial assets;
- Issuance of loans to borrowers with an internal credit rating of "Default".

POCI-assets do not have an allowance for impairment at the initial recognition. Instead, the amount of ECL for the entire period is included in the calculation of the effective interest rate.

For the calculation of the effective interest rate on acquired or created credit-impaired financial assets, the expected cash flows are used, considering the initial assessment of the ECL for the entire period. The estimated value of the contractual cash flows for the asset is reduced by the amount of ECL for the entire period of its validity. The effective interest rate is adjusted for credit risk.

Upon initial recognition of POCI-assets (usually created assets), the fair value of such loans is determined based on the expected cash flows as a result of cash inflows and/or forced sale of collateral.

Subsequent estimation of ECL on POCI-assets is always made in the amount equal to lifetime ECL. ECL of such assets is the amount of changes in lifetime ECL from the day of the initial recognition of the asset. The amount reflecting positive changes in the amount of lifetime ECL is recognized as an impairment gain, even if the amount of these changes is greater than the amount previously recognized in profit or loss as an impairment loss.

Interest on POCI-assets is accrued on the amortized cost at effective interest rate, adjusted for credit risk, determined at the time of initial recognition of the asset.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(g) Financial assets and financial liabilities (continued)****Presentation of allowance for ECL in the consolidated statement of financial position**

Loss allowances for ECL are presented in the consolidated 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 Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group 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 consolidated 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 Group determines that the borrower does not have assets/collaterals 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. For unsecured loan, overdue days criterion is applied, considering the historical recovery rates.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the consolidated 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 Group's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

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

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

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

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

(h) Loans and advances to customers

'Loans and advances to customers' caption in the consolidated statement of financial position includes loans and advances to customers measured at amortised cost (see Note 3(g)(i)) initially recognised at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method and loans to customers measured at FVTPL (see Note 3(g)(i)).

Notes to, and forming part of, the consolidated financial statements (continued)

For the year ended 31 December 2024

3 Significant accounting policies (continued)

(i) Investment securities

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

- Debt securities measured at FVOCI (see Note 3(g)(i));
- Debt securities measured at amortised cost (see Note 3(g)(i)); and
- Equity investment securities designated as at FVOCI (see Note 3(g)(i)).

(j) Deposits, debt securities issued and other borrowings and other balances from banks

Deposits, debt securities issued, and other borrowings and other balances from banks 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 Group designates liabilities at FVTPL.

(k) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group 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 3(g)(vi)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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

For other loan commitments the Group recognises a loss allowance (see Note 3(g)(vi)) in accordance with IFRS 9.

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

(l) Property and equipment

(i) Owned assets

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

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Revaluation

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

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- buildings	15 to 50 years
- equipment	1 to 7 years
- fixtures and fittings	5 years
- motor vehicles	5 years
- leasehold improvement	1 to 5 years

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(m) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 5 to 10 years.

(n) Repossessed property

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

(o) Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

(p) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) 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 share premium.

(iii) Preference shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Group's shareholders.

(iv) Dividends

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

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(r) 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.

(i) Current tax

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. Current tax payable also includes any tax liability arising from dividends.

(s) Taxation**(i) Deferred tax**

Deferred tax is 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 is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

(t) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****3 Significant accounting policies (continued)****(t) Leases (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, equipment and intangible assets' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

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

Assets held under other leases were classified as operating leases and were not recognised in the Group's consolidated statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(u) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****4 Segment information**

During 2024 the Chief Operating Decision Maker of the Group decided to divide the operations of the Group into four operating segments based on products and services as follows:

Retail banking	Handling of deposits of individual customers, provision of mortgage, consumer loans, commission, purchase/sale of foreign currency, provision of investment services.
Corporate and SME banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Private banking	Handling of loans and lines of credit, maintenance of deposits and current accounts, commission, purchase and sale of foreign currency, provision of investment banking services to the clients of the Private sector.
Investment banking	Foreign currency trading operations, investment portfolio management, attracting and allocating short-term funds through interbank loans, repurchase agreements for liquidity management purposes, provision of brokerage services, etc.
Other	Other includes information related to segments whose profit does not exceed 10% of the consolidated profit, as well as items that are not allocated to any specific segment.
Intersegmental	The offsets between business segments as a result of managerial accounting.

To ensure comparability the Group disclosed the operating segments' information of prior year as well.

Financial management in the Group is carried out according to individual departments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The distribution of the lines of the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the Group by business segments is carried out according to the principle of management accounting, the main purpose of which is to provide a system of accurate and reliable reports for making decisions on profitability and efficiency.

The net allocation of reserves for business units is calculated according to the cost of risk indicators planned for the current year.

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

2024	Retail banking AMD'000	Corporate and SME banking AMD'000	Private banking AMD'000	Investment banking AMD'000	Other* AMD'000	Interseg- mental AMD'000	Total
External income							
Interest income calculated using the effective interest method	62,793,200	46,827,678	9,161,093	18,024,751	46,055,816	(40,364,333)	142,498,205
Other interest income	-	1,122,825	-	-	-	-	1,122,825
Interest expense	(39,157,052)	(34,151,585)	(4,167,279)	(12,224,727)	(11,016,119)	57,634,711	(43,082,051)
Net interest income	23,636,148	13,798,918	4,993,814	5,800,024	35,039,697	17,270,378	100,538,979
Fee and commission income	7,979,312	4,149,401	11,699,260	12,390,487	126,148	(5,535,347)	30,809,261
Fee and commission expense	(3,188,209)	(1,144,520)	(655,577)	(1,058,605)	(256,908)	-	(6,303,819)
Net fee and commission income	4,791,103	3,004,881	11,043,683	11,331,882	(130,760)	(5,535,347)	24,505,442
Net gain on loans to customers at fair value through profit or loss	-	37,421	-	-	-	-	37,421
Net loss on financial instruments at fair value through profit or loss	-	-	-	(331,335)	-	-	(331,335)
Net foreign exchange gain	3,393,645	6,712,179	29,798,368	23,048,542	(404,317)	-	62,548,417
Net gain on investment securities	-	-	-	1,031,924	-	-	1,031,924
Net other operating income	2,614,558	533,851	66,253	-	119,656	-	3,334,318
Operating income	34,435,454	24,087,250	45,902,118	40,881,037	34,624,276	11,735,031	191,665,166
Bargain purchase gain	-	-	-	-	29,395,427	-	29,395,427
Impairment losses on financial instruments and losses on initial recognition of POCI loans	(6,406,529)	(4,833,808)	(63,640)	-	3,131,645	(691,006)	(8,863,338)
Other impairment recovery	-	400,439	-	-	-	-	400,439
Personnel and other general administrative expenses	(12,809,830)	(4,839,931)	(10,469,804)	(9,611,793)	(47,257,147)	29,720,952	(55,267,553)
Segment profit	15,219,095	14,813,950	35,368,674	31,269,244	19,894,201	40,764,977	157,330,141
Income tax expense	(2,466,793)	(2,344,821)	(5,563,441)	(5,100,089)	(3,113,197)	(6,031,884)	(24,620,225)
Profit for the period	12,752,302	12,469,129	29,805,233	26,169,155	16,781,004	34,733,093	132,709,916

* Management of the Group monitors subsidiary Ardshininvestbank CJSC's operating results under Other segment.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****4 Segment information (continued)**

	<i>Retail banking AMD'000</i>	<i>Corporate and SME banking AMD'000</i>	<i>Private banking AMD'000</i>	<i>Investment banking AMD'000</i>	<i>Other AMD'000</i>	<i>Interseg- mental AMD'000</i>	<i>Total</i>
2023							
External income							
Interest income calculated using the effective interest method	52,145,300	37,677,543	6,723,508	45,372,841	3,062,617	(34,245,055)	110,736,754
Other interest income	–	1,170,370	–	–	–	–	1,170,370
Interest expense	(30,468,259)	(30,603,067)	(3,006,322)	(22,259,739)	(12,901,121)	56,766,890	(42,471,618)
Net interest income	21,677,041	8,244,846	3,717,186	23,113,102	(9,838,504)	22,521,835	69,435,506
Fee and commission income	6,934,519	5,279,074	6,575,978	2,023,042	–	–	20,812,613
Fee and commission expense	(3,295,411)	(868,110)	(270,327)	(844,659)	–	–	(5,278,507)
Net fee and commission income	3,639,108	4,410,964	6,305,651	1,178,383	–	–	15,534,106
Net loss on loans to customers at fair value through profit or loss	–	(1,309,352)	–	–	–	–	(1,309,352)
Net gain on financial instruments at fair value through profit or loss	–	–	–	(904,343)	–	–	(904,343)
Loss on derecognition of financial instruments	–	–	–	–	(18,138,042)	–	(18,138,042)
Net foreign exchange gain	3,641,120	7,039,959	14,132,895	10,442,005	–	–	35,255,979
Net gain on investment securities	–	–	–	2,502,044	–	–	2,502,044
Net other operating income	2,282,533	521,987	129,526	207,878	619,762	–	3,761,686
Operating income	31,239,802	18,908,404	24,285,258	36,539,069	(27,356,784)	22,521,835	106,137,584
Impairment losses on financial instruments	(8,605,734)	(2,487,066)	(44,170)	–	1,851,789	3,141,800	(6,143,381)
Other impairment losses	–	286,274	–	–	–	–	286,274
Personnel and other general administrative expenses	(11,817,019)	(4,670,207)	(6,383,549)	(9,651,225)	(21,438,090)	25,821,211	(28,138,879)
Segment profit	10,817,049	12,037,405	17,857,539	26,887,844	(46,943,085)	51,484,846	72,141,598
Income tax expense	(1,656,763)	(1,843,676)	(2,735,101)	(4,118,203)	7,189,908	(7,885,534)	(11,049,369)
Profit for the period	9,160,286	10,193,729	15,122,438	22,769,641	(39,753,177)	43,599,312	61,092,229

The following tables present segment assets and liabilities of the Group's operating segments:

	<i>Retail banking AMD'000</i>	<i>Corporate and SME banking AMD'000</i>	<i>Private banking AMD'000</i>	<i>Investment banking AMD'000</i>	<i>Other, Interseg- mental AMD'000</i>	<i>Total</i>
Interest-bearing financial assets						
At 31 December 2024	389,055,061	517,717,767	8,797,593	1,076,301,689	274,309,783	2,266,181,893
At 31 December 2023	292,371,782	334,289,173	6,276,155	932,275,613	38,643,180	1,603,855,903
Interest-bearing financial liabilities						
At 31 December 2024	301,859,054	311,660,855	629,795,639	376,328,723	299,583,541	1,919,227,812
At 31 December 2023	272,995,266	283,169,834	385,979,806	312,751,277	174,176,566	1,429,072,749

Interest-bearing assets include financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss, interest-bearing loans and advances to banks, receivables under reverse repurchase agreements, gross loans and advances to customers and debt instruments measured at amortized cost.

Interest-bearing financial liabilities include bank deposits and balances, accounts payable under repurchase agreements, customer current accounts and deposits, issued debt securities, and other borrowings.

Geographic information

The Group's operations are primarily concentrated in Armenia. The Group has no assets outside of Armenia other than financial instruments.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****4 Segment information (continued)****Revenue from contracts with customers**

Revenue from contracts with customers Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the years ended 31 December 2024 and 2023 was as follows:

	<i>Retail banking AMD'000</i>	<i>Corporate and SME banking AMD'000</i>	<i>Private banking AMD'000</i>	<i>Investment banking AMD'000</i>	<i>Other</i>	<i>Intersegmen- tal AMD'000</i>	<i>Total</i>
2024							
Fee and commission income							
Remittances	2,056,549	853,885	9,427,398	2,536,652		-	14,874,484
Plastic card servicing	4,216,408	1,733,303	585,515	-	72,298	-	6,607,524
Cash withdrawal and accounts service	1,472,646	137,129	1,055,063	2,192,745		-	4,857,583
Brokerage and custodian services	82,016	70,011	400,206	1,980,113		-	2,532,346
Guarantee and letter of credit issuance	-	1,138,314	-	-		-	1,138,314
Other	151,693	216,759	231,078	5,680,976	53,850	(5,535,346)*	799,010
Total revenue from contracts with customers	7,979,312	4,149,401	11,699,260	12,390,486	126,148	(5,535,346)	30,809,261

* In 2024 1% intersegment commission (management fee) is allocated to Investment banking segment as an appreciation for loans and advances to banks and financial institutions, correspondent accounts and investment portfolio management.

	<i>Retail banking AMD'000</i>	<i>Corporate and SME banking AMD'000</i>	<i>Private banking AMD'000</i>	<i>Investment banking AMD'000</i>	<i>Total</i>
2023					
Fee and commission income					
Remittances	1,107,158	1,280,382	5,341,424	1,207,279	8,936,243
Plastic card servicing	3,261,908	1,259,455	239,449	-	4,760,812
Cash withdrawal and accounts service	2,164,876	273,154	192,499	399,578	3,030,107
Guarantee and letter of credit issuance	-	2,077,609	-	-	2,077,609
Brokerage and custodian services	163,923	5,080	694,420	275,851	1,139,274
Other	236,654	383,394	108,186	140,334	868,568
Total revenue from contracts with customers	6,934,519	5,279,074	6,575,978	2,023,042	20,812,613

5 Business combination

On 29 November 2024 Ardshinbank CJSC acquired 100% of the shares of HSBC Bank Armenia CJSC, which was renamed as Ardshininvestbank CJSC. The acquisition had business and operations expansion purposes for Ardshinbank CJSC, and meanwhile was part of HSBC's strategic view to reallocate capital to higher-growth markets.

The Group recognised the gain from bargain purchase of Ardshininvestbank CJSC in the consolidated statement of profit or loss and other comprehensive income and presented as a separate line, as the fair value of identifiable net assets of the acquiree exceeded the net consideration transferred for the acquisition at the acquisition date, which was due to the HSBC's plans to leave Armenian market and get disposed of its' business in Armenia.

There were consulting costs related to the acquisition of HSBC Bank Armenia CJSC in the amount of AMD 3,878,471 thousand, which were recognised in other general administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****5 Business combination (continued)**

The table below presents the fair values of HSBC Bank Armenia CJSC's net assets as of the acquisition date, the consideration transferred and bargain purchase gain.

	29 November 2024 AMD'000
Assets	
Cash and cash equivalents	18,472,547
Loans and advances to banks and financial institutions	25,553,108
Loans and advances to customers	176,942,120
Investment securities	18,611,923
Property, equipment and intangible assets	3,960,216
Current tax assets	483,786
Other assets	1,328,858
Total assets	245,352,558
Liabilities	
Borrowings and other balances from banks and derivative financial liabilities	15,188,697
Current accounts and deposits from customers	149,728,112
Current tax liability	1,926,293
Deferred tax liability	446,645
Other liabilities	7,791,981
Total liabilities	175,081,728
Total Net Assets	70,270,830
Net consideration transferred by cash	40,875,403
Bargain purchase gain	29,395,427

From the date of acquisition, the contribution of Ardshininvestbank CJSC to the Group's profit, interest income and fee and commission income for the year ended 31 December 2024 amounted to AMD 677,483 thousand, AMD 1,624,769 and AMD 126,148 thousand respectively.

If the business combination had occurred at the beginning of the year, the Group's profit, net interest income, net fee and commission income would have been AMD 144,226,595 thousand, AMD 116,603,624 and AMD 25,315,713 thousand respectively.

6 Net interest income

	2024 AMD'000	2023 AMD'000
Loans and advances to customers	90,346,258	67,652,168
Investment securities measured at amortised cost	23,306,449	20,615,243
Cash and cash equivalents	21,979,192	15,010,392
Loans and advances to banks and financial institutions	4,480,132	5,238,667
Investment securities measured at fair value through other comprehensive income	2,386,174	2,220,284
Interest income calculated using the effective interest method	142,498,205	110,736,754
Loans to customers at FVTPL	1,014,615	1,140,917
Derivative financial instruments	65,072	17,151
Finance lease receivables	43,138	12,302
Other interest income	1,122,825	1,170,370
	143,621,030	111,907,124
Interest expense		
Current accounts and deposits from customers	23,739,534	21,871,590
Borrowings and other balances from banks	14,370,048	13,188,435
Debt securities issued	4,743,832	7,221,926
Lease liabilities	228,637	189,667
	43,082,051	42,471,618
Net interest income	100,538,979	69,435,506

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****7 Net fee and commission income**

	2024 AMD'000	2023 AMD'000
Fee and commission income		
Remittances	14,874,484	8,936,243
Plastic card servicing	6,607,524	4,760,812
Cash withdrawal and accounts service	4,857,583	3,030,107
Brokerage and custodian services	2,532,346	1,139,274
Guarantee and letter of credit issuance	1,138,314	2,077,609
Other	799,010	868,568
	30,809,261	20,812,613
Fee and commission expense		
Plastic card transactions	4,651,805	4,234,328
Correspondence relations	654,780	560,054
Client referral program	518,996	–
Fee and commission expense from brokerage	304,187	284,605
Payment systems services	146,386	181,538
Guarantee and letter of credit issuance	27,665	17,982
	6,303,819	5,278,507
Net fee and commission income	24,505,442	15,534,106

(a) Performance obligations and revenue recognition policies

Fee and commission income from the contracts with customers is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control over a service to a customer.

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

8 Net loss on other financial instruments at fair value through profit or loss

	2024 AMD'000	2023 AMD'000
Net loss from currency and interest rate derivative instruments	(838,207)	(1,470,456)
Other	506,872	566,113
	(331,335)	(904,343)

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****9 Net loss on derecognition of financial assets at amortized cost**

According to the decision of the Government of the Republic of Armenia, in 2023 the Government of the Republic of Armenia provided the Group with long-term coupon bonds of the Ministry of Finance of Republic of Armenia in exchange for the right to claim money on the bonds of the Republic of Artsakh and loans to the residents of the Republic of Artsakh.

The new long-term coupon bonds of the Ministry of Finance of the Republic of Armenia provided represented 70% of the carrying value of bonds of Republic of Artsakh and loans to residents of the Republic of Artsakh. As a result, in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 the Group recognized AMD 18,138,042 thousand difference between AMD 55,883,492 carrying value of the Republic of Artsakh bonds and AMD 37,745,450 fair value of the Republic of Armenia Ministry of Finance bonds as a loss of derecognition of financial assets at amortized cost.

The bonds have a maturity of 10 years and nominal interest rate of 9.60%.

10 Net foreign exchange gain

	2024 AMD'000	2023 AMD'000
Gain on spot transactions	62,827,264	33,885,362
Gain/(loss) from revaluation of financial assets and liabilities	(278,847)	1,370,617
	62,548,417	35,255,979

11 Net other operating income

	2024 AMD'000	2023 AMD'000
Fines and penalties received	2,654,745	2,567,260
Income from reimbursement of legal expenses	254,320	391,387
Gain from debt securities buy back (Note 23)	24,564	207,878
Gain/(loss) from disposal of assets	(270,114)	200,117
Other income	670,803	395,044
	3,334,318	3,761,686

12 Impairment losses on financial instruments

The table below shows the impairment losses on financial instruments recorded in the consolidated 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	POCI	Total
Cash and cash equivalents	32,694	-	-	-	32,694
Loans to banks at amortised cost	(31,379)	-	-	-	(31,379)
Loans and advances to customers at amortised cost – corporate customers	(1,888,601)	108,069	(258,691)	435,425	(1,603,798)
Loans to customers at amortised cost – retail customers	(1,471,064)	(157,606)	(1,302,745)	-	(2,931,415)
Debt investment securities at FVOCI	(83,100)	-	-	-	(83,100)
Debt investment securities at amortised cost	(57,212)	-	-	-	(57,212)
Financial guarantee contracts	(80,064)	-	-	-	(80,064)
Other assets	87,297	-	-	-	87,297
Total	(3,491,429)	(49,537)	(1,561,436)	435,425	(4,666,977)

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****12 Impairment losses on financial instruments (continued)**

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

AMD'000	2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	(32,142)	-	-	-	(32,142)
Loans to banks at amortised cost	171,666	-	-	-	171,666
Loans to customers at amortised cost – corporate customers	(1,376,030)	(163,351)	(3,765,306)	-	(5,304,687)
Loans to customers at amortised cost – retail customers	(860,988)	275,441	(1,079,385)	-	(1,664,932)
Debt investment securities at FVOCI	(23,640)	-	-	-	(23,640)
Debt investment securities at amortised cost	867,677	-	-	-	867,677
Financial guarantee contracts	(73,380)	-	-	-	(73,380)
Other assets	(83,943)	-	-	-	(83,943)
Total	(1,410,780)	112,090	(4,844,691)	-	(6,143,381)

The following tables show reconciliations from the opening to the closing balances of the loss allowance for 2024.

AMD'000	2024*				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to customers at amortised cost – corporate customers					
Balance at 1 January	2,063,044	2,838,354	14,734,988	-	19,636,386
Transfer to Stage 1	5,302	(186)	(5,116)	-	-
Transfer to Stage 2	(52,882)	55,130	(2,248)	-	-
Transfer to Stage 3	(113,222)	(756,617)	869,839	-	-
Net remeasurement of loss allowance	(1,794,799)	(108,069)	258,691	(435,425)	(2,079,602)
New financial assets originated or purchased	3,683,400	-	-	-	3,683,400
Recognized in statement of profit or loss	1,888,601	(108,069)	258,691	(435,425)	1,603,798
Effect of business combination	766,790	-	-	-	766,790
Disposal of subsidiary	(174)	(1,936,494)	(12,620,847)	-	(14,557,515)
Foreign exchange adjustments	(69,591)	(716)	(75,427)	-	(145,734)
Recovery	-	-	-	435,425	435,425
Write-offs	-	-	(64,404)	-	(64,404)
Balance at 31 December	4,487,868	91,402	3,095,476	-	7,674,746

AMD'000	2024*				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Balance at 1 January	2,588,506	772,297	1,886,338	-	5,247,141
Transfer to Stage 1	250,571	(196,814)	(53,757)	-	-
Transfer to Stage 2	(651,735)	697,577	(45,842)	-	-
Transfer to Stage 3	(1,178,143)	(324,857)	1,503,000	-	-
Net remeasurement of loss allowance	(1,705,006)	157,606	1,302,745	-	(244,655)
New financial assets originated or purchased	3,176,070	-	-	-	3,176,070
Recognized in statement of profit or loss	1,471,064	157,606	1,302,745	-	2,931,415
Effect of business combination	387,092	-	-	-	387,092
Foreign exchange adjustments	209,983	(526)	(135)	-	209,322
Write-offs	-	-	(1,508,046)	-	(1,508,046)
Balance at 31 December	3,077,338	1,105,283	3,084,303	-	7,266,924

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****12 Impairment losses on financial instruments (continued)**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for 2023.

AMD'000	2023*			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	1,285,498	2,297,517	9,811,205	13,394,220
Transfer to Stage 1	219,337	(204,447)	(14,890)	-
Transfer to Stage 2	(535,306)	537,891	(2,585)	-
Transfer to Stage 3	(290,917)	(8,617)	299,534	-
Net remeasurement of loss allowance	(2,334,651)	163,351	3,765,306	1,594,006
New financial assets originated or purchased	3,710,681	-	-	3,710,681
Recognized in statement of profit or loss	1,376,030	163,351	3,765,306	5,304,687
Foreign exchange adjustments	8,402	52,659	1,003,146	1,064,207
Write-offs	-	-	(126,728)	(126,728)
Balance at 31 December	2,063,044	2,838,354	14,734,988	19,636,386

AMD'000	2023*			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – retail customers				
Balance at 1 January	2,405,776	1,462,476	2,433,238	6,301,489
Transfer to Stage 1	434,124	(354,529)	(79,595)	-
Transfer to Stage 2	(458,607)	508,279	(49,672)	-
Transfer to Stage 3	(655,432)	(568,619)	1,224,051	-
Net remeasurement of loss allowance	(1,043,458)	(275,442)	1,079,386	(239,514)
New financial assets originated or purchased	1,904,446	-	-	1,904,446
Recognized in statement of profit or loss	860,988	(275,442)	1,079,386	1,664,932
Foreign exchange adjustments	1,657	133	2,576	4,366
Write-offs	-	-	(2,723,646)	(2,723,646)
Balance at 31 December	2,588,506	772,297	1,886,338	5,247,141

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

13 Other general administrative expenses

	2024 AMD'000	2023 AMD'000
Professional services*	4,303,777	328,380
Depreciation and amortization	1,762,820	1,657,052
Deposit insurance fund expenses	1,270,081	1,212,595
Software expenses	1,265,940	909,241
Expenses related to collection of loans	1,078,053	1,024,146
Insurance	679,188	674,304
Taxes, other than on income	630,737	548,966
Advertising, marketing and agent expenses	628,048	410,709
Communications and information services	582,502	536,283
Repairs and maintenance	442,883	361,378
Security	305,812	431,484
Charity and sponsorship	285,138	107,102
Utilities and office maintenance	185,298	179,472
Cash transportation expenses	175,967	172,686
Office supplies	161,405	134,725
Travel expenses	128,379	108,240
Operating lease expense	41,782	57,096
Other	1,302,154	963,954
	15,229,964	9,817,813

* Professional services include consulting costs related to the acquisition of "HSBC Bank Armenia" CJSC in the amount of AMD 3,878,471 thousand.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****14 Income tax expense**

	2024 AMD'000	2023 AMD'000
Current year tax expense	(24,242,111)	(3,980,571)
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(378,114)	(7,068,798)
Total income tax expense	(24,620,225)	(11,049,369)

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

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

	2024 AMD'000	%	2023 AMD'000	%
Profit before income tax	157,330,141		72,141,598	
Income tax at the applicable tax rate	(28,319,425)	(18.0)	(12,985,487)	(18.0)
Foreign exchange loss	(50,192)	(0.03)	246,711	0.3
Alternative tax rate applied	-	-	2,002,109	2.8
Net non-taxable income*/(non-deductible expenses)	3,749,393	2.4	(312,702)	(0.4)
	(24,620,225)	(15.6)	(11,049,369)	(15.3)

* The non-taxable income in the effective tax rate reconciliation mainly comes from gain from bargain purchase, which is recognised in the consolidated statement of profit or loss and other comprehensive income as a result of acquisition of HSBC Bank Armenia CJSC on 29 November 2024. This gain on bargain purchase will never give rise to taxable profits, against which deferred taxes can be reversed, it creates permanent difference between tax and IFRS accounting.

(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 assets/liabilities at 31 December 2024 and 31 December 2023.

The deductible temporary differences do not expire under current tax legislation.

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

AMD'000	Balance 1 January 2024	Effect of business combination	Recognised in profit or loss	Recognised in other comprehen- sive income	Balance 31 December 2024
Cash and cash equivalents	7,021	-	(5,885)	-	1,136
Loans and advances to banks and financial institutions	(481,594)	(6,656)	(91,147)	-	(579,397)
Loans and advances to customers	(5,423,975)	(457,991)	(1,220,476)	-	(7,102,442)
Investment securities	638,608	(16,375)	15,133	(144,083)	493,283
Property and equipment	(1,860,115)	(177,937)	(59,239)	-	(2,097,291)
Other assets	517,791	(77,941)	(277,451)	-	162,399
Debt securities issued	(8,295)	-	8,295	-	-
Other liabilities	443,304	290,255	1,252,656	-	1,986,215
	(6,167,255)	(446,645)	(378,114)	(144,083)	(7,136,097)

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****14. Income tax expense (continued)****(a) Deferred tax assets and liabilities (continued)**

The carrying amount of the investment in Ardshininvestbank CJSC in the consolidated financial statements and the tax base of the investment in Ardshinbank's individual financial statements as at 31 December 2024 are different, creating outside temporary difference. That deferred tax on outside temporary difference is AMD 3,988,653 thousand as at 31 December 2024. No deferred tax liability has been recognized on this difference, as the parent controls the timing of the reversal, and it is not expected to reverse in the foreseeable future.

AMD'000	Balance 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2023
Cash and cash equivalents	1,235	5,786	-	7,021
Loans and advances to banks and financial institutions	(427,892)	(53,702)	-	(481,594)
Loans to customers	2,047,712	(7,471,687)	-	(5,423,975)
Investment securities	97,253	772,860	(231,505)	638,608
Property and equipment	(1,911,863)	51,748	-	(1,860,115)
Other assets	569,458	(51,667)	-	517,791
Debt securities issued	(16,575)	8,280	-	(8,295)
Other liabilities	773,720	(330,416)	-	443,304
	1,133,048	(7,068,798)	(231,505)	(6,167,255)

(b) Income tax recognised in other comprehensive income

The tax effects related to components of other comprehensive income for the years ended 31 December 2024 and 31 December 2023 comprise the following:

AMD'000	2024			2023		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of debt investment securities	969,923	(184,917)	785,006	1,429,032	(257,224)	1,171,808
Net change in fair value of debt investment securities transferred to profit or loss	(226,856)	40,834	(186,022)	(142,891)	25,720	(117,171)
Other comprehensive income	743,067	(144,083)	598,984	1,286,141	(231,504)	1,054,637

15 Cash and cash equivalents

	2024 AMD'000	2023 AMD'000
Cash on hand	26,094,258	16,955,909
Nostro accounts with the CBA	199,275,295	138,625,173
Nostro accounts with other banks		
rated AA- to AA+	12,736,938	25,911,974
rated A- to A+	95,450,330	97,840,015
rated BBB- to BBB+	1,892,416	1,158,031
rated from BB- to BB+	316,317	618,044
rated from B- to B+	267,901	378
not rated*	19,441,208	6,817,971
Total nostro accounts with other banks	130,105,110	132,346,413
Deposits with the CBA	2,000,600	-
Deposits with other banks		
rated AA- to AA+	-	15,441,048
rated A- to A+	-	22,979,796
rated BBB- to BBB+	104,316,503	96,195,257
not rated*	57,203,771	11,265,881
Total deposits with other banks	161,520,274	145,881,982
Total gross cash and cash equivalents	518,995,537	433,809,477
Credit loss allowance	(6,310)	(39,004)
Total net cash and cash equivalents	518,989,227	433,770,473

* For not rated instruments according to the Group's assessment, there are no restrictions on the ability to withdraw funds from these balances.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****15 Cash and cash equivalents (continued)**

Ratings are based on Standard & Poor's rating system. No cash and cash equivalents are past due.

As at 31 December 2024 the Group has four counterparty banks except for the CBA (2023: five bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 203,204,041 thousand (2023: AMD 228,467,532 thousand).

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

16 Loans and advances to banks and financial institutions and derivative financial assets

	2024 AMD'000	2023 AMD'000
Deposit with the Central Bank of Armenia, obligatory reserves	131,492,343	95,382,260
Reverse repurchase agreements with related financial institutions	42,860,064	40,995,310
Reverse repurchase agreements with medium size Armenian financial institutions	30,088,784	13,019,972
Reverse repurchase agreements with resident banks	5,776,732	–
Credit card settlement deposit with the CBA	4,842,500	4,232,500
Loans to banks	1,198,004	–
Deposited funds in other financial institutions	1,148,078	3,752,467
Other receivables from resident banks	816,605	1,827,772
Deposit with non-resident banks pledged for guarantees	364,244	12,852
Unsettled transactions*	1,200,676	9,813,930
Total gross loans and advances to banks and financial institutions	219,788,030	169,037,063
Credit loss allowance	(138,268)	(106,889)
Total net loans and advances to banks and financial institutions	219,649,762	168,930,174
Derivative financial assets		
Currency swaps	644,875	92,591
Total derivative financial assets	644,875	92,591
Loans and advances to banks and financial institutions and derivative financial assets	220,294,637	169,022,765

None of loans and advances to banks and financial institutions are past due.

* *Unsettled transactions include amounts transferred to a foreign counterparty for replenishment of a correspondent account which were cleared shortly after the year-end.*

(a) Balances with the Central Bank of Armenia

Balances with the Central Bank of Armenia include credit card settlement deposit, that is a non-interest-bearing deposit calculated in accordance with regulations issued by the Central Bank of Armenia and withdrawability of which is restricted.

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 4% (2023: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted (2023: 6% maintained in AMD and 12% in the respective currency of attracted funds). The Group's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Group fails to comply with minimum average monthly amount of reserve sanctions may be applied. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 15) as these funds are readily available for withdrawal.

For the obligatory reserve maintained in foreign currencies the Group 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****16 Loans and advances to banks and financial institutions and derivative financial assets (continued)****(b) Collateral accepted as security for assets**

At 31 December 2024 the fair value of financial assets collateralizing reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is AMD 91,064,125 thousand (2023: AMD 54,938,543 thousand).

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

(c) Concentration of loans and advances to banks and financial institutions

As at 31 December 2024 the Group has one financial institution except for the CBA (2023: one groups of financial institutions except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 41,544,556 thousand (2023: AMD 36,546,814 thousand).

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

The following table sets out information about the credit quality of loans and advances to banks and financial institutions measured at amortised cost as at 31 December 2024 and 31 December 2023. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2024			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
AMD'000				
Loans and advances to banks and financial institutions at amortised cost				
- rated AA- to AA+	67,680	-	-	67,680
- rated A- to A+	367,851	-	-	367,851
- rated from BBB- to BBB+	-	-	-	-
- rated BB- to BB+	5,967,000	-	-	5,967,000
- rated B+	839,761	-	-	839,761
- not rated	212,545,738	-	-	212,545,738
	219,788,030	-	-	219,788,030
Loss allowance	(138,268)	-	-	(138,268)
Carrying amount	219,649,762	-	-	219,649,762

From unrated instruments AMD 136,334,843 thousand represents balances with CBA. The other unrated instruments are mainly reverse repurchase agreements with Armenian financial institutions.

	31 December 2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
AMD'000				
Loans and advances to banks and financial institutions at amortised cost				
- rated AA- to AA+	1,669,098	-	-	1,669,098
- rated A- to A+	10,376,340	-	-	10,376,340
- rated from BBB- to BBB+	-	-	-	-
- rated BB- to BB+	-	-	-	-
- rated B+	-	-	-	-
- not rated	156,991,625	-	-	156,991,625
	169,037,063	-	-	169,037,063
Loss allowance	(106,889)	-	-	(106,889)
Carrying amount	168,930,174	-	-	168,930,174

From unrated instruments AMD 99,614,760 thousand represents balances with CBA. The other unrated instruments are mainly reverse repurchase agreements with Armenian financial institutions.

The Group uses credit ratings per Standard & Poor's in disclosing credit quality. No loans and advances to banks and financial institutions and derivative financial assets are credit impaired or past due.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17 Loans and advances to customers**

	2024 AMD'000	2023 AMD'000
Loans and advances to customers at amortised cost		
Loans and advances to corporate customers	625,646,827	361,093,666
Loans to retail customers		
Mortgage loans	303,677,318	169,398,694
Consumer and other loans to retail customers	126,095,534	93,308,844
Gold loans	38,113,139	36,708,025
Credit cards	34,436,334	23,685,229
Total loans to retail customers	502,322,325	323,100,792
Total gross loans and advances to customers at amortised cost	1,127,969,152	684,194,458
Credit loss allowance	(14,941,670)	(24,883,528)
Total net loans and advances to customers at amortised cost	1,113,027,482	659,310,930
Loans to customers at FVTPL		
Loans to corporate customers	10,719,120	12,269,361
Total loans to customers at amortised cost and FVTPL	1,123,746,602	671,580,291

(a) Credit quality of loans and advances to customers

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

	2024**					Total AMD'000
	Stage 1 12-month ECL AMD'000	Stage 2 Lifetime ECL not credit- impaired AMD'000	Stage 3 Lifetime ECL credit-impaired* AMD'000	Purchased originated or credit impaired upon initial recognition AMD'000	Loans at FVTPL AMD'000	
Loans and advances to corporate customers						
Internal ratings						
Grade 1: AAA-A	194,685,652	-	-	-	-	194,685,652
Grade 2: BBB-BB	351,483,318	1,330,906	-	-	10,684,344	363,498,568
Grade 3: B	26,874,899	106,743	-	-	34,776	27,016,418
Grade 4: CCC	3,133,156	15,631	-	-	-	3,148,787
Grade 5: D	-	-	10,237,670	9,167,511	-	19,405,181
Grade 6: not rated	27,906,744	704,597	-	-	-	28,611,341
Total gross loans and advances to corporate customers	604,083,769	2,157,877	10,237,670	9,167,511	10,719,120	636,365,947
Credit loss allowance	(4,487,868)	(91,402)	(3,095,476)	-	-	(7,674,746)
Total net loans and advances to corporate customers	599,595,901	2,066,475	7,142,194	9,167,511	10,719,120	628,691,201
Loans to retail customers						
Gold loans						
- not overdue	36,917,845	7	55,483	-	-	36,973,335
- overdue less than 30 days	410,994	98,999	41,305	-	-	551,298
- overdue 30-89 days	-	127,430	76,163	-	-	203,593
- overdue 90-179 days	-	-	120,504	-	-	120,504
- overdue 180-270 days	-	-	114,457	-	-	114,457
- overdue more than 270 days	-	-	149,952	-	-	149,952
Total gross gold loans	37,328,839	226,436	557,864	-	-	38,113,139
Credit loss allowance	(150,055)	(11,639)	(140,491)	-	-	(302,185)
Total net gold loans	37,178,784	214,797	417,373	-	-	37,810,954
Credit cards						
- not overdue	32,310,166	155,268	23,746	-	-	32,489,180
- overdue less than 30 days	253,477	81,535	10,860	-	-	345,872
- overdue 30-89 days	-	267,781	49,289	1,605	-	318,675
- overdue 90-179 days	-	-	580,868	3,943	-	584,811
- overdue 180-270 days	-	-	322,859	916	-	323,775
- overdue more than 270 days	-	-	373,159	862	-	374,021
Total gross credit cards	32,563,643	504,584	1,360,781	7,326	-	34,436,334
Credit loss allowance	(932,174)	(142,321)	(582,515)	-	-	(1,657,010)
Total net credit cards	31,631,469	362,263	778,266	7,326	-	32,779,324

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(a) Credit quality of loans and advances to customers (continued)**

	2024**					
	Stage 1 12-month ECL AMD'000	Stage 2 Lifetime ECL not credit- impaired AMD'000	Stage 3 Lifetime ECL credit- impaired* AMD'000	Purchased originated or credit impaired upon initial recognition AMD'000	Loans at FVTPL AMD'000	Total AMD'000
Mortgage loans						
– not overdue	298,046,642	906,272	71,859	–	–	299,024,773
– overdue less than 30 days	946,383	140,389	839,077	–	–	1,925,849
– overdue 30-89 days	–	405,593	285,404	372,161	–	1,063,158
– overdue 90-179 days	–	–	648,470	95,840	–	744,310
– overdue 180-270 days	–	–	237,846	4,833	–	242,679
– overdue more than 270 days	–	–	499,357	177,192	–	676,549
Total gross mortgage loans	298,993,025	1,452,254	2,582,013	650,026	–	303,677,318
Credit loss allowance	(312,374)	(84,970)	(308,416)	–	–	(705,760)
Total net mortgage loans	298,680,651	1,367,284	2,273,597	650,026	–	302,971,558
Consumer and other loans to retail customers						
– not overdue	110,641,856	2,342,915	713,841	2,138	–	113,700,750
– overdue less than 30 days	2,134,199	1,711,008	242,714	68	–	4,087,989
– overdue 30-89 days	–	1,970,982	764,521	80,335	–	2,815,838
– overdue 90-179 days	–	–	2,120,432	64,381	–	2,184,813
– overdue 180-270 days	–	–	1,698,372	4,118	–	1,702,490
– overdue more than 270 days	–	–	1,603,353	301	–	1,603,654
Total gross consumer and other loans to retail customers	112,776,055	6,024,905	7,143,233	151,341	–	126,095,534
Credit loss allowance	(1,682,735)	(866,353)	(2,052,881)	–	–	(4,601,969)
Total net consumer and other loans to retail customers	111,093,320	5,158,552	5,090,352	151,341	–	121,493,565
Total gross loans to retail customers	481,661,562	8,208,179	11,643,891	808,693	–	502,322,325
Credit loss allowance	(3,077,338)	(1,105,283)	(3,084,303)	–	–	(7,266,924)
Total net loans to retail customers	478,584,224	7,102,896	8,559,588	808,693	–	495,055,401
Total gross loans and advances to customers	1,085,745,331	10,366,056	21,881,561	9,976,204	10,719,120	1,138,688,272
Credit loss allowance	(7,565,206)	(1,196,685)	(6,179,779)	–	–	(14,941,670)
Total net loans and advances to customers	1,078,180,125	9,169,371	15,701,782	9,976,204	10,719,120	1,123,746,602

* For loans overdue more than 270 days partial write-offs are applied.

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(a) Credit quality of loans and advances to customers (continued)**

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

	2023**					Total AMD'000
	Stage 1 12-month ECL AMD'000	Stage 2 Lifetime ECL not credit- impaired AMD'000	Stage 3 Lifetime ECL credit- impaired* AMD'000	Purchased originated or credit impaired upon initial recognition AMD'000	Loans at FVTPL AMD'000	
Loans to corporate customers						
Internal ratings						
Grade 1: AAA-A	110,450,146	849,423	-	-	-	111,299,569
Grade 2: BBB-BB	163,133,711	11,118,277	-	-	11,638,978	185,890,966
Grade 3: B	19,679,374	4,124,349	-	-	-	23,803,723
Grade 4: CCC	2,586,757	494,539	-	-	630,383	3,711,679
Grade 5: D	-	-	23,642,694	3,148,114	-	26,790,808
Grade 6: not rated	21,534,422	331,860	-	-	-	21,866,282
Total gross loans to corporate customers	317,384,410	16,918,448	23,642,694	3,148,114	12,269,361	373,363,027
Credit loss allowance	(2,063,043)	(2,838,354)	(14,734,989)	-	-	(19,636,386)
Total net loans to corporate customers	315,321,367	14,080,094	8,907,705	3,148,114	12,269,361	353,726,641
Loans to retail customers						
Gold loans						
- not overdue	34,997,926	15,617	10,272	-	-	35,023,815
- overdue less than 30 days	552,191	169,763	51,429	-	-	773,383
- overdue 30-89 days	-	321,574	57,533	-	-	379,107
- overdue 90-179 days	-	-	177,792	-	-	177,792
- overdue 180-270 days	-	-	147,731	-	-	147,731
- overdue more than 270 days	-	-	206,197	-	-	206,197
Total gross gold loans	35,550,117	506,954	650,954	-	-	36,708,025
Credit loss allowance	(180,026)	(41,887)	(161,184)	-	-	(383,097)
Total net gold loans	35,370,091	465,067	489,770	-	-	36,324,928
Credit cards						
- not overdue	22,107,979	343,248	22,283	-	-	22,473,510
- overdue less than 30 days	152,138	70,912	13,085	-	-	236,135
- overdue 30-89 days	-	253,680	25,797	-	-	279,477
- overdue 90-179 days	-	-	205,536	-	-	205,536
- overdue 180-270 days	-	-	146,155	-	-	146,155
- overdue more than 270 days	-	-	344,416	-	-	344,416
Total gross credit cards	22,260,117	667,840	757,272	-	-	23,685,229
Credit loss allowance	(626,382)	(94,228)	(235,269)	-	-	(955,879)
Total net credit cards	21,633,735	573,612	522,003	-	-	22,729,350

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(a) Credit quality of loans and advances to customers (continued)**

	2023**					
	Stage 1 12-month ECL AMD'000	Stage 2 Lifetime ECL not credit- impaired AMD'000	Stage 3 Lifetime ECL credit- impaired* AMD'000	Purchased originated or credit impaired upon initial recognition AMD'000	Loans at FVTPL AMD'000	Total AMD'000
Mortgage loans						
– not overdue	166,142,291	214,872	86,393	–	–	166,443,556
– overdue less than 30 days	621,632	164,120	72,358	–	–	858,110
– overdue 30-89 days	–	275,950	62,131	–	–	338,081
– overdue 90-179 days	–	–	462,901	–	–	462,901
– overdue 180-270 days	–	–	165,738	–	–	165,738
– overdue more than 270 days	–	–	1,130,308	–	–	1,130,308
Total gross mortgage loans	166,763,923	654,942	1,979,829	–	–	169,398,694
Credit loss allowance	(265,497)	(1,501)	(113,377)	–	–	(380,375)
Total net mortgage loans	166,498,426	653,441	1,866,452	–	–	169,018,319
Consumer and other loans to retail customers						
– not overdue	80,889,936	2,074,968	623,443	3,716	–	83,592,063
– overdue less than 30 days	1,938,001	776,953	245,177	95	–	2,960,226
– overdue 30-89 days	–	1,770,075	340,992	77	–	2,111,144
– overdue 90-179 days	–	–	1,583,770	1,042	–	1,584,812
– overdue 180-270 days	–	–	1,247,952	868	–	1,248,820
– overdue more than 270 days	–	–	1,809,561	2,218	–	1,811,779
Total gross consumer and other loans to retail customers	82,827,937	4,621,996	5,850,895	8,016	–	93,308,844
Credit loss allowance	(1,516,601)	(634,682)	(1,376,508)	–	–	(3,527,791)
Total net consumer and other loans to retail customers	81,311,336	3,987,314	4,474,387	8,016	–	89,781,053
Total gross loans to retail customers	307,402,094	6,451,732	9,238,950	8,016	–	323,100,792
Credit loss allowance	(2,588,506)	(772,298)	(1,886,338)	–	–	(5,247,142)
Total net loans to retail customers	304,813,588	5,679,434	7,352,612	8,016	–	317,853,650
Total gross loans to customers	624,786,504	23,370,180	32,881,644	3,156,130	12,269,361	696,463,819
Credit loss allowance	(4,651,549)	(3,610,652)	(16,621,327)	–	–	(24,883,528)
Total net loans to customers	620,134,955	19,759,528	16,260,317	3,156,130	12,269,361	671,580,291

* For loans overdue more than 270 days partial write-offs are applied.

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

The Group performs regular monitoring of corporate clients and assigns internal ratings to each borrower, see Note 26(b).

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(a) Credit quality of loans and advances to customers (continued)**

Significant changes in the gross carrying amount of retail and corporate portfolios during the years ended 31 December 2024 and 31 December 2023 that contributed to changes in loss allowance were as follows:

AMD'000	2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to customers at amortised cost – corporate customers – gross carrying amount					
Balance at 1 January	317,384,409	16,918,448	23,642,694	3,148,115	361,093,666
Transfer to Stage 1	383,260	(269,532)	(113,728)	-	-
Transfer to Stage 2	(1,820,052)	1,932,136	(112,084)	-	-
Transfer to Stage 3	(1,906,262)	(4,654,019)	6,560,281	-	-
Financial assets that have been fully or partially repaid	(126,359,784)	(4,923,603)	(2,275,055)	(367,985)	(133,926,427)
Effect of business combination	103,788,670	-	-	964,564	104,753,234
Disposal of subsidiary	(139,382)	(6,820,058)	(17,205,277)	-	(24,164,717)
Net change in asset from foreign exchange revaluation	(4,485,759)	(25,495)	(194,757)	4,656	(4,701,355)
New financial assets originated or purchased	317,238,669	-	-	5,418,161	322,656,830
Write-offs	-	-	(64,404)	-	(64,404)
Balance at 31 December	604,083,769	2,157,877	10,237,670	9,167,511	625,646,827

AMD'000	2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers – gross carrying amount					
Balance at 1 January	307,402,093	6,451,733	9,238,950	8,016	323,100,792
Transfer to Stage 1	2,085,776	(1,604,954)	(480,822)	-	-
Transfer to Stage 2	(6,606,514)	7,126,445	(519,931)	-	-
Transfer to Stage 3	(6,587,455)	(2,273,271)	8,860,726	-	-
Financial assets that have been fully or partially repaid	(73,289,833)	(1,465,638)	(4,016,002)	(17,486)	(78,788,959)
Effect of business combination	72,661,695	-	-	681,072	73,342,767
Net change in asset from foreign exchange revaluation	(8,702)	(26,136)	69,016	1,729	35,907
New financial assets originated or purchased	186,004,502	-	-	135,362	186,139,864
Write-offs	-	-	(1,508,046)	-	(1,508,046)
Balance at 31 December	481,661,562	8,208,179	11,643,891	808,693	502,322,325

AMD'000	2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers – gross carrying amount					
Balance at 1 January	245,304,461	14,487,086	15,675,720	3,193,838	278,661,105
Transfer to Stage 1	6,131,657	(2,168,059)	(3,963,598)	-	-
Transfer to Stage 2	(8,441,249)	8,536,775	(95,526)	-	-
Transfer to Stage 3	(12,984,444)	(1,740,149)	14,724,593	-	-
Financial assets that have been fully or partially repaid	(99,740,424)	(2,438,887)	(3,661,950)	(45,723)	(105,886,984)
Net change in asset from foreign exchange revaluation	4,322,792	241,682	1,090,183	-	5,654,657
New financial assets originated or purchased	182,791,616	-	-	-	182,791,616
Write-offs	-	-	(126,728)	-	(126,728)
Balance at 31 December	317,384,409	16,918,448	23,642,694	3,148,115	361,093,666

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(a) Credit quality of loans and advances to customers (continued)**

AMD'000	2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers – gross carrying amount					
Balance at 1 January	241,790,335	10,148,294	8,839,439	139,227	260,917,295
Transfer to Stage 1	4,589,074	(3,531,567)	(1,057,507)	–	–
Transfer to Stage 2	(4,122,858)	4,761,604	(638,746)	–	–
Transfer to Stage 3	(6,381,848)	(2,960,574)	9,342,422	–	–
Financial assets that have been fully or partially repaid	(58,298,169)	(1,974,836)	(4,640,848)	(131,211)	(65,045,064)
Net change in asset foreign exchange revaluation	378,666	8,812	117,836	–	505,314
New financial assets originated or purchased	129,446,893	–	–	–	129,446,893
Write-offs	–	–	(2,723,646)	–	(2,723,646)
Balance at 31 December	307,402,093	6,451,733	9,238,950	8,016	323,100,792

POCI Loans to customers

During 2024 the Group granted POCI loans to corporate customers, the loan balance movements of which are presented in above tables. As at 31 December 2024 the balance of POCI loans to corporate customers totalled AMD 9,167,511 thousand (31 December 2023: AMD 3,148,115 thousand), to retail customers AMD 808,693 thousand (31 December 2023: AMD 8,016 thousand). The initial recognition loss from granting POCI loans during 2024 was AMD 4,196,361 thousand (2023: nil).

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

Key assumptions and judgements for estimating credit loss allowance are presented in Note 26(b).

(c) Analysis of credit enhancements

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.

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

*Loans to retail customers**Gold loans*

Gold loans are mainly secured by golden jewellery. The Group's policy is to issue gold loans with a loan-to-value ratio at the date of loan issuance of a maximum of 600%.

Credit cards

Credit card loans are not secured.

Mortgage

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio at the date of loan issuance of a maximum 90%.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17. Loans and advances to customers (continued)****(c) Analysis of credit enhancements (continued)***Consumer and other loans*

Consumer loans are mainly unsecured and comprises 46% of total consumer and other loans portfolio. Other loans are mainly secured by real estate. The Group's policy is to issue other loans with a loan-to-value ratio of maximum 80% of collateral liquid value.

The following tables provide information on the collateral pledged for the loans and advances to customers classified at Stage 3 and POCI as at 31 December 2024 and 31 December 2023.

2024	Gross carrying amount AMD'000	Real estate AMD'000	Other collateral AMD'000	Uncovered AMD'000	Associated ECL AMD'000
Corporate loans and advances to customers	19,405,181	11,029,779	6,890,072	1,485,330	3,095,476
Gold loans	557,864	-	286,290	271,574	140,491
Credit cards	1,368,107	-	-	1,368,107	582,515
Mortgage loans	3,232,039	3,177,413	-	54,626	308,416
Consumer and other loans to retail customers	7,294,574	4,166,029	16,726	3,111,819	2,052,881
Total	31,857,765	18,373,221	7,193,088	6,291,456	6,179,779

2023	Gross carrying amount AMD'000	Real estate AMD'000	Other collateral AMD'000	Uncovered AMD'000	Associated ECL AMD'000
Corporate loans to customers	26,790,809	19,336,723	1,794,131	15,333,469	14,734,989
Gold loans	650,954	-	268,073	428,120	161,184
Credit cards	757,272	-	-	757,272	235,269
Mortgage loans	1,979,829	2,290,596	-	557,685	113,377
Consumer and other loans to retail customers	5,858,910	5,142,550	3,034	2,589,999	1,376,508
Total	36,037,774	26,769,869	2,065,238	19,666,545	16,621,327

(ii) Repossessed collateral

	2024 AMD'000	2023 AMD'000
Real estate	5,150,627	5,799,979
Other assets	1,046,035	3,965,359
	6,196,662	9,765,338
Less: allowance for impairment	(1,555,756)	(3,486,159)
Total repossessed assets	4,640,906	6,279,179

The fair value of repossessed assets of Ardshininvestbank CJSC as at 29 November 2024 amounted to AMD 778,291 thousand, which was transferred to the Group as a result of business combination.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****17 Loans and advances to customers (continued)****(c) Analysis of credit enhancements (continued)**

During the year ended 31 December 2024, the Group obtained certain assets by taking possession of real estate collateral for loans to customers with a net carrying amount of AMD 666,344 thousand (31 December 2023: AMD 1,754,747 thousand). Part of the repossessed real estate collateral in the amount of AMD 2,101,684 thousand was sold during the year ended 31 December 2024 (31 December 2023: AMD 2,016,568 thousand).

Included in repossessed assets other than real estate are gold items amounting to AMD 45,097 thousand as at 31 December 2024 (31 December 2023: AMD 607,590 thousand).

On the date of foreclosure, the collateral is measured at the carrying amount of the defaulted loan. After foreclosure repossessed assets are measured at the lower of cost and net realisable value. 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 20% and 40% depending on the nature and location of the asset for the announced prices for sale.

The Group's policy is to sell these assets as soon as it is practicable.

(d) Assets under lien

As at 31 December 2024, loans and advances to customers with a gross value of AMD 80,327,578 thousand (31 December 2023: AMD 83,505,709 thousand) serve as collateral for loans from banks and other financial institutions (see Note 21).

(e) Industry and geographical analysis of the loan portfolio

Loans and advances to customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

	2024 AMD'000	2023 AMD'000
Loans to retail customers	502,322,324	323,100,792
Construction	125,867,051	85,049,946
Trade	84,114,632	47,094,812
Mining/metallurgy	60,624,456	12,420,414
Hotel and hospitality	52,783,193	33,441,417
Service	51,617,190	36,269,575
Agriculture, forestry and timber	36,303,093	8,868,174
Energy	32,811,234	39,981,455
Food and beverage	32,550,074	25,092,205
Telecommunications	27,850,303	25,983,420
Transportation	16,191,769	7,122,883
Manufacturing and production	10,647,782	7,232,293
Loans to financial institutions	9,455,655	9,500,162
Other	95,549,516	35,306,271
Total gross loans and advances to customers	1,138,688,272	696,463,819
Impairment allowance	(14,941,670)	(24,883,528)
Total net loans and advances to customers	1,123,746,602	671,580,291

(f) Significant credit exposures

As at 31 December 2024 the Group has three borrowers or group of connected borrowers (31 December 2023: five), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2024 is AMD 160,024,604 thousand (31 December 2023: AMD 120,120,181 thousand).

(g) Loan maturities

The maturity of the loan portfolio is presented in Note 26(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****18 Investment securities**

	2024 AMD'000	2023 AMD'000
Held by the Group		
Debt and other fixed-income instruments		
- at fair value through profit or loss	195,491	-
- measured at FVOCI	21,684,790	5,214,855
- measured at amortised cost	193,974,963	192,908,380
Total net debt and other fixed-income instruments	215,855,244	198,123,235
Equity instruments		
Corporate shares	653,105	273,251
	216,508,349	198,396,486
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
- measured at FVOCI	39,397,508	28,386,003
- measured at amortised cost	147,245,570	102,699,886
	186,643,078	131,085,889
(a) Financial assets at fair value through profit or loss		
	2024 AMD'000	2023 AMD'000
Held by the Group		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	195,491	-
Corporate bonds	-	-
Total net debt and other fixed-income instruments	195,491	-
(b) Investment securities measured at fair value through other comprehensive income		
	2024 AMD'000	2023 AMD'000
Held by the Group		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	12,977,756	1,390,718
Foreign government bonds	2,483,719	1,932,255
Corporate bonds	6,223,315	1,891,882
Total debt and other fixed-income instruments	21,684,790	5,214,855
Equity instruments		
Corporate shares	653,105	273,251
	22,337,895	5,488,106
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	39,397,508	28,386,003
Total investment securities at FVOCI	61,735,403	33,874,109
Credit loss allowance	(199,896)	(116,796)
Carrying amount – fair value	61,735,403	33,874,109

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****18 Investment securities (continued)****(c) Investment securities measured at amortised cost**

	2024 AMD'000	2023 AMD'000
Held by the Group		
Debt and other fixed-income instruments		
Foreign government bonds	158,831,140	132,837,709
Government securities of the Republic of Armenia	35,326,038	60,268,241
Corporate bonds	–	4,863
	194,157,178	193,110,813
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	147,657,076	103,033,962
	147,657,076	103,033,962
Total gross investment securities at amortised cost	341,814,254	296,144,775
Credit loss allowance	(593,721)	(536,509)
Total net investment securities at amortised cost	341,220,533	295,608,266

(d) Credit quality of investment securities

The following table sets out information about the credit quality of debt investment securities at amortised cost and debt investment securities at FVOCI as at 31 December 2024 and 31 December 2023. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
AMD'000				
Debt investment securities at amortised cost				
- Rated AAA	83,236,907	–	–	83,236,907
- Rated AA- to AA+	75,594,233	–	–	75,594,233
- Rated from BBB- to BBB+	–	–	–	–
- Rated BB- to BB+	182,983,114	–	–	182,983,114
- Rated from B- to B+	–	–	–	–
- not rated	–	–	–	–
	341,814,254	–	–	341,814,254
Loss allowance	(593,721)	–	–	(593,721)
Carrying amount	341,220,533	–	–	341,220,533
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
AMD'000				
Debt investment securities at FVOCI				
- Rated AAA	238,717	–	–	238,717
- Rated AA- to AA+	2,245,002	–	–	2,245,002
- Rated from BBB- to BBB+	–	–	–	–
- Rated BB- to BB+	54,250,303	–	–	54,250,303
- Rated from B- to B+	2,050,738	–	–	2,050,738
- not rated*	2,950,643	–	–	2,950,643
	61,735,403	–	–	61,735,403
Loss allowance	(199,896)	–	–	(199,896)
Carrying amount	61,735,403	–	–	61,735,403

* Unrated instruments are from Armenian issuers.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****18 Investment securities (continued)****(d) Credit quality of investment securities (continued)**

	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
AMD'000				
Debt investment securities at FVTPL				
- Rated AAA	-	-	-	-
- Rated AA- to AA+	-	-	-	-
- Rated from BBB- to BBB+	-	-	-	-
- Rated BB- to BB+	195,491	-	-	195,491
- Rated from B- to B+	-	-	-	-
- not rated*	-	-	-	-
Carrying amount	195,491	-	-	195,491
	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
AMD'000				
Debt investment securities at amortised cost				
- Rated AAA	88,217,127	-	-	88,217,127
- Rated AA- to AA+	44,600,450	-	-	44,600,450
- Rated from BBB- to BBB+	20,132	-	-	20,132
- Rated BB- to BB+	163,302,203	-	-	163,302,203
- Rated from B- to B+	-	-	-	-
- not rated*	4,863	-	-	4,863
	296,144,775	-	-	296,144,775
Loss allowance	(536,509)	-	-	(536,509)
Carrying amount	295,608,266	-	-	295,608,266

70% of the carrying amount of the bonds issued by the Government of Republic of Artsakh were exchanged to Ministry of Finance of Republic of Armenia bonds during 2023 (Note 9).

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
AMD'000				
Debt investment securities at FVOCI				
- Rated AAA	1,932,255	-	-	1,932,255
- Rated AA- to AA+	-	-	-	-
- Rated from BBB- to BBB+	272,365	-	-	272,365
- Rated BB- to BB+	30,217,207	-	-	30,217,207
- Rated from B- to B+	1,010,301	-	-	1,010,301
- not rated*	441,981	-	-	441,981
	33,874,109	-	-	33,874,109
Loss allowance	(116,796)	-	-	(116,796)
Carrying amount	33,874,109	-	-	33,874,109

* Unrated instruments are from Armenian issuers.

The Group has transactions to sell securities under agreements to repurchase and to purchase securities under agreements to resell.

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay the purchase price for this collateral and is included in borrowings and other balances from banks (Note 21).

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****19 Property, equipment and intangible assets**

AMD'000	<i>Land and buildings</i>	<i>Equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Leasehold improvement</i>	<i>Intangible assets</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost/revalued amount									
Balance at 1 January 2024	10,581,178	3,525,158	2,616,222	552,210	7,720	1,107,694	2,490,378	3,626,577	24,507,137
Effect of business combination	1,487,097	1,750,952	996,926	219,699	-	4,345,806	384,647	1,544,773	10,729,900
Additions	62,129	853,690	498,125	76,109	91,556	210,214	371,488	681,496	2,844,807
Disposals	-	(58,314)	(261,282)	-	-	-	-	-	(319,596)
Balance at 31 December 2024	12,130,404	6,071,486	3,849,991	848,018	99,276	5,663,714	3,246,513	5,852,846	37,762,248
Depreciation and amortisation									
Balance at 1 January 2024	352,703	2,482,702	1,910,987	249,858	-	318,283	1,638,934	1,600,093	8,553,560
Effect of business combination	954,946	1,570,452	804,707	133,620	-	2,425,055	361,811	519,093	6,769,684
Depreciation and amortization for the year	223,153	427,686	247,141	56,580	-	76,512	220,300	511,448	1,762,820
Disposals	-	(57,193)	(126,676)	-	-	-	-	-	(183,869)
Balance at 31 December 2024	1,530,802	4,423,647	2,836,159	440,058	-	2,819,850	2,221,045	2,630,634	16,902,195
Carrying amount									
At 31 December 2024	10,599,602	1,647,839	1,013,832	407,960	99,276	2,843,864	1,025,468	3,222,212	20,860,053

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****19 Property, equipment and intangible assets (continued)**

AMD'000	<i>Land and buildings</i>	<i>Equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Leasehold improvement</i>	<i>Intangible assets</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost/revalued amount									
Balance at 1 January 2023	11,516,904	3,393,099	2,244,960	502,376	5,320	1,176,057	2,320,530	2,750,325	23,909,571
Additions	373,357	487,846	770,039	49,834	2,400	229,338	169,848	1,231,324	3,313,986
Disposals	(1,309,083)	(355,787)	(398,777)	-	-	(297,701)	-	(355,072)	(2,716,420)
Balance at 31 December 2023	10,581,178	3,525,158	2,616,222	552,210	7,720	1,107,694	2,490,378	3,626,577	24,507,137
Depreciation and amortisation									
Balance at 1 January 2023	139,340	2,405,126	1,710,764	198,943	-	559,837	1,421,772	1,439,348	7,875,130
Depreciation and amortization for the year	219,915	431,278	247,723	50,915	-	56,020	217,162	434,039	1,657,052
Disposals	(6,552)	(353,702)	(47,500)	-	-	(297,574)	-	(273,294)	(978,622)
Balance at 31 December 2023	352,703	2,482,702	1,910,987	249,858	-	318,283	1,638,934	1,600,093	8,553,560
Carrying amount									
At 31 December 2023	10,228,475	1,042,456	705,235	302,352	7,720	789,411	851,444	2,026,484	15,953,577

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****19 Property, equipment and intangible assets (continued)**

During 2023 the Bank disposed land and building on the condition of a deferred payment to a related party which is disclosed in Note 30. As a result of this disposal non-cash transaction with the total amount of AMD 900,000 thousand was excluded from the consolidated statement of cash flow.

The fair value of the buildings was last determined and recorded as at 31 March 2022 based on valuation performed by an independent licensed valuator Oliver Group LLC. The fair value was determined based on announced asking prices for similar properties in terms of use, age, location and condition applying coefficients for adjusting the input prices for differences in use, age, location and condition, if any, ranging from 0.80 to 0.95.

As Management considered that as at 31 December 2024 the carrying amount approximated fair value for land and buildings, no revaluation was performed during 2024. The fair value of buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used.

20 Other assets

	2024 AMD'000	2023 AMD'000
Other receivables*	4,763,976	1,605,401
Total other financial assets	4,763,976	1,605,401
Credit loss allowance	(22,816)	(110,113)
Total net other financial assets	4,741,160	1,495,288
Repossessed assets	4,640,906	6,279,179
Non-income tax prepayments	–	5,515,278
Other prepayments	2,063,650	1,034,721
Materials and supplies	400,130	624,767
Standardized bars of precious metals	634	5,004
Other	903,630	99,207
Total other non-financial assets	8,008,950	13,558,156
Total other assets	12,750,110	15,053,444

* As at 31 December 2024 AMD 1,709,990 thousand included in other receivables represents receivables from Ardshinbank's customers for security transactions at the year end, which was then withdrawn from customers' accounts on the first days of January 2025.

21 Borrowings and other balances from banks and derivative financial liabilities

	2024 AMD'000	2023 AMD'000
Loans received from the CBA and the Government of the Republic of Armenia	19,968,541	26,789,793
Loans received from other banks and other financial organizations	80,692,036	87,233,853
	100,660,577	114,023,646
– Short-term	5,993,263	7,837,999
– Long-term	94,667,314	106,185,647
Amounts payable under repurchase agreements	230,338,583	161,375,220
Vostro accounts	58,682,361	91,391,926
Term deposits from banks	1,189,794	–
Other	9,143	–
	390,880,458	366,790,792
Derivative financial liabilities		
Currency swaps	130,181	48,945
Total derivative financial liabilities	130,181	48,945
Borrowings and other balances from banks and derivative financial liabilities	391,010,639	366,839,737

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****21 Borrowings and other balances from banks and derivative financial liabilities (continued)**

As at 31 December 2024 the Group has two financial institutions except for the CBA (31 December 2023: three financial institutions except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 76,406,833 thousand (31 December 2023: AMD 98,950,156 thousand).

As at 31 December 2024 included in loans from banks and other financial institutions are loans of AMD 93,213,799 thousand (31 December 2023: AMD 100,801,261 thousand) with arrangements to sub-lend these funds to borrowers for qualifying loans. There is no actual market for this type of financing, provided by local and international non-government organisations to support small and medium-size businesses in specific sectors of economy and develop the mortgage market. These loans represent a separate market segment and accordingly, at the initial recognition the Group does not discount them.

The Group was in compliance with the loan covenants as at 31 December 2024 and 31 December 2023.

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

AMD '000	<i>Debt securities issued (Note 23)</i>	<i>Loans from banks and other financial institutions</i>	<i>Lease liability</i>
Balance at 1 January 2024	84,351,258	114,023,646	2,141,380
Effect of business combination	-	285,942	1,155,267
Changes from financing cash flows			
Proceeds from borrowed funds	-	17,380,111	-
Repayment of borrowed funds	-	(29,977,855)	-
Proceeds from debt securities issued	2,200,000	-	-
Repayment of debt securities issued	(19,543,025)	-	-
Buy-back of debt securities	(4,065,176)	-	-
Repayment of lease liability	-	-	(469,246)
Total changes from financing cash flows	(21,408,201)	(12,597,744)	(469,246)
The effect of changes in foreign exchange rates	(1,146,097)	(2,344,240)	-
Other changes			
Non-cash transactions*	-	-	681,496
Interest expense	4,743,832	6,569,096	228,637
Interest paid	(4,917,641)	(6,899,747)	(229,323)
Balance at 31 December 2024	61,623,151	99,036,953	3,508,211

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****21 Borrowings and other balances from banks and derivative financial liabilities (continued)****(a) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)**

AMD '000	<i>Debt securities issued (Note 23)</i>	<i>Loans from banks and other financial institutions</i>	<i>Lease liability</i>
Balance at 1 January 2023	116,057,134	161,589,913	1,419,941
Changes from financing cash flows			
Proceeds from borrowed funds	-	22,403,252	-
Repayment of borrowed funds	-	(67,250,841)	-
Proceeds from debt securities issued	3,034,256	-	-
Repayment of debt securities issued	(21,894,833)	-	-
Buy-back of debt securities	(14,314,579)	-	-
Repayment of lease liability	-	-	(428,107)
Total changes from financing cash flows	(33,175,156)	(44,847,589)	(428,107)
The effect of changes in foreign exchange rates	1,805,949	(2,535,100)	-
Other changes			
Non-cash transactions*	-	-	1,149,546
Interest expense	7,294,070	8,281,598	189,667
Interest paid	(7,630,739)	(8,465,176)	(189,667)
Balance at 31 December 2023	84,351,258	114,023,646	2,141,380

* "Non-cash transactions" comprise of additions of lease liabilities.

The Group classifies interest paid as cash flows from operating activities.

22 Current accounts and deposits from customers

	2024 AMD'000	2023 AMD'000
Current accounts and demand deposits		
- Retail	499,587,310	351,843,493
- Corporate	513,208,691	313,153,477
Term deposits		
- Retail	358,471,024	223,780,469
- Corporate	95,326,997	89,104,314
	1,466,594,022	977,881,753

As at 31 December 2024, the Group maintained customer deposit balances and current accounts of AMD 59,491,737 thousand (31 December 2023: AMD 35,160,642 thousand) that serve as collateral for loans and unrecognized credit instruments granted by the Group.

As at 31 December 2024, the Group has three customers (31 December 2023: three customers), whose balances exceed 10% of equity. These balances as at 31 December 2024 are AMD 167,172,451 thousand (31 December 2023: AMD 96,174,503 thousand).

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****23 Debt securities issued**

	2024 AMD'000	2023 AMD'000
Bonds listed in Irish Stock Exchange	53,266,915	58,443,471
Domestic bonds	8,356,236	25,907,787
	61,623,151	84,351,258

In January 2020 the Bank issued bonds with nominal amount of USD 300,000,000 (the "Notes") and maturing in January 2025 through Dilijan Finance B.V., a special purpose entity, based in Netherlands. The bonds are listed in the Irish Stock Exchange.

During 2024 the Bank has repurchased USD 10,265,000 of the Notes (in 2023: USD 36,362,000).

Gain from buy back of debt securities is AMD 24,564 thousand for 2024 (2023: AMD 207,878 thousand).

Domestic bonds are listed in Armenia Securities Exchange stock exchange. During 2019-2023 the Bank issued non-convertible bonds with par value of USD 100, AMD 10,000 and AMD 100,000. During 2024 USD bonds were matured and nominal amount of AMD bonds as at 31 December 2024 is AMD 8,200,000 thousand (2023: AMD 24,300,000 thousand).

The Group was in compliance with the bond covenants as at 31 December 2024 and 31 December 2023.

24 Other liabilities

	2024 AMD'000	2023 AMD'000
Salary and similar payables	9,931,444	1,108,970
Non-cleared transactions*	6,210,208	4,540,257
Payables for letters of credit	5,139,979	-
Lease liability	3,508,211	2,141,380
Payables to suppliers	706,788	460,188
Expected loss allowance for financial guarantee contracts	316,958	236,894
Total other financial liabilities	25,813,588	8,487,689
Other taxes payable	1,678,613	28,522
Deferred income	425,960	118,191
Other non-financial liabilities	383,323	449,906
Total other non-financial liabilities	2,487,896	596,619
Total other liabilities	28,301,484	9,084,308

* Non-cleared transactions represent Vostro or customer transactions from outside of the Group that have not yet been credited to corresponding Group accounts as at 31 December but have been cleared shortly after the year-end.

25 Share capital and reserves**(a) Issued capital and share premium**

As of 31.12.2024 the issued and outstanding share capital comprises 1,004,544 ordinary shares (2023: 502,272). All shares have a nominal value of AMD 100,000 (2023: AMD 100,000).

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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****25 Share capital and reserves (continued)****(b) Non-redeemable preference shares**

The issued and outstanding non-redeemable preference share capital comprises 20,000 convertible privileged shares (2023: 20,000). All shares have a nominal value of AMD 100,000.

(c) Nature and purpose of reserves**Revaluation surplus for land and buildings**

The revaluation surplus for land and buildings comprises the cumulative positive revalued value of land and buildings, until the assets are derecognised or impaired.

Revaluation reserve for financial assets at fair value through other comprehensive income

The revaluation reserve for financial assets at fair value through other comprehensive income comprises the cumulative net change in the fair value.

(d) Dividends

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

During the reporting period the Bank declared dividends amounting to AMD 50,227,200 thousand to its ordinary shareholders, AMD 33,172 thousand correction was made due to preference shares dividends calculation. (2023: AMD 18,000,000 thousand to ordinary shareholders and AMD 128,409 thousand to preferred shareholders) and paid dividends of AMD 50,227,200 thousand to its ordinary shareholders and AMD 126,828 thousand to its preferred shareholders (2023: AMD 18,000,000 thousand to ordinary shareholders AMD 31,924 thousand to preferred shareholders).

The following dividends were declared and paid by the Bank for the year ended 31 December:

	2024 AMD	2023 AMD
Per ordinary share	50,000	35,837

The following dividends were paid by the Bank for the year ended 31 December:

	2024 AMD	2023 AMD
Per preference share	6,341	1,596

26 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 Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

The risk management policies aim to identify, analyse and manage the risks faced by the Group, 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 Board of the Group 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(a) Risk management policies and procedures (continued)**

The Management Board is responsible for monitoring and implementation of risk mitigation measures and ensuring that the Group operates within the established risk parameters. The Head of the Risk Management 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 the Chairman of Management Board and indirectly to the Board of the Bank.

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 Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining of 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 Group's internal documentation the Risk Department and internal audit function frequently prepare reports, which cover the Group's significant risks management. The reports include observations as to assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement.

(b) Financial risk review

This note presents information about the Group's exposure to financial risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group 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 the Management Board.

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 Credit Risk Management 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 based on submissions by the Loan Department and the Credit Risk Management 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 Group 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 Group. Retail loan credit applications are reviewed by the Risk Department using scoring models and application data verification procedures.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)****Credit risk - Amounts arising from ECL*****Inputs, assumptions and techniques used for estimating impairment***

See accounting policy in Note 3(g)(vi).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, expert credit assessment and including forward-looking information.

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

- Quantitative test based on movement in rating compared to initial recognition;
- Qualitative indicators; and
- Backstop of 30 days past due, except for loans and advances to banks and other financial institutions and debt investment securities, for which backstop of 15 days past due is applied.

Credit risk grades

The Group implemented internal credit rating system for individually assessed customers. The ratings are updated on an ongoing and periodical basis.

The rating is granted based on the derived risk grade which considers capital adequacy, liquidity, profitability, solvency as well as borrower's competence, management quality and staff, economic environment, operational risk of the borrower's business and other factors.

The following ratings are applied based on the borrower's derived risk grade:

- Grade 1 (grades AAA-A);
- Grade 2 (grades BBB-BB);
- Grade 3 (grade B);
- Grade 4 (grade CCC);
- Grade 5 (grade D).

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)**

Corporate exposure	All exposures (corporate and retail exposures)
<ul style="list-style-type: none"> - 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. - Data from credit reference agencies, press articles, changes in external credit ratings. - Quoted bond and credit default swap (CDS) prices for the borrower where available. - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities. 	<ul style="list-style-type: none"> - Payment record – this includes overdue status as well as a range of variables about payment ratios; - Payment records in other banks and credit organizations provided by Central Bank of Armenia and credit agencies. - Utilisation of the granted limit; - Requests for and granting of forbearance. - Existing and forecast changes in business, financial and economic conditions.

*Generating the term structure of PD**Individually assessed*

Credit risk grades are a primary input into the determination of the term structure of PD for individually assessed exposures. The Group collects performance and default information about its credit risk exposures during the life of the customer, analysed by type of product and borrower as well as by internal credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Group sets the minimum level of PDs equal to country's corporate rating grade where the borrower operates.

The internal risk grades are mapped to Moody's external credit ratings as follows:

Internal risk grade	Moody's credit rating	Weighted average PDs applied
Grade 1	Ba3	0.85%
Grade 2	B1	1.05%
Grade 3	Caa1 to B2	9.51%
Grade 4	Ca-C to Caa2	36.36%
Grade 5	D	100.00%

Collectively assessed

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 24 months.

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

	12-month PD	Lifetime PD
- not overdue	0.5%-6.7%	31.3%-75.2%
- overdue less than 30 days	10.5%-43.6%	31.3%-75.2%
- overdue 30-89 days		31.3%-93.3%

Notes to, and forming part of, the consolidated financial statements (continued)

For the year ended 31 December 2024

26 Risk management (continued)

(b) Financial risk review (continued)

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant will differ for different types of lending, between corporate and retail.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, except for loans and advances to banks and financial institutions and debt investment securities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- The borrower is past due more than 90 days on any material credit obligation to the Group, except for loans and advances to banks and financial institutions and debt investment securities for which past due more than 45 days are applied. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- Quantitative – e.g. Overdue status and non-payment on another obligation of the same issuer/borrower to the group; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Loss given default

To assess LGD of secured loans the following assumptions are applied by the Group:

- Haircut of 20% is applied on immovable collateral and 40-100% is applied on movable collateral;
- The period of collateral realization is estimated 6-60 months, depending on collateral type, geographical region, etc.

LGD for collectively assessed unsecured loans is calculated based on vintage analysis of historical recovery rates (cash flows received after the default). The historical recovery rates are discounted from the recovery date up to the reporting date.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)***Incorporation of forward-looking information*

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. These key drivers are CPI, changes in exchange rates, transfers and international reserves.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(g).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note (e)(vi)). A customer needs to demonstrate consistently good payment behaviour over six months before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

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

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)**

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans with a collateral of property and gold LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group 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. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Collateral type.

The groupings are subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. Additionally, the Group sets the minimum level of PDs equal to country’s corporate rating grade where the borrower operates. The below exposures include loans and advances to corporate customers for which the PDs were adjusted to the country’s corporate rating grade according to external benchmark.

Concentrations of credit risk

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

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated 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.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2024 AMD'000	2023 AMD'000
Assets		
Cash and cash equivalents, except for cash on hand	492,894,969	416,814,564
Loans and advances to banks and financial institutions and derivative financial assets	220,294,637	169,022,765
Loans and advances to customers	1,123,746,602	671,580,291
Investment securities	402,498,322	329,209,124
Other financial assets	4,741,160	1,495,288
Total maximum exposure	2,244,175,690	1,588,122,032

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)**

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

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

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 28.

As at 31 December 2024 and 31 December 2023 the Group has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

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 Group's consolidated 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 consolidated 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. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the consolidated statement of financial position.

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

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

The above arrangements do not meet the offsetting criteria in the consolidated 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 Group or the counterparties.

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

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments (non-cash collateral)	Cash collateral received	Net amount
Amounts receivable under reverse repurchase agreements (Note 16)	78,725,580	-	78,725,580	(78,725,580)	-	-
Total financial assets	78,725,580	-	78,725,580	(78,725,580)	-	-
Amounts payable under repurchase agreements (Note 21)	(230,338,583)	-	(230,338,583)	230,338,583	-	-
Total financial liabilities	(230,338,583)	-	(230,338,583)	230,338,583	-	-

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(b) Financial risk review (continued)**

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

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments (non-cash collateral)	Cash collateral received	
Amounts receivable under reverse repurchase agreements (Note 16)	54,101,257	-	54,101,257	(54,101,257)	-	-
Total financial assets	54,101,257	-	54,101,257	(54,101,257)	-	-
Amounts payable under repurchase agreements (Note 21)	(161,375,220)	-	(161,375,220)	161,375,220	-	-
Total financial liabilities	(161,375,220)	-	(161,375,220)	161,375,220	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the amortized 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 Groups Risk Management Department. In terms of market risk management, the risk appetite is set by the Board, and the internal limits are set by the Board of Management.

The Group 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 Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated statement of 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(d) Market risk (continued)*****Interest rate gap analysis***

Interest rate risk is managed through monitoring positions sensitive to interest rate spreads and changes in interest rates. A summary of the interest gap position for major financial instruments is as follows:

AMD'000	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing</i>	<i>Carrying amount</i>
31 December 2024							
Assets							
Cash and cash equivalents	472,838,521	-	-	-	-	46,150,706	518,989,227
Loans and advances to banks and financial institutions and derivative financial assets	72,661,703	-	1,192,711	9,567,414	-	136,872,809	220,294,637
Loans and advances to customers*	610,581,855	34,156,232	46,213,055	191,969,766	240,825,694	-	1,123,746,602
Investment securities	182,131,217	48,193,603	8,547,588	103,715,063	59,910,850	653,106	403,151,427
	1,338,213,296	82,349,835	55,953,354	305,252,243	300,736,544	183,676,621	2,266,181,893
Liabilities							
Borrowings and other balances from banks and derivative financial liabilities	295,930,421	7,025,908	9,536,410	39,713,508	38,804,392	-	391,010,639
Current accounts and deposits from customers	1,171,948,271	109,557,860	145,743,395	38,810,546	533,950	-	1,466,594,022
Debt securities issued	57,321,207	2,092,248	-	2,209,696	-	-	61,623,151
	1,525,199,899	118,676,016	155,279,805	80,733,750	39,338,342	-	1,919,227,812
	(186,986,603)	(36,326,181)	(99,326,451)	224,518,493	261,398,202	183,676,621	346,954,081
31 December 2023							
Assets							
Cash and cash equivalents	386,156,173	-	-	-	-	47,614,300	433,770,473
Loans and advances to banks and financial institutions and derivative financial assets	66,997,352	-	-	-	-	102,025,413	169,022,765
Loans to customers*	271,877,980	39,821,160	42,265,454	162,850,268	154,765,429	-	671,580,291
Investment securities	135,105,255	25,725,423	1,068,596	97,292,242	70,017,608	273,251	329,482,375
	860,136,760	65,546,583	43,334,050	260,142,510	224,783,037	149,912,964	1,603,855,904
Liabilities							
Borrowings and other balances from banks and derivative financial liabilities	265,529,975	8,432,107	8,280,980	49,321,589	35,275,086	-	366,839,737
Current accounts and deposits from customers	770,385,396	89,369,533	90,990,741	27,127,141	8,942	-	977,881,753
Debt securities issued	16,887,683	3,301,045	1,295,398	62,867,132	-	-	84,351,258
	1,052,803,054	101,102,685	100,567,119	139,315,862	35,284,028	-	1,429,072,748
	(192,666,294)	(35,556,102)	(57,233,069)	120,826,648	189,499,009	149,912,964	174,783,156

* In "Less than 3 months" band are included those loans to customers, for which Group has right to unilaterally increase/decrease the contractual interest rate.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(d) Market risk (continued)*****Interest rate sensitivity analysis***

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

	2024 AMD'000	2023 AMD'000
100 bp parallel fall	1,706,597	1,657,637
100 bp parallel rise	(1,706,597)	(1,657,637)

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

	2024 Equity AMD'000	2023 Equity AMD'000
100 bp parallel fall	1,433,278	1,090,858
100 bp parallel rise	(1,433,278)	(1,090,858)

(ii) Currency risk

The Group 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 Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	USD AMD'000	EUR AMD'000	AED AMD'000	Other currencies* AMD'000	Total AMD'000
Assets					
Cash and cash equivalents	78,078,084	111,894,382	30,257,591	86,268,152	306,498,209
Loans and advances to banks and financial institutions	102,262,731	33,112,323	-	3,194	135,378,248
Loans and advances to customers	383,775,866	101,774,677	-	-	485,550,543
Investment securities	110,411,262	77,945,005	-	-	188,356,267
Other assets	2,948,401	58,585	-	66,267	3,073,253
Total assets	677,476,344	324,784,972	30,257,591	86,337,613	1,118,856,520
Off balance items					
Currency swap	16,504,602	-	-	6,327,882	22,832,484
Total off-balance assets	16,504,602	-	-	6,327,882	22,832,484
Liabilities					
Borrowings and other balances from banks	23,140,179	51,428,354	166,594	6,420,381	81,155,508
Current accounts and deposits from customers	620,369,303	266,762,896	30,103,508	52,511,820	969,747,527
Debt securities issued	53,266,914	-	-	-	53,266,914
Other liabilities	2,763,321	5,402,148	-	427,703	8,593,172
Total liabilities	699,539,717	323,593,398	30,270,102	59,359,904	1,112,763,121
Off balance items					
Currency swap	8,092,455	2,069,450	-	32,555,250	42,717,155
Total off-balance liabilities	8,092,455	2,069,450	-	32,555,250	42,717,155
Net position	(13,651,226)	(877,876)	(12,511)	750,341	(13,791,272)

* Other currencies mainly comprise of RUB balances.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(d) Market risk (continued)**

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

	<i>USD</i> <i>AMD'000</i>	<i>EUR</i> <i>AMD'000</i>	<i>AED</i> <i>AMD'000</i>	<i>Other currencies*</i> <i>AMD'000</i>	<i>Total</i> <i>AMD'000</i>
Assets					
Cash and cash equivalents	98,079,897	112,336,264	27,964,749	52,141,122	290,522,032
Loans and advances to banks and financial institutions	77,963,616	38,876,278	-	587,421	117,427,315
Loans to customers	236,276,125	39,478,119	-	-	275,754,244
Investment securities	91,961,856	66,978,678	-	-	158,940,534
Total assets	504,281,494	257,669,339	27,964,749	52,728,543	842,644,125
Off balance items					
Currency swap	448,108	21,947,100	-	1,755,935	24,151,143
Total off-balance assets	448,108	21,947,100	-	1,755,935	24,151,143
Liabilities					
Borrowings and other balances from banks	45,577,129	46,581,669	22,487,938	11,034,256	125,680,992
Current accounts and deposits from customers	361,825,376	233,710,094	5,516,374	40,442,475	641,494,319
Debt securities issued	59,750,274	-	-	-	59,750,274
Total liabilities	467,152,779	280,291,763	28,004,312	51,476,731	826,925,585
Off balance items					
Currency swap	24,430,798	447,900	-	-	24,878,698
Total off-balance liabilities	(23,982,690)	21,499,200	-	1,755,935	(727,555)
Net position	13,146,025	(1,123,224)	(39,563)	3,007,747	14,990,985

* Other currencies mainly comprise of RUB balances.

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

	2024 AMD'000	2023 AMD'000
20% appreciation of USD against AMD	(2,730,245)	2,629,205
20% appreciation of EUR against AMD	(175,575)	(224,645)
20% appreciation of AED against AMD	(2,502)	(7,913)
20% appreciation of other currencies against AMD	150,068	601,396

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

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(e) Liquidity risk**

Liquidity risk is the risk that the Group 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 Group 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 approved by the Board and its management by the Management Board.

The Group 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 Group's short-term current liquidity management is carried out by the Treasury Department.

The Treasury Department receives information from structural units and forms a sufficient stock of liquid assets on a daily basis in order to fulfil the Group's obligations on time and finance the necessary growth of assets.

The Risk Management Department carries out the management of liquidity in the long-term sector, for the purpose of which it carries out control over the maintenance of risk appetite and internal limits.

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. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(e) Liquidity risk (continued)**

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations:

AMD'000	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>More than 1 year</i>	<i>Total gross amount outflow</i>	<i>Carrying amount</i>
Non-derivative liabilities							
Borrowings and other balances from banks	294,994,642	1,390,176	8,351,520	12,812,115	99,647,708	417,196,161	391,010,639
Current accounts and deposits from customers	1,070,839,762	105,696,049	111,318,133	149,861,518	41,285,515	1,479,000,977	1,466,594,022
Debt securities issued	55,830,804	4,127,333	52,250	2,202,000	2,252,250	64,464,637	61,623,151
Other financial liabilities	8,869,232	748,223	8,278,864	3,083,490	6,941,026	27,920,835	25,813,588
Derivative liabilities							
- Inflow	(43,227,455)	-	-	-	-	(43,227,455)	(644,875)
- Outflow	42,717,155	-	-	-	-	42,717,155	130,181
Total financial liabilities	1,430,024,140	111,961,781	128,000,767	167,959,123	150,126,499	1,988,072,310	1,944,526,706
Credit related commitments	170,902,931	-	-	-	-	170,902,931	-

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations.:

AMD'000	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>More than 1 year</i>	<i>Total gross amount outflow</i>	<i>Carrying amount</i>
Non-derivative liabilities							
Borrowings and other balances from banks	255,890,744	5,156,942	9,161,734	15,588,544	105,776,510	391,574,474	366,839,737
Debt securities issued	708,361,324	65,560,376	91,388,967	93,752,852	28,081,582	987,145,101	977,881,753
Current accounts and deposits from customers	4,128,663	15,126,718	3,785,266	5,322,238	67,031,764	95,394,649	84,351,258
Other financial liabilities	5,707,392	625,007	516,297	1,600,825	699,340	9,148,861	8,487,689
Derivative liabilities							
- Inflow	(24,878,698)	-	-	-	-	(24,878,698)	(92,591)
- Outflow	24,921,560	-	-	-	-	24,921,560	48,945
Total financial liabilities	974,130,985	86,469,043	104,852,264	116,264,459	201,589,196	1,483,305,947	1,437,516,791
Credit related commitments	99,760,908	-	-	-	-	99,760,908	-

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(e) Liquidity risk (continued)**

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled 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	518,989,227	-	-	-	-	-	-	518,989,227
Loans and advances to banks	219,098,690	3,236	1,192,711	-	-	-	-	220,294,637
Loans and advances to customers	23,401,463	33,033,426	142,806,349	480,023,310	421,469,237	-	23,012,817	1,123,746,602
Investment securities	147,798,327	34,332,890	56,741,191	103,715,063	59,910,850	653,106	-	403,151,427
Property, equipment and intangible assets	-	-	-	-	-	20,860,053	-	20,860,053
Other assets	5,671,745	832,465	1,202,061	2,804	-	5,041,035	-	12,750,110
Total assets	914,959,452	68,202,017	201,942,312	583,741,177	481,380,087	26,554,194	23,012,817	2,299,792,056
Liabilities								
Borrowings and other balances from banks	294,692,467	771,608	16,575,452	40,166,720	38,804,392	-	-	391,010,639
Current accounts and deposits from customers	1,066,998,314	104,949,957	255,301,255	38,810,546	533,950	-	-	1,466,594,022
Debt securities issued	53,266,915	4,054,294	2,092,248	2,209,694	-	-	-	61,623,151
Current tax liability	-	-	22,202,788	-	-	-	-	22,202,789
Deferred tax liabilities	-	-	-	-	-	7,136,097	-	7,136,097
Other liabilities	8,064,268	2,883,936	9,413,501	6,856,263	766,556	316,960	-	28,301,484
Total liabilities	1,423,021,964	112,659,795	305,585,244	88,043,223	40,104,898	7,453,057	-	1,976,868,182
Net position	(508,062,512)	(44,457,778)	(103,642,932)	495,697,954	441,275,189	19,101,137	23,012,817	322,923,874

* The amounts included in the overdue band in the above tables represent only the overdue portions of the total overdue assets and liabilities.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****26 Risk management (continued)****(e) Liquidity risk (continued)**

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2023.

AMD'000	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>No maturity</i>	<i>Overdue*</i>	<i>Total</i>
Assets								
Cash and cash equivalents	422,205,502	11,564,971	-	-	-	-	-	433,770,473
Loans and advances to banks and financial institutions	166,702,122	2,307,827	12,816	-	-	-	-	169,022,765
Loans to customers	20,786,923	39,540,882	90,864,091	273,105,842	230,403,528	-	16,879,025	671,580,291
Investment securities	118,599,164	16,506,091	26,794,019	97,292,242	70,017,608	273,251	-	329,482,375
Property, equipment and intangible assets	-	-	-	-	-	15,953,577	-	15,953,577
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	1,281,412	6,353,898	514,188	-	-	6,903,946	-	15,053,444
Total assets	729,575,123	76,273,669	118,185,114	370,398,084	300,421,136	23,130,774	16,879,025	1,634,862,925
Liabilities								
Borrowings and other balances from banks	255,139,978	4,645,155	20,915,532	50,863,986	35,275,086	-	-	366,839,737
Current accounts and deposits from customers	705,935,814	64,449,581	180,360,275	27,127,141	8,942	-	-	977,881,753
Debt securities issued	1,758,814	15,128,869	4,596,443	62,867,132	-	-	-	84,351,258
Current tax liability	-	-	956,811	-	-	-	-	956,811
Deferred tax liabilities	-	-	-	-	-	6,167,255	-	6,167,255
Other liabilities	5,649,227	938,616	118,191	2,141,380	-	236,894	-	9,084,308
Total liabilities	968,483,833	85,162,221	206,947,252	142,999,639	35,284,028	6,404,149	-	1,445,281,122
Net position	(238,908,710)	(8,888,552)	(88,762,138)	227,398,445	265,137,108	16,726,625	16,879,025	189,581,803

* The amounts included in the overdue band in the above tables represent only the overdue portions of the total overdue assets and liabilities.

For management of negative short-term liquidity position the Group relies on the financial securities, which can be sold or pledged under repo agreements and the assumption that the term deposits will be prolonged upon maturity.

The main benchmark used by the Group for liquidity risk management is the ratio of highly liquid assets to net cash outflow, as well as Net stable funding indicators.

27 Capital management

The minimum capital and capital adequacy requirements for Ardshinbank CJSC and Ardshininvestbank CJSC are set and controlled by the CBA.

The minimum limit for the ratio of capital to risk-weighted assets ("total capital adequacy limit") is 11% as at 31 December 2024 (31 December 2023: 11%).

Ardshinbank CJSC and Ardshininvestbank CJSC were in compliance with capital adequacy ratios as at 31 December 2024 and 31 December 2023.

Since June 2023, the composition of the elements of total capital and the minimum capital adequacy limits have been changed and now the total capital of a bank is the sum of its Tier 1 and Tier 2 capitals.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****27 Capital management (continued)**

The table below shows the total capital adequacy ratio of Ardshinbank CJSC calculated according to the requirements of the Central Bank of Armenia as at 31 December 2023 and 31 December 2024.

	2024 AMD'000	2023 AMD'000
Tier 1 capital	268,121,725	163,888,137
Tier 2 capital	13,338,991	10,140,022
Total capital	281,460,716	174,028,159
Total risk weighted assets, combining credit, market and operational risks	1,267,666,132	954,366,924
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	22.20%	18.23%

The following table shows the total capital adequacy ratio of Ardshininvestbank CJSC calculated according to the requirements of the Central Bank of Armenia as at 31 December 2024.

	2024 AMD'000
Tier 1 capital	60,687,218
Tier 2 capital	2,079,201
Total capital	62,766,419
Total risk weighted assets, combining credit, market and operational risks	281,939,953
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	22.26%

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.

28 Credit related commitments

The Group 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 Group 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 Group 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 and advances to customers.

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 the counterparties failed completely to perform as contracted.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****28 Credit related commitments (continued)**

	2024 AMD'00	2023 AMD'000
Contracted amount		
Loan and credit line commitments	79,810,734	40,611,970
Guarantees and letters of credit	67,305,829	52,415,339
Undrawn overdraft facilities	13,054,833	1,280,290
Credit card commitments	10,731,535	5,453,308
	170,902,931	99,760,907

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. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Group. The credit related commitments are for Stage 1 loans.

(a) Credit quality of credit related commitments

	31 December 2024				
	Stage 1	Stage 2	Stage 3		Total
	12-month	Lifetime ECL	Lifetime ECL	POCI	
AMD'000	ECL	not credit-impaired	credit-impaired		
Loan and credit line commitments and undrawn overdraft facilities					
- AAA-A	32,778,470	-	-	-	32,778,470
- BBB-B	59,514,411	-	-	-	59,514,411
- CCC-C	20,115	-	-	-	20,115
- D	-	-	-	7,255	7,255
- not rated	545,288	28	-	-	545,316
Total	92,858,284	28	-	7,255	92,865,567
	31 December 2023				
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime ECL	Lifetime ECL	POCI	
AMD'000	ECL	not credit-impaired	credit-impaired		
Loan and credit line commitments and undrawn overdraft facilities					
- AAA-A	15,591,066	-	-	-	15,591,066
- BBB-B	25,932,539	2,226	-	-	25,934,765
- CCC-C	9,450	-	-	-	9,450
- D	-	-	-	7,255	7,255
- not rated	349,724	-	-	-	349,724
Total	41,882,779	2,226	-	7,255	41,892,260

(b) Credit quality of financial guarantee contracts

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime ECL	Lifetime ECL	
AMD'000	ECL	not credit-impaired	credit-impaired	
Financial guarantee contracts				
- AAA-A	17,872,310	-	-	17,872,310
- BBB-B	48,223,831	-	-	48,223,831
- CCC-C	195,686	-	-	195,686
- not rated	1,014,003	-	-	1,014,003
Total	67,305,829	-	-	67,305,829
Loss allowance	(316,958)	-	-	(316,958)

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****28 Credit related commitments (continued)****(b) Credit quality of financial guarantee contracts (continued)**

AMD'000	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Financial guarantee contracts				
- AAA-A	20,461,620	-	-	20,461,620
- BBB-B	10,100,793	-	-	10,100,793
- CCC-C	89,660	-	-	89,660
- not rated	21,763,266	-	-	21,763,266
Total	52,415,339	-	-	52,415,339
Loss allowance	(236,894)	-	-	(236,894)

29 Contingencies**(a) Litigation**

In the ordinary course of business, the Group 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****30 Related party transactions****(a) Control relationships**

The Group's parent company is Arins Group LLC. The Group is ultimately controlled by a single individual, Karen Safaryan, who is also the Board Chairman of Ardshinbank CJSC.

No publicly available consolidated financial statements are produced by the Group's parent company.

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

Compensation of key management personnel was comprised of the following:

	2024 AMD'000	2023 AMD'000
Salaries and other benefits	21,102,663	7,044,272

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

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

	2024 AMD'000	Average effective interest rate, %	2023 AMD'000	Average effective interest rate, %
Consolidated statement of financial position				
Loans and advances to customers	259,605	11.46	356,946	10.87
<i>Credit loss allowance for loans and advances to customers</i>	<i>(1,637)</i>	-	<i>(4,475)</i>	-
Lending commitments	329,986	-	285,927	-
Current accounts and deposits from customers	7,864,377	4.02	7,577,338	3.95

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

	2024 AMD'000	2023 AMD'000
Consolidated statement of profit or loss and other comprehensive income		
Interest income	46,869	39,631
Interest expense	(213,082)	(251,115)
Net foreign exchange gain	55,070	66,341

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****30 Related party transactions (continued)****(c) Transactions with Parent and other related parties**

Other related parties include close family members of and entities controlled by the Board of Directors and the Management Board members. The outstanding balances and the related average effective interest rates as at 31 December 2024 and related profit or loss amounts of transactions for the year ended 31 December 2024 with other related parties are as follows:

	<i>Parent</i>		<i>Entities under common control</i>		<i>Other</i>	
	<i>AMD'000</i>	<i>Average effective interest rate, %</i>	<i>AMD'000</i>	<i>Average effective interest rate, %</i>	<i>AMD'000</i>	<i>Average effective interest rate, %</i>
Consolidated statement of financial position						
Assets						
Amounts receivable from reverse repurchase agreement	-	-	42,860,064	7.7	-	-
Credit loss allowance	-	-	(4,265)	-	-	-
Loans and advances to customers	1,482,895	13.5	-	-	83,417	10.6
Credit loss allowance for loans and advances to customers	(613)	-	-	-	(307)	-
Other assets	-	-	537,673	-	-	-
Liabilities						
Current accounts and deposits from customers	159	-	9,692,345	0.1	282,066	5.5
Other liabilities	-	-	15,000	-	8,168	-
Items not recognised in the consolidated statement of financial position						
Lending commitments	-	-	210,000	-	80,933	-
Guarantees given	-	-	3,304	-	-	-
Consolidated statement of profit or loss and other comprehensive income						
Interest income	221,197	-	2,776,821	-	17,615	-
Interest expense	-	-	(310)	-	(17,888)	-
Fee and commission income	56,139	-	301,154	-	2,370	-
Fee and commission expense	-	-	(639,966)	-	-	-
General administrative expenses	-	-	48,000	-	-	-

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****30 Related party transactions (continued)****(c) Transactions with Parent and other related parties (continued)**

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

	Parent		Entities under common control		Other	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Consolidated statement of financial position						
Assets						
Amounts receivable from reverse repurchase agreement	-	-	40,995,310	8.8	-	-
Credit loss allowance	-	-	(14,424)	-	-	-
Loans to customers	1,101,710	13.5	164,727	4.8	128,223	9.2
Credit loss allowance for loans to customers	(722)	-	(36,154)	-	(871)	-
Other assets	-	-	764,394	-	-	-
Liabilities						
Current accounts and deposits from customers	5,668,932	-	386,293	0.1	244,590	5.7
Other liabilities	-	-	-	-	8,168	-
Items not recognised in the consolidated statement of financial position						
Lending commitments	-	-	9,450	-	58,963	-
Guarantees given	-	-	437,447	-	-	-
Consolidated statement of profit or loss and other comprehensive income						
Interest income	149,673	-	3,554,926	-	9,780	-
Interest expense	-	-	(312)	-	(12,796)	-
Fee and commission income	106,310	-	52,115	-	3,919	-
	-	-	(674,304)	-	-	-
General administrative expenses	(58,242)	-	-	-	-	-

In 2023 the Bank disposed land and building with the carrying amount of AMD 1,270,308 thousand to entity under common control on the condition of deferred payments. As a result of the transaction the Bank recognised loss on disposal of the land and building in the amount of AMD 370,308 thousand.

31 Fair values of financial instruments

The Group measures fair values using the following fair value hierarchy which 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.

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****31 Fair values of financial instruments (continued)**

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 recognised in the consolidated statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
Debt investment securities at FVTPL	–	195,491	–	195,491
Debt investment securities at FVOCI	–	61,082,298	–	61,082,298
Loans to customers at FVTPL	–	–	10,719,120	10,719,120
Corporate shares	–	–	653,105	653,105
Derivative assets	–	644,875	–	644,875
Derivative liabilities	–	130,181	–	130,181

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

AMD'000	Level 1	Level 2	Level 3	Total
Debt investment securities at FVOCI	–	33,600,858	–	33,600,858
Loans to customers at FVTPL	–	–	12,269,361	12,269,361
Corporate shares	–	–	273,251	273,251
Derivative assets	–	92,591	–	92,591
Derivative liabilities	–	48,945	–	48,945

For loans and receivables designated at FVPL and mandatorily required to be measured at FVPL (those that did not meet the SPPI criteria), a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity, where relevant.

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.

Movements in level 3 assets at fair value

The following tables show a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	At 31 December 2023	Gain/(Loss) from change in fair value recorded in profit or loss	Interest income recorded in profit or loss	Repayments	Purchases	At 31 December 2024
Financial assets						
Investment securities – equity securities at FVOCI	273,251	–	–	–	379,854	653,105
Loans to customers at FVTPL	12,269,361	37,421	1,014,615	(3,477,277)	875,000	10,719,120
Total level 3 financial assets	12,542,612	37,421	1,014,615	(3,477,277)	1,254,854	11,372,225

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****31 Fair values of financial instruments (continued)**

	<i>At 31 December 2022</i>	<i>Loss from change in fair value recorded in profit or loss</i>	<i>Interest income recorded in profit or loss</i>	<i>Repayments</i>	<i>Purchases</i>	<i>At 31 December 2023</i>
Financial assets						
Investment securities –						
equity securities at FVOCI	216,737	–	–	–	56,414	273,251
Loans to customers at FVTPL	11,541,134	(1,309,352)	1,170,370	(1,178,191)	2,045,400	12,269,361
Total level 3 financial assets	11,757,871	(1,309,052)	1,170,370	(1,178,191)	2,101,814	12,542,612

Effect of changes in significant unobservable inputs on the measurement of financial instruments categorized within Level 3 of the fair value hierarchy

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

<i>31 December 2024</i>	<i>Carrying amount AMD'000</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range (weighted average)</i>	<i>Effect of reasonably possible alternative assumptions (1 b.p)</i>
Financial assets at FVPL					
Loans to customers at FVTPL	10,719,120	Discounted cash flows	Weighted average cost of capital (discount rate)	From 9.48% to 13.14%	From AMD (958,079) thousand to 1,171,459 thousand
Investment securities measured at FVOCI					
Equity securities	653,105	Net asset value	Net assets multiplier	From 0.9 to 1.1 (1 weighted average)	Not material
<i>31 December 2023</i>	<i>Carrying amount AMD'000</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range (weighted average)</i>	<i>Effect of reasonably possible alternative assumptions (1 b.p)</i>
Financial assets at FVPL					
Loans to customers at FVTPL	12,269,361	Discounted cash flows	Weighted average cost of capital (discount rate)	From 9.48% to 13.14%	From AMD (1,085,326) thousand to 1,120,820 thousand
Investment securities measured at FVOCI					
Equity securities	273,251	Net asset value	Net assets multiplier	From 0.9 to 1.1 (1 weighted average)	Not material

Notes to, and forming part of, the consolidated financial statements (continued)**For the year ended 31 December 2024****32 Disposal of subsidiary**

Ardshinbank CJSC got repaid its units in Fifth sub-fund of Arins Capital contractual non-public interval investment fund of "Arins Management" LLC on 15 March 2024. The total amount of redemption received was AMD 12,057,861 thousand, which consisted of cash and cash equivalents. The redemption was financed by acquisition of the units issued by the Group's parent company, Arins Group LLC.

The units were redeemed on 15 March 2024 based on the end of February 2024 Net assets value in accordance with Fund's rules.

The representation of assets and liabilities as at disposal date based on which stake repayment was executed is summarised by each major category as follows:

	2024 AMD'000
Cash and cash equivalents	1,012,354
Loans to customers	11,096,093
Other assets	710
Total assets	12,109,157
Current tax liability	874
Liabilities of management and custody	50,422
Total liabilities	51,296
Net assets value (NAV)	12,057,861