

PROGRAM PROSPECTUS FOR BONDS



CONVERSE BANK CLOSED JOINT STOCK COMPANY

Issuer's trade name, organizational/legal form

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Republic of Armenia

Tel. (+374 10) 511-211

Email post@conversebank.am

Website www.conversebank.am

CONVERSE BANK CLOSED JOINT STOCK COMPANY

Underwriter's name, organizational/legal form

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Republic of Armenia

Tel. (+374 10) 511-211

Email post@conversebank.am

Website www.conversebank.am

FILING OF THE PROSPECTUS WITH THE CENTRAL BANK OF ARMENIA SHALL BY NO MEANS ASSURE THE SAFETY OF INVESTMENT, ACCURACY OR AUTHENTICITY OF INFORMATION.

Type of securities	Nominal, coupon bond
Form of security	Dematerialized
Face value per security	USD 100 (one hundred), AMD 50,000 (fifty thousand)
Total quantity of issuance:	200,000 (two hundred thousand) USD 100,000 (one hundred thousand) AMD
Total value of issuance	USD 20,000,000 (twenty million), AMD 5,000,000,000 (five billion)
Value per tranche	To be determined by the Executive Board for each tranche
Quantity per tranche	Based on total value and face value per tranche
Annual coupon rate	To be determined by the Executive Board for each tranche
Maturity	To be determined by the Executive Board for each tranche
Coupon payment frequency	To be determined by the Executive Board for each tranche
Form of issuance	Without a firm commitment basis

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RESPONSIBLE PARTIES

We, the undersigned, assure that we have made all reasonable efforts to ascertain the accuracy and integrity of the included information. Therefore, we assure that to the best of our knowledge the information included in the Prospectus is accurate and integral and contains no omission that may misrepresent the substance of the Prospectus.

Signatories

Marcelo Wende
Chairman of Board, Converse Bank CJSC

(date)

Arsen Gamaghelyan (Ter Hovel Archpriest)
Board Member, Converse Bank CJSC

(date)

Daniel Guillermo Simonutti
Board Member, Converse Bank CJSC

(date)

Martin Francisco Eurnekian
Board Member, Converse Bank CJSC

(date)

Pedro Miguel Weiss
Board Member, Converse Bank CJSC

(date)

Andranik Grigoryan
CEO/Chairman of Executive Board
Converse Bank CJSC

(date)

Grant Akopian

Deputy CEO/CFO

Member of Executive Board

Converse Bank CJSC

(date)

Grigory Zakaryan

Head of Investment Banking Department

Member of Executive Board

Converse Bank CJSC

(date)

Davit Azatyan

Head of Accounting Division/Chief Accountant

Member of Executive Board

Converse Bank CJSC

(date)

Vahagn Melik-Parsadanyan

Head of Risk Management Department

Member of Executive Board

Converse Bank CJSC

(date)

Artur Mkhitarian

COO

Member of Executive Board

Converse Bank CJSC

(date)

Sargis Khachatryan

Head of Corporate Banking Department

Member of Executive Board

Converse Bank CJSC

(date)

Aram Baloyan

Head of Retail Business Department

Member of Executive Board

Converse Bank CJSC

(date)

SECTION 1. SUMMARY

The Summary is viewed as the preamble to the Prospectus, and the investor’s decision on investments in the offered securities is to be based on the entire Prospectus.

The parties responsible for development of the Summary bear civil liability for incomplete or misleading information (including the translation) contained in the Summary, where the latter is incomplete and misleading for review of the remaining sections of the Prospectus.

The investor can obtain the hard copies of the Prospectus and the supporting documents at the Head Office of Converse Bank CJSC (hereinafter the Bank or the Issuer), and the soft copies on the Bank’s website: www.conversebank.am.

1.1 Brief Information about the Bank and Activities of the Bank

1.1.1. Bank Details and Contacts

Full name of the Bank is:

in Armenian «Կոնվերս Բանկ» փակ բաժնետիրական ընկերություն
in Russian закрытое акционерное общество “Конверс Банк”
in English “Converse Bank” closed joint-stock company

Short name of the Bank is:

in Armenian «Կոնվերս Բանկ» ՓԲԸ
in Russian ЗАО “Конверс Банк”
in English “Converse Bank” CJSC

Officially registered address of the Bank is:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia
State Registration #57

Location of the Bank is:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia

Contacts:

Tel.: (+374 10) 511-211
Fax: (+374 10) 511-212
Email: post@conversebank.am,
Website: www.conversebank.am :

Country of incorporation:

Republic of Armenia

Organizational/legal form:

closed joint stock company (registered on 20.12.1993)

For questions relating to investments in bonds, please contact the respective specialists of Corporate and Investment Banking Unit at the Investment Banking Department of the Bank:

(+374 10) 511-211 (ext.) 2449 or 2454, email KarimyanElen@conversebank.am, YeghiazaryanEmilia@conversebank.am, corpinvest@conversebank.am:

1.1.2. Foundation and History of the Bank

The Bank has conducted business since 1993 and has been active in the Armenian banking market for 32 years.

The Bank was registered with the Central Bank of Armenia in December 1993, and is the legal successor of North-Armenian joint stock bank.

The Bank was reorganized into Converse Bank closed joint stock company in 1997. The Bank was granted the banking license #97 by the Central Bank of Armenia.

Converse Bank closed joint stock company was registered at 26/1, Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia; and the Central Bank of Armenia (hereinafter the CBA) was the registering authority.

The trade name of the Bank is protected under the RA normative acts and is registered with the RA Intellectual Property Office (Trade Name Registration Resolution at 03.06.1999, registration #107913).

The logo of the Bank is:



Advanced Global Investments LLC is the founder and the major shareholder of the Bank.

1.1.3. Share Capital of the Bank

The share capital of the Bank consists of ordinary and preference stocks. The shareholders of the Bank are:

Advanced Global Investments LLC

Form of ownership: non state-owned

Type of share: convertible preference stocks at AMD 100 (one hundred) face value per share and ordinary stocks

Residency: non-resident

Equity participation: 72.89% of ordinary stocks

HayPost Trust Management Sàrl

Form of ownership: non state-owned

Type of share: ordinary stocks

Residency: non-resident

Equity participation: 22.11% of ordinary stocks

Armenian Apostolic Church, represented by Mother See of Holy Etchmiadzin

Form of ownership: non state-owned

Type of share: ordinary stocks

Residency: resident

Equity participation: 5% of ordinary stocks

Converse Bank CJSC has issued and allocated 66,492 (sixty-six thousand four hundred and ninety-two) ordinary stocks to date, each at AMD 300,000 (three hundred thousand) face value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) face value, which form the share capital of the Bank.

1.1.4. Geographical Distribution

As of 31.12.2024, the Bank had 34 branches located in 9 regions of Armenia and Yerevan.

Geographical distribution of branches of the Bank:

Regions and cities	Number of branches
Kotayk	4
Lori	1
Syunik	1
Shirak	3
Tavush	2
Armavir	3
Ararat	1
Aragatsotn	1
Gegharkunik	1
Yerevan	17
TOTAL	34

See Annex 5 for the list of branches.

1.1.5. Position in Banking Sector (as of 31.12.2024)

The Bank had the following position in the Armenian banking sector by financial results as of 31.12.2024, based on the financial disclosures of banks:

- 6th place by total assets (AMD 576 bn or 5.2% of the system),
- 6th place by total liabilities (AMD 487 bn or 5.3% of the system),
- 7th place by loan portfolio (AMD 311 bn or 5% of the systems),
- 6th place by liabilities to customers (AMD 355 bn or 5.5% of the systems),
- 6th place by net profit (AMD 15.6 bn or 4.3% of the system),
- 6th place by total capital (AMD 89.1 bn or 5.1% of the system).

1.1.6. Mission, Vision and Fundamental Values of the Bank

Mission and Slogan

We believe that the strength of the state and society lies in the strength, cohesion and mutual support of the family. Converse Bank supports the families to develop their financial potential and reach financial independence and sustainability.

Our slogan is “Trusted by generations”.

Vision

Become the first digital bank of choice in Armenia by implementing innovative technologies and offering simple, user-friendly and affordable banking services in line with the requirements of the modern world.

Fundamental Values

Responsibility and integrity

Guided by the values of responsibility and integrity, the Bank builds trust among the customers, partners and employees by ensuring that any interaction reflects high standards of ethical and professional conduct.

Accountability

Accountability is the cornerstone of obligations assumed by the Bank toward the customers and employees. The Bank is committed to its obligations, ensuring the financial security of customers and supporting them in achieving their goals. This means a high culture of responsibility and an environment for employees, where consistency and results are valued.

Accessibility

Accessibility is one of our core priorities for both the customers and the employees. Geographical coverage, straightforward and user-friendly services for customers. Accessibility to the management and governing authorities of the Bank for employees to create supportive and open environment.

Cooperation

We build long-standing and sustainable relationship with our customers and partners to ensure strong financial cooperation, quality technical support and continuous implementation of programs.

1.1.7. Business Model

Converse Bank CJSC has positioned itself and operates in the Armenian banking system as a universal bank focusing on retail, corporate and investment banking by emphasizing the comfort of each customer and simplicity and accessibility of services when creating and developing banking services.

The Bank offers comprehensive banking and financial services through its broad branch network, as well as use-friendly mobile and online banking platforms.

As of December 31, 2024, the Bank's total assets amounted to AMD 575.9 bn, liabilities totaled AMD 486.8 bn and the total capital comprised AMD 89.1 bn. The detailed information about the Bank is accessible in the website of the Bank.

1.1.8. Strategy of the Bank

The business model of the Bank is grounded on the customer centric strategy, which is intended to provide flexible, uninterrupted and effective servicing of the customer's financial needs by applying up-to-date and continuously advancing digital solutions.

In this respect, the Bank emphasizes digital transformation and creation of digital ecosystem in all its business areas. These processes are reflected in the expansion of digital services offered to customers, as well as the improvement, streamlining and upgrading of the internal processes of the Bank.

Based on the Bank's mission and vision, and the shareholder and customer interests, the Bank has set the following strategic priorities and medium-term goals to provide the equilibrium between the risks and profitability.

- Development of business directions. The Bank intends to continuously develop retail, corporate and investment directions by offering innovative financial solutions and expanding the range of services.
- Improvement of digitization level. The Bank strives to improve its level of digitization by implementing advanced technological solutions and improving the mobile and online banking platforms and ensuring user-friendly and safe financial environment for customers.
- Excellent and continuous customer service. The Bank has set a priority to create a customer centric business environment, where every customer gets high-level, customized, quality and uninterrupted banking services.

- Sustainable profitability and improvement of operational efficiency. The Bank sticks to the strategy of stable increase in income and optimization of costs to improve operational efficiency and reach high yield.

1.1.9. Assets Quality

Assets compliance. Based on the unaudited data, the Bank’s net profit reached AMD 15,612.8 M and ROE made 18.88% in 2024. Total ROA made 15.47%.

Assets quality. As of December 31, 2024, the Bank’s gross loan portfolio amounted to AMD 318 bn. The Bank has continuously revised the terms and processes of retail and corporate loans since 2016, to improve the competitiveness of the Bank’s credit products. Due to application of new terms and processes and the market position of the Bank, as well as the complete use of the lending potential, the planned increase in the lending volumes is realistic. At the same time, major focus is placed on the portfolio quality management. The loans are provided to customers who meet the standards set by the Bank.

Assets liquidity. The Bank intends to ensure sustainable and diversified structure of financing sources that will meet the unexpected fast and low-cost needs for liquidity. The CBA has set the following liquidity normatives (average indicator of the final month of the reporting period).

Standards	CBA ratios	Actual ratio 2024	Actual ratio 2023	Actual ratio 2022
N ₂ ^{1*}	15.00%	34.44%	44.42%	46.92%
N ₂ ^{2**}	60.00%	101.31%	114.60%	106.22%

* Min ratio of highly liquid assets to total assets of the Bank

** Min ratio of highly liquid assets to demand liabilities of the Bank

1.2 Risks Related to Issuer and Bonds

1.1.3. Outline of risks related to Issuer

See paragraph 3.2 of the Program Prospectus for the detailed description of risks related to the Issuer.

Strong competition. The banking industry is exposed to strong competition; therefore the intensification of market competitors may have an adverse effect on the Issuer’s business and financial results.

Credit risk. Banking is exposed to credit risk related to the Borrower’s default on obligations, due to which the Bank may make loss. The credit risk is the major risk of the Bank; therefore the Bank keeps the same under its special control.

Operational risk. The operational risk is the probability of loss or direct loss arising from inadequate or inaccurate internal processes, human error, systems and external environment, which can have an adverse effect on the equity and profit of the Bank.

Geopolitical risk. The unfavorable changes in geopolitical, regional and in-country political situations may arise negative factors that can affect adversely on the general macroeconomic situation, which in turn may increase the share of nonperforming loans, add the provisioning costs and decrease the Bank's profit.

Regulatory risk. The Issuer conducts business in one of the regulated industries of the Armenian economy. The regulatory changes may have positive or negative impact on the Bank's business and financial results.

Market risk is the probability of loss due to fluctuations in the interest rates, security prices and/or exchange rates. The Bank distinguishes market risks between corporate and non-corporate portfolios.

Interest rate risk arises from the likelihood that the changes in the interest rates directly affect the cash flows related to the financial instruments of the Bank and their real value, therefore, the Bank always bears the risk of potential changes in market interest rates.

Exchange rate risk is the possibility of fluctuation of the value of financial instruments due to fluctuations in the exchange rate.

The risk management policy sets restriction of the exchange rate risk due to non-speculative policy.

Liquidity risk refers to the Bank's capacity to perform financial liabilities in time in normal and stress situations.

To mitigate this risk, the Bank carries out assets and liabilities management, i.e. daily control over the future cash flows and liquidity, provision of various financing sources in addition to the already existing main bank deposit.

Legal risk. To mitigate the legal risk, the Legal Division develops all standard agreement templates in cooperation with the respective subdivisions.

IT related risks are managed based on the internal regulations of the Bank.

1.1.4. Outline of bond-related risks

See the details of risks related to bonds in paragraph 2.1 of the Program Prospectus.

Market risk is the likelihood of loss related to fluctuations in future cash flows or the real value of financial instruments due to market variables (such as interest rates and exchange rates). It may emerge as a result of changes in economic factors affecting the price of bonds.

Interest rate risk. The volatility of interest rates in the Armenian financial market may adversely affect the bond yield and the liquidity rates.

Exchange rate risk emerges as a result of exchange rate fluctuations in the national currency and may have adverse impact on the bond yield earned by the investor when the investor's income is estimated in AMD.

Liquidity risk. Liquidity risk may arise from abrupt change in the market situation or the impairment of the Bank's financial status. The Issuer has an action plan for securing the liquidity of bonds, however the Issuer cannot guarantee that the bonds will be sold in the secondary market at any point or at the preferable price.

Inflation risk is the likelihood of loss arising from decrease of assets or income, as well as due to abrupt growth in inflation.

Reinvestment risk. The investors purchasing bonds to be held to maturity should keep in mind that they assume the reinvestment risk; i.e. the risk of probability to reinvest the regular coupon yields from the issuer's bonds at least with the same rate of yield.

Credit/default risk. The investors assume the Issuer's credit risk when purchasing corporate bonds, which relates to the potential financial impairment or inability to make coupon payments or bond redemption or probable bankruptcy of the Issuer.

Rating risk. All other things being equal, the price of bonds is usually directly dependent on the Issuer's rating, specifically for the Issuer's credit risk and/or the bond (S&P, Moody's, Fitch). The price of the bond usually also falls as a result of a rating downgrade.

1.3 Trends of Business Development and Changes in Financial Situation of the Bank

Converse Bank continuously develops its business directions focusing on retail, corporate and investment banking. The Bank's strategic approach involves implementation of digital solutions improving the efficiency of business processes and the level of customer satisfaction.

Based on strategic priorities and medium-term goals, the Bank intends to take the following basic actions shortly: ensure the growth of business directions at least equivalent to the average market level by preserving the leading positions in basic financial ratios and the ROE set under its strategic plan, and improve risk management by implementing up-to-date and more effective mechanisms.

The Bank will continue developing its digital platforms by expanding the number of Monthly Active Users (MAU) of Converse Mobile by promoting the volume of transactions executed through digital channels. Furthermore, the Bank will make efforts to extend the cooperation with financial organizations by involving new opportunities and financial resources.

The Bank is planning to revise its ESG policies and procedures by implementing straightforward and efficient ESG model that insures sustainable social and economic development in line with the best international practices.

1.4 Brief Info on Auditors of the Bank

Ernst & Young CJSC was the external auditor of the Bank for 2022. The company is located at KAMAR Business

Center, 7th floor, 2 Vazgen Sargsyan, 0010 Yerevan, Armenia, tel. (+374 60) 507-777, website www.ey.com/am. Erik Hayrapetyan is the Managing Partner of the Company in Armenia.

KPMG Armenia LLC was the external auditor of the Bank for 2023. The company is located at EREBUNI PLAZA, 8th floor, 26/1 V. Sargsyan, 0010 Yerevan, Armenia, tel. + 374 (10) 595 999, website www.kpmg.am. Irina Gevorgyan is the Managing Partner. The same company will conduct the financial audit of the Bank in 2024.

No case of refusal from work, re-election or dismissal of the auditor by the Issuer has occurred within 3 years prior to the date of filing of the Prospectus.

1.5 Members of Executive Board, Employees and Shareholders of the Bank

The following governance authorities are established under the Charter of the Bank:

- General Shareholder Meeting, hereinafter the Meeting
- The Board of the Bank
- The Executive authority: CEO and Executive Board of the Bank

Converse Bank CJSC has so far issued and allocated 66,492 (sixty-six thousand four hundred and ninety-two) ordinary stocks to date, each at AMD 300,000 (three hundred thousand) face value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) face value, which form the share capital of the Bank.

The below table illustrates the composition of shareholders of the Bank.

	Advanced Global Investments LLC	HayPost Trust Management Sàrl	Armenian Apostolic Church represented by Mother See of Holy Etchmiadzin
Form of ownership	non state-owned	non state-owned	non state-owned
Type of share	333 convertible preference shares at AMD 100 (one hundred) face value per share and ordinary stocks	ordinary	ordinary
Residency	non-resident	non-resident	non-resident
Equity participation	72.89% of ordinary stocks	22.11% of ordinary stocks	5% of ordinary stocks

The stocks of the Bank are not circulated in the regulated market given the organizational form of the Bank.

The stocks have indefinite maturity.

The Board of the Bank currently consists of 5 members.

Name	Position
Marcelo Wende	Chairman of Board
Arsen Gamaghelyan (Ter Hovel Archpriest)	Member of Board
Daniel Guillermo Simonutti	Member of Board
Martin Francisco Eurnekian	Member of Board
Pedro Miguel Weiss	Member of Board

The Executive Board consists of 8 members.

Name	Position
Andranik Grigoryan	CEO/Chairman of Executive Board
Grant Akopian	Deputy CEO/CFO, member of Executive Board
Davit Azatyan	Head of Accounting Division/Chief Accountant, member of Executive Board
Grigory Zakaryan	Head of Investment Banking Department, member of Executive Board
Vahagn Melik-Parsadanyan	Head of Risk Management Department, member of Executive Board
Artur Mkhitaryan	COO, member of Executive Board
Sargis Khachatryan	Head of Corporate Banking Department, member of Executive Board
Aram Baloyan	Head of Retail Business Department, member of Executive Board

The number of Bank employees was 1,008 as of 20.02.2024.

1.6 Basic Statistical Date of Offered Bonds

The bonds issued by Converse Bank CJSC (the Bank) are registered, dematerialized, coupon, medium-term and are to be placed with 3 and more tranche. The placement of the final tranche of bonds will complete no later than within 12 months from publication of the Program Prospectus.

The issued bonds are placed and redeemed with USD for USD denominated bonds, and with AMD for AMD denominated bonds. The payment is made in AMD against the coupons of both USD and AMD denominated bonds.

Type of securities	Registered, coupon bonds
Form of securities	Dematerialized
Face value per security	USD 100 (one hundred), AMD 50,000 (fifty thousand)
Total quantity of issue	200,000 (two hundred thousand) USD 100,000 (one hundred thousand) AMD
Total value of issue	USD 20,000,000 (twenty million) AMD 5,000,000,000 (five billion)
Value per tranche	To be determined by the Executive Board for each tranche
Quantity per tranche	Based on total value and face value per tranche
Annual coupon yield	To be determined by the Executive Board for each tranche
Flotation period	To be determined by the Executive Board for each tranche
Coupon payment frequency	To be determined by the Executive Board for each tranche
Form of issue	Without a firm commitment basis

1.7 Comprehensive Description of Bond Program Prospectus

The final terms of issuance, placement, trading and redemption of bonds are to be determined by the Executive Board for each tranche.

The final terms and conditions for each issue of bonds are filed with the CBA and posted on the Bank's website www.conversebank.am at least 2 (two) days before issuance.

The bonds cannot be redeemed ahead of schedule.

The bonds issued by the Bank are unsecured.

1.8 Other Essential Information

Under the RA Law on GUARANTEE OF REMUNERATION OF BANK DEPOSITS OF PHYSICAL ENTITIES, Article 2.1(c), the funds attracted with registered securities issued by the Bank are deemed a bank deposit. Therefore, the investments of individuals, including the sole proprietors in the registered bonds issued by the Bank, as well as the earned interests are guaranteed to the same amount and in the same order as the deposits.

The Bank makes coupon payments to the bondholders on the coupon calculation day. Where the coupon calculation day is a non-business day, the payment day falls on the next business day. The coupon payments are made in AMD.

1.9 Brief Financial Info

See Annex 4 for the calculation formulae of the Bank's financial ratio.

K AMD

Indicator	31/12/2024 (unaudited)	31/12/2023 (audited)	31/12/2022 (audited)
Net profit after corporate tax	15,612,848	14,623,669	14,098,293
Average equity	82,699,624	69,313,882	56,189,344
ROE, %	18.88%	21.10%	25.09%
Net profit after corporate tax	15,612,848	14,623,669	14,098,293
Average total assets	537,680,776	480,344,021	415,396,894
ROA, %	2.90%	3.04%	3.39%
Net profit after corporate tax	15,612,848	14,623,669	14,098,293
Operating income	36,956,713	34,788,430	32,849,952
Net profit margin (NPM), %	42.25%	42.04%	42.92%

Operating income	36,956,713	34,788,430	32,849,952
Average total assets	537,680,776	480,344,021	415,396,894
Asset utilization ratio (AU), %	6.87%	7.24%	7.91%
Average total assets	537,680,776	480,344,021	415,396,894
Average equity	82,699,624	69,313,882	56,189,344
Equity multiplier (EM)	6.50	6.93	7.39
Net interest income	25,933,612	21,596,227	16,123,507
Average earning assets	476,477,899	414,386,582	341,419,001
Net interest margin (NIM) (%)	5.44%	5.21%	4.72%
Interest income	45,760,193	37,539,060	30,275,417
Average earning assets	476,477,899	414,386,582	341,419,001
Yield on earning assets (%)	9.60%	9.06%	8.87%
Interest expense	19,826,581	15,942,833	14,151,910
Liabilities involving interest expense	479,092,251	423,018,641	395,182,592
Cost-effectiveness of liabilities involving interest expense (%)	4.14%	3.77%	3.58%
Net profit after corporate tax	15,612,848	14,623,669	14,098,293

Weighted average number of shares	66492.00	66492.00	66492.00
Earnings per share (EPS)	234.81	219.93	212.03
Spread (%)	5.47%	5.29%	5.29%

NOTICE TO INVESTOR

THE SUMMARY SHOULD BE VIEWED AS THE PREAMBLE TO THE PROSPECTUS. THE INVESTOR'S DECISION ON INVESTMENT IN THE OFFERED SECURITIES SHOULD BE BASED ON THE ENTIRE PROSPECTUS. THE PARTY RESPONSIBLE FOR DEVELOPMENT OF THE SUMMARY BEARS CIVIL LIABILITY FOR INCOMPLETE OR MISLEADING INFORMATION (INCLUDING THE TRANSLATION) CONTAINED IN THE SUMMARY, WHERE THE LATTER IS INCOMPLETE AND MISLEADING FOR REVIEW OF THE REMAINING SECTIONS OF THE PROSPECTUS.

SECTION 2. INFORMATION ABOUT OFFERED BONDS

2.1 Risk Factors

The investment in bonds offered under the Program Prospectus implies certain risks. The potential investor should be cautious and take into account the below stated risks and other information included in the Program Prospectus, as well as the own practice, goals, financial resources, risk appetite and expected income prior to taking a decision on investments in the bonds. Any or some of the below listed risks may have adverse impact on the market situation and cause the decline in the bond price or liquidity. As a result of the aforementioned the investor can lose the invested amount in whole or in part.

Risk assumption is the integral part and consequence of financial operations, and the investor should take into account that investments in bonds involve certain risks that are related not only to the Issuer's financial status and business results (Issuer risk) but also to the situation in the financial market (market risk). The potential investor should acknowledge that the below listed risks do not cover all risks that may ever emerge. The Issuer has revealed only those risks they have been aware of and have considered essential when developing the Prospectus. Presumably there might be additional risks, which the Issuer does not currently consider essential or which are not known at present, and any such risk may have the aforementioned effect and consequence.

The investor should thoroughly review the risks and other information disclosed in this document when taking an investment decision.

Furthermore, the investors should consult with their lawyers to find out whether the investment in bonds is legally permitted, and how and in what form the bonds can be used as a subject of collateral for various borrowings.

Market risk is the probability of fluctuation of future cash flows or the real value of financial instruments due to market variables (such as interest rates and exchange rates). It may arise due to changes in the economic factors affecting the bond price. The Issuer's bond price and the demand for the latter may change in the secondary market due to changes in economic indicators of the internal and external markets, which may cause the investor's loss. To mitigate the adverse impact of the particular risk on the Bank's financial results, the Risk Management Department has established the risk appetite amount and has developed market risk limits, and the compliance with the latter is under the permanent control of the relevant systems. Market risk includes interest rate, price, exchange and equity instrument price risks.

Interest rate risk: The volatility of interest rates in the Armenian financial market may adversely affect the bond yield and the liquidity rates. Increase of interest rates in the market may also force the Issuer to revise (raise) the bond yield, which will in turn cause the decline in price. In such situation, the investor will incur loss or will not earn the planned income upon the sale of bonds before maturity.

Exchange risk arises due to exchange fluctuations of the national currency and can adversely affect the investor's return on income, where the investor estimates the income in AMD. The particular risk may

emerge due to abrupt fluctuations of exchange rate and inadequate management of assets and liabilities expressed in foreign currency, thus causing loss. In particular, upon appreciation of the national currency, when converting the amounts earned from redemption of bonds denominated in foreign currency, the income estimated in AMD can be less than the expected (negative).

Liquidity risk may arise from abrupt change in the market situation or the impairment of the Bank's financial status. The Issuer has an action plan for securing the liquidity of bonds (regular coupon payments, competitive yield, listing and permission to trade on regulated market, market maker agreements with the respective companies), nonetheless the Issuer cannot guarantee that the bonds will be sold in the secondary market at any point or at the preferable price. The bondholder may not sell the desired number of bonds at any point or may be forced to sell the bonds at a lower price, thus incurring loss.

Inflation risk is the probability of loss arising from decline in assets or income due to depreciation of the national currency and consequently the abrupt growth of inflation. In other words, the future inflation will cause the decline in purchasing power of cash flows. The investors should take into account that the actual income receivable by them may be smaller (at the rate of inflation) than the registered coupon yield offered by the Issuer in the inflationary situation.

Reinvestment risk: The investors purchasing bonds to be held to maturity should assume the reinvestment risk, which is attributable to the potential impossibility to make an investment expecting a yield at least equivalent of the coupon yield periodically received from the bonds of the issuer; i.e. they assume the risk of impossibility to reinvest the proceeds from regular coupon payments or the bond redemption at least with the same rate of yield.

Credit/default risk: The investors purchasing bonds assume the Issuer's credit risk, which refers to the probable impairment of the Issuer's financial situation, impossibility of coupon payment and bond redemption and the Issuer's probable insolvency in the future.

Bond rating downgrade risk: All other things being equal, the bond price depends directly on the Issuer's and/or bond risk rating (S&P, Moody's, and Fitch). The bond price usually drops due to the rating downgrade.

2.2 General Information

Purpose of issuance: The Bank intends to expand and diversify the base of potential customers, to extend the range of offered services, to introduce the Bank's investment instruments to the potential investors on Armenia Stock Exchange OJSC trading floors, and to disseminate the information about the Bank's credit risk to the broadest range of investors. The Bank issues bonds with further intention to raise funds to be used for medium-term lending and to facilitate efficient management of Liabilities on the balance sheet, and as well to attract more cost-saving funds, other things being equal. Issuance and placement of bonds also pursues the goal to reduce the financier's or a financial group's risk.

2.3 Bond Details

2.3.1 Type and Class of Securities

The bonds issued by Converse Bank CJSC are nominal, dematerialized, coupon, medium-term. The issued bonds are non-convertible.

2.3.2 Country

The bonds will be issued in the Republic of Armenia based on the RA laws and bylaws. Any disputes and judicial processes will be regulated in compliance with the RA laws.

2.3.3 Form of Securities

The issued bonds are dematerialized. The Bond Register will be maintained by the Issuer.

2.3.4 Face Value and Quantity of Securities

The face value per issued and allocated bond is USD 100 (one hundred) for USD denominated bonds and AMD 50,000 (fifty thousand) for AMD denominated bonds. The volume of bonds issued by the Bank totals USD 20,000,000 (twenty million) and AMD 5,000,000,000 (five billion). The total quantity of issued and allocated bonds is 200,000 (two hundred thousand) for USD denominated bonds and 100,000 (one hundred thousand) for AMD denominated bonds. The value per tranche is to be determined by the Executive Board. The quantity of bonds per tranche is to be determined based on the total value and face value per tranche.

2.3.5 Currency of Issue

The bonds will be issued in AMD and USD.

2.3.6 Bond Classification Details

Under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, upon liquidation of the Issuer, the claims of creditors shall be satisfied in the following sequence:

Firstly, the well-grounded administration costs of bankruptcy commissioner required for exercising the powers reserved thereto under the law, including the payroll based on the proforma invoice approved by the CBA Board;

Secondly, the claims of creditors, who have extended a loan or a borrowing to the Bank or have opened a deposit or have credited cash to the account with the Bank after appointment as a bankruptcy commissioner, except in cases specified in the agreements concluded between the creditor and the CBA;

Thirdly, the AMD bank deposits and balances on bank accounts of the RA and foreign citizens and stateless persons to the amount of up to AMD 16 M, and for FX deposits (accounts) – to the amount equivalent of

AMD 7 M; furthermore, upon the claim over AMD 16 M (and for FX claim, the equivalent amount over AMD 7M), the claim of the particular person to the amount of AMD 16 M (and for FX claim, the equivalent of AMD 7 M) is satisfied in the third place, and the claim for the excess amount – in the fourth place;

Fourthly, other liabilities of the Bank, including the costs relating to compensations paid by the Deposit Guarantee Fund, except for bank deposits and account balances to be settled in the second place;

Fifthly, the liabilities of the Bank to the state budget and community budgets, and other mandatory contributions under the RA laws;

Sixthly, the claims arising from subordinated debts;

Seventhly, the claims of the Bank shareholders.

The creditors/bondholders on the same line have equal rights for claim settlement.

The claims of creditors/holders of the Issuer's bonds on the same line are satisfied after the full settlement of claims of the preceding line. For the purpose of the RA Law on Guarantee of Remuneration of Bank Deposits of Physical Entities and the related bylaws, the funds attracted from individuals (including sole proprietors) with registered securities – in this case bonds issued by the Bank are deemed a bank deposit, the compensation whereof is guaranteed under the same law, to the following amounts.

If the Investor has only AMD denominated bonds at the insolvent bank, the guaranteed fund is AMD 16 M.

If the Investor has only FX denominated bonds at the insolvent bank, the guaranteed fund is AMD 7 M.

If the Investor has bonds denominated both in AMD and FX at the insolvent bank, and the amount of AMD denominated bonds is over AMD 7 M, then only the amount of the AMD denominated bonds is guaranteed at up to AMD 16 M.

If the investor has bonds denominated both in AMD and FX at the insolvent bank, and the amount of AMD denominated bonds is below AMD 7 M, then the amount AMD denominated bonds is guaranteed fully and the amount of FX denominated bonds is guaranteed to the amount of difference between AMD 7 M and the redeemed AMD bonds.

All AMD deposits of the investor, including investments in bonds, are deemed a single deposit, except the unsecured deposits, and all FX deposits of the depositor/investor are deemed a single deposit, except the unsecured deposits. When calculating the amount subject to guaranteed deposit, the AMD deposits are calculated in the first place, and the FX deposits – in the second place. An event of indemnity of guaranteed deposits (hereinafter the Indemnity Event) shall be deemed the recognition of the bank insolvent under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, and the confirmation based on the CBA Board Resolution of the bank's inability to return the deposits in due time based on the law and agreements, or the recognition of the bank bankrupt under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund

Managers and Insurance Companies (hereinafter for all cases, the insolvent bank). The bonds may be reclassified upon new issuance of securities, where the latter will be deemed superior securities, and only for the part not referring to the deposit guarantee fund.

2.3.7 Basic Rights, Obligations and Restrictions Related to Securities

The bondholders acquire the following rights when purchasing bonds:

- Receive the bond coupon and the redemption sum in compliance with this Program Prospectus;
- Upon liquidation of the Bank judicially on the ground of delay of the bond coupons and/or the redemption sum (due to adjudication of bankruptcy), exercise the creditor rights legally reserved thereto. Under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, Article 31.2 (c), the claims of bondholders of the Bank are to be satisfied in the third place;
- Dispose of the bonds at own discretion at stock exchange (if listed and permitted to trade) or the OTC market in due order; the investors should take into account that the RA laws prohibit the OTC trading of corporate securities permitted to trade on regulated market (stock exchange), except in the following cases:
 - Transactions concluded with the CBA, such as potential transactions between the CBA and the professional financial market participants,
 - Buyback or acquisition by Issuer of securities issued thereby
- Pledge the bonds in due order;
- Exercise other rights under the law.

The bondholders assume the following obligations when purchasing bonds:

- Open securities account with the Account Operator;
- Transfer the sums required for purchase of bonds to the respective bank account on established terms and conditions, and perform any cash and cashless liability arising from purchase and sale of bonds and other actions.

Under the RA Law on Guarantee of Remuneration of Bank Deposits of Physical Entities, the investments of individuals (including sole proprietors) in the bonds issued by the Bank are guaranteed to the following amount:

- a) If the depositor has only AMD bank deposit with the insolvent bank, the guaranteed deposit is AMD 16 M;
- b) If the depositor has only FX bank deposit with the insolvent bank, the guaranteed deposit is AMD 7 M;
- c) If the depositor has AMD and FX bank deposits with the insolvent bank, and the amount of AMD bank deposit is over AMD 7 M, then only the AMD deposit is guaranteed at up to AMD 16 M;
- d) If the depositor has AMD and FX bank deposits with the insolvent bank, and the amount of AMD bank deposit is below AMD 7 M, then the AMD bank deposit is guaranteed fully and the FX bank deposit is guaranteed in the amount of difference between AMD 7 M and the redeemed AMD bank deposit.

The Charter of the Bank or the bond issuance resolution establishes no restrictions for issuance of bonds or investors in bonds, except the minimum number of bonds to be purchased during the placement.

The minimum number of bonds to be purchased per tranche is determined by the Executive Board, and the maximum number is restrained with the total quantity of issue.

2.3.8 Coupon Interest Rate and Payment Terms

The annual interest rate of coupon payable per tranche is to be determined by the Executive Board of the Bank.

The persons (owners or nominees) registered in the bondholder/nominee register at closing of the bondholder/nominee register on the day preceding the day of calculation of bond coupons, are entitled to receive the coupons (interest amounts).

The bondholder/nominee register will be closed at 18:00 of the day preceding the day of subsequent calculation of bond coupons; i.e. the bondholders/nominees registered after the stated hour will not be entitled to receive the coupon payable for the preceding coupon period.

The Issuer takes an excerpt from the bondholder/nominee register as of 18:00 of the day preceding calculation of coupons, based whereon pays the respective sums through cashless transfer onto the bank accounts of bondholders.

The coupon payments for bonds denominated in AMD and USD will be calculated and paid in AMD and USD accordingly. The sums of coupon payment for USD denominated bond are calculated by rounding after the decimal point by 2 digit accuracy, based on the arithmetical rounding rules, and the sum of coupon payments for AMD denominated bonds are calculated by rounding after the decimal point by 1 digit accuracy. The rounding is performed based on the arithmetical rounding rules.

The arithmetical rounding rules assume the rounding method, whereby the whole number of a unit is not changed if the to-be rounded decimal unit is equal to 0-4, and is rounded up by 1 unit if the to-be rounded decimal unit is equal to 5-9.

In the absence or upon inaccuracy of coupon payment account number in the bondholder/nominee register or the bond buy order, the Bank will transfer/block the sum on the account opened with the Bank for that purpose, and thereafter the Bank will put forth all reasonable efforts to identify the investor and transfer the sum thereto.

The Bank pays the coupon sum to the bondholders at the date of calculation (redemption) of coupon. Where the coupon calculation day is a non-business day, the payment is made on the next business day.

No specifics are established for payments to nonresident persons.

The coupon payable for the bond is calculated with the periodicity established by the Board per issue, on the respective day of each nth month following the starting day of placement.

The accumulation of the coupon payment for the bond is calculated by the following formula.

$$AI = FV * \frac{C}{k} * \frac{DCS}{DCC}$$

where

AI is the accumulated coupon income

FV is the face value per bond

C is the annual nominal interest rate of coupon expressed in percentage

k is the number, frequency of annual coupons payments

The conventional calculation of days is Actual/Actual for the Issuer's bonds; furthermore:

DCS is the number of days between the starting date of coupon redemption/coupon accumulation before the day of the transaction and the day of the transaction, upon the respective conditionality [D2M2Y2-D1M1Y1],

DCC – is the number of days in coupon cycle upon the respective conditionality [D3M3Y3-D1M1Y],

D1M1Y1 is the date of coupon redemption/start of coupon accumulation before the date of the transaction

D2M2Y2 is the date of the transaction

D3M3Y3 is the date of coupon redemption/par value redemption after the date of the transaction

The method calculation of days for coupon payments is Actual/Actual.

2.3.9 Maturity of Securities

The maturity of bonds is to be determined by the Executive Board of the Bank for each tranche.

The bondholder/nominee register is closed at 18:00 of the day before the redemption day; i.e. the bondholders/nominees registered at the point of closing the register will be entitled to receive the bond redemption sum.

The bond redemption sums are paid to the bondholders/nominees at the date of redemption; i.e. during the first business day following the closing of the bondholder/ nominee register. Where the redemption falls on non-business day, the payment is effected on the next business day.

The Issuer takes an excerpt from the bondholder/nominee register as of 18:00 of the day preceding the redemption day, based whereon pays the respective sums (face value of bonds) through cashless transfer onto the bank accounts of bondholders.

The Issuer makes cashless transfer of the bond redemption to the bank accounts stated in the bondholder/nominee register or to the bond redemption account stated by the investor in the bond buy order. In the absence or upon inaccuracy of bond redemption account number in the bondholder/nominee register or the bond buy order, the Settlement Bank will transfer/block the sum on the account opened with the Bank for that purpose, and thereafter will put forth all reasonable efforts to identify the investor and transfer the sum thereto.

The redemption will be made in AMD for AMD denominated bonds and in USD for USD denominated bonds.

Given the currency of the bond face value and the necessity for possible interbank transfers relating to bond redemption (unless the investor has USD or EUR account with the Issuer), the investors should consider that the commissions for transfer of the redemption sums (interbank transfers) should be paid thereby, therefore the investors will receive the redemption sums with deductions, based on the tariffs applied by the Bank or other intermediary banks (if any).

Early redemption of bonds is not planned.

2.3.10 Annual Yield of Securities

The annual yield of bonds is calculated by the formula under paragraph 2.4.3 below. “y” stands for the annual yield in the formula. The annual yield rate will be equal to the announced coupon yield in the flotation period. At the end of the first placement, the annual yield will be determined on the secondary market, based on the interest rates existing in the market at that point.

2.3.11 Information on New Issue

The resolution on issuance and placement of bonds was made by Converse Bank CJSC Board Resolution #19 at 13.03.2025, whereby medium-term coupon bonds are to be issued and placed on below terms:

- total value of issue: USD 20,000,000 and AMD 5,000,000,000
- face value per bond: USD 100, AMD 50,000
- placement with 3 or more tranches
- underwriter: Converse Bank CJSC
- form of issue: without a firm commitment basis

The Board resolution establishes that the terms and conditions, the starting and final dates of placement of coupon bonds, the annual coupon yield, the value of each issue, the frequency of coupon payment, the bond circulation period, and the minimum amount of bonds to be purchased by a single investor should be determined by the Executive Board of Converse Bank CJSC for each tranche.

2.3.12 Restrictions on Free Circulation of Securities

The resolution on issuance of bonds sets no restrictions on the free circulation of bonds except the minimum number of bonds to be purchased by a single investor during the placement, if such decision is taken by the Executive Board. Subject to permission of bonds for trading on the regulated market, the OTC market deals are prohibited, except in cases specified in the CBA Board Resolution #331N at 27.11.2012.

2.3.13 Taxation of Income from Bonds

The investor in bonds may earn income from:

- Interest on bonds,
- Capital gain.

The income from bonds is taxable for corporate tax (for legal entities) and income tax (for individuals).

Corporate tax charged for income from bonds

The resident and non-resident organizations, other than the government authorities representing the Republic of Armenia, the municipal administration institutions representing the communities of the Republic of Armenia, the Central Bank of Armenia, the diplomatic missions and consular offices accredited in the Republic of Armenia and the international organizations equivalent to them, pay corporate tax in the Republic of Armenia.

The taxable profit generated from the sources in and/or out of Armenia is deemed taxable object for resident organization.

The taxable profit generated from the Armenian sources is deemed taxable object for non-resident organizations.

The taxable profit is the positive difference between the taxpayer's gross income and the deductions made under the RA Tax Code.

The corporate tax amount of the resident corporate taxpayer and the non-resident coporporate taxpayer conducting business in Armenia through a permanent institution is calculated against the taxable profit at the rate of 18% at the date of publication of this Program Prospectus.

The corporate tax for the interest on bonds of the non-resident corporate taxpayer conducting business in Armenia without a permanent institution is calculated at the rate of 10%, while the capital gain from bonds is not taxed.

The Issuer will act as the tax agent for non-resident legal entities.

Income tax charged for income from bonds

The RA resident and non-resident individuals pay income tax in Armenia. An individual is deemed resident if in any 12-month period starting or ending in tax year has dwelled in Armenia for 183 days in total or longer, or whose center of vital interests is in Armenia. The taxable income is the positive difference between the taxpayer's gross income and the deductions under the RA Tax Code.

The income generated in and out of Armenia is deemed the taxable object for residents.

The taxable income generated from the Armenian sources is deemed taxable object for non-residents.

The income tax is calculated at 10% for the interests on bonds of residents and non-residents.

The capital gains from bonds of residents and non-residents **is not taxable**.

The Issuer will act as the tax agent for resident and non-resident individuals.

NOTE: *Though the Issuer, using their best efforts and knowledge, has presented the taxation practices applied in Armenia to the income received from securities, the Issuer hereby states that the investors should not accept the information as a tax advice or take an investment decision based only on the information stated in this section. The Issuer does not guarantee that the tax regulations will be in line with the presented information or will be applied by the RA tax authorities adequately at the point of receipt and review of the Prospectus by the investor, and the Issuer recommends the investor use the services of a professional tax advisor in any case. The Issuer further states that they disclaim all responsibility for any potential investor claims relating to application of tax laws and taxation schemes and/or for any financial claims due to the amendments thereto.*

2.4 Terms and Conditions of Offer

2.4.1 Terms of Offer, Statistics of Offer

Total value of issue

The total face value of bonds issued by the Bank comprises USD 20,000,000 (twenty million) and AMD 5,000,000,000 (five billion). The total number of issued and allocated bonds is 200,000 (two hundred thousand) denominated in USD and 100,000 (one hundred) denominated in AMD.

Start and end of offer

The Executive Board determines the starting date of issue of each tranche.

The final terms and conditions for each issue of bonds are filed with the CBA and posted on the Bank's website www.conversebank.am at least 2 (two) days before publication of the IPO announcement.

The Executive Board sets the end date of issue of each tranche.

The placement of the final tranche of bonds shall complete no later than within 12 months from publication of the Program Prospectus.

The Bank does not intend any changes in the set dates.

The bond offer and placement can be postponed or cancelled on the grounds established under the RA Law on Securities Market, Article 21. Particularly:

1. Where during the placement the Bank files a supplement to the Prospectus relating to the significant change of information included in the Prospectus, or occurrence of a new essential circumstance or fact, then at the Investor's request the Bank undertakes to revoke the acceptance given by the Investor and return the funds received from the Investor based on the latter's order and the interest amount accrued for the days between the purchase and the placement suspension dates, based on the coupon calculation

formula (paragraph 2.3.8). The buyback request can be made within 5 business days from publication of the supplement to the Prospectus; and the buyback request is to be made to the Issuer in writing;

2. The CBA can suspend the placement, where:

- the requirements of the RA Law on Securities Market and other public offering regulations are violated,
- the public offering terms established under the Prospectus are breached during the placement,
- the Prospectus contains essential errors and misleading information, or an essential fact is omitted or misrepresented in the Prospectus.

In such case the placement may be resumed with the permission of the CBA after correction of the detected violations and omissions;

3. Unless the placement is resumed within 1 business day from expiry of the suspension period, the Issuer has to stop the placement and return the Investors the funds received during the placement, within 10 business days from the expiry of the suspension period.

Upon cancellation of placement, the amounts are returned to the Investors within 3 business days from cancellation of the placement, in cashless manner by transferring the sums to the bank accounts stated by the Investors in the bond buy orders. In the absence or inaccuracy of the bank account number, the Bank will make all reasonable efforts to discover the investor and return the sum.

The Bank undertakes to publish the information about the suspension and resumption of placement, cancellation of placement and return of funds on its website www.conversebank.am.

Applying for offered bonds

Persons (individuals or legal entities) willing to invest in bonds should complete the bond buy order in due order (see Annex 1 for legal entities and Annex 2 for individuals), file the latter with the Bank and make the respective payment, whereby they will confirm the acceptance of the bond issuance terms.

The payment for bonds is made on the day of submission to the Bank of the buy order in due form, no later than at 16:30, through payment or transfer of cash onto the special transit accounts opened with the Bank #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds). The amount payable for the bonds is calculated by the formula stated in paragraph **Error! Reference source not found.** below, by multiplying the price per bond by the number of purchased bonds.

The total sum payable for the purchased bonds is calculated by rounding after the decimal point by 2 digit accuracy, based on the arithmetical rounding rules. The total purchase price for AMD denominated bonds is by rounding to 10 luma accuracy (furthermore the rounding is made based on rounding rules to the closest decimal number).

Where the buy order is placed and the respective amount is paid by 16:30 of the particular day, the price of the bond is determined as of that day. The amount of payment for the buy order placed and/or effected after 16:30 is determined at the price of the bond as of the next business day.

The Bank publishes the bond price per issue for the whole period of placement on its website: www.conversebank.am.

The bond buy request/order is deemed duly submitted, if filed with the Bank by one of the methods stated below:

- It has been sent to the Issuer electronically vs the addressee's confirmation receipt
**Email investments@conversebank.am,
corpinvest@conversebank.am:**
- It has been provided to the Issuer in person at the Head Office or branches of the Issuer (see Annex 5 for the list of branches). In such case the employee of the Issuer makes a copy of the buy order and makes an "Accepted by the Bank" statement on it by stating the day/month/year/hour, putting the signature of the accepting employee and handing it over to the customer.
- It has been sent through the Issuer's Converse Mobile app based on the latter's rules.

The individuals and/or legal entities willing to purchase bonds may submit more than one buy orders.

The amounts credited to the special transit accounts with the Bank #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds) after the expiration of the flotation period should be returned, and the respective buy orders cannot be performed irrespective of the dates of their delivery to and/or receipt by the Bank.

No reduction of the total value of issue is planned.

Based on the issuance procedure, certain buy orders may be performed partially, where the value stated in the order surpasses the outstanding issue at the date of submission of the buy order. In such case the buy order is satisfied to the amount of the outstanding value.

Upon partial satisfaction of the buy order, the Issuer transfers the refundable amount in cashless manner onto the investor's respective bank account within 3 (three) business days from the end of placement. In the absence or upon inaccuracy of the bank account number, the Bank will make all reasonable efforts to discover the investor and return the sum.

Callback of order

The buy order submitted by the buyer and bearing the "Accepted by the Bank" statement cannot be called back.

The Bank returns the sums of the unsatisfied, called back orders (the payments against which have been effected before the "Accepted by the Bank" statement) to the buyers in 3 business days, by transferring the

sums onto the buyer's respective accounts. In the absence or upon inaccuracy of the bank account number, the Bank will make all reasonable efforts to discover the investor and return the sum.

The buy orders of investor having failed to effect the respective payment in the set period after submission of the buy order, are deemed invalid and cannot participate in the placement.

Apart from the aforementioned event, the investors cannot call back the buy orders after their delivery in due order, the receipt of the Bank's confirmation/notice on delivery and effecting of the respective payment.

Minimum and maximum amounts

Minimum and maximum amounts of purchased bonds may be set in the process of placement if the Bank has taken such decision at least in 5 business days before the start date of placement.

Procedure of obtaining securities ownership statement

The investors can obtain the securities ownership statement from the custodian or account operator servicing their securities account. The bonds are transferred to the investor's account in 1 (one) business day from satisfaction of the filed bond buy order.

Publication of results of Offer

The results of placement will be published on the Bank's website <https://conversebank.am/> in 1 (one) business day from the end of placement of each tranche, and the Bank will report the process and results of the placement to the CBA in compliance with the RA laws.

Preemptive right

No person enjoys preemptive right for the issued bonds. The buy orders are satisfied in the sequence of their submission.

2.4.2 Placement Plan

Eligible investors

The offer is made to the RA resident and nonresident individuals and legal entities, including the qualified and institutional investors, and sole proprietors. The bond offer will be carried out on OMO basis, through Converse Mobile app, the Head Office and branches of the Bank.

Notification on satisfaction of buy orders

The Issuer informs the Investors about the full or partial satisfaction or rejection of buy orders by the end of business day following the day of submission of the buy order. The Investor is notified about the partial satisfaction or rejection of the buy order in the manner the Investor has submitted the buy order(s) to the Bank.

Unless the Investor receives the notification on partial satisfaction or rejection of the buy order by the end of business day following the day of submission, the order is deemed satisfied.

2.4.3 Offer Price

The placement price of bond per 100 unit of face value is determined by the below formula.

$$DP = \frac{C}{f} \sum_{t=1}^N \frac{1}{\left(1 + \frac{y}{100 * f}\right)^{t-1+\tau}} + \frac{100}{\left(1 + \frac{y}{100 * f}\right)^{N-1+\tau}}$$

where

$$\tau = \frac{DSN}{DCC}$$

DP is the price of bond

DSN is the number of days left from the day of transaction through the subsequent coupon payment, upon respective conditionality

DCC is the number of days from the coupon payment day preceding the transaction through coupon payment succeeding the transaction, upon respective conditionality

f is the coupon payment frequency

N is the number of coupon payments left at the point of calculation

C is the annual coupon against 100 unit of face value

y is the yield to maturity

The Bank undertakes to publish the bond price per issue for the whole period of placement on its website: www.conversebank.am.

The investors incur the potential banking commission costs based on the currency of the issued bonds, upon transfer from other bank(s) the funds needed for purchase of bonds and generated from redemption of bonds and/or coupons.

Furthermore, the investors should have a USD (upon purchase of USD denominated bonds) and an AMD (irrespective of the bond currency) account with any bank and a securities account with any Account Operator and incur the related costs.

2.4.4 Placement

Underwriting

No underwriters exist, and no underwriting agreement has been concluded.

Underwriter without a firm commitment basis

Converse Bank CJSC will allocate the nominal, coupon, dematerialized bonds issued thereby at a total value of USD 20,000,000 and AMD 5,000,000,000.

Terms of placement

The Issuer and the Underwriter are the same legal entity – Converse Bank CJSC. The Issuer/Underwriter has not entered into a joint underwriting agreement with any underwriters and/or a group.

Banks and custodians accepting payments

The payments for the bonds are to be made onto the special transit account #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds) with Converse Bank CJSC. Where the investor purchases bonds through a brokerage company, the payment details should be clarified with the particular brokerage company.

2.5 Admission to Trading and Trading Arrangements

2.5.1 Admission to Trading

Subject to filing the Program Prospectus with the CBA and issuance of bonds, the Bank should apply to Armenia Stock Exchange OJSC to have the issued bonds listed and admitted to trading on the regulated market. The admission to trading may be declined. Upon rejection of admission to trading, the issuance of FX denominated bonds will be cancelled in 10 business days from the day of rejection of the admission request and the respective sums will be returned to investors based on paragraph 2.4.1 “Start and end of offer”.

2.5.2 Markets

The bonds filed under the Program Prospectus are not admitted to public trading on any market at this point.

2.5.3 Market Makers

The Issuer has not yet entered into a market maker agreement with any professional market participant.

Subject to listing and admission to trade of issued bonds on regulated market – Armenia Stock Exchange OJSC, the Issuer shall enter into a market maker agreement with any professional market participant.

The investors can find the information about the market makers for the Bank’s bonds on the Armenia Stock Exchange website www.amx.am.

2.6 Additional Information

2.6.1 Consultants

The Issuer has not used any third-party consulting services when developing this Prospectus.

2.6.2 Audit Opinion

No data presented in the Program Prospectus has been verified by an independent auditor apart from the historical financial statements verified by independent auditors and presented herein. See Annex 7 for the statements and the supporting audit opinions.

2.6.3 Issuer Rating

The Issuer has been assigned the following rating by Moody's Investor Service, Inc.

Grade	Rating
Outlook	Positive
Counterparty risk rating	Ba3 (long-term) NP (short-term)
Bank deposits	B1 (long-term) NP (short-term)
Baseline credit assessment	b1
Adjusted baseline credit assessment	b1
Counterparty risk assessment	Ba3(cr) (short-term) NP(cr) (short-term)

The Issuer has applied to get rating.

The Issuer's bonds have not been rated.

SECTION 3. INFORMATION ABOUT THE BANK

3.1 External Auditors

Ernst & Young CJSC was the external auditor of the Bank for 2022. The company is located at KAMAR Business Center, 7th floor, 2 Vazgen Sargsyan, 0010 Yerevan, Armenia, tel. (+374 60) 507-777, website www.ey.com/am. Erik Hayrapetyan is the Managing Partner of the Company in Armenia.

KPMG Armenia LLC was the external auditor of the Bank for 2023. The company is located at EREBUNI PLAZA, 8th floor, 26/1 V. Sargsyan, 0010 Yerevan, Armenia, tel. + 374 (10) 595 999, website www.kpmg.am. Irina Gevorgyan is the Managing Partner. The same company will conduct the financial audit of the Bank in 2024.

The objective of audit is to obtain reasonable assurance about whether the financial statements are free

from material misstatement.

No case of refusal from work, re-election or dismissal by the auditor of the Issuer has occurred within 3 years prior to the date of filing of the Prospectus.

3.2 Risk Factors

The investment in bonds offered under the Program Prospectus implies certain risks. The potential investor should be cautious and take into account the below stated risks and other information included in the Program Prospectus, as well as the own practice, goals, financial resources, risk appetite and expected income prior to taking a decision on investments in the bonds. Any or some of the below listed risks may have adverse impact on the market situation and cause the decline in the bond price or liquidity. As a result of the aforementioned the investor can lose the invested amount in whole or in part.

The potential investor should acknowledge that the below listed risks do not cover all risks that may ever emerge. The Issuer has revealed only those risks they have been aware of and have considered essential when developing the Prospectus. Presumably there might be additional risks, which the Issuer does not currently consider essential or which are not known at present, and any such risk may have the aforementioned effect and consequence.

The risks the Issuer is or can be exposed to include internal and external circumstances that may have an adverse effect on the equity or profit of the Bank.

Risk assumption constitutes the integral part and the consequence of financial operations, and the Bank is consistent in the analysis, evaluation, acceptance and management of the level and the combination of risks. The Bank intends to achieve an adequate balance between the risks and benefits and to minimize the adverse impacts on the financial status of the Bank.

Converse Bank CJSC risk management process aims to support the management of the Bank to make decisions providing for efficient management of risks relating to the assets and liabilities of the Bank and the Bank's customers within the scope of complex risk reduction measures, risk limits and internal regulations; as well as provide for acceptable levels of profit, liquidity and solvency through prevention or minimization of loss due to potential risks. The risk management is based on the regulations, procedures, norms and limits approved by the managerial authority of the Bank. Risk analysis is one of the components of strategic planning and evaluation of investment projects of the Bank.

The risk management culture and as well the establishment of the risk appetite and risk evaluation cover all business areas and subdivisions of the company and involve all major financial and non- financial (e.g. reputational risk) risks. The risk appetite (the opposite of which is risk avoidance) is the willingness to assume a certain level of risk to ensure the particular level of income.

The Bank cannot remain intact of the possible loss from the realized risks given the expected economic developments in 2025. The major risks hindering the development of the Bank and the growth of financial indicators include credit, market (exchange, interest rate and price), liquidity and operational risks.

In 2025, the Bank plans to further develop the risk management system established in the previous year taking into account the growth rate and low risk policy selected by the Bank.

The Bank positions itself as a mild-risk entailing organization and expects to be the same in the future. The Bank considers the risks to be formed upon the budgeted growth acceptable and is prepared to resist the potential losses arising from the same.

In 2024, the Bank's risk appetite was conditioned by a faster than expected economic growth rate.

In 2024, the Bank provided loan portfolio recoveries and applied individual approaches to improve the portfolio quality, which produced positive results. According to the Bank's expectations, the Armenian banking system will remain in stable macroeconomic situation though with limited growth in 2025, which, among other factors, will determine the Bank's potential growth and risk specifics.

The uncertainties persisting in 2024 due to regional developments may have negative impact on the macroeconomic environment and the banking system. One of the external risks for the Bank implies the negative market developments due to further depreciation of AMD, which might cause the increase of NPL, high exchange risks and liquidity problems.

In 2025, the Bank will implement a balanced risk and portfolio quality policy, whereby the Risk Management Department will make recommendations on either strengthening or softening the terms for specific products based on their quantitative and qualitative indicators. For that purpose, the Risk Management Department will carry on the creation of balanced loan portfolios based on the industry analysis, which will allow retaining the optimal risk level by using the market opportunities for the growth of the portfolio and the return.

The Bank will continue to place a special focus on the operational risk in 2025. Violations recorded in 2024 were given a quantitative and cumulative assessment in a matrix form. Based on the results of monitoring the respective risk weights were assigned to all processes of the Bank, due to which the operational risk was measured by specific operations through continuous communication with the subdivisions dealing with operational risks to a larger extent. These are ongoing processes and the increase of violations will facilitate the creation of more accurate risk weights. The management and mitigation of risks identified in the processes of subdivisions due to the mapping will be one of the key objectives in 2025.

The Credit Monitoring Unit will continue the large-scale monitoring of standard loans and NPL to manage the risks.

Based on the macroeconomic developments and their direct effect on the Armenian banking system and particularly on the Bank, the Bank plans regular analyses by specific industries to calculate and project the effect on the Bank and to direct the lending to less risk involving sectors.

In terms of general risk management policy, the Bank will operate based on the restrictions set under its internal regulations, the strategic plan, the annual budget and the action plan. The risk management policy envisages retention of a low level of credit risk (NPL/Total loans no more than 5%) and restriction of exchange risks due to non-speculative policy.

As a result of detailed analysis, the link between the amounts of risk specific for financial activities and the loss or return expected from such business is apparent. The management of the Bank has estimated thoroughly the risk-to-return ratio, which the Bank has undertaken considering the available HR and technological resources, the knowledge base and the market position. The risk level, which is adopted and approved by the Board, is not only related to the probable and the desirable level of profit, but also to achieving other business goals such as market share, innovations, reputation and the like. However, at the end of the day, the risk-to-return ratio is the most efficient and straightforward method to express the risk appetite.

Banking risks

Banking is exposed to a variety of financial risks. The major risks include the credit risk, the market risk, the liquidity risk and the operational risk.

Strong competition. The intensification of competitors in the banking system may have an adverse effect on the Issuer's business and financial results. At the point of development of the Prospectus, several banks were compatible with the Issuer by their size, which further strengthens the competition. However, the Issuer is actively involved in all processes and takes actions to secure its leading and competitive position.

Geopolitical risk. The unfavorable changes in geopolitical, regional and in-country political situations may arise negative factors that can affect adversely on the general macroeconomic situation, which in turn may increase the share of nonperforming loans, add the provisioning costs and decrease the Bank's profit.

Regulatory risk. The Issuer conducts business in one of the most regulated industries of the Armenian economy. The introduction of Basel 3 standards in the upcoming years may bring forth the application of new risk assessment principles in order to strengthen the risk management system of the Issuer.

Credit risk. Banking is exposed to credit risk related to the Borrower's default on obligations, due to which the Bank may make loss. The credit risk is the major risk of the Bank; therefore the Bank keeps the same under its special control. The credit risk arises mainly from lending and investment activities attributable to debt securities and other debt instruments in the assets portfolio of the Bank. Credit risk is also present in several off-balance items, such as debt commitments. Credit risk is present in several off-balance sheet items. Credit risk is managed in compliance with the Credit Policy and other internal regulations of the Bank. The Bank has developed and implements credit risk management policies and procedures, which allow to manage the risk relating to both recognized financial assets and unrecognized contractual commitments, and to restrain the portfolio concentration. Credit committees are in place, and each of them has a scope and limits of authorization set in the internal regulations, which allow to control the credit risk. An explicit scheme of decision-making limits and minimum customer credit rating standards are applied to manage the

quality of the loan portfolio. The Risk Management Department conducts weekly monitoring of loan portfolio, estimates the loan portfolio dynamics based on historical series and makes portfolio quality analysis by facilities and branches, based whereon the qualitative indicators of the loan portfolio are projected. The Risk Management Department also conducts monitoring of various facilities based on approved procedures, and if required, monitoring of specific loans based on the impairment of the borrower's creditworthiness. To reduce the credit risk, the Risk Management Department also reviews the loan applications and approves the loans in compliance with the internal regulations.

Due to the established risk management system, the NPL share made 3.2% of the Bank's loan portfolio in December 2024.

Based on the stress tests, the impact of credit risk on the capital adequacy ratio is absorbable and does not cause the violation of the prudential standard in the worst scenario.

Market risk is the likelihood of fluctuations in the future cash flows or real value of financial instruments to market variables, such as interest rates and exchange rates. Market risk is the likelihood of loss due to fluctuations in interest rates, security prices and/or exchange rates. The Bank distinguishes the market risks into corporate and non-corporate portfolios.

Interest rate risk is the likelihood that the changes in the interest rates may directly affect the cash flows related to the financial instruments of the Bank and their real values.

The Bank has selected interest rate sensitive gap and duration models to manage interest rate risk. The Board has established the risk appetite that is calculated and monitored on a monthly basis.

Exchange rate risk is the risk of fluctuation of the value of financial instruments due to changes in the exchange rates.

The Bank assesses the exchange risk by applying standard, VaR (Value At Risk) and nonparametric VaR models. The exchange rates are monitored daily, based whereon at the end of the month the exchange rates are projected for the upcoming month. The Bank manages its FX position daily, in compliance with its internal regulations. In addition, daily stress tests are applied to assess the loss from adverse fluctuations of exchange rate in open positions and the level of flexibility of assets and liabilities.

The risk management policy implies the restriction of exchange risks due to the non-speculative policy.

Liquidity risk is related to the capacity of the Bank for timely repayment of financial liabilities in normal and stress situations.

The Bank minimizes the particular risk through management of assets and liabilities; i.e. daily monitoring of future cash flows and liquidity and ensuring of various financial sources in addition to the existing main deposit base.

The Bank holds a portfolio of high liquid and decentralized assets, which can be easily encashed upon unforeseen interruption of cash flows.

The liquidity position is assessed and managed in various scenarios taking into account the stress factors relating to the market in general and to the Bank in particular.

The liquidity management of the Bank requires to consider the level of liquid assets that is necessary to repay the respective liabilities, to ensure the availability of various financial sources and the existence of an emergency financing plan, and to control the accounting liquidity standards in compliance with the internal regulations. The Bank estimates the liquidity ratios based on the requirements of the CBA.

The below table illustrates the liquidity ratios for 2024 and 2023.

Ratio	31/12/2024	31/12/2023
N21 – Total liquidity (quick assets/total assets)	34.44%	44.42%
N22 – Current liquidity (quick assets/demand liabilities)	101.31%	114.60%
Net stable funding ratio (NSFR)	139.5%	156.9%
Liquidity coverage ratio (LCR)	176.6%	209.4%

Operational risk is the probability of loss or direct loss arising from inadequate or inaccurate internal processes, human error, systems and external environment, which can have an adverse effect on the equity and profit of the Bank

The Executive Board is the top operational risk management authority of the Bank and is in charge of control over operational risks.

The purpose of operational risk management is to prevent financial loss and impairment of reputation of the Bank, by balancing against cost efficiency.

The operational risk management is provided through clearly outlined and documented business processes, the respective internal regulations, the appropriate limits established for all processes and operations, and on the double check principle for any transaction concluded by the Bank.

Legal risk. All standard agreement templates are drafted by the Legal Division in cooperation with the respective subdivisions and approved by the Executive Board.

The nonstandard agreements regulating the relationship between the Bank and the fourth parties may be applied only in the presence of the respective conclusion of the Legal Division.

IT related risks are managed in compliance with the internal regulations of the Bank.

The process risk mitigation mechanisms include:

- Regulation of all business processes through internal legal acts,
- Physical protection of assets and essential documents (including legal agreements) of the Bank,
- Establishment and maintenance of limits,
- Common protection of assets and records,
- Application and archiving of logs,
- Application of 2-eye principle in processes.

Other risks include risks other than the aforementioned, e.g. reputational, environmental, social risks, etc. that may affect the Bank's asset quality or profit in any manner. The Bank implements the respective internal procedures for the management and minimization of those risks.

3.3 Information about the Issuer

Full name of the Bank is:

in Armenian «Կոնվերս Բանկ» փակ բաժնետիրական ընկերություն

in Russian закрытое акционерное общество “Конверс Банк”

in English “Converse Bank” closed joint-stock company

Short name of the Bank is:

in Armenian «Կոնվերս Բանկ» ՓԲԸ

in Russian ЗАО “Конверс Банк”

in English “Converse Bank” CJSC

Organizational/legal form:

closed joint stock company (registered on 20.12.1993)

The Bank has been conducting business in the Armenian banking market already for 32 years. The Bank was registered with the Central Bank of Armenian in December 1993, and is the legal successor of North-Armenian joint stock bank. The Bank was reorganized into Converse Bank closed joint stock company in 1997.

Converse Bank closed joint stock company was registered at 26/1, Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia; and the Central Bank of Armenia (hereinafter the CBA) was the registering authority.

Advanced Global Investments LLC is the founder and the major shareholder of the Bank. The trade name of the Bank is protected under the RA normative acts and is registered with the RA Intellectual Property Office (Trade Name Registration Resolution at 03.06.1999, registration #107913).

The logo of the Bank is:



The Bank was granted the banking license #57 by the Central Bank of Armenia on 20.12.1993; amendments were made to the license on 21.02.1995, 20.05.1996, 31.12.1996, 23.05.1997 and 13.11.2001.

Officially registered address of the Bank is:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia
State Registration #57

Head Office of the Bank is located at:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia

Contacts:

Tel.: (+374 10) 511-211,
Fax: (+374 10) 511-212 ,
Email: post@conversebank.am,
Website: www.conversebank.am,

Country of incorporation:

Republic of Armenia

Branches of the Bank:

See Annex 5 for the list and location of branches

Details of financial and other groups

The Bank is not a member of any financial or other groups and associations

Share capital

Converse Bank CJSC has issued and allocated 66,492 (sixty-six thousand four hundred and ninety-two) ordinary stocks to date, each at AMD 300,000 (three hundred thousand) face value, and 333 (three hundred

and thirty-three) convertible preference shares, each at AMD 100 (one hundred) face value, which form the share capital of the Bank.

The share capital of the Bank consists of ordinary and preference stocks. The shareholders of the Bank are: Advanced Global Investments LLC holding ordinary (72.89%) and preference (333) shares, HayPost Trust Management Sàrl holding ordinary shares (22.11%), Armenian Apostolic Church, represented by Mother See of Holy Etchmiadzin holding ordinary shares (5%).

3.4 Business Model

3.4.1 Main Business

Converse Bank CJSC has positioned itself and operates in the Armenian banking system as a universal bank focusing on retail, corporate and investment banking by emphasizing the comfort of each customer and simplicity and accessibility of services when creating and developing banking services.

3.4.2 Key Markets

The significant business directions of the Bank are presented in the below table.

Business direction	Services offered
Retail business	<ul style="list-style-type: none"> • Loans, including mortgage, consumer, overdrafts • Bank accounts, cards, time deposits, bonds • Transactional business services • Other retail banking services
Corporate business	<ul style="list-style-type: none"> • Loans, including for acquisition of fixed and current assets • Leasing, factoring • Trade financing • Bank accounts, cards, time deposits • Transactional business services • Other corporate finance services
Investment business	<ul style="list-style-type: none"> • Brokerage services • Asset and wealth management and advice • Investment banking product designing and advice • Private banking services

Retail business

The Bank being focused on the development of services to individuals, at the same time based on the actual results of past years, views the retail business as a significant business direction. The retail business development has not only financial but also strategic importance for the Bank by providing sustainable source of income, expanding the customer base and integrating digital services.

Based on the 2024 results, the Bank's retail loan portfolio reached about AMD 196 bn which grew by 20.7% vs the past year.

Corporate business

The Bank puts a special focus on the expansion and development of services offered to businesses, where the Bank also views the corporate business as one of its core business directions.

The development of corporate business has a strategic importance for the Bank not only for the expansion of client base and revenues, but also from the perspective of supporting the economic development. Financing of the corporate sector facilitates the development of the economy by supporting the growth of businesses, creation of new jobs and promotion of economic activity.

Based on the results of 2024, the Bank's corporate loan portfolio reached AMD 121 bn, which grew by 11.8% vs the previous year.

Investment business

In 2024, the Bank continued developing the investment policy adopted back in 2022, namely the selection of the investment banking sector as a business priority.

Due to its activity in the particular sector, the Bank made its investment portfolio (including repo transactions) share 31.5% of assets at the end of 2024, which was higher than the same indicator in the previous year (30.9%).

The Bank was also active in the capital markets both in terms of debt issuance and placement, and providing securities market depth for other financial participants.

The Bank will continue improving the current investment infrastructure shortly, so that the use of investment instruments will be based on the best up-to-date technological solutions, and the financial advice will be provided based on the best international practices taking into account the complexity of customer needs and preferences.

Competitive position of the Bank

The Bank continuously improves the quality of services and expands the customer base to preserve the leading position in the market. In particular, the Bank took the 6th place by assets, deposits and equity and the 7th place by the volume of allocated loans at the end of 2024.

3.5 Structure of the Bank

The shareholders of the Bank are:

1. Advanced Global Investments LLC
2. HayPost Trust Management Sàrl
3. Armenian Apostolic Church represented by Mother See of Holy Etchmiadzin

Advanced Global Investments LLC is 100% shareholder of Post Finance International Sàrl, and the latter is 100% shareholder of HayPost Trust Management Sàrl.

3.6 Recent Development Trends

The Bank is planning a number of strategic measures to achieve the strategic priorities, goals and objectives in the future. The retail business development measures involve further development of Converse Mobile app, digitization of credit products, improvement of bank account and time deposit services and efficiency of branch networks. The corporate business development measures involve extension of credit product list, improvement of non-lending services, development of Converse Business app and online SME lending platform. The investment business development measures include development of investment banking products, expansion of brokerage services, improvement of asset and wealth management services and private banking services.

3.7 Managerial Authorities and Members of Managerial Authorities of the Bank

3.7.1 Organizational Structure of the Bank and Rights and Obligations of Managerial Authorities

See Annex 3 for the organizational structure of the Bank.

The following managerial authorities are established under the Charter of the Bank:

- General Shareholder Meeting (hereinafter the Meeting)
- The Board of the Bank
- Executive Authority: CEO and Executive Board

The Meeting

The Meeting is the highest governing authority of the Bank. The Bank has to convene annual meetings each year within six months after the end of the financial year. Apart from the Annual Meetings, Extraordinary Meetings are convened for discussion of urgent issues.

The scope of powers of the Meeting include:

1. approval of the Bank Charter as well as any amendments and addenda thereto;
2. reorganization of the Bank;
3. liquidation of the Bank;
4. approval of consolidated, interim and liquidation balance sheets, appointment of the liquidation committee;
5. approval of quantitative composition of the Board, election of the Board members and establishment of their term of office (which cannot be less than one year), as well as early termination of their powers;
6. determination of maximum amount of authorized shares;
7. decrease of share capital of the Bank;
8. approval of the Bank's external auditor upon recommendation of the Board;
9. approval of the Bank's annual financial statements, distribution of profit and loss; resolution on payment of annual dividends and the amount of annual dividends;
10. approval of the Meeting procedure;
11. creation of Counting Committee;
12. consolidation and splitting of shares;
13. establishment of remuneration of the Board members;
14. resolution on refraining from preemptive right in legally defined cases
15. other issues stipulated by the Law.

The Board

The Board carries out the general governance of the Bank activities within the scope of powers reserved thereto under the Charter. The Board members are elected at the Annual Meeting, and the powers of the Board member are terminated ahead of schedule at the Extraordinary Meeting by the participants of the Meeting. Furthermore, the Extraordinary Meeting makes a decision on election of a new Board member along with the resolution on the premature termination of the Board member's powers.

The shareholders of the Bank as well as the Board may nominate candidates to Board member(s) (except creation of the Board for the first time).

The Board members are elected based on the RA Law on Banks and Banking.

The following powers are reserved to the Board:

1. Establishment of core activities, including approval of the Strategic Plan of the Bank;

2. Calling of Annual and Extraordinary Meetings, approval of the agenda and arrangement of preparation works;
3. Appointment of the CEO and members of Executive Board including the Chief Accountant and deputies to CEO, and premature termination of their powers and approval of their remuneration;
4. Establishment of internal control standards of the Bank, formation of Internal Audit, approval of the latter's annual plan, early termination of powers of Internal Audit members and approval of their remuneration;
5. Approval of the Bank's annual expenditure budget and budget performance;
6. Approval of organizational structure of the Bank;
7. Increase of share capital of the Bank;
8. Recommendations to the Meeting on payment of dividends, among others preparation of the list of eligible shareholders of the Bank for each case of dividend payment; the list should include the shareholders having been recorded on the Bank's shareholder register as of the date of the list of shareholders eligible for participation in the Annual Meeting;
9. Preliminary approval of the Bank's annual financial statements and submission thereof to the Meeting;
10. Nomination of the external auditor at the Meeting for approval;
11. Determination of remuneration of the external auditor;
12. Initiation of and control over measures for correction of omissions identified due to audits or other inspections;
13. Adoption of internal regulations establishing the procedures for legally defined financial operations of the Bank;
14. Approval of charters of territorial and structural subdivision of the Bank, distribution of functional responsibilities among the structural subdivisions of the Bank;
15. Submission of issues specified in paragraphs 9.2.3 (b) and (m) of the Bank Charter to the Meeting for consideration;
16. Decision on issuance of bonds and other securities of the Bank;
17. Use of the Bank's reserve and other funds;
18. Creation of branches, representation offices and institutes of the Bank;
19. Determination of the Accounting Policy of the Bank, specifically principles, fundamentals, methods, rules, forms and procedures of accounting and financial reporting;
20. Creation of subsidiaries or affiliates;
21. Participation in subsidiaries or affiliates;
22. Foundation of commercial associations;
23. Membership to commercial organizations;
24. Determination of market value of assets;
25. Other decisions based on the law;
26. Decision on substitution of the Bank CEO in the latter's absence.

The Board exercises the powers based on the internal control requirements set by the Central Bank of Armenia Based in addition to the aforementioned.

The Executive Board

The CEO and the Executive Board unilaterally carry out the current management of the Bank. The CEO is the Chairman of Executive Board. All issues related to the current management of the Bank are reserved to the CEO and the Executive Board, except the issues reserved to the exclusive authorization of the Meeting and the Board under the Charter.

The appointment of the CEO and the members of the Executive Board, as well as the early termination of their powers, are provided by the Board resolution. The members of Executive Board are appointed and their powers are early terminated based on the recommendation of the CEO.

The Executive Board operates in compliance with the RA Laws and the Charter and the internal regulations of the Bank approved by the Board outlining the terms and procedure of convocation and holding of Executive Board meetings, as well as the procedure of adoption of the latter's resolutions.

The Executive Board meetings are convened as required on the initiative of the CEO or at least 2 (two) members of the Executive Board.

The Executive Board meeting is valid if at least 1/2 of the members of the Executive Board attend the meeting. The resolutions are adopted by simple majority vote. The Chairman of Executive Board enjoys a casting vote upon tied vote.

The rights and obligations of the CEO and the members of Executive Board are established in compliance with the RA legal acts, and/or the employment agreements concluded between the Bank and each of the them. The employment agreements with the CEO and the members of the Executive Board are signed by the Chairman of the Board or another person authorized by the Board, on behalf of the Bank.

The CEO and the members of Executive Board may take a paid position with other organizations only with the consent of the Board.

The following powers are reserved to the Executive Board:

1. Determination of tariffs and rates, applied by the Bank;
2. Approval of the Bank's procedures and regulations drafted based on the policies and other legal acts as approved by the Board;
3. Determination of the commission fees for services provided by the Bank;
4. Approval of terms of services and banking instruments;
5. Management of the Bank's Assets and Liabilities;
6. Issuance of the Bank's bonds and other securities;
7. Approval of internal discipline rules;
8. Approval of job descriptions;
9. Approval of Bank's sample agreements for public use;
10. Settlement of other issues relating the Bank's current operations not reserved to the CEO.

The CEO

1. manages the Bank's property, including financial assets, and concludes transactions on behalf of the Bank, including issues bank guarantees;
2. represents the Bank in the Republic of Armenia and abroad;
3. issues powers-of-attorney;
4. acts on behalf of the Bank without a power-of-attorney;
5. enters into agreements in due order;
6. submits to the Board's approval the charters of separate subdivisions of the Bank, and candidates for deputies to Chief Executive Officer, the Chief Accountant and the Directors, the organizational structure of the Bank; as well as the internal regulations approved by the Executive Board, except those subject to the Executive Board's approval;
7. approves the workplaces of the Bank;
8. issues orders, determines the obligations of employees, issues binding instructions and controls their execution;
9. recruits and dismisses the Bank employees, concludes employment agreement in due order, except the persons appointed by the Meeting and the Board;
10. applies motivation and disciplinary actions toward the employees of the Bank;
11. establishes standing and/or ad hoc working committees;
12. prepares, signs and submits to government authorities the reports based on the RA legal acts, including financial statements;
13. signs the minutes and resolutions of the Executive Board;
14. opens bank accounts on behalf of the Bank;
15. compensates the damage caused to the Bank through his fault at the request of the shareholders of the Bank, unless otherwise prescribed by the Law and his employment agreement;
16. acts based on the RA legal acts and the Charter;
17. concludes transactions not more than at 25% of the balance value of the Bank's assets on behalf of the Bank without the prior consent of the Meeting and/or the Board;
18. arranges the enforcement of the resolutions of the Meeting, the Board and the Executive Board, submits reports to the Meeting, the Board and the Executive Board; the CEO cannot take decisions deemed binding for the Meeting and the members of the Board;
19. exercises other powers not reserved to the Board, the Meeting or the Internal Audit Unit under the Law or the Charter;
20. may have deputies, advisors, whose authorities shall be established by the internal regulations of the Bank;
21. issues an order on his replacement by one of his deputies/members of the Executive Board appointed by the Board in case of his absence or impossibility to execute his job responsibilities;
22. takes a decision on applying special terms under the agreements of the Bank;
23. exercises the powers of the Liquidation Committee prior to the latter's establishment;
24. Approves internal regulations not reserved to the powers of other managerial authorities of the Bank;
25. Exercises other powers based on the RA laws.

In addition to the aforementioned powers and based on the minimum internal control requirements, the CEO exercises the powers under the minimum internal control requirements set by the Central Bank of Armenia.

The CEO, the latter's deputies, the Chief Accountant and the members of the Executive Board are included in the composition of the Executive Board of the Bank.

3.7.2 Information on persons involved in the management of the Issuer

Name	Position	Specialty	Offices taken in recent 3 years, including combined jobs
Marcelo Wende	Chairman of Board		Armenia International Airports CJSC, Direct Member of Board of Converse Bank CJSC
Arsen Gamaghelyan (Ter Hovel Archpriest)	Board member	clergyman	Mother See of Holy Etchmiadzin, Accountant Priest
Daniel Guillermo Simonutti	Board member	Accountant	American International Airports (AIA) the controlling corporation of the concessionaire companies of Zvartnots International Airport (Yerevan, Republic of Armenia) and Carrasco International Airport (Montevideo, Republic of Uruguay), CFO
Martin Francisco Eurnekian	Board member	IT specialist	Corporación América Airports, CEO and member of Board of Directors PUERTA DEL SUR SA Director CEDICOR SA President CORPORACION AMERICA AIRPORTS S.A. Director

Pedro Miguel Weiss	Board member	<p>Master in Business Management Bachelor</p> <p>Specialization; Finance and Accounting</p>	<p>April 2020 - present Raiffeisen Bank (Romania) S.A. – Bucharest, Romania Member of the Supervisory Board, Chairman of the Risk Committee, Member Audit and Nomination Committees</p> <p>January 2022 – present HD Insurance Ltd - Nicosia, Cyprus Member of Board of Directors Legal representative in Romania</p> <p>January 2024 – present Printec Group – Athens, Greece Member of the Advisory Board</p> <p>October 2017- present FINCA UK (Microfinance) - London, UK Chairman of the Board of Directors</p> <p>February 2018 - present United Way Romania - Bucharest, Romania Member of the Board of Directors</p> <p>January 2020-present United Way The Netherlands – Amsterdam, The Netherlands Chairman of the Board of Directors</p> <p>January 2016-present Cypet Technologies Limited - Nicosia, Cyprus Chairman of the Board of Directors</p>
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			January 2014-present Duke University, Fuqua School of Business - Durham, North Carolina, USA, Member of the European Advisory Board
Andranik Grigoryan	CEO/Chairman of Executive Board	Economist	December 2019 - January 2022 Central Bank of Armenia Head of Department of Financial System Policy and Stability Member of Management Board
Davit Azatyan	Head of Accounting Division/Chief Accountant Executive Board member	Engineer	-
Grant Akopian	Deputy CEO/CFO Executive Board member	Economist	-
Grigory Zakaryan	Head of Investment Banking Department Executive Board member	Economist	-
Vahagn Melik-Parsadanyan	Head of Risk Management Department Executive Board member	Economist	01.20-04.22 Central Bank of Armenia Head of Risk Management Department 04.22.-08.22 Converse Bank CJSC Advisor to CEO 08.22-12.23 Converse Bank CJSC Deputy CFO/Head of Strategy and Planning Division

Aram Baloyan	Head of Retail Business Department Executive Board member	Urban Economics and Management	-
Artur Mkhitarian	COO Executive Board member	General Economics	16.08.21-08.03.22թթ Converse Bank CJSC Advisor to CEO
Sargis Khachatryan	Head of Corporate Banking Department Executive Board member	Economist	-
Karen Ghahramanyan	Head of Internal Audit	Economist	-

3.7.3 Conflict of Interest

No conflict of interest is in place between the Bank and the persons involved in the management of the Bank at the date of filing of the Program Prospectus.

3.8 Controlling Persons

The Bank has no individuals holding major interest.

The legal entities – **direct major shareholders** are:

1. Advanced Global Investments LLC holding 72.89% of ordinary shares and 333 preference shares
2. HayPost Trust Management Sàrl holding 22.11% of ordinary shares

The **indirect major shareholders** of Converse Bank CJSC are:

1. Advanced Global Investments Sàrl, since it holds 100% shares of Advanced Global Investments LLC, the 100% shareholder of the Bank
2. Post Finance International Sàrl, since it holds 100% shares of HayPost Trust Management Sàrl, the major shareholder of the Bank. Advanced Global Investments LLC is the 100% shareholder of HayPost Trust Management Sàrl

- Martin Francisco Eurnekian, since he holds 100% shares of Advanced Global Investments Sàrl, and the latter is the 100% shareholder of Advanced Global Investments LLC, the major shareholder of the Bank.

3.9 Assets and Liabilities, Financial Status, Profit & Loss of the Bank

3.9.1 Historical Financial Data

Financial Statements of Converse Bank CJSC for all years were developed based on the International Financial Reporting Standards.

See Annex 7 for the annual financial statement verified by the Internal Audit and the external audit of the Bank, which can be also found here <https://conversebank.am/hy/annual-reports/>.

The below table illustrates the financial results and the annual ROA of Converse Bank CJSC.

K AMD

ITEM	31/12/24 (unaudited)	31/12/23 (audited)	31/12/22 (audited)
ASSETS	575,948,483	505,756,242	464,136,044
LIABILITIES	486,848,195	430,058,510	401,361,040
EQUITY	89,100,288	75,697,732	62,775,004
Net interest income	25,933,612	21,596,227	16,123,507
Operating income (including net commissions)	36,956,713	34,788,430	32,849,952
Pre-tax profit/(loss)	19,594,680	18,436,419	17,796,989
After-tax profit/(loss)	15,612,848	14,623,669	14,098,293
ROA, %	2.9%	3.04%	3.39%
ROE, %	18.88%	21.10%	25.09%

3.9.2 Interim Financial Data

Click the following link to find the interim financial statements of the Bank <https://conversebank.am/hy/quarter-reports/>.

3.9.3 Significant Changes in Financial Status of the Bank

No significant changes have occurred that might affect the financial status of the Bank.

3.9.4 Information about Judicial, Arbitration and Administrative Proceedings

The Bank has not been engaged in any judicial and/or administrative proceedings in the recent 12 months that had or may have essential impact on the financial status and profitability of the Bank.

3.10 Significant Agreements

No significant agreement was concluded and enforced beyond the regular business of the Bank in 2024, the price whereof surpassed 5% of equity fixed in the Bank's recent-period financial statements.

3.11 Expert's, Evaluator's, Adviser's or Accountant's Professional Opinion and Information Obtained from Third Parties

The Issuer has not used any third-party consulting services when developing the Program Prospectus.

The Issuer has no third-party expert or adviser, whose professional opinion has been used in the Program Prospectus .

Apart from the Issuer's historical financial statements verified by external auditors and presented herein, no data included in the Program Prospectus has been verified by an external auditor.

3.12 Other Information

The Charter, the interim and annual financial statements of the Bank and the external audit reports are made accessible to public electronically on the Bank's website <https://conversebank.am/> throughout the application of the Prospectus.

ANNEXES

Annex 1. Buy Order for Coupon Bonds of CONVERSE BANK CJSC for Legal Entities

To be filled in by Investor

Date and hour of filing Order with the Bank (day, month, year, hour)	
Name of legal entity (firm name, legal form)	
State registration details (registration certificate #, date)	
Place of registration and location (registered and business addresses)	
TIN	
Residency (resident/nonresident)	

By virtue of filing this buy order, we accept the offer of CONVERSE BANK CJSC (the Bank), whereby we express willingness to acquire the issued coupon bonds on below terms.

ISIN	
Currency of issued bonds	
Purchase price per bond (in figures/letters)	
Quantity of bonds (in figures/letters)	
Total sum payable for bonds (in figures/letters)	
Bank account # to be debited for bond purchases	
Bank account # to receive coupon yields and bond redemption sum	
Person recording securities account	
Securities account #	

We hereby assure that we have reviewed the IPO Program Prospectus for the Bonds of the Bank constituting an integral part of the buy order prior to filing the latter, and we accept and agree with the terms specified therein, and we assume the obligations and potential risks relating to investment in the particular bonds.

We confirm that the funds transferred to the Bank have been obtained legally and by no means relate to funding of terrorism, drug trafficking, human trafficking, tax evasion, and other criminal activities.

We ascertain that this buy order will constitute an agreement concluded and effected between Parties from the date of acceptance thereof by the Bank.

Investor's signature ----- SEAL

To be filled in by the Bank

Date and hour of acceptance of buy order (day, month, year, hour)	
Signature and stamp of employee accepting buy order	
Total number of sold bonds (in figures/letters)	
Total sum charged against sold bonds (in figures/letters)	
Date of transfer/entry of cash (day, month, year)	

Note: Where the investor transfers the cash for purchase of bonds to the special transit account opened with the Bank #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds) before 16:30 of the particular business day, the funds will be deemed received on that day; and where the respective funds are paid after 16:30 of the particular business day, they will be deemed received on the business day following the payment day.

Annex 2. Buy Order for Coupon Bond of CONVERSE BANK CJSC for Individuals or Sole Proprietors

To be filled in by Investor

Date and hour of filing Order with the Bank (day, month, year, hour)	
Bidder (name, surname)	
ID details (passport #)	
ID issuance date (passport issuance date)	
Place of registration (residential address)	
Residency (resident/nonresident)	

By virtue of filing this buy order, I accept the offer of CONVERSE BANK CJSC (the Bank), whereby I express willingness to acquire the issued coupon bonds on below terms.

ISIN	
Currency of issued bonds	
Purchase price per bond (in figures/letters)	
Quantity of bonds (in figures/letters)	
Total sum payable for bonds (in figures/letters)	
Bank account # to be debited for bond purchases	
Bank account # to receive coupon yields and bond redemption sum	
Person recording securities account	
Securities account #	

I hereby assure that I have basically reviewed the IPO Program Prospectus for the Bonds of the Bank constituting an integral part of the buy order prior to filing the latter, and I accept and agree with the terms specified therein, and I assume the obligations and potential risks relating to investment in the particular bonds.

I am aware that the investments in securities are guaranteed by the Deposit Guarantee Fund in compliance with the RA laws; I have been duly notified and I have received and I agree with the Deposit Guarantee Terms and Conditions.

I confirm that the funds transferred to the Bank have been obtained legally and by no means relate to funding of terrorism, drug trafficking, human trafficking, tax evasion, and other criminal activities.

I agree that any dispute and discrepancy between the Parties will be settled through negotiations as a matter of priority, and unless accommodated, will be regulated in compliance with the RA laws.

I am aware that the disputes and discrepancies arising from the property claim of up to AMD 10 M or equivalent FX amount may be settled by the Financial System Mediator*.

Under the agreement effected between the Bank and the Financial System Mediator, the Bank waives its right of appeal against the resolutions of the Financial System Mediator only referring to the property claims of up to AMD 250,000 (two hundred and fifty thousand) or equivalent FX amount, and where the amount of transaction is up to AMD 500,000 (five hundred thousand) or equivalent FX amount.

This buy order shall constitute an agreement concluded and effected between Parties from the date of acceptance thereof by the Bank.

Investor's signature -----

To be filled in by the Bank

Date and hour of acceptance of buy order (day, month, year, hour)	
Signature and stamp of employee accepting buy order	
Total number of sold bonds (in figures/letters)	
Total sum charged against sold bonds (in figures/letters)	
Date of transfer/entry of cash (day, month, year)	

Note: Where the investor transfers the cash for purchase of bonds to the special transit account opened with the Bank #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds) before 16:30 of the particular business day, the funds will be deemed received on that day; and where the respective funds are paid after 16:30 of the particular business day, they will be deemed received on the business day following the payment day.

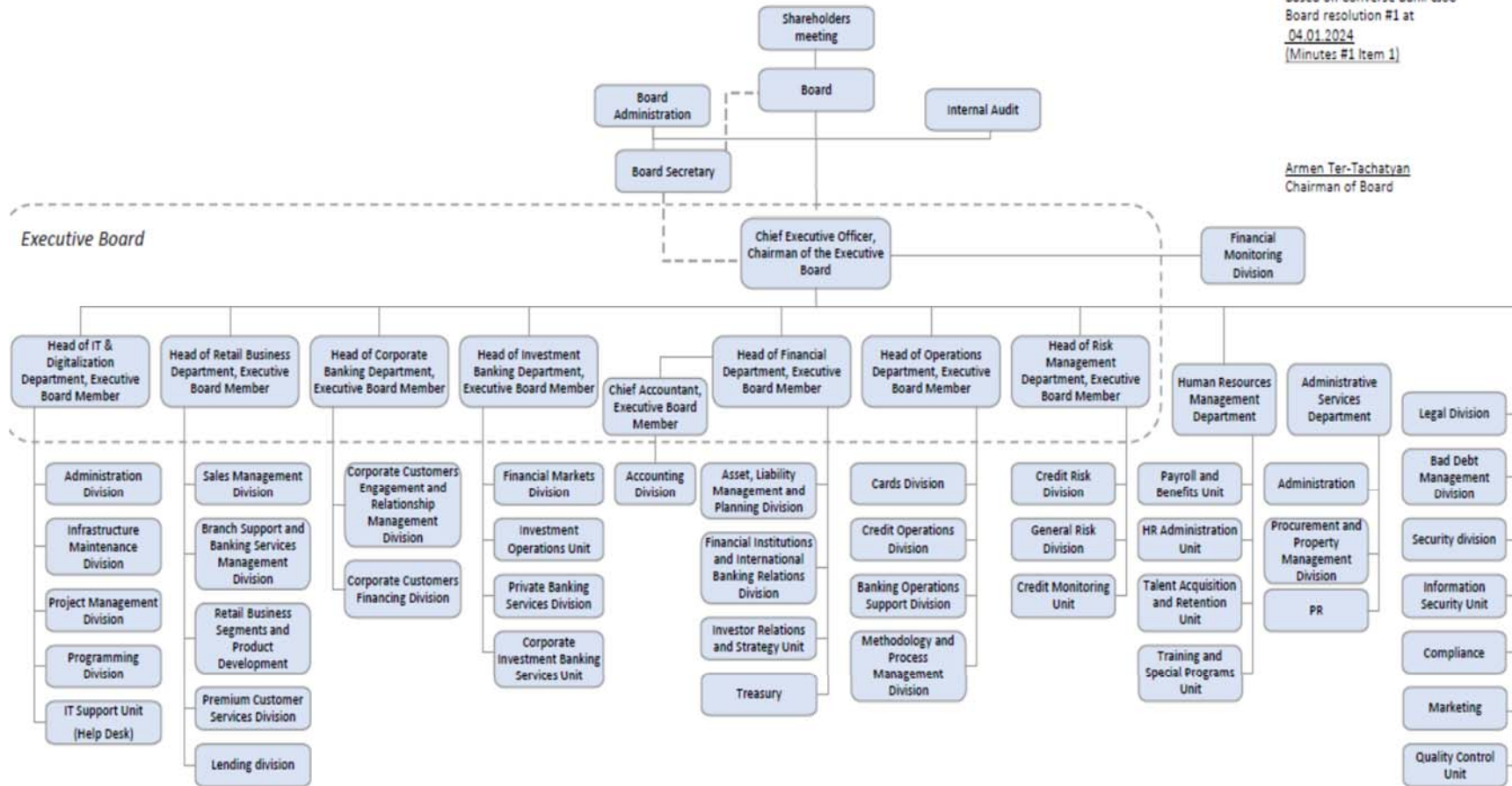
* Under the RA laws, the sole proprietor may not file their claims with the Financial System Mediator.

Annex 3. Organizational Structure of the Bank

Approved

Based on Converse Bank CJSC
Board resolution #1 at
04.01.2024
(Minutes #1 Item 1)

Armen Ter-Tachatyan
Chairman of Board



Annex 4. Financial Ratio Calculation Formulae

ROE = (Net profit after corporate tax / Average equity) x 100

ROA = (Net profit after corporate tax / Average total assets) x 100

NPM = Net profit after corporate tax / Operating income

AU = Operating income / Average total assets

EM = Average total assets / Average equity

NIM = Net interest income / Average earning assets

Yield on earning assets = Interest income / Average earning assets

Cost-effectiveness of liabilities involving interest expense = Interest expense / Liabilities involving interest expense

EPS = Net profit after corporate tax / Weighted average number of shares

Spread = (Interest income / Average earning assets) - (Interest expense / Liabilities involving interest expense)

Annex 5. List of Branches

<p>Head Office 26/1 Vazgen Sargsyan, Kentron community, 0010 Yerevan, Armenia Tel. (+374 10) 51-12-11</p>	<p>Premium Branch Premises #3, Government House 2, Republic Square Kentron, 0010 Yerevan, Armenia Tel. N/A</p>
<p>Avan Branch 161/2 Khudyakov, Avan community, 0060 Yerevan Tel. (+374 10) 614423</p>	<p>Metsamor Branch 1st floor, City Hall, 0910 Metsamor Tel. (+374 237) 32-070,</p>
<p>Central Branch 1/3 49 Komitas, Arabkir community, 0051 Yerevan Tel. (+374 10) 51-12-11</p>	<p>Etchmiadzin Branch 69/90 Mashtost, 1101 Etchmiadzin Tel. (+374 231) 52-093, 52-088</p>
<p>Davtashen Branch 18/6, 3rd Block, Davtashen community, 0054 Yerevan Tel. (+374 10) 51-12-11</p>	<p>Sevan Branch 155, 2 Nairyan, 1501 Sevan Tel. (+374 261) 20-162, 20-165</p>
<p>Erebuni Branch 11 Erebuni, Erebuni community, 0041 Yerevan Tel.</p>	<p>Vanadzor Branch 40 G. Lusavorich, 2021 Vanadzor Tel. (+374 0322) 42-916, 41-258</p>
<p>Moskovyan Branch 39/12 Mashtots, Kentron community, 0009 Yerevan Tel. (+374 10) 52-15-28</p>	<p>Abovyan Branch 8 Constitution Square, 2202 Abovyan Tel. (+374 222) 33-080, 22-025</p>
<p>Kilikia Branch 4/1 Kajaznuni, Kentron community, 0070 Yerevan Tel. (+374 10) 55-13-59</p>	<p>Hrazdan Branch 104/15 Nonresidential premises, Baghramyan district, 2302 Hrazdan Tel. (+374 223) 2-47-07</p>
<p>Yeritasardakan Branch 105/1 Teryan, 0070 Yerevan Tel. (+374 10) 51-12-11</p>	<p>Nor-Hachn Branch 8 Charents, 2412 Not Hachn Tel. (+374 224) 43-850, 43-840</p>
<p>Sayat-Nova Branch 19 Sayat-Nova, Kentron community, 0001 Yerevan Tel. (+374 10) 51-12-11</p>	<p>Charentsavan Branch 21 Khanjyan, 2501 Charentsavan Tel. (+374 226) 41-597</p>
<p>Zvartnots Airport Branch 42 Zvartnots i/a, Departures, Malatya community Tel.</p>	<p>Gyumri Branch 7/7 Yerevan highway, Gyumri Tel. (+374 312) 40-629</p>
<p>Aviatia Branch 42 Zvartnots i/a, Arrivals, Malatya community Tel.</p>	<p>Kumayri Branch 46a Khrimyan Hayrik, 3106 Gyumri Tel. (+374 312) 49-606, 49-605</p>

<p>Malatia Branch 50-82 Sebastia, 0065 Yerevan, Armenia Tel. (+374 10) 51-12-11</p>	<p>Shirak Branch Kiosk at Gyumri Airport, Gyumri, Armenia Tel. (+374 312) 3-72-38</p>
<p>Nor-Nork Branch 10/6 Guy, Nor-Nork community, 0056 Yerevan Tel. (+374 10) 51-12-11</p>	<p>Kapan Branch 1/2 Tumanyan, 3301 Kapan Tel. (+374 285) 20-058,</p>
<p>Araratyan Branch 13, 111 Bagratunyats, Shengavit community, 0039 Tel. (+374 10) 46-50-07, 42-44-95</p>	<p>Dilijan Branch 1st floor, Communication hub, Miasnikyan street, 3901 Dilijan, Armenia Tel. (+374 268) 22-386</p>
<p>Arshakunyats Branch 17/1 Arshakunyats, 0039, Yerevan Tel. (374 10) 51-12-11</p>	<p>Ijevan Branch 6/1 Valans, 4001 Ijevan Tel. (+374 263) 40-844, 40-832</p>
<p>Zeytun Branch 51/9 Paruyr Sevak, Kanaker-Zeytun 0069 Yerevan, Armenia Tel. (+374 10) 51-12-11</p>	<p>Armavir Branch 3 Hanrapetutyan, 0902 Armavir, Armenia Tel. (+374 237) 22-273</p>
<p>Ashtarak Branch 1 Sisakyan, 0201 Ashtarak Tel. (+374 232) 36-911, 36-922</p>	<p>Artashat Branch 95/1-23 Ogostos str, Artashat, Armenia Tel.</p>

Annex 6. Final Terms of Issuance

Converse Bank CJSC
(Issuer's name)

Nominal, dematerialized, non-convertible coupon bond
(type of security)

You can obtain full information about the Issuer and the issued securities from the Program Prospectus (filed on ----- 2025), supplements thereto and the Final Terms of Issuance. The Program Prospectus and the supplements thereto are available at Converse Bank CJSC: 26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia.

General Information		
(The data not applicable are marked "Inapplicable"). Where securities with different basic terms (currency of issue, price of offer, face value, etc.) are issued under the same series, the terms are stated separately for each group of securities meeting a specific term.		
1.	Issuer (Issuer's name)	Converse Bank CJSC
2.	Underwriter	No underwriter is involved.
3.	Series (number and date of consequential issue based on the Program Prospectus; e.g. 2016-1 for the 1 st issue in 2016)	
4.	Total value of particular series of issue	
5.	Details of securities classification based on the sequence of redemption (subordination), including total value per issue of particular series by subordination	Claims of same priority creditors/holders of bonds offered by the Issuer are settled after full satisfaction of claims of senior priority. Under Article 31.2 (c) of the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, the claims of the Bank's bondholder shall be satisfied in the third place. For more details, see paragraph 2.3.6 in Program Prospectus.
6.	Currency of issue	USD, AMD
7.	Price of offer	<p>The placement price of bond per 100 unit of face value is determined by the below formula.</p> $DP = \frac{C}{f} \sum_{t=1}^N \frac{1}{\left(1 + \frac{y}{100 * f}\right)^{t-1+\tau}} + \frac{100}{\left(1 + \frac{y}{100 * f}\right)^{N-1+\tau}}$ <p>where</p> $\tau = \frac{DSN}{DCC}$

		<p>DP is the price of bond (is rounded after the decimal point by 4 digit accuracy, based on the arithmetical rounding rules),</p> <p>DSN is the number of days left from the day of transaction through the subsequent coupon payment, upon respective conditionality,</p> <p>DCC is the number of days from the coupon payment day preceding the transaction through coupon payment succeeding the transaction, upon respective conditionality,</p> <p>f is the coupon payment frequency</p> <p>N is the number of coupon payments left at the point of calculation</p> <p>C is the annual coupon against 100 unit of face value</p> <p>y is the yield to maturity.</p> <p>The Bank will publish the bond price per issue on its website (www.conversebank.am) throughout the placement.</p>
8.	Face value	<p>USD 100 (one hundred)</p> <p>AMD 50,000 (fifty thousand)</p>
9.	Quantity	To be determined by Executive Board.
10.	Starting date of offer (including any potential change)	To be determined by Executive Board.
11.	End date of offer (including any potential change)	To be determined by Executive Board.
12.	ISIN or other identification code	
13.	Bond issuance and placement decision-making authority and date of decision (to be stated only if a separate decision is made for the particular IPO, otherwise is marked "Inapplicable")	<p>Converse Bank CJSC Board Resolution # ____ at ____ . ____ . ____</p> <p>Converse Bank CJSC Executive Board Resolution # ____ at ____ . ____ . ____</p>
Coupon details		
14.	First day of coupon calculation	To be determined by Executive Board and coincides with starting day of placement .
15.	Coupon interest rate and payment frequency; upon floating interest rate, state what indicator (change of indicator) the interest rate depends on, and where the information about the indicator/ change can be obtained	<p>Coupon interest rate is to be determined by Executive Board</p> <p>Frequency of coupon payments is to be determined by Executive Board.</p>

16.	Dates of coupon payment (day, month, year)	To be determined by Executive Board.
17.	Calculation of coupon days (e.g. 30/360, Act/Act, Act/360, etc.)	Actual days in coupon phase / Actual days in year (Actual/Actual)
18.	Calculator of floating coupon	Inapplicable
19.	Other essential terms for coupon calculation	
20.	Provision on securities with 0% coupon (discount coupon) ("Applicable" or "Inapplicable")	Inapplicable
Details of principal		
21.	Redemption (partial redemption) date	To be determined by Executive Board.
22.	Redemption (partial redemption) value; state calculation method unless possible	USD 100 (one hundred) per bond; AMD 50,000 (fifty thousand) per bond
23.	Change in redemption value (cases when redemption value may be changed)	Not expected
24.	Early redemption on Issuer's initiative / Call Option ("Applicable" or "Inapplicable")	Inapplicable
	1) Date(s)	
	2) Option price, method of calculation (if any)	
	3) Upon partial redemption, min and max redemption values	
	4) Other details	
25.	Early redemption on investor's initiative / Put Option ("Applicable" or "Inapplicable")	Inapplicable
	1) Date(s)	
	2) Option price, method of calculation (if any)	
	3) Other information (notification period)	
Placement details		
26.	Issuer's name, location	Converse Bank CJSC: 26/1 Vazgen Sargsyan, Republic Square,

		0010 Yerevan, Armenia
27.	Other terms of placement (not included in the prospectus)	
Other information		
28.	Admission to trading on regulated market for particular class of securities (respective regulated markets, date of admission)	The securities are so far not admitted to trading on the regulated market.
29.	If admission to trading of offered securities on regulated market is expected in future, information about the market (name, also a provision that the admission to trading may be declined, expected date of admission (if possible))	The Issuer should request admission of bonds to trading on the regulated market, and upon getting admission under the RA laws, bonds can be circulated only on the regulated market. Under the regulated market, the Issuer implies Armenia Stock Exchange OJSC. Admission to trading may be declined.
30.	Securities rating	The securities are not rated
31.	Methods (frequency, bank accounts, etc.) and dates of payment against securities, and methods and dates of receiving securities, method of receiving securities ownership excerpt	The payment is made on the day of submission to the Bank of the buy order in due form no later than by 16:30, through cash payment or transfer onto the special transit account opened with the Bank #1930043129906501 (for USD denominated bonds) and #1930043123398600 (for AMD denominated bonds). Where the buy order was placed and the respective amount was paid by 16:30 of the particular day, the price of the bond is determined at the particular date. The amount of payment for the buy order placed and/or effected after 16:30 is determined at the price of the bond at the following business day. The bondholders may register their bond rights and responsibilities with a duly licensed Account Operators by opening the respective securities account. The ownership of bonds can be transferred in compliance with the RA laws and the internal rules of the custodian. The bondholders can obtain the excerpt on the securities ownership from their Account Operator.

The Issuer is responsible for the information included in the Final Issuance Terms. The Issuer (the Underwriter) assures that the information included herein corresponds to the information (general methodology) included in the Program Prospectus and supplements thereto, and the information is accurate (to the best of their knowledge), and no fact has been omitted or misrepresented.:

(Eligible signatories)

Annex 7. Financial Statements



Converse Bank Closed Joint-Stock Company

Financial statements

for the period ended 31 December 2024

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Statement of financial position**as of 31 December 2024***(thousands of Armenian drams)*

	<i>Notes</i>	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	6	39,348,626	37,214,306
Trading securities	7	943,498	970,372
Amounts due from banks	8	41,333,795	37,318,440
Derivative financial assets	9	2,586	72,646
Receivables under reverse repurchase agreements	10	19,925,584	7,400,589
Loans and advances to customers	11	311,089,113	264,823,935
Investments securities			
- Held by the Bank		84,552,096	133,475,489
- Pledged under sale and repurchase agreements	12	63,362,767	7,927,279
Property, equipment and right-of-use assets	13	11,080,084	11,095,293
Intangible assets	14	888,076	882,208
Repossessed assets	15	528,917	804,122
Other assets	16	2,893,341	3,771,563
Total assets		<u>575,948,483</u>	<u>505,756,242</u>
Liabilities			
Amounts due to banks	17	665,754	242,325
Derivative financial liabilities		67,655	31,110
Accounts payable under repurchase agreements	18	59,961,214	7,739,916
Amounts due to customers	19	355,105,326	355,443,382
Current tax liabilities	21	1,809,534	2,675,304
Debt securities issued	20	24,169,745	20,367,348
Other borrowed funds	22	37,308,665	37,251,747
Lease liabilities		1,813,892	1,942,813
Provisions for credit related commitments		219,072	323,878
Deferred tax liabilities	21	1,533,165	494,462
Other liabilities	16	4,194,173	3,546,225
Total liabilities		<u>486,848,195</u>	<u>430,058,510</u>
Equity			
Share capital	24	19,947,633	19,947,633
Share premium		63,233	63,233
Statutory general reserve		8,848,182	8,848,182
Revaluation surplus for land and buildings		3,475,055	3,572,171
Revaluation reserve for investment securities		888,839	(1,368,416)
Retained earnings		55,877,346	44,634,929
Total equity		<u>89,100,288</u>	<u>75,697,732</u>
Total equity and liabilities		<u>575,948,483</u>	<u>505,756,242</u>

Signed and authorised for release on behalf of the Management Board of the Bank on 15 January 2025. .

Grant Akopyan

Acting Chief Executive Officer

Davit Azatyan

Chief Accountant

Statement of profit and loss
for the period ended 31 December 2024

(thousands of Armenian drams)

	Note	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Interest revenue calculated using effective interest rate	25	12,146,272	45,713,397	10,401,700	37,495,080
Other interest revenue	25	10,501	46,796	11,948	43,980
Interest expense	29	<u>(5,303,012)</u>	<u>(19,826,581)</u>	<u>(4,440,676)</u>	<u>(15,942,833)</u>
Net interest income		6,853,761	25,933,612	5,972,972	21,596,227
Net impairment losses on financial instruments	26	<u>(9,342)</u>	<u>53,401</u>	<u>1,716,998</u>	<u>(363,596)</u>
Net interest income after credit loss expense		6,844,419	25,987,013	7,689,970	21,232,631
Fee and commission income	26	2,390,408	10,591,042	3,119,417	10,882,481
Fee and commission expense	26	<u>(1,503,631)</u>	<u>(6,846,521)</u>	<u>(1,848,042)</u>	<u>(6,981,151)</u>
Net trading income	27	824,145	5,743,874	2,433,630	7,836,496
Net gain from foreign currency translation		644,992	314,266	(741,915)	332,676
Gains less losses from investment securities measured at fair value through other comprehensive income		35,470	462,818	136,883	195,576
Other income	28	<u>234,204</u>	<u>757,622</u>	<u>422,070</u>	<u>926,125</u>
Non-interest income		2,625,588	11,023,101	3,522,043	13,192,203
Personnel expenses	30	<u>(2,905,327)</u>	<u>(10,561,006)</u>	<u>(2,723,802)</u>	<u>(9,343,795)</u>
Depreciation of property and equipment and right-of- use asset	13	<u>(394,258)</u>	<u>(1,401,966)</u>	<u>(345,221)</u>	<u>(1,250,913)</u>
Amortization of intangible assets	14	<u>(31,375)</u>	<u>(113,668)</u>	<u>(22,895)</u>	<u>(86,019)</u>
Administrative and other operating expenses	30	<u>(1,465,697)</u>	<u>(5,262,230)</u>	<u>(1,987,623)</u>	<u>(5,229,774)</u>
Other impairment and provisions		<u>(76,564)</u>	<u>(76,564)</u>	<u>(77,914)</u>	<u>(77,914)</u>
Non-interest expense		(4,873,221)	(17,415,434)	(5,157,455)	(15,988,415)
Profit before income tax expense		4,596,786	19,594,680	6,054,558	18,436,419
Income tax expense	21	<u>(913,399)</u>	<u>(3,981,832)</u>	<u>(1,456,186)</u>	<u>(3,812,750)</u>
Profit for the period	25	3,683,387	15,612,848	4,598,372	14,623,669

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
for the period ended 31 December 2024

(thousands of Armenian drams)

	<i>Note</i>	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Profit for the period		<u>3,683,387</u>	<u>15,612,848</u>	<u>4,598,372</u>	<u>14,623,669</u>
Other comprehensive income not to be reclassified to profit or loss					
Revaluation of property and equipment		-	-	-	-
Income tax effect		-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income that is or may be reclassified to profit or loss					
Unrealised gain/(loss) on debt securities at FVOCI		(148,568)	3,092,329	(788,910)	3,496,537
Realised (loss)/gain on debt securities at FVOCI transferred to profit or loss		(35,470)	(462,818)	(136,883)	(195,576)
Changes in allowance for expected credit losses of debt instruments at FVOCI		97,193	123,239	4,751	29,709
Income tax effect	21	15,632	(495,495)	165,788	(599,520)
Net other comprehensive income/(loss) that is or to be reclassified to profit or loss		<u>(71,213)</u>	<u>2,257,255</u>	<u>(755,254)</u>	<u>2,731,150</u>
Other comprehensive income/(loss) for the period, net of tax		<u>(71,213)</u>	<u>2,257,255</u>	<u>(755,254)</u>	<u>2,731,150</u>
Total comprehensive income for the period		<u><u>3,612,174</u></u>	<u><u>17,870,103</u></u>	<u><u>3,843,118</u></u>	<u><u>17,354,819</u></u>

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the period ended 31 December 2024

(thousands of Armenian drams)

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory general reserve</i>	<i>Revaluation reserve for securities at fair value through OCI</i>	<i>Revaluation reserve of PPE</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 1 January 2023/audited/	19,947,633	63,233	8,848,182	(4,099,566)	3,669,287	34,346,235	62,775,004
Issue of share capital							-
Distribution to general reserve							-
Dividends to shareholders						(4,432,091)	(4,432,091)
Transactions with owners	-	-	-	-	-	(4,432,091)	(4,432,091)
Profit for the period						14,623,669	14,623,669
Other comprehensive income for the period				2,731,150		-	2,731,150
Total comprehensive income for the period	-	-	-	2,731,150	-	14,623,669	17,354,819
Depreciation of revaluation reserve					(97,116)	97,116	-
Balance as at 31 December 2023/audited/	19,947,633	63,233	8,848,182	(1,368,416)	3,572,171	44,634,929	75,697,732
Balance as at 1 January 2024/audited/	19,947,633	63,233	8,848,182	(1,368,416)	3,572,171	44,634,929	75,697,732
Issue of share capital							-
Distribution to general reserve							-
Dividends to shareholders						(4,467,547)	(4,467,547)
Transactions with owners	-	-	-	-	-	(4,467,547)	(4,467,547)
Profit for the period						15,612,848	15,612,848
Other comprehensive income for the period				2,257,255		-	2,257,255
Total comprehensive income for the period	-	-	-	2,257,255	-	15,612,848	17,870,103
Depreciation of revaluation reserve					(97,116)	97,116	-
Balance as at 31 December 2024	19,947,633	63,233	8,848,182	888,839	3,475,055	55,877,346	89,100,288

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the period ended 31 December 2024

(thousands of Armenian drams)

	<i>Note</i>	01/01/2024- 31/12/2024	01/01/2023- 31/12/2023
Cash flows from operating activities			
Interest received		44,427,081	35,997,583
Interest paid		(19,103,677)	(14,446,781)
Fees and commissions received		10,490,461	10,787,706
Fees and commissions paid		(6,846,521)	(6,981,151)
Net trading income received		5,294,438	7,462,715
Other income received		831,132	1,025,894
Personnel expenses paid		(10,246,280)	(9,201,774)
Administrative and other operating expenses paid		(5,037,450)	(4,843,499)
Cash flows from operating activities before changes in operating assets and liabilities		19,809,184	19,800,693
<i>Net (increase)/decrease in operating assets</i>			
Trading securities		103,908	(32,155)
Amounts due from banks		(544,818)	14,180,220
Receivables under reverse repurchase agreements		(12,511,424)	(5,304,800)
Loans and advances to customers		(52,528,571)	(43,317,664)
Repossessed assets		437,257	1,349,682
Other assets		1,298,230	1,098,449
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks		2,630,935	(1,200,272)
Accounts payable under repurchase agreements		52,383,899	7,733,417
Amounts due to customers		6,231,597	7,962,013
Derivative financial liabilities		480,072	289,131
Other liabilities		112,837	197,090
Net cash from operating activities before income tax		17,903,106	2,755,803
Income tax paid		(4,427,633)	(4,590,067)
Net cash (used in)/from operating activities		13,475,473	(1,834,264)
Cash flows from investing activities			
Purchase of investment securities		(30,632,487)	(77,418,332)
Proceeds from sale and redemption of investment securities		25,956,693	65,523,541
Purchase of property and equipment		(1,295,644)	(3,078,734)
Proceeds from disposal of subsidiary, net of cash disposed off		-	1,697
Proceeds from sale of property and equipment		46,138	415,237
Purchase of intangible assets		(119,536)	(314,986)
Net cash used in investing activities		(6,044,836)	(14,871,577)
Cash flows from financing activities			
Dividends paid to shareholders		(4,467,547)	(4,432,091)
Proceeds from debt securities issued		15,844,949	5,295,222
Redemption of debt securities issued		(11,914,400)	-
Proceeds from other borrowed funds		5,309,596	8,116,744
Repayment of other borrowed funds		(5,218,920)	(5,392,342)
Repayment of subordinated loans		-	(276,346)
Repayment of lease liabilities		(510,803)	(647,653)
Net cash from financing activities		(957,125)	2,663,534
Net (decrease)/increase in cash and cash equivalents		6,473,512	(14,042,307)
Cash and cash equivalents at the beginning of the year		37,214,306	51,134,231
Effect of exchange rates changes on cash and cash equivalents		(4,340,016)	118,385
Effect of expected credit losses on cash and cash equivalents		824	3,997
Cash and cash equivalents at the end of the period	5	39,348,626	37,214,306

The accompanying notes form an integral part of these financial statements.

(thousands of Armenian drams)

1. Background

(a) Principal activities

“Converse Bank” CJSC (the “Bank”) was formed in 1994 as a closed joint-stock bank under the laws of the Republic of Armenia. The Bank operates under a general banking license issued by the Central Bank of Armenia (the “CBA”) on 28 November 1994 and conducts its business under license number 57.

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

The Bank’s main office is in Yerevan and its 35 branches (2023: 33) are located in Yerevan and in different regions. The registered address of the head office is 26/1 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

As of 31 December 2024, the number of Bank’s employees is 925 (31 December 2023: 898).

As of 31 December 2024 and 31 December 2023, the shareholders of the Bank are:

Shareholder	31 December 2024, %	31 December 2023, %
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management S.A.R.L	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.000	100.000

The ultimate controlling party of the Bank is Argentinean businessman E. Eurnekian.

Related party transactions are detailed in Note 34.

(b) Armenian business environment

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

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

(thousands of Armenian drams)

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL), investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

Functional currency of the Bank and its subsidiary is the currency of the primary economic environment in which the entities of the Bank operates. The Bank's and its subsidiary's functional and presentation currency is Armenian dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the entities of the Bank.

The AMD is also the presentation currency for the purposes of these 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 financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank'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 financial statements is included in the following notes:

- ▶ classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.
- ▶ establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ("ECL") and selection of models used to measure ECL – Note 31.

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 – Note 31.

(e) Changes in material accounting policies

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

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

- ▶ Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)
- ▶ Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- ▶ Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- ▶ Lack of Exchangeability (Amendments to IAS 21).

(thousands of Armenian drams)

3. Material accounting policies

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

(a) Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost;
- ▶ FVOCI;
- ▶ FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks, loans to customers, investments securities at amortised cost

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages Banks of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

(thousands of Armenian drams)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- ▶ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- ▶ The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and under IFRS 9 – an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

(thousands of Armenian drams)

Performance guarantees are contracts that provide compensation if the applicant fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Bank has the contractual right to receive repayment from the applicant as reimbursement for any payments made to the beneficiary and therefore the Bank considers that has not accepted any insurance risk. The Bank considers that the primary purpose and nature of the contract is to provide funding to, and accept the credit risk of, the applicant.

Performance guarantees are recognized consistent with financial guarantees at higher of unamortized initial commission and loss reserves.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets and liabilities in 2024 and 2023 .

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), including the part of obligatory reserves denominated in AMD and balances (nostro accounts) due from other banks.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Repurchase and reverse repurchase agreements and securities lending

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

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

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

(d) Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gain/(loss) from financial instruments at fair value through profit or loss or net gain/(loss) from foreign currencies, depending on the nature of the instrument.

Financial assets are classified based on the business model and SPPI assessments.

(e) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- ▶ Change in currency of the loan;
- ▶ Change in counterparty;
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion.

(thousands of Armenian drams)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss, presented within Interest income calculated using effective interest rate in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

(f) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Bank has transferred its contractual rights to receive cash flows from the asset, or it retains the rights to the cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- ▶ The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank’s continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Taxation

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

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

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

(thousands of Armenian drams)

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(h) Property and equipment

Property and equipment is initially recognised cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

	<i>Useful life (years)</i>	<i>Rate (%)</i>
Buildings	50	2
Computers	3	33.3
Network appliances	8	12.5
Vehicles	8	12.5
Equipment	8	12.5
Other fixed assets	8	12.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

Land and buildings are revalued on a regular basis at least once in 3 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property and equipment.

(i) Repossessed assets

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

(j) Equity

Share capital

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

Share premium

(thousands of Armenian drams)

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

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

(k) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment reporting is based on the following operating segments: Retail Banking, Corporate Banking and Investment Banking.

(l) Recognition of income and expenses

Interest and similar revenue and expense

The Bank calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest income" in the statement of profit or loss.

(m) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit and loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. Comparative information

Reclassifications

To align with the 2024 presentation, reclassifications were made in the statement of financial position for the year ending December 31, 2023, to present repurchase and reverse repurchase agreements as a separate line item.

(thousands of Armenian drams)

Statement of financial position

	<i>Reclassification effect</i>		
	<i>As of 31 December 2023 according to reports</i>	<i>Reclassification</i>	<i>Changed as of 31 December 2023</i>
Receivables under reverse repurchase agreements	-	7,400,589	7,400,589
Loans and advances to customers measured at amortised cost	271,831,024	(7,400,589)	264,823,935
Amounts due to banks	4,175,967	(3,933,642)	242,325
Accounts payable under repurchase agreements	-	7,739,916	7,739,916
Amounts due to customers	359,249,656	(3,806,274)	355,443,382

5. Segment information

For management purposes, the Bank is organised into three operating segments based on products and services.

Analysis of the Bank per main operating units is presented below:

Retail banking	Handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and small and micro loans.
Corporate banking	Handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Investment banking	Treasury and finance, leasing and other central functions.

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

<i>As of 31 December 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Investment banking</i>	<i>Total</i>
External income				
Interest income	22,604,372	10,044,973	13,110,848	45,760,193
Interest expense	(8,773,193)	(4,553,158)	(6,500,230)	(19,826,581)
Inter-segment income	1,008,400	3,143,544	(4,151,944)	-
Net interest income	14,839,579	8,635,359	2,458,674	25,933,612
Net non-interest income	3,884,142	3,011,633	4,127,326	11,023,101
Operating income	18,723,721	11,646,992	6,586,001	36,956,713
Net impairment expense on financial instruments	(431,442)	500,039	(5,853)	62,743
Net operating income	18,270,013	12,157,193	6,582,909	37,010,115
Administrative expenses	(10,125,012)	(5,465,904)	(1,824,519)	(17,415,434)
Operating unit profit	8,145,001	6,691,289	4,758,390	19,594,681
Income tax expense	(1,659,909)	(1,363,567)	(958,358)	(3,981,833)
Profit for the period	6,485,093	5,327,723	3,800,032	15,612,848
<i>As of 31 December 2023</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Investment banking</i>	<i>Total</i>
External income				
Interest income	17,449,033	7,943,475	12,145,050	37,537,558
Interest expense	(7,188,132)	(4,343,838)	(4,409,361)	(15,941,331)
Inter-segment income	909,044	4,450,553	(5,359,597)	-
Net interest income	11,169,944	8,050,191	2,376,092	21,596,227
Net non-interest income	4,755,772	2,845,272	5,591,159	13,192,203

(thousands of Armenian drams)

Operating income	15,925,717	10,895,462	7,967,251	34,788,430
Net impairment expense on financial instruments	(431,442)	500,039	(5,853)	62,743
Net operating income	16,472,424	10,054,000	7,898,410	34,424,834
Administrative expenses	(9,402,133)	(4,681,606)	(1,904,676)	(15,988,415)
Operating unit profit	7,070,291	5,372,394	5,993,734	18,436,419
Income tax expense	(1,410,580)	(1,116,070)	(1,286,100)	(3,812,750)
Profit for the period	5,659,711	4,256,324	4,707,635	14,623,669

The following table presents assets of the Bank's operating units:

	As of 31 December 2024				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	196,726,542	114,362,571	188,240,116	76,619,254	575,948,483
Liabilities	178,504,952	178,414,266	122,173,033	7,755,944	486,848,195
	As of 31 December 2023				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	163,285,551	108,545,473	154,710,072	79,215,146	505,756,242
Liabilities	168,123,670	191,449,864	61,826,172	8,658,804	430,058,510

Interest bearing assets include financial assets through profit and loss, investment securities, amounts due from banks, loans and advances to customers.

Interest bearing financial liabilities include amounts due to banks, current accounts and deposits from customers, bonds issued by the Bank, subordinated and other borrowings.

Non-interest bearing balances which are unallocated include cash and cash equivalents, property, equipment and right-of-use assets, intangible assets, repossessed assets, other assets, current tax liabilities, deferred tax liabilities, lease liabilities and other liabilities.

Geographic information

The Bank's operations are primarily concentrated in Armenia. The Bank assets are mainly located in the Republic of Armenia.

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the periods ended 31 December 2024 and 31 December 2023 are as follows:

As of 31 December 2024	Retail banking	Corporate banking	Trading	Total
Commission income				
Plastic cards operations	8,119,950	49,731	7,130	8,176,810
Wire transfer fees	292,227	414,119	25,214	731,559
Settlement operation	126,425	61,941	144,443	332,809
Loan accounts servicing fees	147,063	16,340	-	163,403
Banknotes transfers to banks	-	-	50,567	50,567
Guarantees and letters of credit	-	182,826	-	182,826
Other	274,523	274,526	404,017	953,067
Total revenue from contracts with customers	8,960,188	999,483	631,370	10,591,041
As of 31 December 2023	Retail banking	Corporate banking	Trading	Total
Commission income				
Plastic cards operations	8,178,252	47,967	5,127	8,231,346

(thousands of Armenian drams)

Wire transfer fees	308,855	383,049	13,715	705,619
Settlement operation	150,776	60,713	178,434	389,923
Loan accounts servicing fees	336,509	63,504	-	400,013
Banknotes transfers to banks	-	-	159,527	159,527
Guarantees and letters of credit	-	142,553	-	142,553
Other	241,336	241,335	370,830	853,501
Total revenue from contracts with customers	9,215,728	939,121	727,633	10,882,482

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 31 December 2024 and 31 December 2023.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2024	31 December 2023
Cash on hand	10,183,792	8,961,815
Nostro accounts with the Central Bank, including obligatory reserves in AMD	17,445,353	12,591,359
Nostro accounts with other Banks	11,721,852	15,664,327
	39,350,997	37,217,501
Less – allowance for impairment	(2,371)	(3,195)
Cash and cash equivalents	39,348,626	37,214,306

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

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2023: 4%) of the amounts attracted in Armenian drams and 18% (2023: 18%) of the amounts attracted in foreign currencies.

The banks are required to maintain 6% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams (2023: 6%), and 12% – in the foreign currency (2023: 12%). The banks' ability to withdraw reserved amounts in foreign currency is restricted. Therefore, the Bank classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 8).

As of 31 December 2024 placements with other banks in the amount of AMD 11,452,560 thousand (97.5%) were due from eight banks (2023: AMD 14,798,805 thousand (94.5%) were due from six banks).

7. Trading securities

Trading securities owned comprise:

	31 December 2024	31 December 2023
Debt securities issued by the RA government	576,703	646,747
Investments in funds	366,795	323,625
Trading securities	943,498	970,372

8. Amounts due from banks

Amounts due from banks comprise:

	31 December 2024	31 December 2023
Foreign currency obligatory reserves with CBA	21,880,210	24,981,465
Loans and deposits to banks	12,422,826	6,836,741
Deposited funds with CBA	2,832,500	2,305,000
Receivables from payment and settlement operations	2,581,835	1,975,202
Other deposited funds	1,638,246	1,244,533
	41,355,617	37,342,941
Less – allowance for impairment	(21,822)	(24,501)

(thousands of Armenian drams)

Amounts due from banks 41,333,795 37,318,440

As at 31 December 2024 the balances included loans and deposits to banks are due from six counterparties (2023: two counterparties).

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

No amounts due from banks are past due or impaired and are fully in Stage 1. All the amounts due from banks are measured at amortised cost as at 31 December 2024 and 31 December 2023.

9. Derivative financial instruments

As of 31 December 2024, and 31 December 2023, the Bank has positions currency swaps.

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities.

Foreign exchange contracts	31 December 2024		31 December 2023	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	2,586	-	72,646	-
Derivative liabilities (currency swaps)	-	67,655	-	31,110

10. Receivables under reverse repurchase agreements

	31 December 2024	31 December 2023
Reverse repurchase agreements with banks	1,619,787	-
Reverse repurchase agreements with financial institutions	18,305,797	7,400,589
Total reverse repurchase agreements	19,925,584	7,400,589

As at 31 December 2024 amounts receivable under reverse repurchase agreements were collateralized by RA government bonds with fair value of AMD 1,649,515 thousand (As at 31 December 2023 there were no amounts receivable under reverse repurchase agreements).

As at 31 December 2024 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 19,114,931 thousand (31 December 2023: AMD 7,400,602 thousand).

11. Loans and advances to customers

	31 December 2024	31 December 2023
Loans to customers	314,717,118	269,213,864
Financial lease receivables	3,537,915	2,333,812
	318,255,033	271,833,676
Less – allowance for loan impairment	(7,165,920)	(7,009,741)
Total loans and advances to customers	311,089,113	264,823,935
	31 December 2024	31 December 2023
Large business loans including finance lease receivables	77,011,350	72,547,698
SME loans including finance lease receivables	44,690,940	36,323,495
Total loans to corporate customers	121,702,290	108,871,193
Mortgage loans	102,474,918	84,098,149
Consumer loans	67,639,876	56,231,539
Gold loans	26,437,948	22,632,795
Total loans to retail customers	196,552,742	162,962,483

(thousands of Armenian drams)

Gross loans and advances to customers	318,255,033	271,833,676
Less – allowance for impairment	(7,165,920)	(7,009,741)
Total loans and advances to customers	311,089,113	264,823,935

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans as of 31 December 2024:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	101,288,432	705,696	6,877,065	108,871,193
New assets originated or purchased	43,590,919	-	-	43,590,919
Assets repaid	(27,684,828)	(343,065)	(1,004,323)	(29,032,216)
Transfers to Stage 1	331,942	(16,608)	(315,334)	-
Transfers to Stage 2	(1,283,227)	1,440,807	(157,580)	-
Transfers to Stage 3	(1,301,947)	(230,744)	1,532,691	-
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange differences	(1,549,027)	(10,593)	(105,478)	(1,665,098)
At 31 December 2024	113,392,263	1,545,493	6,764,533	121,702,290

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	722,135	140,861	3,367,411	4,230,407
New assets originated or purchased	523,876	-	-	523,876
Assets repaid	(183,863)	(71,245)	(357,642)	(612,751)
Transfers to Stage 1	134,792	(4,956)	(129,836)	-
Transfers to Stage 2	(25,732)	101,285	(75,553)	-
Transfers to Stage 3	(138,463)	(40,311)	178,774	-
Impact on period end ECL of exposures transferred between stages during the period	(131,441)	74,142	339,836	281,544
Unwinding of discount (recognised in interest income)	-	-	22,559	22,559
Changes to models and inputs used for ECL calculations	(180,723)	1,180	(657,633)	(836,184)
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange differences	(7,363)	(1,474)	(53,939)	(62,776)
At 31 December 2024	713,218	199,482	2,571,469	3,484,169

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 31 December 2024:

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	158,085,688	2,157,429	2,719,366	162,962,483
New assets originated or purchased	77,807,446	-	-	77,807,446
Assets repaid	(41,698,469)	(660,392)	(1,314,847)	(43,673,708)
Transfers to Stage 1	721,885	(465,438)	(256,447)	-
Transfers to Stage 2	(1,696,586)	2,342,037	(645,451)	-
Transfers to Stage 3	(1,892,124)	(526,350)	2,418,473	-
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange differences	(780,088)	(20,133)	(32,401)	(832,622)
At 31 December 2024	190,547,752	2,827,154	3,177,836	196,552,742

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	808,889	418,027	1,552,418	2,779,334
New assets originated or purchased	844,311	-	-	844,311
Assets repaid	(205,027)	(110,964)	(625,592)	(941,583)
Transfers to Stage 1	229,506	(83,794)	(145,712)	-

(thousands of Armenian drams)

Transfers to Stage 2	(74,490)	441,689	(367,199)	-
Transfers to Stage 3	(107,430)	(119,700)	227,130	-
Impact on period end ECL of exposures transferred between stages during the period	(151,185)	115,975	689,515	654,306
Unwinding of discount (recognised in interest income)	-	-	52,154	52,154
Changes to models and inputs used for ECL calculations	108,822	(21,637)	(60,252)	26,934
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange differences	(3,566)	(3,701)	(15,582)	(22,849)
At 31 December 2024	1,449,831	635,895	1,596,024	3,681,750

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans as of 31 December 2023

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	82,491,951	1,262,757	7,825,951	91,580,659
Change in write-off policy and other corrections*	(513)	74,217	292,068	365,772
New assets originated or purchased	52,498,134	-	-	52,498,134
Assets repaid	(34,438,158)	(93,047)	(2,872,378)	(37,403,583)
Transfers to Stage 1	467,610	(197,714)	(269,896)	-
Transfers to Stage 2	(220,811)	455,715	(234,904)	-
Transfers to Stage 3	(989,803)	(647,210)	1,637,013	-
Recoveries	-	-	529,200	529,200
Amounts written off**	-	(158,267)	(183,737)	(342,004)
Foreign exchange differences	1,480,022	9,245	153,748	1,643,015
At 31 December 2023	101,288,432	705,696	6,877,065	108,871,193

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	561,941	308,761	2,072,916	2,943,618
Change in write-off policy and other corrections*	146,440	34,325	272,602	453,367
New assets originated or purchased	439,108	-	-	439,108
Assets repaid	(283,550)	(209,992)	(972,554)	(1,466,096)
Transfers to Stage 1	132,140	(19,177)	(112,963)	-
Transfers to Stage 2	(2,313)	57,956	(55,643)	-
Transfers to Stage 3	(13,615)	(63,084)	76,699	-
Impact on period end ECL of exposures transferred between stages during the period	(127,473)	35,679	645,719	553,925
Unwinding of discount (recognised in interest income)	-	-	53,769	53,769
Changes to models and inputs used for ECL calculations	(140,995)	153,519	1,015,921	1,028,445
Recoveries	-	-	529,200	529,200
Amounts written off**	-	(158,267)	(183,737)	(342,004)
Foreign exchange differences	10,452	1,141	25,482	37,075
At 31 December 2023	722,135	140,861	3,367,411	4,230,407

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 31 December 2023:

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	124,081,377	3,878,967	3,506,111	131,466,455
Change in write-off policy and other corrections*	824	1,015,213	1,098,043	2,114,080
New assets originated or purchased	68,426,270	-	-	68,426,270
Assets repaid	(35,490,341)	(2,278,523)	(1,761,037)	(39,529,901)
Transfers to Stage 1	1,437,040	(642,880)	(794,160)	-
Transfers to Stage 2	(699,787)	1,269,204	(569,417)	-
Transfers to Stage 3	(555,790)	(425,592)	981,382	-

(thousands of Armenian drams)

Recoveries	-	-	1,635,326	1,635,326
Amounts written off**	-	(683,641)	(1,441,435)	(2,125,076)
Foreign exchange differences	886,095	24,681	64,553	975,329
At 31 December 2023	158,085,688	2,157,429	2,719,366	162,962,483

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	438,940	1,115,850	1,245,873	2,800,663
Change in write-off policy and other corrections*	309,813	267,581	1,449,090	2,026,484
New assets originated or purchased	600,109	-	-	600,109
Assets repaid	(431,316)	(883,179)	(1,824,144)	(3,138,639)
Transfers to Stage 1	576,737	(93,966)	(482,771)	-
Transfers to Stage 2	(11,650)	281,544	(269,894)	-
Transfers to Stage 3	(8,081)	(220,454)	228,535	-
Impact on period end ECL of exposures transferred between stages during the period	(569,901)	(61,633)	981,737	350,203
Unwinding of discount (recognised in interest income)	-	-	55,756	55,756
Changes to models and inputs used for ECL calculations	(99,050)	689,405	(54,280)	536,075
Recoveries	-	-	1,635,326	1,635,326
Amounts written off**	-	(683,641)	(1,441,435)	(2,125,076)
Foreign exchange differences	3,288	6,520	28,625	38,433
At 31 December 2023	808,889	418,027	1,552,418	2,779,334

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2024.

	Stage 1	Stage 2	Stage 3	Total loans
Loans to Corporate customers				
Large business loans				
- not overdue	71,029,001	1,093,165	1,104,788	73,226,954
- overdue less than 30 days	-	-	-	-
- overdue 31-90 days	-	-	-	-
- overdue 91-180 days	-	-	-	-
- overdue 181-360 days	-	-	542,712	542,712
- overdue more than 1 year	-	-	3,241,683	3,241,683
Total gross loans	71,271,902	1,093,165	4,646,283	77,011,350
Expected credit loss allowance	(236,296)	(74,769)	(1,760,697)	(2,071,761)
Total net loans	71,035,606	1,018,397	2,885,586	74,939,588
Loans to Corporate customers				
SME loans				
- not overdue	42,104,586	317,739	260,870	42,683,195
- overdue less than 30 days	15,775	46,940	22,287	85,002
- overdue 31-90 days	-	87,649	143,836	231,485
- overdue 91-180 days	-	-	288,211	288,211
- overdue 181-360 days	-	-	583,211	583,211
- overdue more than 1 year	-	-	819,835	819,835
Total gross loans	42,120,362	452,328	2,118,250	44,690,940
Expected credit loss allowance	(476,922)	(124,713)	(810,772)	(1,412,408)
Total net loans	41,643,439	327,615	1,307,478	43,278,532

*(thousands of Armenian drams)***Loans to retail customers****Mortgage loans**

- not overdue	100,071,055	1,057,889	467,002	101,595,947
- overdue less than 30 days	63,279	-	75,724	139,003
- overdue 31-90 days	-	116,498	149,427	265,926
- overdue 91-180 days	-	-	55,061	55,061
- overdue 181-360 days	-	-	125,560	125,560
- overdue more than 1 year	-	-	293,420	293,420
Total gross loans	100,134,335	1,174,387	1,166,195	102,474,918
Expected credit loss allowance	(369,326)	(229,664)	(497,379)	(1,096,369)
Total net loans	99,765,008	944,723	668,817	101,378,549

Loans to retail customers**Consumer loans**

- not overdue	64,081,377	1,081,008	371,406	65,533,791
- overdue less than 30 days	270,720	88,154	96,670	455,544
- overdue 31-90 days	-	232,985	122,794	355,779
- overdue 91-180 days	-	-	382,514	382,514
- overdue 181-360 days	-	-	578,188	578,188
- overdue more than 1 year	-	-	334,060	334,060
Total gross loans	64,352,098	1,402,146	1,885,632	67,639,876
Expected credit loss allowance	(1,054,166)	(376,173)	(1,048,091)	(2,478,430)
Total net loans	63,297,932	1,025,973	837,542	65,161,447

Loans to retail customers**Gold loans**

- not overdue	26,016,126	139,375	38,583	26,194,084
- overdue less than 30 days	45,194	11,154	14,229	70,577
- overdue 31-90 days	-	100,092	8,533	108,625
- overdue 91-180 days	-	-	22,145	22,145
- overdue 181-360 days	-	-	42,518	42,518
- overdue more than 1 year	-	-	-	-
Total gross loans	26,061,320	250,620	126,009	26,437,948
Expected credit loss allowance	(26,339)	(30,057)	(50,555)	(106,951)
Total net loans	26,034,981	220,563	75,453	26,330,997

Total gross loans to corporate customers

	113,392,263	1,545,493	6,764,533	121,702,290
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Expected credit loss allowance	(713,218)	(199,482)	(2,571,469)	(3,484,169)
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Total net loans to corporate customers	112,679,045	1,346,011	4,193,064	118,218,121
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Total gross loans to retail customers	190,547,752	2,827,154	3,177,836	196,552,742
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Expected credit loss allowance	(1,449,831)	(635,895)	(1,596,024)	(3,681,750)
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Total net loans to retail customers	189,097,921	2,191,259	1,581,812	192,870,992
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Total gross loans	303,940,015	4,372,647	9,942,369	318,255,032
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Expected credit loss allowance	(2,163,049)	(835,377)	(4,167,493)	(7,165,919)
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Total net loans	301,776,966	3,537,271	5,774,876	311,089,113
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(thousands of Armenian drams)

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

	Stage 1	Stage 2	Stage 3	Total loans
Loans to Corporate customers				
Large business loans				
- not overdue	67,740,398	-	170,651	67,911,049
- overdue less than 30 days	-	-	213,248	213,248
- overdue 31-90 days	-	-	581,313	581,313
- overdue 91-180 days	-	-	470,597	470,597
- overdue 181-360 days	-	-	-	-
- overdue more than 1 year	-	-	3,371,491	3,371,491
Total gross loans	67,740,398	-	4,807,300	72,547,698
Expected credit loss allowance	(249,260)	-	(2,388,666)	(2,637,926)
Total net loans	67,491,138	-	2,418,634	69,909,772
Loans to Corporate customers				
SME loans				
- not overdue	33,512,918	398,719	719,949	34,399,086
- overdue less than 30 days	35,116	62,202	44,400	141,718
- overdue 31-90 days	-	244,775	69,020	313,795
- overdue 91-180 days	-	-	376,339	376,339
- overdue 181-360 days	-	-	355,320	355,320
- overdue more than 1 year	-	-	504,737	504,737
Total gross loans	33,548,034	705,696	2,069,765	36,323,495
Expected credit loss allowance	(472,876)	(140,861)	(978,745)	(1,592,481)
Total net loans	33,075,158	564,835	1,091,020	34,731,013
Loans to retail customers				
Mortgage loans				
- not overdue	82,285,154	882,349	422,721	83,590,224
- overdue less than 30 days	47,861	8,125	19,086	75,072
- overdue 31-90 days	-	25,614	96,394	122,008
- overdue 91-180 days	-	-	25,398	25,398
- overdue 181-360 days	-	-	18,311	18,311
- overdue more than 1 year	-	-	267,136	267,136
Total gross loans	82,333,015	916,088	849,046	84,098,149
Expected credit loss allowance	(216,058)	(171,003)	(407,911)	(794,972)
Total net loans	82,116,957	745,085	441,135	83,303,177
Loans to retail customers				
Consumer loans				
- not overdue	53,160,404	865,389	587,217	54,452,010
- overdue less than 30 days	159,636	51,756	43,517	254,909
- overdue 31-90 days	-	179,782	128,047	307,829
- overdue 91-180 days	-	-	352,499	352,499
- overdue 181-360 days	-	-	342,315	342,315
- overdue more than 1 year	-	-	360,977	360,977
Total gross loans	53,320,040	1,096,927	1,814,572	56,231,539
Expected credit loss allowance	(580,227)	(236,505)	(1,103,969)	(1,920,701)

(thousands of Armenian drams)

Total net loans	52,739,813	860,422	710,603	54,310,838
Loans to retail customers				
Gold loans				
- not overdue	22,389,233	109,512	10,191	22,508,936
- overdue less than 30 days	43,400	4,445	3,677	51,522
- overdue 31-90 days	-	30,457	3,140	33,597
- overdue 91-180 days	-	-	17,771	17,771
- overdue 181-360 days	-	-	20,877	20,877
- overdue more than 1 year	-	-	92	92
Total gross loans	22,432,633	144,414	55,748	22,632,795
Expected credit loss allowance	(12,604)	(10,519)	(40,538)	(63,661)
Total net loans	22,420,029	133,895	15,210	22,569,134
Total gross loans to corporate customers				
	101,288,432	705,696	6,877,065	108,871,193
Expected credit loss allowance	(722,135)	(140,861)	(3,367,411)	(4,230,407)
Total net loans to corporate customers	100,566,297	564,835	3,509,654	104,640,786
Total gross loans to retail customers				
	158,085,688	2,157,429	2,719,366	162,962,483
Expected credit loss allowance	(808,889)	(418,027)	(1,552,418)	(2,779,334)
Total net loans to retail customers	157,276,799	1,739,402	1,166,948	160,183,149
Total gross loans				
	259,374,120	2,863,125	9,596,431	271,833,676
Expected credit loss allowance	(1,531,024)	(558,888)	(4,919,829)	(7,009,741)
Total net loans	257,843,096	2,304,237	4,676,602	264,823,935

Concentration of loans and advances to customers

As at 31 December 2024 the Bank had a concentration of loans totaling to AMD 47,868,992 thousand due from the ten largest Banks of borrowers (15.03% of gross loan portfolio) (2023: AMD 48,993,284 thousand or 17.57% of gross loan portfolio). An allowance for impairment in amount of AMD 1,457,467 thousand (2023: AMD 1,939,571 thousand) was created against these loans.

Loans are made principally within Armenia in the following industry sectors:

	31 December 2024	31 December 2023
Mortgage	102,474,918	84,098,149
Consumer and gold loans to individuals	94,077,824	78,703,334
Trade	42,457,424	34,694,238
Construction	24,835,311	24,075,833
Agriculture (including loans to individuals)	12,035,435	11,663,851
Manufacturing	6,610,721	7,397,313
Services	5,257,829	4,198,867
Energy	3,646,678	2,998,568
Transport and communication	3,174,843	2,093,145
Financial services	8,359,883	10,305,840
Other	15,324,167	11,604,538
Gross loan portfolio	318,255,033	271,833,676
Less allowance for loan impairment	(7,165,920)	(7,009,741)
Total	311,089,113	264,823,935

(thousands of Armenian drams)

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2024 is as follows:

	31 December 2024	31 December 2023
Gross investment in finance lease, receivable		
Not later than 1 year	1,375,350	773,364
1-2 years	1,326,017	773,445
2-3 years	944,955	717,664
3-4 years	492,688	399,775
4-5 years	152,076	194,238
More than 5 years	74,806	5,756
	4,365,892	2,864,242
Unearned future finance income on finance lease	(827,977)	(530,430)
Net investment in financial lease, before impairment allowance	3,537,915	2,333,812
Impairment allowance	(54,320)	(23,973)
Net investment in finance lease	3,483,595	2,309,839

12. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 December 2024	31 December 2023
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	4,532,696	6,531,648
Governments bonds of the foreign countries	1,981,389	4,016,352
Less – allowance for impairment	(4,227)	(10,217)
Debt securities at amortised cost held by the Bank	6,509,858	10,537,783
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	40,694,087	84,542,756
Governments bonds of the foreign countries	26,177,303	28,870,511
Corporate bonds	9,460,688	8,230,943
Bonds of International organizations	1,186,177	1,212,941
Debt securities at FVOCI held by the Bank	77,518,255	122,857,151
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	518,650	75,222
Equity securities at FVOCI held by the Bank	523,983	80,555
Total investment securities held by the Bank	84,552,096	133,475,489
Pledged under sale and repurchase agreements		
RA government bonds	63,362,767	7,927,279
Debt securities at FVOCI pledged under repurchase agreements	63,362,767	7,927,279

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost including pledged under repurchase agreements is as follows:

Debt securities at amortised cost	Stage 1	Total
Gross carrying value as at 1 January 2024	10,548,000	10,548,000
New assets originated or purchased	2,457,111	2,457,111
Assets repaid	(6,490,029)	(6,490,029)
Foreign exchange differences	(997)	(997)
At 31 December 2024	6,514,085	6,514,085

(thousands of Armenian drams)

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2024	10,217	10,217
New assets originated or purchased	354	354
Assets repaid	(1,767)	(1,767)
Changes to models and inputs used for ECL calculations	(4,578)	(4,578)
At 31 December 2024	4,227	4,227

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2023 is as follows:

Debt securities at amortised cost	Stage 1	Total
Gross carrying value as at 1 January 2023	18,407,917	18,407,917
New assets originated or purchased	5,802,473	5,802,473
Assets repaid	(12,471,121)	(12,471,121)
Write-off	(1,253,325)	(1,253,325)
Foreign exchange differences	62,056	62,056
At 31 December 2023	10,548,000	10,548,000

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2023	15,339	15,339
New assets originated or purchased	1,340	1,340
Assets repaid	(5,920)	(5,920)
Write-off	(1,253,325)	(1,253,325)
Changes to models and inputs used for ECL calculations	1,252,783	1,252,783
At 31 December 2023	10,217	10,217

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI including pledged under repurchase agreements is as follows:

Debt securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2024	130,784,430	130,784,430
New assets originated or purchased	68,528,571	68,528,571
Assets repaid	(45,502,301)	(45,502,301)
Assets sold	(14,645,659)	(14,645,659)
Net change in fair value	3,092,330	3,092,330
Foreign exchange differences	(1,376,348)	(1,376,348)
At 31 December 2024	140,881,022	140,881,022

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2024	212,725	212,725
New assets originated or purchased	133,910	133,910
Assets repaid	(14,498)	(14,498)
Assets sold	(35,598)	(35,598)
Changes to models and inputs used for ECL calculations	39,424	39,424
At 31 December 2024	335,962	335,962

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2023 is as follows:

Debt securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2023	106,889,636	106,889,636
New assets originated or purchased	71,615,859	71,615,859
Assets repaid	(34,103,306)	(34,103,306)
Assets sold	(18,949,114)	(18,949,114)
Net change in fair value	3,496,537	3,496,537
Foreign exchange differences	1,834,818	1,834,818
At 31 December 2023	130,784,430	130,784,430

(thousands of Armenian drams)

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2023	183,014	183,014
New assets originated or purchased	102,757	102,757
Assets repaid	(15,071)	(15,071)
Assets sold	(42,204)	(42,204)
Changes to models and inputs used for ECL calculations	(15,771)	(15,771)
At 31 December 2023	212,725	212,725

13. Property, equipment and right-of-use assets

The movements in property, equipment and right -of-use assets were as follows:

	<i>Land and buildings</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Computers and network appliances</i>	<i>Other fixed assets</i>	<i>Leasehold improvements</i>	<i>CIP</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost or revalued amount									
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,189,593	2,209,111	97,964	4,031,491	20,110,715
Additions	12,406	209,138	39,044	642,103	94,382	298,571	91,392	-	1,387,036
Disposals and write-offs	-	(89,416)	(9,900)	(108,776)	(24,615)	(17,681)	-	-	(250,388)
Transfers	-	-	-	-	-	-	(128,727)	-	(128,727)
31 December 2024	5,321,404	911,731	330,854	6,713,166	1,259,360	2,490,001	60,629	4,031,491	21,118,636
Accumulated depreciation									
31 December 2023	144,971	645,765	163,264	3,931,779	774,676	1,174,536	-	2,180,431	9,015,422
Depreciation charge	145,211	56,346	22,596	602,255	75,892	167,948	-	331,718	1,401,966
Disposals and write-offs	-	(79,477)	(5,925)	(103,000)	(22,288)	(17,681)	-	(150,465)	(378,836)
31 December 2024	290,182	622,634	179,935	4,431,034	828,280	1,324,803	-	2,361,684	10,038,552
Net book value									
31 December 2023	5,164,027	146,244	138,446	2,248,060	414,917	1,034,575	97,964	1,851,060	11,095,293
31 December 2024	5,031,222	289,097	150,919	2,282,132	431,080	1,165,198	60,629	1,669,807	11,080,084
	<i>Land and buildings</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Computers and network appliances</i>	<i>Other fixed assets</i>	<i>Leasehold improvements</i>	<i>CIP</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost or revalued amount									
31 December 2022	5,305,397	774,130	265,321	4,723,663	873,019	1,493,369	390,410	2,989,747	16,815,056
Additions	3,601	50,941	72,044	1,494,162	222,450	758,866	-	1,210,101	3,812,165
Disposals and write-offs	-	(33,062)	(35,655)	(97,607)	(28,900)	(91,784)	(61,141)	(168,357)	(516,506)
Transfers	-	-	-	59,621	123,024	48,660	(231,305)	-	-
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,189,593	2,209,111	97,964	4,031,491	20,110,715
Accumulated depreciation									
31 December 2022	-	636,649	182,814	3,538,146	767,042	1,177,009	-	1,738,055	8,039,715
Depreciation charge	144,971	41,102	15,279	477,999	34,201	83,282	-	454,079	1,250,913
Disposals and write-offs	-	(31,986)	(34,829)	(84,366)	(26,567)	(85,755)	-	(11,703)	(275,206)
31 December 2023	144,971	645,765	163,264	3,931,779	774,676	1,174,536	-	2,180,431	9,015,422
Net book value									
31 December 2022	5,305,397	137,481	82,507	1,185,517	105,977	316,360	390,410	1,251,692	8,775,341
31 December 2023	5,164,027	146,244	138,446	2,248,060	414,917	1,034,575	97,964	1,851,060	11,095,293

(thousands of Armenian drams)

Revaluation of assets

The fair value of the buildings and land was last determined and recorded as at 31 December 2022 based on valuation performed by an independent licensed valuator. The fair value was determined based on comparative (65%) and income methods (35%). 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 5% to 25%. Capitalization rate applied is 5%.

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

Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 31 December 2024.

Fully depreciated items

As of 31 December 2024 property and equipment included fully depreciated assets in amount of AMD 3,664,952 thousand (2023: AMD 3,726,632 thousand).

Property and equipment in the phase of installation

As of 31 December 2024 property and equipment included assets in the phase of installation in amount of AMD 584,008 thousand (2023: AMD 610,892 thousand).

Security

No property and equipment item is pledged under any arrangements as at 31 December 2024 (2023: None).

14. Intangible assets

	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2024	1,067,886	259,668	676,965	2,004,519
Additions	29,293	10,180	80,062	119,535
Disposals and write-offs	-	-	-	-
31 December 2024	1,097,179	269,848	757,027	2,124,054
Accumulated amortization and impairment				
1 January 2024	833,003	69,459	219,849	1,122,311
Amortisation charge	48,344	13,367	51,957	113,668
Disposals and write-offs	-	-	-	-
31 December 2024	881,347	82,826	271,806	1,235,979
Net book value				
1 January 2024	234,883	190,209	457,116	882,208
31 December 2024	215,832	187,022	485,221	888,076
	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2023	1,021,215	149,709	518,859	1,689,783
Additions	46,671	110,163	158,356	315,190
Disposals and write-offs	-	(204)	(250)	(454)
31 December 2023	1,067,886	259,668	676,965	2,004,519
Accumulated amortization and impairment				
1 January 2023	798,386	63,326	174,830	1,036,542
Amortisation charge	34,617	6,133	45,269	86,019
Disposals and write-offs	-	-	(250)	(250)

(thousands of Armenian drams)

31 December 2023	<u>833,003</u>	<u>69,459</u>	<u>219,849</u>	<u>1,122,311</u>
Net book value				
1 January 2023	<u>222,829</u>	<u>86,383</u>	<u>344,029</u>	<u>653,241</u>
31 December 2023	<u>234,883</u>	<u>190,209</u>	<u>457,116</u>	<u>882,208</u>

Fully amortized items

As of 31 December 2024, intangible assets included fully amortized assets in amount of AMD 814,468 thousand (2023: AMD 798,043 thousand).

15. Repossessed assets

Details of assets obtained by the Bank by taking possession of collateral held as security against loans and advances as at 31 December 2024 and 31 December 2023 are shown below:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Land and buildings	819,001	1,033,211
Other assets	20,036	15,327
	<u>839,037</u>	<u>1,048,538</u>
Less: allowance for impairment	(310,120)	(244,416)
Total repossessed collateral	<u>528,917</u>	<u>804,122</u>

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 31 December 2024 the Bank repossessed assets in amount of AMD 125,617 thousand (2023: AMD 194,752 thousand) and sold assets with carrying amount of AMD 324,725 thousand (2023: AMD 1,673,285 thousand).

16. Other assets and liabilities

Other assets comprise:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Other financial assets		
Accounts receivables	654,491	546,583
Receivables from cash transfers	163,947	242,274
Total other financial assets	<u>818,438</u>	<u>788,857</u>
Less – allowance for impairment of other financial assets	(20,087)	(28,363)
Total net other financial assets	<u>798,351</u>	<u>760,494</u>
Other non-financial assets		
Prepayments to suppliers	747,052	816,236
Precious metals	471,939	1,514,469
Other prepaid taxes	456,079	389,881
Materials	370,771	249,532
Unamortized insurance premium	40,451	32,940
Settlements with employees	6,833	6,146
Other	1,865	1,865
Total other non-financial assets	<u>2,094,990</u>	<u>3,011,069</u>
Other assets	<u>2,893,341</u>	<u>3,771,563</u>

(thousands of Armenian drams)

An analysis of changes in the ECLs for other financial assets for the period ended 31 December 2024 is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL at 1 January 2024	28,283	30	49	28,363
Transfers to Stage 1	8	(2)	(6)	-
Transfers to Stage 2	(13)	13	-	-
Transfers to Stage 3	(45)	(9)	53	-
ECL charge	(8,445)	200	3,735	(4,510)
Recoveries	-	-	7,163	7,163
Amounts written off	-	-	(10,795)	(10,795)
Foreign exchange differences	(127)	-	(6)	(133)
At 31 December 2024	19,661	232	193	20,087

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2023 is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL at 1 January 2023	29,804	25	348	30,177
Transfers to Stage 1	5	-	(5)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(4)	(15)	19	-
ECL charge	(1,521)	20	(792)	(2,293)
Recoveries	-	-	16,496	16,496
Amounts written off	-	-	(16,022)	(16,022)
Foreign exchange differences	-	-	5	5
At 31 December 2023	28,284	30	49	28,363

Other liabilities comprise:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Other financial liabilities		
Due to personnel	2,095,514	1,780,104
Accounts payables	861,414	751,242
Total other financial liabilities	2,956,928	2,531,346
Other non-financial liabilities		
Tax payable, other than income tax	1,228,199	1,003,409
Grants related to assets	9,044	11,468
Other	2	2
Total other non-financial liabilities	1,237,245	1,014,879
Total other liabilities	4,194,173	3,546,225

17. Amounts due to banks

Amounts due to banks comprise:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Correspondent accounts of other banks	663,469	177,448
Loans and deposits from banks	-	61,600
Other liabilities	2,285	3,277
Total amounts due to banks	665,754	242,325

As of 31 December 2024, the Bank does not have received loans and deposits from banks (2023: 1 banks).

As of 31 December 2024 97.1% of correspondent accounts of other banks are concentrated within 5 counterparties (2023: 95.7% within 3 counterparty).

(thousands of Armenian drams)

18. Accounts payable under repurchase agreements

	31 December 2024	31 December 2023.
Repurchase agreements with CBA	45,063,031	3,933,642
Repurchase agreements with banks	14,898,183	-
Repurchase agreements with financial institutions	-	3,806,274
Total repurchase agreements	59,961,214	7,739,916

As at 31 December 2024 amounts payable under repurchase agreements with CBA were collateralized by RA government bonds with fair value of AMD 47,706,850 thousand (2023: 4,012,295 thousand AMD).

As at 31 December 2024 amounts payable under repurchase agreements with banks were collateralized by RA government bonds with fair value of AMD 15,655,917 thousand (2023: there were no amounts payable under repurchase agreements with financial institutions).

As at 31 December 2024 there were no amounts payable under repurchase agreements with financial institutions (2023: 3,914,984 thousand AMD).

19. Amounts due to customers

The amounts due to customers include the following:

	31 December 2024	31 December 2023
Corporate customers		
Current/settlement accounts	78,912,109	92,270,849
Time deposits	99,455,351	95,372,741
	178,367,460	187,643,590
Retail customers		
Current/settlement accounts	78,979,287	75,383,637
Time deposits	97,758,579	92,416,155
	176,737,866	167,799,792
Amounts due to customers	355,105,326	355,443,382

As of 31 December 2024, included in amounts due to customers are deposits amounting to AMD 36,415,794 thousand (2023: AMD 39,061,851 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities.

As of 31 December 2024, the aggregate balance of top ten customers of the Bank amounts to AMD 119,139,926 thousand (2023: AMD 120,718,599 thousand) or 33.55% of total customer accounts (2023: 33.60%).

20. Debt securities issued

Debt securities issued consisted of the following:

	31 December 2024	31 December 2023
Domestic bonds in USD	13,982,881	12,235,398
Domestic bonds in AMD	10,186,864	8,131,950
Debt securities issued	24,169,745	20,367,348

The contractual maturity of AMD and USD bonds ranges from 2025 -2027. Coupon rates are 9.75% to 10.25% for bonds denominated in AMD, 3.75% to 4.75% for bonds denominated in USD.

(thousands of Armenian drams)

21. Taxation

The corporate income tax expense comprises:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Current tax charge	3,438,623	4,056,602
Deferred tax charge – origination and reversal of temporary differences	543,209	(243,852)
Total income tax expense	<u>3,981,832</u>	<u>3,812,750</u>

As of 31 December 2024, the corporate income tax within the Republic of Armenia is levied at the rate of 18% (2023: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

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

	<u>31 December 2024</u>		<u>31 December 2023</u>	
Profit before tax	19,594,680		18,436,419	
Income tax at the applicable tax rate	3,527,042	18%	3,318,555	18%
Non-deductible expenses	454,790	2%	494,195	3%
Income tax expense	<u>3,981,832</u>	<u>20%</u>	<u>3,812,750</u>	<u>21%</u>

Deferred tax assets and liabilities as of 31 December 2024 and 31 December 2023 and their movements for the respective periods comprise:

	<u>Origination and reversal of temporary differences</u>			<u>Origination and reversal of temporary differences</u>			
	Balance 31 December 2022	In the statement of profit or loss	In other comprehensive income	Balance 31 December 2023	In the statement of profit or loss	In other comprehensive income	Balance 31 December 2024
Loans and advances to customers	(1,118,024)	191,740	-	(926,284)	(288,685)	-	(1,214,969)
Investment securities	930,595	4,426	(599,520)	335,501	22,741	(495,495)	(137,253)
Property, equipment and right-of-use assets	(592,254)	(86,747)	-	(679,001)	(205,816)	-	(884,817)
Repossessed assets	81,110	14,024	-	95,134	(39,168)	-	55,966
Amounts due to customers	(7,140)	(3,170)	-	(10,310)	(309)	-	(10,619)
Lease liabilities	273,873	75,834	-	349,706	(23,205)	-	326,501
Other impairment and provisions	7,966	22,646	-	30,612	(75,586)	-	(44,974)
Other liabilities	285,080	25,100	-	310,180	66,819	-	376,999
Net deferred tax liabilities	<u>(138,794)</u>	<u>243,852</u>	<u>(599,520)</u>	<u>(494,462)</u>	<u>(543,209)</u>	<u>(495,495)</u>	<u>(1,533,165)</u>

(thousands of Armenian drams)

22. Other borrowed funds

Other borrowed funds consisted of the following:

	31 December 2024	31 December 2023
Loans from refinancing credit organizations	30,761,156	29,632,386
Loans from CBA	5,768,167	5,717,504
Loans from international financial institution	764,282	1,874,052
Loans from the Government of the RA	15,060	27,805
Other borrowed funds	37,308,665	37,251,747

As of 31 December 2024, Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium businesses, consumer and other purposes.

Loans from international financial organizations include loans from European Bank for Reconstruction and Development.

Loans from refinancing credit organizations include loans from National Mortgage Company and Home for Youth.

Loan from refinancing credit organizations and loans from CBA represent 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 Bank does not discount them.

Covenants

As at 31 December 2024 and 31 December 2023 the Bank was in compliance with all debt covenants.

23. Commitments and contingencies

Tax and legal matters

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

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

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

Loan commitment, guarantee and other financial facilities

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

Commitments and contingencies

As of 31 December 2024 and 31 December 2023 the Bank's commitments and contingencies comprised the following:

(thousands of Armenian drams)

	31 December 2024	31 December 2023
Credit related commitments		
Undrawn loan commitments	15,058,487	14,457,798
Financial guarantees	8,510,315	8,494,788
Letters of credit	430,146	-
	23,998,948	22,952,586
Provisions for ECL for credit related commitments	(219,072)	(323,878)

An analysis of changes in the ECLs at 31 December 2024 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2024	195,601	195,601
New exposures	76,942	76,942
Expired exposures	(85,074)	(85,074)
Changes to models and inputs used for ECL calculations	(42,674)	(42,674)
Foreign exchange adjustments	(1,178)	(1,178)
At 31 December 2024	143,617	143,617

Financial guarantees	Stage 1	Total
ECLs as at 1 January 2024	128,277	128,277
New exposures	49,271	49,271
Expired exposures	(93,763)	(93,763)
Changes to models and inputs used for ECL calculations	(15,333)	(15,333)
Foreign exchange adjustments	(538)	(538)
At 31 December 2024	67,915	67,915

Letters of credit	Stage 1	Total
ECLs as at 1 January 2024	-	-
New exposures	7,540	7,540
Expired exposures	-	-
Foreign exchange adjustments	-	-
At 31 December 2024	7,540	7,540

An analysis of changes in the ECLs at 31 December 2023 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2023	49,584	49,584
New exposures	114,792	114,792
Expired exposures	(10,215)	(10,215)
Changes to models and inputs used for ECL calculations	39,683	39,683
Foreign exchange adjustments	1,757	1,757
At 31 December 2023	195,601	195,601

Financial guarantees	Stage 1	Total
ECLs as at 1 January 2023	89,321	89,321
New exposures	78,853	78,853
Expired exposures	(36,481)	(36,481)
Changes to models and inputs used for ECL calculations	(3,971)	(3,971)
Foreign exchange adjustments	555	555
At 31 December 2023	128,277	128,277

Letters of credit	Stage 1	Total
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(thousands of Armenian drams)

ECLs as at 1 January 2023	4,158	4,158
Expired exposures	(4,276)	(4,276)
Foreign exchange adjustments	118	118
At 31 December 2023	-	-

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 December 2024 the Bank possesses insurance for its transportation (also compulsory motor third party liability insurance) and buildings, properties, ATMs, banking risks, electronic or computer crimes and for professional responsibility. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

24. Equity

As of 31 December 2024 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2023: AMD 19,947,633 thousand).

In accordance with the Bank's statutes, the share capital consists of 66,492 ordinary shares, all of which have a par value of AMD 300,000 each and of 333 preference shares, all of which have a par value of AMD 100 each (2023: 66,492 ordinary shares and 333 preference shares).

The respective shareholdings as at 31 December 2024 and 31 December 2023 may be specified as follows:

	31 December 2024		31 December 2023	
	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	-	33	-
HayPost Trust Management S.A.R.L	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	100.00	19,947,633	100.00

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

The preference shareholders are entitled to receive annual dividends amounting 20% of the nominal value of the shares they own if decision on dividend payment is made by authorized body.

According to decision of Meeting of Shareholders dated on 20 June 2024 dividends declared and paid by the Bank amounted to AMD 4,467,540 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders (2023: AMD 4,432,084 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders). As of the date the dividends declared per ordinary share amounted to AMD 67,189, and dividends per preference share amounted to AMD 19.8 (2023: AMD 66,656 per ordinary shares and AMD 19.8 per preference shares).

The share capital of the Bank was contributed by the shareholders in Armenian drams and they are entitled to dividends and any capital distribution in Armenian drams.

Distributable reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a statutory general reserve fund. The statutory general reserve has been created in accordance with the Bank's statutes.

Statutory general reserve

The statutory general reserve is created as required by the regulations of the Republic of Armenia, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve is created in accordance with the Bank's charter, which requires creation of statutory general reserve.

(thousands of Armenian drams)

Revaluation surplus for land and buildings

Revaluation surplus for land and buildings is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for financial assets at FVOCI

Revaluation reserve for financial assets at FVOCI records fair value and expected credit loss changes on financial assets at FVOCI.

25. Net interest income

Net interest income comprises:

	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Financial assets measured at amortized cost				
Loans to customers	8,975,073	33,362,972	7,259,328	26,341,553
Investment securities	119,916	543,586	203,402	751,204
Amounts due from banks	188,904	831,619	103,869	370,304
Cash equivalents	6,993	45,653	27,175	78,868
Finance leases	108,016	325,329	63,115	144,399
Other interest income	4,443	16,747	4,099	14,620
Financial assets measured at fair value through other comprehensive income				
Debt securities at FVOCI	2,742,927	10,587,491	2,740,712	9,794,132
Interest income calculated using effective interest rate	12,146,272	45,713,397	10,401,700	37,495,080
Trading securities	10,501	46,796	11,948	43,980
Other interest income	10,501	46,796	11,948	43,980
Total interest income	12,156,773	45,760,193	10,413,648	37,539,060
Amounts due to customers	3,452,422	13,630,431	3,285,311	11,753,750
Other borrowed funds	586,160	2,400,503	612,292	2,400,898
Debt securities issued	374,237	1,355,831	334,208	1,281,531
Amounts due to banks	832,551	2,208,740	176,441	349,551
Lease liabilities	57,642	231,076	32,424	156,685
Subordinated loans	-	-	-	418
Interest expense	5,303,012	19,826,581	4,440,676	15,942,833
Net interest income	6,853,761	25,933,612	5,972,972	21,596,227

26. Net fee and commission income

Net fee and commission income comprises:

	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Plastic cards operations	1,761,050	8,176,810	2,457,674	8,231,346
Wire transfer fees	182,668	731,559	180,488	705,619
Fees and commission income from early repayments of loans	44,500	163,403	98,108	400,013
Settlement operation	83,257	332,809	93,986	389,923
Banknotes transfers to banks	4,661	50,567	982	159,527
Guarantees and letters of credit	44,554	182,826	42,562	142,553
Other fee income	269,718	953,067	245,617	853,501
Fee and commission income	2,390,408	10,591,042	3,119,417	10,882,481
Plastic cards operations	1,090,642	5,312,094	1,545,338	5,768,209
Expenses related to Armenian Card payment system	238,879	930,265	151,163	521,575
Banknotes transfers to banks	27,374	92,542	49,336	176,438
Wire transfer fees	51,402	179,145	38,055	146,352
Settlement operation	7,040	27,842	9,697	38,942
Guarantees and letters of credit	1,419	25,929	(2,495)	19,128
Other fee expense	86,875	278,704	56,948	310,507
Fee and commission expense	1,503,631	6,846,521	1,848,042	6,981,151
Net fee and commission income	886,777	3,744,521	1,271,375	3,901,330

(thousands of Armenian drams)

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 Bank recognises revenue when it transfers control over a service to a customer. Due to the nature of the service, no significant contract assets and liabilities exist.

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	<p>The Bank provides banking services to retail and corporate customers, including account management, credit card and servicing fees, fees form transfers.</p> <p>Fees for ongoing account management and servicing are charged to the customer's account on monthly basis. The Bank sets the rates separately for retail and corporate banking customers on a regular basis.</p> <p>Transaction-based fees including fees for money transfers and processing fees are charged to the customer's account when the transaction takes place or service is performed.</p>	<p>Revenue from account management and servicing fees is recognised over time as the services are provided.</p> <p>Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed.</p>

27. Net trading income

	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Net gains from foreign currency transactions	1,364,792	5,953,389	1,834,435	8,329,685
Net income/(loss) from operations with precious metals	30,429	85,384	183,796	286,683
Net gain from trading securities	10,980	77,034	6,262	114,817
Net loss on derivative financial instruments	(582,056)	(371,933)	409,137	(894,689)
Total net trading income	824,145	5,743,874	2,433,630	7,836,496

28. Other income

	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/10/24- 31/12/24
Fines and penalties received	163,044	575,562	219,559	647,940
Income from cash collection services	-	-	-	10,681
Income from dividends	-	871	-	-
Income from grants	606	2,424	606	2,424
Other income	70,554	178,765	201,905	265,080
Total other income	234,204	757,622	422,070	926,125

29. Net impairment losses on financial instruments

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 31 December 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	(824)	-	-	(824)
Amounts due from banks	7	(2,679)	-	-	(2,679)
Loans and advances to customers	9	624,771	(12,549)	(671,768)	(59,547)
Debt securities measured at amortised cost	10	(5,990)	-	-	(5,990)
Debt securities measured at FVOCI	10	123,237	-	-	123,237
Other financial assets	14	(8,495)	202	3,782	(4,511)
Financial guarantees	19	(59,822)	-	-	(59,822)
Loan commitments	19	(50,806)	-	-	(50,806)
Letters of credit	19	7,540	-	-	7,540
Total credit loss expense		626,932	(12,347)	(667,986)	(53,401)

(thousands of Armenian drams)

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 31 December 2023:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	7	(3,997)	-	-	(3,997)
Amounts due from banks	9	8,029	-	-	8,029
Loans and advances to customers	11	(613,068)	(276,201)	(207,601)	(1,096,870)
Debt securities measured at amortised cost	12	1,248,203	-	-	1,248,203
Debt securities measured at FVOCI	12	29,709	-	-	29,709
Other financial assets	16	(1,521)	20	(792)	(2,293)
Financial guarantees	22	38,956	-	-	38,956
Loan commitments	22	146,017	-	-	146,017
Letters of credit	22	(4,158)	-	-	(4,158)
Total credit loss expense		848,170	(276,181)	(208,393)	363,596

30. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	01/10/24- 31/12/24	01/01/24- 31/12/24	01/10/23- 31/12/23	01/01/23- 31/12/23
Salaries	2,883,520	10,366,245	2,648,209	9,136,872
Other expenses	21,807	194,761	75,593	206,923
Personnel expenses	2,905,327	10,561,006	2,723,802	9,343,795
Software maintenance expenses	299,303	1,188,047	164,689	901,226
Advertising costs	427,203	1,263,682	173,479	726,222
Insurance of deposits	102,579	429,129	111,954	452,276
Fixed assets repair and maintenance expenses	72,893	261,242	81,872	278,180
Communications	81,539	258,394	56,979	219,272
Security	61,163	227,992	51,914	209,525
Taxes, other than income tax, duties	39,294	194,351	40,310	198,488
Office supplies	121,644	315,358	104,608	261,972
Consulting	23,254	118,842	114,741	212,124
Audit	23,100	50,400	18,900	50,400
Insurance expenses	44,921	132,394	41,603	113,997
Utility expenses	34,435	145,387	23,817	113,495
Business trip expenses	20,591	72,357	7,730	53,464
Financial system mediator	12,663	50,650	11,554	46,218
Lease expenses	4,212	19,407	13,245	54,170
Other expenses	138,903	534,598	970,229	1,338,745
Other operating expenses	1,465,697	5,262,230	1,987,624	5,229,774

(thousands of Armenian drams)

31. Risk management

Introduction

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

The process of risk management is organized in accordance with the mission, principal and interim objectives of the Bank and is designed to improve the financial position and the reputation of the Bank.

The aim of the risk management process is the assistance to the management of the Bank in making decisions in the framework of risk mitigation measures, limits and internal acts for effectively managing the risks related to the assets and liabilities of the Bank and its customers by the means of excluding or minimizing the possible losses related to the risks, ensuring the acceptable level of profitability, liquidity and solvency. The risk management is based on procedures, regulations, norms and limits, approved by the Bank's authorized body. The identification, measurement, supervision and monitoring of the Bank's risks are ongoing and regular processes. The risk analysis is an integral part of the Bank's strategic planning, as well as the evaluation of investment programs. The Bank's risks management principles include: the implementation of non-standard risk management procedures in critical situations, periodical implementation of stress scenarios for testing the financial stability, avoiding the concentrations of business processes in the assets and loan portfolio, diversification of the Bank's assets and liabilities, implementation of monitoring by a frequency consistent with the risks undertaken by the Bank, management of the risk concentrations, the ongoing cooperation between the risk management administration and departments.

Risk management structure

The risk management is organized and coordinated by the Executive Director in accordance with the internal legal acts approved by the Bank's Board. The risk management is implemented in a clear and documented manner for all business processes described, through appropriate internal legal acts and limits determined for all the processes and operations.

The Board

The Board is responsible for the overall supervision of risk management and risk management policy, as well as approval of the policies related to the risk management, based on which the Bank's Executive Director organizes the risk management, taking into consideration the management limits and the requirements of the Bank's internal legal acts.

Direction

The Bank's Executive Board implements the following for the purpose of risk management:

- ▶ Approval of complex measures, in agreement with the Board, based on the Bank's risk management, associated with the Bank's profitability in the critical situations, as well as operating, strategic, reputational and legal risks;
- ▶ Determining prohibitions for several transactions;
- ▶ Determining limits for transactions without collateral in inter-bank markets;
- ▶ Determining internal norms for banking risks regulation and supervision.

The Executive Board is responsible for the management of the Bank's assets and liabilities, as well as the overall financial system. The Bank's Executive Board is also responsible for the Bank's liquidity financial risks. The Executive Board is designed to fulfil the functions of the Bank's Assets and Liabilities Management Committee.

Risk management division

The main functions of the risk management division are:

- ▶ Elaboration and implementation of active mechanisms and processes for risk management in the Bank, as well as monitoring over their implementation;
- ▶ Analysis of the risk level of loans issued by the Bank and the monitoring over the lending process in the framework of program loans;
- ▶ Monitoring of issued loans, identification of issues related to them and reporting;
- ▶ Supervision over the evaluation of pledged property and periodical revaluations of the pledged property;
- ▶ Organization of the insurance process of the Bank's property;
- ▶ Management of the doubtful loans portfolio.

(thousands of Armenian drams)

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Bank's Board.

Risk measurement and reporting systems

Depending upon various factors, the Bank divides the risks into the internal and external risks.

The external risks include the country, legislation, force-major factors, price and competition risks.

Internal risks of the Bank are the risks associated with its activity. They include the credit, operational, liquidity, interest rate, currency, reputational, capital decrease, staff and money laundering risks.

The country risk is managed by the Bank using the rating of international rating agencies (Moody's, S&P, Fitch), granted to international banks and organizations. The risk management division monitors the rating of internal bank counterparties of the Bank and quarterly presents to the Bank's Executive Board approval the limits for each bank and financial institution.

The minimal possible price risk level is ensured in the framework of the following measures: analysis of the financial markets' structural, volume and price indicators' dynamics, and liquidity of several financial instruments, as well as identification of current trades, assessment of possible losses on a monthly basis using the stress testing, determination of limits for financial instruments (by types of transactions with securities, by dealer, by issuer), diversification of securities portfolio by issuer, industry, maturity profile, etc.

The management of competition risk is implemented by the business divisions and marketing department, by periodically comparing the range of services and conditions provided by the Bank and its competitors.

The interest rate risk is managed by the Risk Management Division of the Bank by elaborating and implementing interest rate mitigation mechanisms/models, based on which the Bank's Assets and Liabilities Management Committee makes decisions. The Risk Management Division has elected to use the models for interest rate change sensitivity gap, duration and basic risk. Interest rate change sensitivity gap and duration models are implemented through stress testing on a monthly basis. The interest rate basic risk is managed through stress tests by implementing scenarios of different severity on a quarterly basis.

For liquidity risk management purposes daily discussions are held around the structure of assets and liabilities maturity profiles and the liquidity gap, as well as supervision is established over the weight of investments in highly liquid instruments. For mitigation of the liquidity risk the Bank's Risk management division presents monthly analysis of the Bank's expected repayments, amounts to be lent and the positions to the Bank's Assets and Liabilities Management Committee. The liquidity risk management includes the elaboration of pricing mechanisms for assets of the Bank, limits of amounts attracted by the Bank, their types or gross interest expenses, limits on concentrations of the financial sources used by the Bank for fulfilling the liquidity requirements, the diversification of the maturities of the borrowings, limits on the borrowings attracted from the Bank's related parties aimed at satisfying the liquidity needs, principles and methods for determining the interest rate risk limit, including the interest rate risk and limits related to the off-balance sheet items, the intended level of interest margins, mechanisms and procedures of making decisions on attraction and attribution of financial means, acceptable limits of maturity gaps between the Bank's assets and liabilities, the ways of coordinating the Bank's other divisions activities, who can influence the Bank's liquidity level by their operations, the extraordinary liquidity requirements fulfilment programs (which can arise from reduction of the income, increase of doubtful assets, concentrations of deposits), the forms of reports on liquidity management to be submitted to the Bank's executive body and Board.

The capital decrease risk measurement mechanisms are the norms determined internally and by the CBA (capital adequacy, one borrower risk etc.). The stress tests implemented monthly allow determining the maximum loss of capital, depending on different circumstances.

The staff risk is managed by the Staff management department, which periodically observes the vacancies and offered conditions existing in the RA banking system, as well as organizes trainings for improving the professional skills level of the employees by using internal and external resources.

The money laundering risk management is conducted by the financial observations department, which operates in accordance with the requirements of anti-money laundering legislation and Bank's internal legal acts.

(thousands of Armenian drams)

Excessive risk concentrations

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

For avoiding the excessive risk concentrations, the Bank's policy and processes includes special principles aimed at maintaining diversified assets types, loan and securities portfolios.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

Impairment assessment

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR at origination. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive considering the possible credit risk. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The <i>Exposure at Default</i> is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

(thousands of Armenian drams)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on the above process, the Bank Banks its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 91 days past due on its contractual payments.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors.

PD estimation process

Treasury and interbank relationships

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

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Bank calculates ECL on portfolio level. The following portfolios are segregated by the Bank.

- ▶ Large business loans;
- ▶ SME loans;
- ▶ Consumer loans;
- ▶ Mortgage loans;
- ▶ Gold pawn loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Bank considers forward looking macroeconomic parameters that had impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

Based on the estimated deviation of the historical forecasts of the selected macroeconomic parameters from the actual trends three scenarios of the forward-looking macroeconomic development are directed to the final outcome of PDs , which are weighted by 15%, 70% and 15% probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(thousands of Armenian drams)

For Stage 3 and POCI financial assets exposure at default is equal to the gross amount of the loans.

Loss given default

The Bank uses historical information on recoveries after the default date for all collectively assessed defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the factor estimated from the population of the earlier defaulted loans. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

For individually significant Stage 1, Stage 2 and Stage 3 exposures the Bank calculates LDG individually considering expected cash, including cash flows from realization of collateral.

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The main criterion used by the Bank is the information on overdue days of the loans. The Bank concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days. The Bank also believes that credit risk has increased significantly since initial recognition, based on other predefined quantitative and qualitative factors.

The loans transferred to Stage 3 are transferred back to Stage 2 if they correspond to at least Stage 2 criteria for consequent 6-months. The loans are transferred to Stage 1 from Stage 2 if they correspond to at least Stage 2 criteria for 9 months and to Stage 1 criteria for last consequent 3 months.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- ▶ Economic Activity Index;
- ▶ USD/AMD exchange rate;
- ▶ Residential Real Estate Price Index;
- ▶ Government accounts with the CBA;
- ▶ Yield curve.

The Bank obtains the forecasts of macroeconomic data from third party source (EDB, International Monetary Fund, Central Bank of Armenia Ministry of Finance of the RA). In the absence of forecasts from external sources, the Bank relies on its internal forecasts.

Experts of the Bank's Credit Risk Department assess the weights to be assigned to different scenarios.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The Bank has rating grades as per which classifies its financial assets per High, Standard, Sub-standard and Impaired grades.

International external rating agency (Moody's, S&P, Fitch) rating	Rating description
A3 to Aaa / A- to AAA and fully cash collateralized assets	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+	Standard grade
B3 to B1 / B- to B+	Sub-standard grade
Below B3 / B-	Impaired

In the table below loans to customers of high grade are those having a minimal level of credit risk, fully collateralized with cash and deposit. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. For banks and securities the Bank determines allocation to grades depending on ratings given by international rating agencies.

The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position and loan commitment, guarantees and other financial facilities, based on the Bank's credit rating system.

(thousands of Armenian drams)

31 December 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	2,254,033	26,913,172	-	-	29,167,205
Amounts due from banks	8	Stage 1	15,016,532	26,339,085	-	-	41,355,617
Loans to customers at amortised cost	11						
– Large business loans including amounts receivable under reverse repo agreements		Stage 1	31,067,947	40,203,955	-	-	71,271,902
		Stage 2	-	-	1,093,165	-	1,093,165
		Stage 3	-	-	-	4,646,283	4,646,283
Debt investment securities	12						
– Measured at FVOCI		Stage 1	26,177,303	51,340,952	-	-	77,518,255
– Measured at amortised cost		Stage 1	1,981,389	4,532,696	-	-	6,514,085
– Measured at FVOCI pledged under repurchase agreements		Stage 1	-	63,362,767	-	-	63,362,767
Other financial assets		Stage 1	163,947	641,970.40	-	-	805,917
		Stage 2	-	-	6,688	-	6,688
	16	Stage 3	-	-	-	5,829	5,829
Undrawn loan commitments	23	Stage 1	-	15,058,487	-	-	15,058,487
Guarantees	23	Stage 1	-	8,510,315	-	-	8,510,315
Letters of credit	23	Stage 1	-	430,146	-	-	430,146
Total			76,661,151	237,333,545	1,099,853	4,652,112	319,746,661

31 December 2023	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	2,714,771	25,540,915	-	-	28,255,686
Amounts due from banks	8	Stage 1	938,175	36,404,766	-	-	37,342,941
Loans to customers at amortised cost	11						
– Large business loans including amounts receivable under reverse repo agreements		Stage 1	34,444,558	37,077,442	3,618,987	-	75,140,987
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	4,807,300	4,807,300
Debt investment securities	12						
– Measured at FVOCI		Stage 1	26,646,948	96,210,203	-	-	122,857,151
– Measured at amortised cost		Stage 1	4,016,352	6,531,648	-	-	10,548,000
– Measured at FVOCI pledged under repurchase agreements		Stage 1	-	7,927,279	-	-	7,927,279
Other financial assets		Stage 1	500,545	280,653	-	-	781,198
		Stage 2	-	-	2,895	-	2,895
	16	Stage 3	-	-	-	4,764	4,764
Undrawn loan commitments	23	Stage 1	-	14,457,798	-	-	14,457,798
Guarantees	23	Stage 1	-	8,494,788	-	-	8,494,788
Total			69,261,349	232,925,492	3,621,882	4,812,064	310,620,787

See Note 11 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

(thousands of Armenian drams)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2024 and 31 December 2023.

	31 December 2024			
	Armenia	Other non-OECD countries	OECD countries	Total
Assets				
Cash and cash equivalents	27,629,231	10,579,728	1,139,667	39,348,626
Trading securities	943,498	-	-	943,498
Amounts due from banks	27,449,915	2,394,073	11,489,806	41,333,795
Derivative financial assets	-	2,585	-	2,586
Receivables under reverse repurchase agreements	19,925,584	-	-	19,925,584
Loans and advances to customers	280,223,329	30,608,210	257,574	311,089,113
Investment securities	55,197,547	204,111	29,150,438	84,552,096
Securities pledged under repurchase agreements	63,362,767	-	-	63,362,767
Other financial assets	289,184	774	508,393	798,351
	475,021,056	43,789,482	42,545,878	561,356,416
Liabilities				
Amounts due to banks	215,301	450,426	27	665,754
Derivative financial liabilities	205	67,450	-	67,655
Accounts payable under repurchase agreements	59,961,214	-	-	59,961,214
Amounts due to customers	278,713,917	67,206,191	9,185,218	355,105,326
Debt securities issued	22,121,038	1,798,635	250,072	24,169,745
Other borrowed funds	36,544,383	-	764,282	37,308,665
Lease liabilities	1,775,864	38,028	-	1,813,892
Other liabilities	2,895,659	8,687	52,582	2,956,928
	402,227,581	69,569,416	10,252,182	482,049,179
Net assets/(liabilities)	72,793,475	(25,779,934)	32,293,696	79,307,237
	31 December 2023			
	Armenia	Other non-OECD countries	OECD countries	Total
Assets				
Cash and cash equivalents	21,553,209	12,647,552	3,013,545	37,214,306
Trading securities	970,372	-	-	970,372
Amounts due from banks	29,509,602	2,460,358	5,348,480	37,318,440
Derivative financial assets	581	72,065	-	72,646
Receivables under reverse repurchase agreements	7,400,589	-	-	7,400,589
Loans and advances to customers	229,916,215	34,745,767	161,952	264,823,935
Investment securities	99,338,173	1,212,941	32,924,374	133,475,489
Securities pledged under repurchase agreements	7,927,279	-	-	7,927,279
Other financial assets	517,321	847	242,326	760,494
	397,133,341	51,139,530	41,690,677	489,963,550
Liabilities				
Amounts due to banks	173,228	7,491	61,606	242,325
Derivative financial liabilities	-	31,110	-	31,110
Accounts payable under repurchase agreements	7,739,916	-	-	7,739,916
Amounts due to customers	279,843,246	66,029,504	9,570,632	355,443,382
Debt securities issued	18,125,307	1,691,969	550,072	20,367,348
Other borrowed funds	35,377,696	-	1,874,051	37,251,747
Subordinated debt	-	-	-	-
Lease liabilities	1,894,332	48,481	-	1,942,813
Other liabilities	2,507,043	24,300	-	2,531,343
	345,660,768	67,832,855	12,056,362	425,549,984
Net assets/(liabilities)	51,472,573	(16,693,325)	29,634,315	64,413,566

(thousands of Armenian drams)

Liquidity risk and funding management

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

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% of certain obligations of the Bank denominated in Armenian drams and 6% on certain obligations of the Bank denominated in foreign currency in Armenian drams and 12% on certain obligations of the Bank denominated in foreign currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 December 2024 and 31 December 2023, these ratios were as follows:

	Threshold	31 December 2024, % (Unaudited)	31 December 2023, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets / total assets)	Min 15%	34.44	44.42
N22 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	Min 60%	101.31	114.60

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2024 and 31 December 2023 based on contractual undiscounted repayment obligations. See Note 33 for the contractual maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	31 December 2024					Total	Carrying amounts
	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		
Financial liabilities							
Amounts due to banks	606,270	-	-	-	59,484	665,754	665,754
Accounts payable under repurchase agreements	59,990,964	-	-	-	-	59,990,964	59,961,214
Amounts due to customers	170,033,163	36,085,830	91,365,911	70,465,559	598,483	368,548,945	355,105,326
Debt securities issued	0	0	10,931,710	15,948,400	0	26,880,110	24,169,744
Other borrowed funds	652,068	491,730	4,267,518	22,193,771	20,458,031	48,063,118	37,308,664
Lease liabilities	67,042	132,305	526,723	1,835,723	753,095	3,314,887	1,813,892
Total undiscounted financial liabilities	231,349,507	36,709,864	107,091,862	110,443,452	21,869,093	507,463,778	479,024,594
Commitments and contingent liabilities	23,998,948	-	-	-	-	23,998,948	23,998,948
Derivative financial liabilities	592,768	-	-	-	-	592,768	592,768

(thousands of Armenian drams)

31 December 2023							
	<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>Total</i>	<i>Carrying amounts</i>
Financial liabilities							
Amounts due to banks	120,006	65,274	0	0	60,719	245,999	242,325
Accounts payable under repurchase agreements	7,747,772					7,747,772	7,739,916
Amounts due to customers	176,652,300	22,693,824	94,519,896	69,189,924	1,532,304	364,588,248	355,443,382
Debt securities issued	-	-	13,036,383	8,329,608	-	21,365,991	20,367,348
Other borrowed funds	1,320,882	212,672	3,165,527	17,975,344	25,976,607	48,651,032	37,251,747
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813
Total undiscounted financial liabilities	185,912,801	23,110,702	111,299,123	97,351,053	28,379,367	446,053,046	422,987,531
Commitments and contingent liabilities	22,952,586	-	-	-	-	22,952,586	22,952,586
Derivative financial liabilities	1,776,713	-	-	-	-	1,776,713	1,776,713

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

Average effective interest rates

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

	31 December 2024			31 December 2023		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest earning assets						
Cash and cash equivalent	-	-	0.01%-0.5%	-	-	0.45%-0.75%
Trading securities	7.33%	-	-	7.49%	-	-
Amounts due from banks	-	8.27%	3.40%	-	4.83%	3.54%
Receivables under reverse repurchase agreements	8.09%	5.02%	3.81%	10.58%		
Loans and advances to customer	14.43%	8.26%	7.42%	14.28%	8.56%	7.26%
Investment securities	10.37%	4.88%	2.95%	9.62%	5.14%	3.14%
Investment securities pledged under repurchase agreements	10.45%	-	-	10.16%	-	-
Interest bearing liabilities						
Amounts due to Banks	-	-	-	-	-	6.24%
Receivables under reverse repurchase agreements	7.56%			9.43%	4.00%	3.13%
Amounts due to customers						
- Term deposits from customers	9.92%	4.21%	1.94%	9.84%	3.58%	1.92%
- Current accounts from customers	1.00%	0.17%	0.10%	1.37%	0.14%	0.01%
Debt securities issued	10.25%	4.20%	-	10.09%	4.33%	-
Subordinated debts	-	-	-	-	-	-
Other borrowed funds	6.45%	-	-	6.54%	-	-
Lease liabilities	13.90%	-	-	12.82%	-	-

(thousands of Armenian drams)

Currency risk

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

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

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

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	21,980,001	5,443,432	1,894,851	10,030,342	39,348,626
Trading securities	943,498	-	-	-	943,498
Amount due from banks	4,255,817	24,730,622	12,337,713	9,643	41,333,794
Receivables under reverse repurchase agreements	17,913,535	1,597,480	414,569	-	19,925,584
Loans and advances to customers	210,294,812	89,228,310	11,565,909	82	311,089,113
Investment securities	43,753,644	28,087,466	12,506,875	204,111	84,552,096
Investment securities/ Securities pledged under repurchase agreements	63,362,767	-	-	-	63,362,767
Other assets	212,182	456,172	149,962	121	818,437
Total assets	362,716,256	149,543,482	38,869,879	10,244,299	561,373,916
Liabilities					
Amounts due to Banks	76,875	562,661	22,858	3,360	665,754
Accounts payable under repurchase agreements	59,961,214	0	0	0	59,961,214
Amounts due to customers	173,724,250	131,132,748	38,845,806	11,402,522	355,105,326
Debt security issued	10,186,864	13,982,881	-	-	24,169,745
Other borrowed funds	37,308,665	-	-	-	37,308,665
Subordinated debt	-	-	-	-	-
Other liabilities	2,944,910	5,400	6,547	71	2,956,928
Total liabilities	284,202,778	145,683,690	38,875,211	11,405,953	480,167,632
Off balance					
Effect of derivatives (currency swap)	(204)	(29,123)	0	0	(35,742)
Net position	78,513,274	3,830,669	(5,332)	(1,161,654)	81,170,542

* Other currencies mainly comprise of balances in RUB and AED.

(thousands of Armenian drams)

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

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	15,533,648	5,969,389	3,513,307	12,197,962	37,214,306
Trading securities	970,372	-	-	-	970,372
Amount due from banks	3,079,747	24,242,355	9,547,954	448,384	37,318,440
Receivables under reverse repurchase agreements	7,400,589	-	-	-	7,400,589
Loans and advances to customers	161,892,504	90,051,192	12,880,239	-	264,823,935
Investment securities	88,529,536	35,891,647	9,054,306	-	133,475,489
Investment securities/ Securities pledged under repurchase agreements	7,927,279	-	-	-	7,927,279
Other assets	160,218	399,101	225,014	4,524	788,857
Total assets	285,493,893	156,553,684	35,220,820	12,650,870	489,919,267
Liabilities					
Amounts due to Banks	52,438	121,458	66,444	1,985	242,325
Accounts payable under repurchase agreements	7,739,916	-	-	-	7,739,916
Amounts due to customers	167,363,082	139,847,150	35,262,437	12,970,713	355,443,382
Debt security issued	8,131,239	12,236,109	-	-	20,367,348
Other borrowed funds	37,251,747	-	-	-	37,251,747
Subordinated debt	-	-	-	-	0
Other liabilities	2,528,400	1,420	1,440	86	2,531,346
Total liabilities	223,066,822	152,206,137	35,330,321	12,972,784	423,576,064
Off balance					
Effect of derivatives (currency swap)	-	1,700,388	201,555	(1,860,407)	41,536
Net position	62,427,071	6,047,935	92,054	(2,182,321)	66,384,739

* Other currencies mainly comprises of balances in RUB and AED.

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 or loss by the amounts shown below. This analysis is before taxes, and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2024	31 December 2023
10% appreciation of USD against AMD	566,921	604,794
10% appreciation of EUR against AMD	40,924	9,205
10% appreciation of other currencies against AMD	(117,138)	(218,232)

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.

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the Bank. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The operational risk management is conducted in a clear and documented manner for all the business processes described, through the internal legal acts regulating those business process, as well as limits for all the processes and operations, and double control mechanisms for all transactions. The more actual operational risk management is described below.

(thousands of Armenian drams)

Legal risk: all the standard contract forms of the Bank are prepared by the Bank's Legal Department by cooperating with the Bank's appropriate departments and are approved by the Bank's Executive Board. In the Bank's day-to-day operations non-standard contracts between the Bank and third parties are allowed only in case of appropriate conclusion from the Bank's Legal Department.

The IT risks are managed in accordance with internal legal acts.

The risk mitigation mechanisms for the process are:

- ▶ Regulation of all business processes by internal legal acts;
- ▶ Physical protection of the Bank's assets and critical documents (including loan contracts);
- ▶ Establishing and maintaining limits;
- ▶ Common preservation of property and records;
- ▶ Implementation and archiving of data journals;
- ▶ Implementation of double control mechanism in recording transactions.

The internal audit periodically assesses the internal control system effectiveness and adequacy with the Bank's risks and supervises the Bank's activity and operational risks.

The Bank's compliance with the standards is accompanied by the internal auditor's periodic observations. The results of those observations are discussed by the Bank's management's appropriate representative to whom it concerns. The summaries of the observations are submitted to the Board.

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The securities sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange, or other financial assets. If the securities increase or decrease in value, the Bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The Bank has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, country risk and operational risk, and therefore has not derecognised them. In addition, it recognised a financial liability for cash received.

Similarly the Bank may sell or re-pledge securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Bank, which instead records a separate asset for any cash given.

Offsetting of financial instruments

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements. These arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously:

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 December 2024						
Reverse repurchase agreements with banks	1,619,787	-	1,619,787	1,619,787	-	-
Reverse repurchase agreements financial institutions	18,305,797	-	18,305,797	18,305,797	-	-
Total financial assets	19,925,584	-	19,925,584	19,925,584	-	-
Repurchase agreements with CBA	(45,063,031)	-	(45,063,031)	(45,063,031)	-	-
Repurchase agreements with banks	(14,898,183)	-	(14,898,183)	(14,898,183)	-	-
Total financial liabilities	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-

(thousands of Armenian drams)

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 December 2023						
Reverse repurchase agreements financial institutions	7,400,589	-	7,400,589	(7,400,589)	-	-
Total financial assets	7,400,589	-	7,400,589	(7,400,589)	-	-
Repurchase agreements with CBA	(3,933,642)	-	(3,933,642)	(3,933,642)	-	-
Repurchase agreements with financial institutions	(3,806,274)	-	(3,806,274)	(3,806,274)	-	-
Total financial liabilities	(7,739,916)	-	(7,739,916)	(7,739,916)	-	-

32. Fair value measurements

Fair value measurement procedures

The Bank's management determines the policies and procedures for both recurring fair value measurement, such as trading and FVOCI securities, derivatives and for non-recurring measurement, such as repossessed assets.

External valuers are involved for valuation of significant assets, such as properties and repossessed assets. Involvement of external valuers is decided upon annually by the Board.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments that are not measured at fair value

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

	31 December 2024			Total fair values	Total carrying amount
	Level 1	Level 2	Level 3		
Financial assets					
Receivables under reverse repurchase agreements	-	-	20,810,626	20,810,626	19,925,584
Loans and advances to customers	-	-	294,269,001	294,269,001	311,089,113
Investment securities at amortised cost	1,979,904	4,565,050	-	6,544,954	6,509,858

(thousands of Armenian drams)

Financial liabilities

Amounts due to customers	-	-	357,348,037	357,348,037	355,105,326
Accounts payable under repurchase agreements			59,961,214	59,961,214	59,961,214
Other borrowed funds	-	-	35,810,628	35,810,628	37,308,665
Debt securities issued	-	23,842,259	-	23,842,259	24,169,745

31 December 2023

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Receivables under reverse repurchase agreements	-	-	7,392,757	7,392,757	7,400,589
Loans and advances to customers	-	-	255,031,341	255,031,341	264,823,935
Investment securities at amortised cost	4,015,412	6,532,346	-	10,547,758	10,537,783
Financial liabilities					
Accounts payable under repurchase agreements	-	-	7,739,916	7,739,916	7,739,916
Amounts due to customers	-	-	356,440,970	356,440,970	355,443,382
Other borrowed funds	-	-	35,744,907	35,744,907	37,251,747
Debt securities issued	-	20,082,581	-	20,082,581	20,367,348

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 4.75% to 21.5% per annum (2023: 3% to 24% per annum).

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 0.5% to 10.82% per annum (2023: 3% to 10% per annum).

Other borrowed funds

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.5% to 13% per annum (2023: 4.6% to 10.6% per annum).

Financial instruments that are measured at fair value

	31 December 2024		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	943,498	943,498
Derivative financial assets	-	2,586	2,586
Investment securities at FVOCI	26,177,303	51,864,935	78,042,238
Investment securities at FVOCI pledged under repurchase agreements		63,362,767	63,362,767
Total	26,177,303	116,173,786	142,351,089
Financial liabilities			
Derivative financial liabilities	-	67,655	67,655

(thousands of Armenian drams)

Net fair value	26,177,303	116,106,131	142,283,434
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	31 December 2023		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	970,372	970,372
Derivative financial assets	-	72,646	72,646
Investment securities at FVOCI	26,646,948	96,290,758	122,937,706
Investment securities at FVOCI pledged under repurchase agreements		7,927,279	7,927,279
Total	26,646,948	105,261,055	131,908,003
Financial liabilities			
Derivative financial liabilities	-	31,110	31,110
Net fair value	26,646,948	105,229,945	131,876,893

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. There were no transfers between Level 1 and 2 in 31 December 2024 (2023: none).

Fair value measurement of non-financial assets and liabilities

	31 December 2024	
	Level 3	Total
Non-financial assets		
Land and buildings	5,031,222	5,031,222
Total	5,031,222	5,031,222

	31 December 2023	
	Level 3	Total
Non-financial assets		
Land and buildings	5,164,027	5,164,027
Total	5,164,027	5,164,027

Fair value measurements in Level 3

The Bank's non-financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial assets and financial liabilities within this level can be reconciled from beginning to ending balance as follows:

Non-financial assets	Land and buildings	Total
Balance as at 1 January 2024	5,308,998	5,308,998
Purchases	12,406	12,406
Depreciation charge	(290,182)	(290,182)
Net fair value at 31 December 2024	5,031,222	5,031,222

Non-financial assets	Land and buildings	Total
Balance as at 1 January 2023	5,305,397	5,305,397
Purchases	3,601	3,601
Depreciation charge	(144,971)	(144,971)
Net fair value at 31 December 2023	5,164,027	5,164,027

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

(thousands of Armenian drams)

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

The land and buildings were revalued in 2022. The land and buildings were previously revalued in 2019.

33. Maturity analysis of assets and liabilities

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

	31 December 2024							Total
	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	Overdue	No maturity	
Cash and cash equivalents	39,348,626	0	0	0	0		0	39,348,626
Trading securities	0	0	505,256	0	438,241		0	943,498
Amounts due from banks	12,936,348	1,253,407	793,120	0	0		26,350,920	41,333,795
Derivative financial assets	2,586	0	0	0	0		0	2,586
Receivables under reverse repurchase agreements	19,925,584	0	0	0	0		0	19,925,584
Loans and advances to customers	5,943,588	36,228,244	46,003,100	113,510,461	107,120,483	2,283,236	0	311,089,113
Investment securities	18,997,991	8,216,864	10,820,654	21,439,719	24,553,284		523,584	84,552,096
Investment securities pledged under repurchase agreements	0	0	11,938,350	35,292,772	16,131,645		0	63,362,767
Property, plant and equipment	-	-	-	-	-	-	11,080,084	11,080,084
Intangible assets	-	-	-	-	-	-	888,076	888,076
Repossessed assets	-	-	-	-	-	-	528,917	528,917
Other assets	2,412,274	62,980	372,528	3,200	40,494		1,865	2,893,341
Total assets	99,566,997	45,761,495	70,433,009	170,246,152	148,284,148	2,283,236	39,373,446	575,948,482
Liabilities								
Amounts due to banks	606,270	0	0	0	0		59,484	665,754
Derivative financial liabilities	67,655	0	0	0	0		0	67,655
Accounts payable under repurchase agreements	59,961,214	0	0	0	0		0	59,961,214
Amounts due to customers	167,407,269	33,833,359	84,010,413	69,260,697	593,589		0	355,105,326
Current income tax liabilities	0	0	1,809,534	0	0		0	1,809,534
Debt securities issued	0	0	8,221,344	15,948,400	0		0	24,169,744
Other borrowed funds	594,560	237,777	2,624,586	15,877,019	17,974,722		0	37,308,664
Lease liabilities	35,504	70,762	274,580	1,007,394	425,652		0	1,813,892
Provisions on commitments and contingencies	219,072	0	0	0	0		0	219,072
Deferred tax liabilities	0	0	0	1,533,165	0		0	1,533,165
Other liabilities	1,515,867	80,383	2,588,881	9,044	0		0	4,194,175
Total liabilities	230,407,411	34,222,281	99,529,338	103,635,718	18,993,963		59,484	486,848,195
Net position	(130,840,414)	11,539,214	(29,096,329)	66,610,434	129,290,185	2,283,236	39,313,962	89,100,287

For management of negative short-term liquidity position the Bank 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.

(thousands of Armenian drams)

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

	31 December 2023							Total
	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	Overdue	No maturity	
Cash and cash equivalents	37,214,306	-	-	-	-	-	-	37,214,306
Trading securities	-	-	48,524	499,276	422,572	-	-	970,372
Amounts due from banks	8,787,442	-	-	-	-	-	28,530,998	37,318,440
Derivative financial assets	72,646	-	-	-	-	-	-	72,646
Receivables under reverse repurchase agreements	7400589	-	-	-	-	-	-	7,400,589
Loans and advances to customers	3,601,404	34,838,944	41,120,074	95,682,597	88,204,670	1,376,246	-	264,823,935
Investment securities	2,534,247	24,173,417	32,770,838	48,457,356	25,459,053	-	80,578	133,475,489
Investment securities pledged under repurchase agreements	-	-	1,607,671	6,319,608	-	-	-	7,927,279
Property, plant and equipment	-	-	-	-	-	-	11,095,293	11,095,293
Intangible assets	-	-	-	-	-	-	882,208	882,208
Repossessed assets	-	-	-	-	-	-	804,122	804,122
Other assets	3,048,832	16,970	644,618	18,026	41,251	-	1,866	3,771,563
Total assets	62,659,466	59,029,331	76,191,725	150,976,863	114,127,546	1,376,246	41,395,065	505,756,242
Liabilities								
Amounts due to banks	120,006	61,600	-	-	-	-	60,719	242,325
Derivative financial liabilities	31,110	-	-	-	-	-	-	31,110
Accounts payable under repurchase agreements	7739916	-	-	-	-	-	-	7,739,916
Amounts due to customers	176,188,526	21,893,507	91,386,739	64,790,678	1,183,932	-	-	355,443,382
Current income tax liabilities	-	-	2,675,304	-	-	-	-	2,675,304
Debt securities issued	-	-	12,528,916	7,838,432	-	-	-	20,367,348
Other borrowed funds	1,216,606	210,359	2,991,485	15,032,135	17,801,162	-	-	37,251,747
Lease liabilities	38,832	74,439	315,731	1,018,034	495,777	-	-	1,942,813
Provisions on commitments and contingencies	323,878	-	-	-	-	-	-	323,878
Deferred tax liabilities	-	-	-	494,462	-	-	-	494,462
Other liabilities	231,437	223,206	2,448,666	631,448	11,468	-	-	3,546,225
Total liabilities	185,890,311	22,463,111	112,346,841	89,805,189	19,492,339	-	60,719	430,058,510
Net position	(123,230,845)	36,566,220	(36,155,116)	61,171,674	94,635,207	1,376,246	41,334,346	75,697,732

(thousands of Armenian drams)

34. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these financial statements, related parties include the Parent, entities under common control, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively. The ultimate controlling party of the Bank is Argentinean businessman E. Eurnekian.

A number of banking transactions are entered into with related parties. These include loans, deposits and other transactions. The volumes of related party transactions, outstanding balances at the period end, and related expense and income for the period are as follows:

The outstanding balances and the income and expense arising from related party transactions are as follows:

	31 December 2024			31 December 2023		
	Parent	Entities under common control	Key management personnel and their close family members	Parent	Entities under common control	Key management personnel and their close family members
Statement of financial position						
Loans and advances to customers						
Loans outstanding at 1 January, gross	13,549	31,466,748	257,150	11,719	30,103,012	230,755
Loans issued during reporting period	46,165	8,570,830	1,184,824	54,104	15,911,861	1,055,639
Loan repayments during reporting period	(49,710)	(9,749,925)	(1,166,361)	(52,274)	(14,548,125)	(1,029,244)
Loans outstanding at the end of the reporting period, gross	10,004	30,287,653	275,613	13,549	31,466,748	257,150
Less: allowance for loan impairment	(201)	(4,434)	(2,063)	(204)	(5,111)	(2,501)
Loans outstanding at the end of the reporting period, net	9,803	30,283,219	273,550	13,345	31,461,637	254,649
Amounts due to customers						
Deposits at 1 January	60,249	49,810,797	1,351,464	219,593	38,071,478	1,110,438
Deposits received during reporting period	8,316,940	195,212,170	13,092,642	6,852,465	152,653,381	9,893,988
Deposits repaid during reporting period	(8,252,543)	(184,414,646)	(13,350,003)	(7,011,809)	(140,914,062)	(9,652,962)
Deposits at the end of the reporting period	124,646	60,608,321	1,094,103	60,249	49,810,797	1,351,464
Amounts due to customers – subordinated debt						
Subordinated debt at 1 January	-	-	-	-	276,140	-
Redemption of subordinated loans	-	-	-	-	(276,346)	-
Net result from FX revaluation	-	-	-	-	849	-
Other movements	-	-	-	-	(643)	-
Subordinated debt at the end of the reporting period	-	-	-	-	-	-
Items not recognised in the statement of financial position						
Guarantees given	-	-	-	-	-	-
Statement of comprehensive income						
Interest income	-	2,203,635	21,075	-	2,618,610	22,576
Fee and commission income	52	47,996	5,394	72	40,037	5,571
Other income	31,230	129,882	4,162	21,543	86,098	5,808
Interest expense	(5,742)	(1,551,247)	(56,920)	(16,915)	(1,357,358)	(56,938)
Impairment charge	3	677	438	(59)	42,576	(1,102)
Other expenses	-	(37,657)	(183)	(3)	(29,148)	(50,430)

Deposits from entities under common control denominated in USD have 5.41% and maturity 2025-2029 (2023: 3.79%, and maturity 2024-2029). Deposits from Key management personnel and their close family members denominated in AMD have 9.70% and maturity 2025-2026, in USD 3.71% with maturity 2025-2026, in EUR 1.32% with maturity 2025 (2023: AMD 10.25%, maturity 2024-2025, USD 3.47%, maturity 2023-2024, EUR 1.02%, maturity 2024-2025).

Loans to entities under common control denominated in AMD have 18.61% and maturity 2026-2043, in USD have 8.41% and maturity 2025-2044, in EUR have 14% and maturity 2042 (2023: AMD 17.36%, maturity 2026-2042, USD 8.45%

(thousands of Armenian drams)

maturity 2024-2041, in EUR 14%, maturity 2041). Loans to Key management personnel and their close family members denominated in AMD have 10.88% and maturity 2025-2044, in USD 7.90% with maturity 2033-2044, in EUR 5.09% with maturity 2033-2042 (2023: AMD 11.43%, maturity 2025-2043, USD 7.9%, maturity 2033-2043, EUR 5.04%, maturity 2034-2041).

Compensation of key management personnel was comprised of the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Salaries and other short-term benefits	1,352,999	1,139,033
Total key management personnel compensation	<u>1,352,999</u>	<u>1,139,033</u>

35. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Other borrowed funds</i>	<i>Subordinated loans</i>	<i>Lease liabilities</i>	<i>Total liabilities from financing activities</i>
Carrying amount at 31 December 2022						
17,19, 20		14,692,148	34,501,456	276,140	1,521,514	50,991,258
Proceeds from issue		5,295,222	8,116,744	-	-	13,411,966
Redemption		-	(5,392,342)	(276,346)	(647,653)	(6,316,341)
Foreign currency translation		347,319	-	849	-	348,168
Additions and modifications		-	-	-	907,903	907,903
Interest expense on lease liabilities		-	-	-	156,685	156,685
Other		32,659	25,889	(643)	4,364	62,269
Carrying amount at 31 December 2023						
17,19, 20		20,367,348	37,251,747	-	1,942,813	59,561,908
Proceeds from issue		15,844,949	5,309,596	-	-	21,154,545
Redemption		(11,914,400)	(5,218,920)	-	(510,803)	(17,644,123)
Foreign currency translation		(190,124)	-	-	-	(190,124)
Additions and modifications		-	-	-	150,806	150,806
Interest expense on lease liabilities		-	-	-	231,076	231,076
Other		61,972	(33,759)	-	-	28,213
Carrying amount at 31 December 2024						
17, 19, 20		<u>24,169,745</u>	<u>37,308,664</u>	<u>-</u>	<u>1,813,892</u>	<u>63,292,301</u>

The "Other" line includes the effect of change of accrued interest balance on debt securities issued, other borrowed funds, subordinated loans.

36. Capital adequacy

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

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

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Capital Accord 1988 principles, banks have to maintain a ratio of tier 1 capital to risk weighted assets, as well as a ratio of tier 1 core capital to risk weighted assets and a ratio of total capital to risk weighted assets (capital adequacy ratios N1.1, N1.2 and N1, were accordingly 6.2%, 8.3% and 11%) above the prescribed minimum levels. As at 31 December 2023 this minimum levels of N1.1, N1.2 and N1 ratios

(thousands of Armenian drams)

were accordingly 6.2%, 8.3% and 11%. The Bank is in compliance with the statutory capital ratio as at 31 December 2024 and 31 December 2023.

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, as at 31 December 2024 and 31 December 2023:

	31 December 2024	31 December 2023 (Unaudited)
Tier 1 capital	77,365,592	70,414,718
Tier 2 capital	3,374,260	2,897,851
Total capital	80,739,852	73,312,569
Risk-weighted assets	465,463,693	402,120,090
Capital adequacy ratio N1.1	16.62%	17.51%
Capital adequacy ratio N1	17.35%	18.23%

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

The Bank has complied with externally imposed capital requirements as at 31 December 2024 and 31 December 2023.

**Converse Bank Closed
Joint-Stock Company**

Consolidated financial statements

for the year ended 31 December 2023

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Independent Auditors' Report

To the Shareholders and Board of Directors of Converse Bank CJSC

Opinion

We have audited the consolidated financial statements of Converse Bank CJSC (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the 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.

Expected credit losses for loans and advances to customers

Please refer to the Note 11 and Note 30 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans and advances to customers represent 54% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below.</p> <p>The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and default events related to loans and advances to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 Financial Instruments (hereinafter, "IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - expected cash flows forecast, including from realisation of collateral for loans to customers classified in Stage 3. <p>Due to the significant volume of loans and advances to customers, and complexity and subjectivity over estimating amount of ECL this area is a key audit matter.</p>	<p>We analysed the key aspects of the Group's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of our credit risk specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate, our audit procedures included the following:</p> <ul style="list-style-type: none"> - for loans to corporate clients we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages. - for a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. - for loans to individuals we involved IT Audit specialist for testing the design, implementation and operating effectiveness of controls over calculation of overdue days used as a basis for the allocation of loans into stages. - for loans to customers assigned to Stages 1, 2 and 3, where ECL are assessed collectively, we assessed the appropriateness of the related models, and checked the completeness and accuracy of data inputs into the ECL calculation models by reconciling the model input data against primary documents, on a sample basis. - for loans to customers assigned to Stage 3, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on publicly available market information and by agreeing collateral values to external valuation reports. - we assessed the predictive capability of the Group's ECL calculation methodology by comparing the estimates made as at 1 January 2023 with the actual results for 2023. - we also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Matter Relating to Comparative Information

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 29 April 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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.

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

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

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

- Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC
30 April 2024



Consolidated statement of financial position**as of 31 December 2023***(thousands of Armenian drams)*

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	7	37,214,306	51,134,231
Trading securities	8	970,372	823,400
Amounts due from banks	9	37,318,440	46,277,505
Derivative financial assets	10	72,646	197,014
Loans and advances to customers	11	271,831,024	223,976,683
Investments securities	12		
- Held by the Bank		133,475,489	125,362,769
- Pledged under sale and repurchase agreements		7,927,279	-
Property, equipment and right-of-use assets	13	11,095,293	8,775,341
Intangible assets	14	882,208	653,241
Repossessed assets	15	804,122	2,039,484
Other assets	16	4,165,063	4,896,376
Total assets		505,756,242	464,136,044
Liabilities			
Amounts due to banks	17	4,175,967	2,341,009
Derivative financial liabilities	10	31,110	-
Amounts due to customers	18	359,249,656	341,850,325
Current tax liabilities		2,675,304	3,208,769
Debt securities issued	19	20,367,348	14,692,148
Other borrowed funds	21	37,251,747	34,501,456
Subordinated debt		-	276,140
Lease liabilities	34	1,942,813	1,521,514
Provisions for credit related commitments	22	323,878	143,063
Deferred tax liabilities	20	494,462	138,794
Other liabilities	16	3,546,225	2,687,822
Total liabilities		430,058,510	401,361,040
Equity			
Share capital	23	19,947,633	19,947,633
Share premium		63,233	63,233
Statutory general reserve		8,848,182	8,848,182
Revaluation surplus for land and buildings		3,572,171	3,669,287
Revaluation reserve for investment securities		(1,368,416)	(4,099,566)
Retained earnings		44,634,929	34,346,235
Total equity		75,697,732	62,775,004
Total equity and liabilities		505,756,242	464,136,044

Signed and authorised for release on behalf of the Management Board of the Bank on 30 April 2024.

Andranik Grigoryan

Chief Executive Officer –
Chairman of Executive Management

Davit Azatyan

Chief Accountant



Consolidated statement of profit and loss**for the period ended 31 December 2023***(thousands of Armenian drams)*

	Note	2023	2022
Interest income calculated using effective interest rate	24	37,350,681	30,177,374
Other interest income	24	188,379	98,043
Interest expense	24	(15,942,833)	(14,151,910)
Net interest income	24	21,596,227	16,123,507
Fee and commission income	25	10,787,706	7,144,634
Fee and commission expense	25	(6,981,151)	(3,268,568)
Net fee and commission income		3,806,555	3,876,066
Net trading income	26	7,836,496	13,626,696
Net gain/(loss) from foreign currency translation		332,676	(1,501,871)
Net gain/(loss) on investment securities measured at fair value through other comprehensive income		195,576	(143,340)
Other income	27	1,020,900	868,894
Operating income before impairment and other administrative expenses		34,788,430	32,849,952
Net impairment losses on financial instruments	28	(363,596)	(2,090,750)
Personnel expenses	29	(9,343,795)	(7,936,439)
Depreciation of property, equipment and right-of-use asset	13	(1,250,913)	(1,143,666)
Amortization of intangible assets	14	(86,019)	(64,571)
Administrative and other operating expenses	29	(5,229,774)	(3,651,035)
Other impairment and provisions		(77,914)	(166,502)
Profit before income tax expense		18,436,419	17,796,989
Income tax expense	20	(3,812,750)	(3,698,696)
Profit for the year		14,623,669	14,098,293

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

**Consolidated statement of comprehensive income
for the period ended 31 December 2023**

(thousands of Armenian drams)

	<i>Note</i>	2023	2022
Profit for the year		<u>14,623,669</u>	<u>14,098,293</u>
Other comprehensive income not to be reclassified to profit or loss			
Revaluation of property and equipment		-	627,598
Income tax effect		-	<u>(112,968)</u>
Net other comprehensive income not to be reclassified to profit or loss		-	<u>514,630</u>
Other comprehensive income that is or may be reclassified to profit or loss			
Unrealised gain/(loss) on debt securities at FVOCI		3,496,537	(3,799,774)
Realised (loss)/gain on debt securities at FVOCI transferred to profit or loss		(195,576)	143,340
Changes in allowance for expected credit losses of debt instruments at FVOCI		29,709	83,880
Income tax effect	20	<u>(599,520)</u>	<u>643,060</u>
Net other comprehensive income/(loss) that is or to be reclassified to profit or loss		<u>2,731,150</u>	<u>(2,929,494)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>2,731,150</u>	<u>(2,414,864)</u>
Total comprehensive income for the year		<u>17,354,819</u>	<u>11,683,429</u>

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

Consolidated statement of changes in equity
for the period ended 31 December 2023

(thousands of Armenian drams)

	Share capital	Share premium	Statutory general reserve	Revaluation surplus for land and buildings	Revaluation reserve for investment securities	Retained earnings	Total
Balance as at 1 January 2022	19,947,633	63,233	3,848,182	3,233,483	(1,170,072)	25,678,806	51,601,265
Profit for the year	-	-	-	-	-	14,098,293	14,098,293
Other comprehensive loss for the year	-	-	-	514,630	(2,929,494)	-	(2,414,864)
Total comprehensive income for the year	-	-	-	514,630	(2,929,494)	14,098,293	11,683,429
Distribution to general reserve	-	-	5,000,000	-	-	(5,000,000)	-
Dividends declared and paid	-	-	-	-	-	(509,690)	(509,690)
Total transactions with owners	-	-	5,000,000	-	-	(5,509,690)	(509,690)
Depreciation of revaluation reserve	-	-	-	(78,826)	-	78,826	-
Balance as at 31 December 2022	19,947,633	63,233	8,848,182	3,669,287	(4,099,566)	34,346,235	62,775,004
Balance as at 1 January 2023	19,947,633	63,233	8,848,182	3,669,287	(4,099,566)	34,346,235	62,775,004
Profit for the year	-	-	-	-	-	14,623,669	14,623,669
Other comprehensive income for the year	-	-	-	-	2,731,150	-	2,731,150
Total comprehensive income for the year	-	-	-	-	2,731,150	14,623,669	17,354,819
Dividends declared and paid	-	-	-	-	-	(4,432,091)	(4,432,091)
Total transactions with owners	-	-	-	-	-	(4,432,091)	(4,432,091)
Depreciation of revaluation reserve	-	-	-	(97,116)	-	97,116	-
Balance as at 31 December 2023	19,947,633	63,233	8,848,182	3,572,171	(1,368,416)	44,634,929	75,697,732

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

Consolidated statement of cash flows for the period ended 31 December 2023

(thousands of Armenian drams)

	Note	2023	2022
Cash flows from operating activities			
Interest received		35,997,583	31,972,700
Interest paid		(14,446,781)	(14,778,365)
Fees and commissions received		10,787,706	7,144,634
Fees and commissions paid		(6,981,151)	(3,268,568)
Net trading income received		7,462,715	13,458,186
Other income received		1,025,894	906,303
Personnel expenses paid		(9,201,774)	(7,159,567)
Administrative and other operating expenses paid		(4,843,499)	(3,417,230)
Cash flows from operating activities before changes in operating assets and liabilities		19,800,693	24,858,093
<i>Net (increase)/decrease in operating assets</i>			
Trading securities		(32,155)	199,480
Amounts due from banks		8,148,681	(36,959,262)
Loans and advances to customers		(42,590,925)	(16,360,180)
Repossessed assets		1,349,682	903,238
Other assets		1,098,449	(2,510,332)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks		2,728,299	(8,332,371)
Amounts due to customers		11,766,858	123,282,184
Derivative financial liabilities		289,131	-
Other liabilities		197,090	76,398
Net cash from operating activities before income tax		2,755,803	85,157,248
Income tax paid		(4,590,067)	(1,425,205)
Net cash (used in)/from operating activities		(1,834,264)	83,732,043
Cash flows from investing activities			
Purchase of investment securities	12	(77,418,332)	(89,348,599)
Proceeds from sale and redemption of investment securities	12	65,523,541	8,109,372
Purchase of property and equipment		(3,078,734)	(682,961)
Proceeds from disposal of subsidiary, net of cash disposed off		1,697	-
Proceeds from sale of property and equipment		415,237	97,740
Purchase of intangible assets		(314,986)	(150,537)
Net cash used in investing activities		(14,871,577)	(81,974,985)
Cash flows from financing activities			
Dividends paid to shareholders		(4,432,091)	(509,690)
Proceeds from debt securities issued	34	5,295,222	8,214,949
Redemption of debt securities issued	34	-	(8,735,050)
Proceeds from other borrowed funds	34	8,116,744	11,654,735
Repayment of other borrowed funds	34	(5,392,342)	(6,256,980)
Repayment of subordinated loans	34	(276,346)	-
Repayment of lease liabilities	34	(647,653)	(575,601)
Net cash from financing activities		2,663,534	3,792,363
Net (decrease)/increase in cash and cash equivalents		(14,042,307)	5,549,421
Cash and cash equivalents at the beginning of the year		51,134,231	61,212,394
Effect of exchange rates changes on cash and cash equivalents		118,385	(15,630,749)
Effect of expected credit losses on cash and cash equivalents		3,997	3,165
Cash and cash equivalents at the end of the year	7	37,214,306	51,134,231

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

(thousands of Armenian drams)

1. Background

(a) Principal activities

Converse Bank CJSC (the "Bank") is the parent company in the Group. It was formed in 1994 as a closed joint-stock bank under the laws of the Republic of Armenia. The Bank operates under a general banking license issued by the Central Bank of Armenia (the "CBA") on 28 November 1994 and conducts its business under license number 57.

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

The Bank's main office is in Yerevan and its 33 branches (2022: 34) are located in Yerevan and in different regions. The registered address of the head office is 26/1 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

As of 31 December 2023, the number of Bank's employees is 898 (31 December 2022: 864).

Converse Collection was formed as a limited liability company under the laws of the Republic of Armenia on 20 April 2000. The company's principal activity is transportation of cash, cash equivalents and other assets. The company was a subsidiary of the Bank and was consolidated in these financial statements up to disposal date.

In July 2023, the Bank sold its subsidiary Converse Collection LLC (Note 5).

As of 31 December 2023 and 31 December 2022, the shareholders of the Bank are:

Shareholder	31 December 2023, %	31 December 2022, %
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management BV	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.000	100.000

The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

Related party transactions are detailed in Note 33.

(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 September 2020 armed conflict over disputed Nagorno-Karabakh territories broke out between Azerbaijan and Armenia, which was followed by cease-fire arrangement. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment. In September 2023 the Azerbaijani forces started a new military operation leading to the fleeing of the Nagorno-Karabakh population to Armenia and leaving Azerbaijan in effective control of the territory.

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.

(thousands of Armenian drams)

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL), investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

Functional currency of the Bank and its subsidiary is the currency of the primary economic environment in which the entities of the Group operates. The Bank’s and its subsidiary’s functional and presentation currency is Armenian dram (“AMD”), since this currency best reflects the economic substance of the underlying events and transactions of the entities of the Group.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 December 2023 and 31 December 2022, were AMD 404.79 and AMD 393.57 to USD 1, and AMD 447.90 and AMD 420.06 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 judgements, 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:

- ▶ classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.
- ▶ establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (“ECL”) and selection of models used to measure ECL – Note 30.

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 note:

- ▶ impairment of financial instruments: determining inputs into the ECL measurement model – Note 30.

(e) Changes in material accounting policies

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

Certain amendments and interpretations apply for the first time in 2023, but do not have significant impact on the Group’s consolidated financial statements and accounting policies.

(thousands of Armenian drams)

Material accounting policy information

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

(f) Basis of consolidation

Subsidiary, which is entity where the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary, is consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiary have been changed to ensure consistency with the policies adopted by the Group. Subsidiary has a reporting date of 31 December.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

3. Material accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements and are applied consistently by all Group entities.

(a) Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost;
- ▶ FVOCI;
- ▶ FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

(thousands of Armenian drams)

Amounts due from banks, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- ▶ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- ▶ The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

(thousands of Armenian drams)

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and under IFRS 9 – an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if the applicant fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Group has the contractual right to receive repayment from the applicant as reimbursement for any payments made to the beneficiary and therefore the Group considers that has not accepted any insurance risk. The Group considers that the primary purpose and nature of the contract is to provide funding to, and accept the credit risk of, the applicant.

Performance guarantees are recognized consistent with financial guarantees at higher of unamortized initial commission and loss reserves.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2023 and 2022 .

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), including the part of obligatory reserves denominated in AMD and balances (nostro accounts) due from other banks.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(c) Repurchase and reverse repurchase agreements and securities lending

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

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

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

(thousands of Armenian drams)

(d) Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gain/(loss) from financial instruments at fair value through profit or loss or net gain/(loss) from foreign currencies, depending on the nature of the instrument.

Financial assets are classified based on the business model and SPPI assessments.

(e) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- ▶ Change in currency of the loan;
- ▶ Change in counterparty;
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Group records a modification gain or loss, presented within Interest income calculated using effective interest rate in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

(f) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Group has transferred its contractual rights to receive cash flows from the asset, or it retains the rights to the cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- ▶ The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(thousands of Armenian drams)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Taxation

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(h) Property and equipment

Property and equipment is initially recognised cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the consolidated statement of financial position. Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

	<u>Useful life (years)</u>	<u>Rate (%)</u>
Buildings	50	2
Computers	3	33.3
Network appliances	8	12.5
Vehicles	8	12.5
Equipment	8	12.5
Other fixed assets	8	12.5

(thousands of Armenian drams)

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

Land and buildings are revalued on a regular basis at least once in 3 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property and equipment.

(i) Repossessed assets

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

(j) Equity

Share capital

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

Share premium

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

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

(k) Segment reporting

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

(l) Recognition of income and expenses

Interest and similar revenue and expense

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest income" in the consolidated statement of profit or loss.

(thousands of Armenian drams)

(m) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) New standards and interpretations not yet adopted

A number of new standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- ▶ Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1).
- ▶ Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- ▶ Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- ▶ Lack of Exchangeability (Amendments to IAS 21).

4. Comparative information

Correction of error

During 2023, the Group has assessed that during previous periods it has incorrectly calculated the obligatory reserve with CBA and consequently the balance of Cash and cash equivalents was understated and the balance of Amounts due from banks was overstated by AMD840,617 thousand as at 31 December 2022 and by AMD4,741,914 thousand as at 1 January 2022. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarize the impacts on the Group's consolidated financial statements.

Consolidated statement of financial position

	<i>Impact of correction of error</i>		
	<i>31 December 2022 as reported</i>	<i>Correction of error</i>	<i>31 December 2022 as corrected</i>
Cash and cash equivalents	50,293,614	840,617	51,134,231
Advances due from banks	47,118,122	(840,617)	46,277,505

	<i>Impact of correction of error</i>		
	<i>1 January 2022 as reported</i>	<i>Correction of error</i>	<i>1 January 2022 as corrected</i>
Cash and cash equivalents	56,470,480	4,741,914	61,212,394
Advances due from banks	21,813,642	(4,741,914)	17,071,728

(thousands of Armenian drams)

Consolidated statement of cash flows

	Impact of correction of error		
	2022 as reported	Correction of error	2022 as corrected
Amounts due from banks	(33,057,965)	(3,901,297)	(36,959,262)
Net cash from operating activities before income tax paid	89,058,545	(3,901,297)	85,157,248
Net cash from operating activities	87,633,340	(3,901,297)	83,732,043
Net (decrease)/increase in cash and cash equivalents	9,450,718	(3,901,297)	5,549,421
Cash and cash equivalents at 1 January	56,470,480	4,741,914	61,212,394
Cash and cash equivalents at 31 December	50,293,614	840,617	51,134,231

5. Disposal of subsidiary

On 3 July 2023 the Group disposed its 100% holdings in Converse Collection LLC. The new owner of the Company is not a related party to the Group.

Below are presented carrying amounts of subsidiary's assets and liabilities at 31 December 2022 and at disposal date. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount as at 31 December 2022	Carrying amount at date of disposal
ASSETS		
Cash and cash equivalents	100,449	52,225
Property and equipment	1,367	1,244
Intangible assets	209	197
Deferred income tax assets	1,260	1,502
Other assets	2,646	7,429
Total assets	105,931	62,597
LIABILITIES		
Other liabilities	9,874	8,675
Total liabilities	9,874	8,675
Net identifiable assets and liabilities	96,057	53,922
Consideration received		53,922
Cash disposed off		(52,225)
Net cash inflow		1,697

6. Segment information

Management of the Group considers the Group comprises of one operating segment, considering that the CODM does not monitor the operating results and interest bearing assets and liabilities of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Analysis of the Group per main operating units is presented below:

Retail banking	Handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and small and micro loans.
Corporate banking	Handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Trading	Treasury and finance, leasing and other central functions.

(thousands of Armenian drams)

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

As of 31 December 2023	Retail banking	Corporate banking	Trading	Total
External income				
Interest income calculated using effective interest rate	17,827,513	7,386,748	12,136,420	37,350,681
Other interest income	26,584	117,815	43,980	188,379
Interest expense	(6,746,842)	(7,565,703)	(1,630,288)	(15,942,833)
Net interest income	11,107,255	(61,140)	10,550,112	21,596,227
Net impairment expense on financial instruments	(257,570)	1,147,299	(1,253,325)	(363,596)
Fee and commission income	9,416,155	1,281,377	90,174	10,787,706
Fee and commission expense	(5,972,146)	(1,008,952)	(53)	(6,981,151)
Other non-interest income	2,636,222	7,212,543	(463,117)	9,385,648
Non-interest expense	(6,478,177)	(5,531,829)	(3,978,409)	(15,988,415)
Operating unit profit	10,451,739	3,039,298	4,945,382	18,436,419
Income tax expense	(2,510,717)	(426,664)	(875,369)	(3,812,750)
Profit for the year	7,941,022	2,612,634	4,070,013	14,623,669

As of 31 December 2022	Retail banking	Corporate banking	Trading	Total
External income				
Interest income calculated using effective interest rate	15,098,717	7,634,118	7,444,539	30,177,374
Other interest income	37,947	17,243	42,853	98,043
Interest expense	(4,586,029)	(7,358,306)	(2,207,575)	(14,151,910)
Net interest income	10,550,635	293,055	5,279,817	16,123,507
Net impairment losses on financial instruments	(978,462)	(1,028,408)	(83,880)	(2,090,750)
Fee and commission income	4,408,623	2,644,526	91,485	7,144,634
Fee and commission expense	(2,096,528)	(1,164,077)	(7,963)	(3,268,568)
Other non-interest income	6,630,478	7,130,387	(910,486)	12,850,379
Non-interest expense	(4,961,322)	(5,070,698)	(2,930,193)	(12,962,213)
Operating unit profit	13,553,424	2,804,785	1,438,780	17,796,989
Income tax expense	(2,816,768)	(582,910)	(299,018)	(3,698,696)
Profit for the year	10,736,656	2,221,875	1,139,762	14,098,293

The following table presents assets of the Group's operating units:

	As of 31 December 2023				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Trading		
Assets	163,285,551	108,545,473	154,710,072	79,215,146	505,756,242
Liabilities	168,123,670	191,449,864	61,826,172	8,658,804	430,058,510
	As of 31 December 2022				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Trading		
Assets	132,096,931	91,879,752	147,161,948	92,997,413	464,136,044
Liabilities	157,448,898	184,820,627	51,534,614	7,556,901	401,361,040

(thousands of Armenian drams)

Interest bearing assets include financial assets through profit and loss, investment securities, amounts due from banks, loans and advances to customers.

Interest bearing financial liabilities include amounts due to banks, current accounts and deposits from customers, bonds issued by the Group, subordinated and other borrowings.

Non-interest bearing balances which are unallocated include cash and cash equivalents, property, equipment and right-of-use assets, intangible assets, repossessed assets, other assets, current tax liabilities, deferred tax liabilities, lease liabilities and other liabilities.

Geographic information

The Group's operations are primarily concentrated in Armenia. The Group assets are mainly located in the Republic of Armenia.

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the years ended 31 December 2023 and 31 December 2022 are as follows:

As of 31 December 2023	Retail banking	Corporate banking	Trading	Total
Commission income				
Plastic cards operations	8,231,346	-	-	8,231,346
Wire transfer fees	283,495	420,758	1,366	705,619
Settlement operation	206,470	95,295	88,157	389,922
Loan accounts servicing fees	226,940	173,075	-	400,015
Guarantees and letters of credit	1,685	140,867	-	142,552
Other	466,220	451,382	650	918,252
Total revenue from contracts with customers	9,416,156	1,281,377	90,173	10,787,706

As of 31 December 2022	Retail banking	Corporate banking	Trading	Total
Commission income				
Plastic cards operations	3,532,073	-	-	3,532,073
Wire transfer fees	292,216	299,922	1,561	593,699
Settlement operation	447,502	197,093	89,287	733,882
Loan accounts servicing fees	45,033	130,614	-	175,647
Guarantees and letters of credit	1,201	119,824	-	121,025
Other	432,333	1,555,338	637	1,988,308
Total revenue from contracts with customers	4,750,358	2,302,791	91,485	7,144,634

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2023 or 2022.

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	31 December 2022
Cash on hand	8,961,815	10,595,212
Nostro accounts with the Central Bank, including obligatory reserves in AMD	12,591,359	26,542,433
Nostro accounts with other Banks	15,664,327	14,003,778
	37,217,501	51,141,423
Less – allowance for impairment	(3,195)	(7,192)
Cash and cash equivalents	37,214,306	51,134,231

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2023 and 2022.

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2022: 4%) of the amounts attracted in Armenian drams and 18% (2022: 18%) of the amounts attracted in foreign currencies.

(thousands of Armenian drams)

The banks are required to maintain 6% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams (2022: 6%), and 12% – in the foreign currency (2022: 12%). The banks' ability to withdraw reserved amounts in foreign currency is restricted. Therefore, the Group classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 9).

As of 31 December 2023 placements with other banks in the amount of AMD 14,798,805 thousand (94.5%) were due from six banks (2022: AMD 13,273,773 thousand (94.8%) were due from six banks).

8. Trading securities

Trading securities owned comprise:

	31 December 2023	31 December 2022
Debt securities issued by the RA government	646,747	545,289
Investments in funds	323,625	278,111
Trading securities	970,372	823,400

9. Amounts due from banks

Amounts due from banks comprise:

	31 December 2023	31 December 2022
Foreign currency obligatory reserves with CBA (Note 7)	24,981,465	25,301,727
Loans and deposits to banks	6,836,741	4,629,721
Deposited funds with CBA	2,305,000	1,402,500
Receivables from payment and settlement operations	1,975,202	6,345,850
Other deposited funds	1,244,533	2,582,640
Reverse repurchase agreements	-	6,031,539
	37,342,941	46,293,977
Less – allowance for impairment	(24,501)	(16,472)
Amounts due from banks	37,318,440	46,277,505

As at 31 December 2023 there were no amounts receivable under reverse repurchase agreements (As at 31 December 2022 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 6,068,320 thousand).

As at 31 December 2023 the balances included loans and deposits to banks are due from two counterparty (2022: three counterparties).

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

No amounts due from banks are past due or impaired and are fully in Stage 1 as at 31 December 2023 and 31 December 2022. All the amounts due from banks are measured at amortised cost as at 31 December 2023 and 31 December 2022.

10. Derivative financial instruments

As of 31 December 2023, and 31 December 2022, the Group has positions currency swaps.

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities.

Foreign exchange contracts	31 December 2023		31 December 2022	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	72,646	-	197,014	-
Derivative liabilities (currency swaps)	-	31,110	-	-

(thousands of Armenian drams)

11. Loans and advances to customers

	31 December 2023	31 December 2022
Loans to customers	269,106,364	222,481,983
Reverse repurchase agreements with financial institutions	7,400,589	6,673,850
Financial lease receivables	2,333,812	565,131
	278,840,765	229,720,964
Less – allowance for loan impairment	(7,009,741)	(5,744,281)
Total loans and advances to customers	271,831,024	223,976,683
	31 December 2023	31 December 2022
Large business loans including finance lease receivables	72,547,698	61,771,029
SME loans including finance lease receivables	36,090,995	29,809,630
Total loans to corporate customers	108,638,693	91,580,659
Mortgage loans	84,098,149	70,205,215
Consumer loans	56,070,539	43,426,117
Gold loans	22,632,795	17,835,123
Total loans to retail customers	162,801,483	131,466,455
Reverse repurchase agreements with financial institutions	7,400,589	6,673,850
Gross loans and advances to customers	278,840,765	229,720,964
Less – allowance for impairment	(7,009,741)	(5,744,281)
Total loans and advances to customers	271,831,024	223,976,683

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans as of 31 December 2023:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	82,491,951	1,262,757	7,825,951	91,580,659
Change in write-off policy and other corrections*	(513)	74,217	292,068	365,772
New assets originated or purchased	52,265,634	-	-	52,265,634
Assets repaid	(34,438,158)	(93,047)	(2,872,378)	(37,403,583)
Transfers to Stage 1	467,610	(197,714)	(269,896)	-
Transfers to Stage 2	(220,811)	455,715	(234,904)	-
Transfers to Stage 3	(989,803)	(647,210)	1,637,013	-
Recoveries	-	-	529,200	529,200
Amounts written off**	-	(158,267)	(183,737)	(342,004)
Foreign exchange differences	1,480,022	9,245	153,748	1,643,015
At 31 December 2023	101,055,932	705,696	6,877,065	108,638,693
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	561,941	308,761	2,072,916	2,943,618
Change in write-off policy and other corrections*	146,440	34,325	272,602	453,367
New assets originated or purchased	439,108	-	-	439,108
Assets repaid	(283,550)	(209,992)	(972,554)	(1,466,096)
Transfers to Stage 1	132,140	(19,177)	(112,963)	-
Transfers to Stage 2	(2,313)	57,956	(55,643)	-
Transfers to Stage 3	(13,615)	(63,084)	76,699	-
Impact on period end ECL of exposures transferred between stages during the period	(127,473)	35,679	645,719	553,925
Unwinding of discount (recognised in interest income)	-	-	53,769	53,769
Changes to models and inputs used for ECL calculations	(140,995)	153,519	1,015,921	1,028,445
Recoveries	-	-	529,200	529,200
Amounts written off**	-	(158,267)	(183,737)	(342,004)
Foreign exchange differences	10,452	1,141	25,482	37,075
At 31 December 2023	722,135	140,861	3,367,411	4,230,407

(thousands of Armenian drams)

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 31 December 2023:

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	124,081,377	3,878,967	3,506,111	131,466,455
Change in write-off policy and other corrections*	824	1,015,213	1,098,043	2,114,080
New assets originated or purchased	68,265,270	-	-	68,265,270
Assets repaid	(35,490,341)	(2,278,523)	(1,761,037)	(39,529,901)
Transfers to Stage 1	1,437,040	(642,880)	(794,160)	-
Transfers to Stage 2	(699,787)	1,269,204	(569,417)	-
Transfers to Stage 3	(555,790)	(425,592)	981,382	-
Recoveries	-	-	1,635,326	1,635,326
Amounts written off**	-	(683,641)	(1,441,435)	(2,125,076)
Foreign exchange differences	886,095	24,681	64,553	975,329
At 31 December 2023	157,924,688	2,157,429	2,719,366	162,801,483

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	438,940	1,115,850	1,245,873	2,800,663
Change in write-off policy and other corrections*	309,813	267,581	1,449,090	2,026,484
New assets originated or purchased	600,109	-	-	600,109
Assets repaid	(431,316)	(883,179)	(1,824,144)	(3,138,639)
Transfers to Stage 1	576,737	(93,966)	(482,771)	-
Transfers to Stage 2	(11,650)	281,544	(269,894)	-
Transfers to Stage 3	(8,081)	(220,454)	228,535	-
Impact on period end ECL of exposures transferred between stages during the period	(569,901)	(61,633)	981,737	350,203
Unwinding of discount (recognised in interest income)	-	-	55,756	55,756
Changes to models and inputs used for ECL calculations	(99,050)	689,405	(54,280)	536,075
Recoveries	-	-	1,635,326	1,635,326
Amounts written off**	-	(683,641)	(1,441,435)	(2,125,076)
Foreign exchange differences	3,288	6,520	28,625	38,433
At 31 December 2023	808,889	418,027	1,552,418	2,779,334

*** Change in write-off policy and other corrections**

In 2023 the Group revised its write-off policy for collectively assessed loans, increasing period after which loans are considered irrecoverable. Based on historical recoveries of loans, write-off point was changed from 270 days overdue to 365 days. In addition, the Group made corrections in ECL calculation formula.

The mentioned changes do not have a material effect on the carrying value of loans and advances to customers or the impairment loss recognised in the statement of profit or loss. Based on materiality considerations the effect of these changes and corrections to the prior year financial information was recognized in the current year.

** Write-offs from Stage 2 represent loss from cession (Note 28).

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 31 December 2022:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	93,409,152	900,973	11,202,511	105,512,636
New assets originated or purchased	36,391,599	-	-	36,391,599
Assets repaid	(33,631,680)	(156,708)	(1,921,515)	(35,709,903)
Transfers to Stage 1	355,710	(62,792)	(292,918)	-
Transfers to Stage 2	(1,862,864)	1,976,249	(113,385)	-
Transfers to Stage 3	(503,513)	(1,339,848)	1,843,361	-
Recoveries	-	-	782,384	782,384
Amounts written off	-	-	(1,867,751)	(1,867,751)
Foreign exchange differences	(11,666,453)	(55,117)	(1,806,736)	(13,528,306)
At 31 December 2022	82,491,951	1,262,757	7,825,951	91,580,659

(thousands of Armenian drams)

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	458,761	117,927	2,480,518	3,057,206
New assets originated or purchased	1,327,528	-	-	1,327,528
Assets repaid	(110,239)	(1,496)	(98,034)	(209,769)
Transfers to Stage 1	169,145	(7,287)	(161,858)	-
Transfers to Stage 2	(1,086,386)	1,149,652	(63,266)	-
Transfers to Stage 3	(20,191)	(1,100,707)	1,120,898	-
Impact on period end ECL of exposures transferred between stages during the period	(166,589)	(32,022)	181,806	(16,805)
Unwinding of discount (recognised in interest income)	-	-	49,373	49,373
Changes to models and inputs used for ECL calculations	34,245	188,430	58,665	281,340
Recoveries	-	-	782,384	782,384
Amounts written off	-	-	(1,867,751)	(1,867,751)
Foreign exchange differences	(44,333)	(5,736)	(409,819)	(459,888)
At 31 December 2022	561,941	308,761	2,072,916	2,943,618

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	114,829,253	4,600,561	4,153,383	123,583,197
New assets originated or purchased	52,544,844	-	-	52,544,844
Assets repaid	(33,835,041)	(1,111,785)	(3,181,480)	(38,128,306)
Transfers to Stage 1	477,092	(244,296)	(232,796)	-
Transfers to Stage 2	(1,841,991)	1,924,457	(82,466)	-
Transfers to Stage 3	(2,179,021)	(1,128,714)	3,307,735	-
Recoveries	-	-	3,135,239	3,135,239
Amounts written off	-	-	(3,307,143)	(3,307,143)
Foreign exchange differences	(5,913,759)	(161,256)	(286,361)	(6,361,376)
At 31 December 2022	124,081,377	3,878,967	3,506,111	131,466,455

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	598,235	355,722	1,533,726	2,487,683
New assets originated or purchased	909,512	-	-	909,512
Assets repaid	(149,341)	(78,258)	(918,255)	(1,145,854)
Transfers to Stage 1	81,049	(23,099)	(57,950)	-
Transfers to Stage 2	(660,101)	682,317	(22,216)	-
Transfers to Stage 3	(73,618)	(703,965)	777,583	-
Impact on period end ECL of exposures transferred between stages during the period	(79,764)	120,816	450,432	491,484
Unwinding of discount (recognised in interest income)	-	-	44,557	44,557
Changes to models and inputs used for ECL calculations	(171,598)	787,226	(304,415)	311,213
Recoveries	-	-	3,135,239	3,135,239
Amounts written off	-	-	(3,307,143)	(3,307,143)
Foreign exchange differences	(15,434)	(24,909)	(85,685)	(126,028)
At 31 December 2022	438,940	1,115,850	1,245,873	2,800,663

(thousands of Armenian drams)

Credit quality of loans to legal entities and individuals

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

	Stage 1	Stage 2	Stage 3	Total loans
Loans to corporate customers				
Large business loans				
- not overdue	67,740,398	-	170,651	67,911,049
- overdue less than 30 days	-	-	213,248	213,248
- overdue 31-90 days	-	-	581,313	581,313
- overdue 91-180 days	-	-	470,597	470,597
- overdue 181-360 days	-	-	-	-
- overdue more than 1 year	-	-	3,371,491	3,371,491
Total gross loans	67,740,398	-	4,807,300	72,547,698
Expected credit loss allowance	(249,260)	-	(2,388,666)	(2,637,926)
Total net loans	67,491,138	-	2,418,634	69,909,772
Loans to corporate customers				
SME loans				
- not overdue	33,280,418	398,719	719,949	34,399,086
- overdue less than 30 days	35,116	62,202	44,400	141,718
- overdue 31-90 days	-	244,775	69,020	313,795
- overdue 91-180 days	-	-	376,339	376,339
- overdue 181-360 days	-	-	355,320	355,320
- overdue more than 1 year	-	-	504,737	504,737
Total gross loans	33,315,534	705,696	2,069,765	36,090,995
Expected credit loss allowance	(472,875)	(140,861)	(978,745)	(1,592,481)
Total net loans	32,842,659	564,835	1,091,020	34,498,514
Loans to retail customers				
Mortgage loans				
- not overdue	82,285,154	882,349	422,721	83,590,224
- overdue less than 30 days	47,861	8,125	19,086	75,072
- overdue 31-90 days	-	25,614	96,394	122,008
- overdue 91-180 days	-	-	25,398	25,398
- overdue 181-360 days	-	-	18,311	18,311
- overdue more than 1 year	-	-	267,136	267,136
Total gross loans	82,333,015	916,088	849,046	84,098,149
Expected credit loss allowance	(216,058)	(171,003)	(407,911)	(794,972)
Total net loans	82,116,957	745,085	441,135	83,303,177
Loans to retail customers				
Consumer loans				
- not overdue	52,999,404	865,389	587,217	54,452,010
- overdue less than 30 days	159,636	51,756	43,517	254,909
- overdue 31-90 days	-	179,782	128,047	307,829
- overdue 91-180 days	-	-	352,499	352,499
- overdue 181-360 days	-	-	342,315	342,315
- overdue more than 1 year	-	-	360,977	360,977
Total gross loans	53,159,040	1,096,927	1,814,572	56,070,539
Expected credit loss allowance	(580,227)	(236,505)	(1,103,969)	(1,920,701)
Total net loans	52,578,813	860,422	710,603	54,149,838

(thousands of Armenian drams)

	Stage 1	Stage 2	Stage 3	Total loans
Loans to retail customers				
Gold loans				
- not overdue	22,389,233	109,512	10,191	22,508,936
- overdue less than 30 days	43,400	4,445	3,677	51,522
- overdue 31-90 days	-	30,457	3,140	33,597
- overdue 91-180 days	-	-	17,771	17,771
- overdue 181-360 days	-	-	20,877	20,877
- overdue more than 1 year	-	-	92	92
Total gross loans	22,432,633	144,414	55,748	22,632,795
Expected credit loss allowance	(12,604)	(10,519)	(40,538)	(63,661)
Total net loans	22,420,029	133,895	15,210	22,569,134
Total gross loans to corporate customers	101,055,932	705,696	6,877,065	108,638,693
Expected credit loss allowance	(722,135)	(140,861)	(3,367,411)	(4,230,407)
Total net loans to corporate customers	100,333,797	564,835	3,509,654	104,408,286
Total gross loans to retail customers	157,924,688	2,157,429	2,719,366	162,801,483
Expected credit loss allowance	(808,889)	(418,027)	(1,552,418)	(2,779,334)
Total net loans to retail customers	157,115,799	1,739,402	1,166,948	160,022,149
Total gross loans	258,980,620	2,863,125	9,596,431	271,440,176
Expected credit loss allowance	(1,531,024)	(558,888)	(4,919,829)	(7,009,741)
Total net loans	257,449,596	2,304,237	4,676,602	264,430,435

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2022.

	Stage 1	Stage 2	Stage 3	Total loans
Loans to corporate customers				
Large business loans				
- not overdue	56,524,241	62,052	-	56,586,293
- overdue less than 30 days	-	171,484	-	171,484
- overdue 31-90 days	-	-	-	-
- overdue 91-180 days	-	-	1,375,729	1,375,729
- overdue 181-360 days	-	-	462,274	462,274
- overdue more than 1 year	-	-	3,175,249	3,175,249
Total gross loans	56,524,241	233,536	5,013,252	61,771,029
Expected credit loss allowance	(326,061)	(5,203)	(1,240,743)	(1,572,007)
Total net loans	56,198,180	228,333	3,772,509	60,199,022
Loans to corporate customers				
SME loans				
- not overdue	25,954,021	721,368	945,211	27,620,600
- overdue less than 30 days	13,689	50,707	6,054	70,450
- overdue 31-90 days	-	257,146	37,637	294,783
- overdue 91-180 days	-	-	77,850	77,850
- overdue 181-360 days	-	-	115,119	115,119
- overdue more than 1 year	-	-	1,630,828	1,630,828
Total gross loans	25,967,710	1,029,221	2,812,699	29,809,630
Expected credit loss allowance	(235,880)	(303,558)	(832,173)	(1,371,611)
Total net loans	25,731,830	725,663	1,980,526	28,438,019

(thousands of Armenian drams)

	Stage 1	Stage 2	Stage 3	Total loans
Loans to retail customers				
Mortgage loans				
- not overdue	66,424,428	2,317,957	938,502	69,680,887
- overdue less than 30 days	3,942	-	19,950	23,892
- overdue 31-90 days	-	91,483	9,003	100,486
- overdue 91-180 days	-	-	78,165	78,165
- overdue 181-360 days	-	-	3,281	3,281
- overdue more than 1 year	-	-	318,504	318,504
Total gross loans	66,428,370	2,409,440	1,367,405	70,205,215
Expected credit loss allowance	(61,845)	(766,862)	(487,830)	(1,316,537)
Total net loans	66,366,525	1,642,578	879,575	68,888,678
Loans to retail customers				
Consumer loans				
- not overdue	40,176,730	968,636	903,367	42,048,733
- overdue less than 30 days	101,587	55,978	49,549	207,114
- overdue 31-90 days	-	171,140	98,565	269,705
- overdue 91-180 days	-	-	204,008	204,008
- overdue 181-360 days	-	12	117,235	117,247
- overdue more than 1 year	-	-	579,310	579,310
Total gross loans	40,278,317	1,195,766	1,952,034	43,426,117
Expected credit loss allowance	(355,206)	(292,239)	(640,689)	(1,288,134)
Total net loans	39,923,111	903,527	1,311,345	42,137,983
Loans to retail customers				
Gold loans				
- not overdue	17,347,375	240,404	114,859	17,702,638
- overdue less than 30 days	27,315	6,359	9,813	43,487
- overdue 31-90 days	-	26,998	12,164	39,162
- overdue 91-180 days	-	-	27,760	27,760
- overdue 181-360 days	-	-	19,120	19,120
- overdue more than 1 year	-	-	2,956	2,956
Total gross loans	17,374,690	273,761	186,672	17,835,123
Expected credit loss allowance	(21,889)	(56,749)	(117,354)	(195,992)
Total net loans	17,352,801	217,012	69,318	17,639,131
Total gross loans to corporate customers	82,491,951	1,262,757	7,825,951	91,580,659
Expected credit loss allowance	(561,941)	(308,761)	(2,072,916)	(2,943,618)
Total net loans to corporate customers	81,930,010	953,996	5,753,035	88,637,041
Total gross loans to retail customers	124,081,377	3,878,967	3,506,111	131,466,455
Expected credit loss allowance	(438,940)	(1,115,850)	(1,245,873)	(2,800,663)
Total net loans to retail customers	123,642,437	2,763,117	2,260,238	128,665,792
Total gross loans	206,573,328	5,141,724	11,332,062	223,047,114
Expected credit loss allowance	(1,000,881)	(1,424,611)	(3,318,789)	(5,744,281)
Total net loans	205,572,447	3,717,113	8,013,273	217,302,833

As at 31 December 2023, the balance of cash-covered loans for which no impairment allowance was created because of the collateral, amounted to AMD 34,507,395 thousand (2022: AMD 28,300,567 thousand).

Concentration of loans and advances to customers

As at 31 December 2023 the Group had a concentration of loans totaling to AMD 48,993,284 thousand due from the ten largest groups of borrowers (17.57% of gross loan portfolio) (2022: AMD 44,045,875 thousand or 19.17% of gross loan portfolio). An allowance for impairment in amount of AMD 1,939,571 thousand (2022: AMD 1,138,746 thousand) was created against these loans.

(thousands of Armenian drams)

Loans are made principally within Armenia in the following industry sectors:

	31 December 2023	31 December 2022
Mortgage	84,098,149	70,205,216
Consumer and gold loans to individuals	78,703,334	61,261,240
Trade	34,694,238	28,118,732
Construction	24,075,833	22,543,438
Agriculture (including loans to individuals)	11,663,851	11,694,231
Manufacturing	7,397,313	9,704,335
Services	4,198,867	4,830,327
Energy	2,998,568	3,506,006
Transport and communication	2,093,145	2,688,657
Financial services	10,305,840	941,646
Other	11,211,038	7,553,286
Gross loan portfolio	271,440,176	223,047,114
Less allowance for loan impairment	(7,009,741)	(5,744,281)
Total	264,430,435	217,302,833

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2023 is as follows:

	31 December 2023	31 December 2022
Gross investment in finance lease, receivable		
Not later than 1 year	773,364	208,011
1-2 years	773,445	166,714
2-3 years	717,664	197,580
3-4 years	399,775	72,917
4-5 years	194,238	52,330
More than 5 years	5,756	7,571
	2,864,242	705,123
Unearned future finance income on finance lease	(530,430)	(139,992)
Net investment in financial lease, before impairment allowance	2,333,812	565,131
Impairment allowance	(23,973)	(201,485)
Net investment in finance lease	2,309,839	363,646

Analysis of collateral and other credit enhancements

The following table provides information on the nature of collateral and other credit enhancements securing loans and advances to customers, net of impairment:

	31 December 2023	31 December 2022
Real estate	166,839,401	142,580,147
Cash and deposit	36,787,801	31,919,995
Gold	20,684,098	17,694,715
Vehicles	1,399,086	1,355,265
Finished goods	634,957	461,362
Government bonds	85,224	539,413
Unsecured	37,999,868	22,751,936
Total loans and advances to customers	264,430,435	217,302,833

The Group has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

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.

(thousands of Armenian drams)

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

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2023 and 2022. For the purposes of the below table the fair value of the collateral for each loan has been capped by the gross carrying amount of the loan.

31 December 2023	Gold	Real estate	Vehicles	Total fair value of the collateral	Gross carrying amount	Associated ECL
Large business loans	-	4,494,156	-	4,494,156	4,807,300	(2,388,666)
SME loans	-	1,577,708	23,080	1,600,788	2,069,765	(978,745)
Mortgage loans	-	731,004	-	731,004	849,046	(407,911)
Consumer loans	-	865,939	20,991	886,930	1,814,572	(1,103,969)
Gold loans	37,242	-	-	37,242	55,748	(40,538)
Total	37,242	7,668,807	44,071	7,750,120	9,596,431	(4,919,829)

31 December 2022	Gold	Real estate	Vehicles	Total fair value of the collateral	Gross carrying amount	Associated ECL
Large business loans	-	4,605,426	-	4,605,426	5,013,252	(1,240,743)
SME loans	-	1,546,613	3,733	1,550,346	2,812,699	(832,173)
Mortgage loans	-	1,238,986	-	1,238,986	1,367,405	(487,830)
Consumer loans	-	1,159,771	-	1,159,771	1,952,034	(640,689)
Gold loans	179,803	-	-	179,803	186,672	(117,354)
Total	179,803	8,550,796	3,733	8,734,332	11,332,062	(3,318,789)

Assets under lien

As at 31 December 2023, loans to customers with a gross value of AMD 34,982,018 thousand (2022: AMD 29,206,579 thousand) serve as collateral for other borrowed funds (see Note 21).

Reverse repurchase agreements with financial institutions

As at 31 December 2023 amounts receivable under reverse repurchase agreements were collateralized by the RA government and corporate bonds with fair value of AMD 7,400,602 thousand (31 December 2022: AMD 6,908,683 thousand).

(thousands of Armenian drams)

12. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 December 2023	31 December 2022
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	6,531,648	4,553,932
Governments bonds of the foreign countries	4,016,352	11,040,737
RA corporate bonds	-	2,813,248
Less – allowance for impairment	(10,217)	(15,339)
Debt securities at amortised cost held by the Bank	10,537,783	18,392,578
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	84,542,756	74,867,661
Governments bonds of the foreign countries	28,870,511	25,194,721
Corporate bonds	8,230,943	6,827,254
Bonds of International organizations	1,212,941	-
Debt securities at FVOCI held by the Bank	122,857,151	106,889,636
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	75,222	75,222
Equity securities at FVOCI held by the Bank	80,555	80,555
Total investment securities held by the Bank	133,475,489	125,362,769
Pledged under sale and repurchase agreements		
RA government bonds	7,927,279	-
Debt securities at FVOCI pledged under repurchase agreements	7,927,279	-

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost including pledged under repurchase agreements is as follows:

<i>Debt securities at amortised cost</i>	<i>Stage 1</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	18,407,917	18,407,917
New assets originated or purchased	5,802,473	5,802,473
Assets repaid	(12,471,121)	(12,471,121)
Write-off	(1,253,325)	(1,253,325)
Foreign exchange differences	62,056	62,056
At 31 December 2023	10,548,000	10,548,000
<i>Debt securities at amortised cost</i>	<i>Stage 1</i>	<i>Total</i>
ECLs as at 1 January 2023	15,339	15,339
New assets originated or purchased	1,340	1,340
Assets repaid	(5,920)	(5,920)
Write-off	(1,253,325)	(1,253,325)
Changes to models and inputs used for ECL calculations	1,252,783	1,252,783
At 31 December 2023	10,217	10,217

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2022 is as follows:

<i>Debt securities at amortised cost</i>	<i>Stage 1</i>	<i>Total</i>
Gross carrying value as at 1 January 2022	1,233,261	1,233,261
New assets originated or purchased	17,986,129	17,986,129
Assets repaid	(526,020)	(526,020)
Foreign exchange differences	(285,453)	(285,453)
At 31 December 2022	18,407,917	18,407,917

(thousands of Armenian drams)

<i>Debt securities at amortised cost</i>	Stage 1	Total
ECLs as at 1 January 2022	24,351	24,351
New assets originated or purchased	13,612	13,612
Assets repaid	(3,178)	(3,178)
Changes to models and inputs used for ECL calculations	(19,446)	(19,446)
At 31 December 2022	15,339	15,339

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI including pledged under repurchase agreements is as follows:

<i>Debt securities at FVOCI</i>	Stage 1	Total
Gross carrying value as at 1 January 2023	106,889,636	106,889,636
New assets originated or purchased	71,615,859	71,615,859
Assets repaid	(34,103,306)	(34,103,306)
Assets sold	(18,949,114)	(18,949,114)
Net change in fair value	3,496,537	3,496,537
Foreign exchange differences	1,834,818	1,834,818
At 31 December 2023	130,784,430	130,784,430

<i>Debt securities at FVOCI</i>	Stage 1	Total
ECLs as at 1 January 2023	183,014	183,014
New assets originated or purchased	102,757	102,757
Assets repaid	(15,071)	(15,071)
Assets sold	(42,204)	(42,204)
Changes to models and inputs used for ECL calculations	(15,771)	(15,771)
At 31 December 2023	212,725	212,725

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2022 is as follows:

<i>Debt securities at FVOCI</i>	Stage 1	Total
Gross carrying value as at 1 January 2022	48,858,717	48,858,717
New assets originated or purchased	71,362,470	71,362,470
Assets repaid	(1,987,517)	(1,987,517)
Assets sold	(5,595,835)	(5,595,835)
Net change in fair value	(3,799,774)	(3,799,774)
Foreign exchange differences	(1,948,425)	(1,948,425)
At 31 December 2022	106,889,636	106,889,636

<i>Debt securities at FVOCI</i>	Stage 1	Total
ECLs as at 1 January 2022	99,134	99,134
New assets originated or purchased	100,513	100,513
Assets repaid	(4,307)	(4,307)
Assets sold	(13,738)	(13,738)
Changes to models and inputs used for ECL calculations	1,412	1,412
At 31 December 2022	183,014	183,014

(thousands of Armenian drams)

13. Property, equipment and right-of-use assets

The movements in property, equipment and right -of-use assets were as follows:

	<i>Land and buildings</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Computers and network appliances</i>	<i>Other fixed assets</i>	<i>Leasehold improvements</i>	<i>CIP</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost or revalued amount									
31 December 2022	5,305,397	774,130	265,321	4,723,663	873,019	1,493,369	390,410	2,989,747	16,815,056
Additions	3,601	50,941	72,044	1,494,162	222,450	758,866	-	1,210,101	3,812,165
Disposals and write-offs	-	(33,062)	(35,655)	(97,607)	(28,900)	(91,784)	(61,141)	(168,357)	(516,506)
Transfers	-	-	-	59,621	123,024	48,660	(231,305)	-	-
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,189,593	2,209,111	97,964	4,031,491	20,110,715
Accumulated depreciation									
31 December 2022	-	636,649	182,814	3,538,146	767,042	1,177,009	-	1,738,055	8,039,715
Depreciation charge	144,971	41,102	15,279	477,999	34,201	83,282	-	454,079	1,250,913
Disposals and write-offs	-	(31,986)	(34,829)	(84,366)	(26,567)	(85,755)	-	(11,703)	(275,206)
31 December 2023	144,971	645,765	163,264	3,931,779	774,676	1,174,536	-	2,180,431	9,015,422
Net book value									
31 December 2022	5,305,397	137,481	82,507	1,185,517	105,977	316,360	390,410	1,251,692	8,775,341
31 December 2023	5,164,027	146,244	138,446	2,248,060	414,917	1,034,575	97,964	1,851,060	11,095,293

	<i>Land and buildings</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Computers and network appliances</i>	<i>Other fixed assets</i>	<i>Leasehold improvements</i>	<i>CIP</i>	<i>Right of use asset</i>	<i>Total</i>
Cost or revalued amount									
31 December 2021	5,183,379	760,151	249,960	4,520,618	871,335	1,459,875	356,393	2,486,093	15,887,804
Additions	8,014	32,202	39,861	369,002	9,586	36,481	128,620	690,069	1,313,835
Disposals and write-offs	-	(18,223)	(24,500)	(217,324)	(10,653)	(6,517)	(35,408)	(186,415)	(499,040)
Effect of revaluation	627,598	-	-	-	-	-	-	-	627,598
Transfers	1,547	-	-	51,367	2,751	3,530	(59,195)	-	-
Elimination of accumulated depreciation on revalued assets	(515,141)	-	-	-	-	-	-	-	(515,141)
31 December 2022	5,305,397	774,130	265,321	4,723,663	873,019	1,493,369	390,410	2,989,747	16,815,056
Accumulated depreciation									
31 December 2021	392,555	612,016	194,976	3,389,947	739,789	1,070,851	-	1,285,148	7,685,282
Depreciation charge	122,586	42,324	11,248	364,476	38,114	108,057	-	456,861	1,143,666
Disposals and write-offs	-	(17,691)	(23,410)	(216,277)	(10,861)	(1,899)	-	(3,954)	(274,092)
Elimination of accumulated depreciation on revalued assets	(515,141)	-	-	-	-	-	-	-	(515,141)
31 December 2022	-	636,649	182,814	3,538,146	767,042	1,177,009	-	1,738,055	8,039,715
Net book value									
31 December 2021	4,790,824	148,135	54,984	1,130,671	131,546	389,024	356,393	1,200,945	8,202,522
31 December 2022	5,305,397	137,481	82,507	1,185,517	105,977	316,360	390,410	1,251,692	8,775,341

(thousands of Armenian drams)

Revaluation of assets

The fair value of the buildings and land was last determined and recorded as at 31 December 2022 based on valuation performed by an independent licensed valuator. The fair value was determined based on comparative (65%) and income methods (35%). 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 5% to 25%. Capitalization rate applied is 5%.

The fair value of land and buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 31 December 2023.

If the buildings were measured using the cost model, the carrying amounts would be AMD 807,721 thousand (2022: 830,657 thousand).

Fully depreciated items

As of 31 December 2023 property and equipment included fully depreciated assets in amount of AMD 3,726,632 thousand (2022: AMD 3,556,716 thousand).

Property and equipment in the phase of installation

As of 31 December 2023 property and equipment included assets in the phase of installation in amount of AMD 610,892 thousand (2022: AMD 154,441 thousand).

Security

No property and equipment item is pledged under any arrangements as at 31 December 2023 (2022: None).

14. Intangible assets

	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2023	1,021,215	149,709	518,859	1,689,783
Additions	46,671	110,163	158,356	315,190
Disposals and write-offs	–	(204)	(250)	(454)
31 December 2023	1,067,886	259,668	676,965	2,004,519
Accumulated amortization and impairment				
1 January 2023	798,386	63,326	174,830	1,036,542
Amortisation charge	34,617	6,133	45,269	86,019
Disposals and write-offs	–	–	(250)	(250)
31 December 2023	833,003	69,459	219,849	1,122,311
Net book value				
1 January 2023	222,829	86,383	344,029	653,241
31 December 2023	234,883	190,209	457,116	882,208
	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
31 December 2021	880,001	149,709	509,536	1,539,246
Additions	141,214	–	9,323	150,537
31 December 2022	1,021,215	149,709	518,859	1,689,783
Accumulated amortization and impairment				
31 December 2021	774,360	60,791	136,820	971,971
Amortisation charge	24,026	2,535	38,010	64,571
31 December 2022	798,386	63,326	174,830	1,036,542
Net book value				
31 December 2021	105,641	88,918	372,716	567,275
31 December 2022	222,829	86,383	344,029	653,241

(thousands of Armenian drams)

Fully amortized items

As of 31 December 2023, intangible assets included fully amortized assets in amount of AMD 798,043 thousand (2022: AMD 805,921 thousand).

15. Repossessed assets

Details of assets obtained by the Group by taking possession of collateral held as security against loans and advances as at 31 December 2023 and 31 December 2022 are shown below:

	31 December 2023	31 December 2022
Land and buildings	1,033,211	2,167,795
Other assets	15,327	38,191
	1,048,538	2,205,986
Less: allowance for impairment	(244,416)	(166,502)
Total repossessed collateral	804,122	2,039,484

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 31 December 2023 the Group repossessed assets in amount of AMD 194,752 thousand (2022: AMD 446,174 thousand) and sold assets with carrying amount of AMD 1,673,285 thousand (2022: AMD 769,586 thousand).

16. Other assets and liabilities

Other assets comprise:

	31 December 2023	31 December 2022
Other financial assets		
Accounts receivables	940,083	567,907
Receivables from cash transfers	242,274	90,752
Total other financial assets	1,182,357	658,659
Less – allowance for impairment of other financial assets	(28,363)	(30,177)
Total net other financial assets	1,153,994	628,482
Other non-financial assets		
Prepayments to suppliers	816,236	2,865,965
Precious metals	1,514,469	810,838
Other prepaid taxes	389,881	373,390
Materials	249,532	186,986
Unamortized insurance premium	32,940	27,939
Settlements with employees	6,146	-
Other	1,865	2,776
Total other non-financial assets	3,011,069	4,267,894
Other assets	4,165,063	4,896,376

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2023	29,804	25	348	30,177
Transfers to Stage 1	5	-	(5)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(4)	(15)	19	-
ECL charge	(1,521)	20	(792)	(2,293)
Recoveries	-	-	16,496	16,496
Amounts written off	-	-	(16,022)	(16,022)
Foreign exchange differences	-	-	5	5
At 31 December 2023	28,284	30	49	28,363

(thousands of Armenian drams)

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2022	11,232	60	600	11,892
Transfers to Stage 1	36	(6)	(30)	-
Transfers to Stage 2	(3)	3	-	-
Transfers to Stage 3	(82)	(9)	91	-
ECL charge	19,596	(23)	54,520	74,093
Recoveries	-	-	29,164	29,164
Amounts written off	-	-	(83,909)	(83,909)
Foreign exchange differences	(975)	-	(88)	(1,063)
At 31 December 2022	29,804	25	348	30,177

Other liabilities comprise:

	31 December 2023	31 December 2022
Other financial liabilities		
Due to personnel	1,780,104	1,639,884
Accounts payables	751,242	515,819
Total other financial liabilities	2,531,346	2,155,703
Other non-financial liabilities		
Tax payable, other than income tax	1,003,409	500,076
Grants related to assets	11,468	13,892
Other	2	18,151
Total other non-financial liabilities	1,014,879	532,119
Total other liabilities	3,546,225	2,687,822

17. Amounts due to banks

Amounts due to banks comprise:

	31 December 2023	31 December 2022
Repurchase agreements with CBA	3,933,642	-
Correspondent accounts of other banks	177,448	295,178
Loans from banks	61,600	2,000,538
Other liabilities	3,277	45,293
Total amounts due to banks	4,175,967	2,341,009

As of 31 December 2023, the Group has received loans from 1 bank (2022: 2 banks).

As of 31 December 2023 95.7% of correspondent accounts of other banks are concentrated within 3 counterparties (2022: 94.5% within 1 counterparty).

As at 31 December 2023 amounts payable under repurchase agreements with CBA were collateralized by the RA government bonds with fair value of AMD 4,012,295 thousand (2022: there were no amounts receivable under reverse repurchase agreements with CBA).

(thousands of Armenian drams)

18. Amounts due to customers

The amounts due to customers include the following:

	31 December 2023	31 December 2022
Corporate customers		
Repurchase agreements with financial institutions	3,806,274	-
Current/settlement accounts	92,270,849	115,131,180
Time deposits	95,372,741	69,413,308
	191,449,864	184,544,488
Retail customers		
Current/settlement accounts	75,383,637	76,304,620
Time deposits	92,416,155	81,001,217
	167,799,792	157,305,837
Amounts due to customers	359,249,656	341,850,325

As of 31 December 2023, included in amounts due to customers are deposits amounting to AMD 39,061,851 thousand (2022: AMD 42,851,999 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities.

As of 31 December 2023, the aggregate balance of top ten customers of the Group amounts to AMD 120,718,599 thousand (2022: AMD 116,848,107 thousand) or 33.60% of total customer accounts (2022: 34.18%).

As at 31 December 2023 amounts payable under repurchase agreements with financial institutions were collateralized by RA government bonds with fair value of AMD 3,914,984 thousand (2022: there were no amounts receivable under reverse repurchase agreements with financial institutions).

19. Debt securities issued

Debt securities issued consisted of the following:

	31 December 2023	31 December 2022
Domestic bonds in USD	12,235,398	8,694,932
Domestic bonds in AMD	8,131,950	5,997,216
Debt securities issued	20,367,348	14,692,148

The contractual maturity of AMD and USD bonds ranges from 2024 -2025. Coupon rates are 9.75% to 10.5% for bonds denominated in AMD, 3.75% to 5.25% for bonds denominated in USD. Bonds issued by the Group are listed on Armenia securities exchange.

20. Taxation

The corporate income tax expense comprises:

	31 December 2023	31 December 2022
Current tax charge	4,056,602	3,953,835
Adjustment of current income tax of previous years	-	(19,382)
Deferred tax charge – origination and reversal of temporary differences	(243,852)	(235,757)
Total income tax expense	3,812,750	3,698,696

As of 31 December 2023, the corporate income tax within the Republic of Armenia is levied at the rate of 18% (2022: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

(thousands of Armenian drams)

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

	<u>31 December 2023</u>		<u>31 December 2022</u>	
Profit before tax	18,436,419		17,796,989	
Income tax at the applicable tax rate	3,318,555	18%	3,203,458	18%
Non-deductible expenses	494,195	3%	514,618	3%
Adjustment of current income tax of previous years	-		(19,380)	0%
Income tax expense	3,812,750	21%	3,698,696	21%

Deferred tax assets and liabilities as of 31 December 2023 and 31 December 2022 and their movements for the respective periods comprise:

	<u>Origination and reversal of temporary differences</u>			<u>Origination and reversal of temporary differences</u>			<u>Balance 31 December 2023</u>
	<u>Balance 31 December 2021</u>	<u>In the statement of profit or loss</u>	<u>In other comprehensive income</u>	<u>Balance 31 December 2022</u>	<u>In the statement of profit or loss</u>	<u>In other comprehensive income</u>	
Loans and advances to customers	(1,217,611)	99,587	-	(1,118,024)	191,740	-	(926,284)
Investment securities	274,059	13,476	643,060	930,595	4,426	(599,520)	335,501
Property, equipment and right-of-use assets	(452,956)	(26,330)	(112,968)	(592,254)	(86,747)	-	(679,001)
Repossessed assets	52,199	28,911	-	81,110	14,024	-	95,134
Amounts due to customers	(3,741)	(3,399)	-	(7,140)	(3,170)	-	(10,310)
Lease liabilities	259,208	14,664	-	273,873	75,834	-	349,706
Other impairment and provisions	38,156	(30,190)	-	7,966	22,646	-	30,612
Other liabilities	146,043	139,037	-	285,080	25,100	-	310,180
Net deferred tax liabilities	(904,643)	235,757	530,092	(138,794)	243,852	(599,520)	(494,462)

21. Other borrowed funds

Other borrowed funds consisted of the following:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Loans from refinancing credit organizations	29,632,386	25,336,886
Loans from CBA	5,717,504	6,082,454
Loans from international financial institution	1,874,052	3,041,198
Loans from the Government of the RA	27,805	40,918
Other borrowed funds	37,251,747	34,501,456

As of 31 December 2023, Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium businesses, consumer and other purposes.

Loans from international financial organizations include loans from European Bank for Reconstruction and Development.

Loans from refinancing credit organizations include loans from National Mortgage Company and Home for Youth.

Loan from refinancing credit organizations and loans from CBA represent 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.

Covenants

As at 31 December 2023 and 31 December 2022 the Group was in compliance with all debt covenants.

(thousands of Armenian drams)

22. Commitments and contingencies

Tax and legal matters

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

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

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

Loan commitment, guarantee and other financial facilities

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

Commitments and contingencies

As of 31 December 2023 and 31 December 2022 the Group's commitments and contingencies comprised the following:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Credit related commitments		
Undrawn loan commitments	14,457,798	16,277,823
Financial guarantees	8,494,788	7,209,681
Letters of credit	-	334,535
	<u>22,952,586</u>	<u>23,822,039</u>
Provisions for ECL for credit related commitments	<u>(323,878)</u>	<u>(143,063)</u>

An analysis of changes in the ECLs at 31 December 2023 is as follows:

<u>Undrawn loan commitments</u>	<u>Stage 1</u>	<u>Total</u>
ECLs as at 1 January 2023	49,584	49,584
New exposures	114,792	114,792
Expired exposures	(10,215)	(10,215)
Changes to models and inputs used for ECL calculations	39,683	39,683
Foreign exchange adjustments	1,757	1,757
At 31 December 2023	<u>195,601</u>	<u>195,601</u>
Financial guarantees	Stage 1	Total
ECLs as at 1 January 2023	89,321	89,321
New exposures	78,853	78,853
Expired exposures	(36,481)	(36,481)
Changes to models and inputs used for ECL calculations	(3,971)	(3,971)
Foreign exchange adjustments	555	555
At 31 December 2023	<u>128,277</u>	<u>128,277</u>
Letters of credit	Stage 1	Total
ECLs as at 1 January 2023	4,158	4,158
Expired exposures	(4,276)	(4,276)
Foreign exchange adjustments	118	118
At 31 December 2023	<u>-</u>	<u>-</u>

(thousands of Armenian drams)

An analysis of changes in the ECLs at 31 December 2022 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2022	100,975	100,975
New exposures	21,750	21,750
Expired exposures	(39,019)	(39,019)
Changes to models and inputs used for ECL calculations	(27,677)	(27,677)
Foreign exchange adjustments	(6,445)	(6,445)
At 31 December 2022	49,584	49,584
Guarantees	Stage 1	Total
ECLs as at 1 January 2022	48,809	48,809
New exposures	70,240	70,240
Expired exposures	(23,557)	(23,557)
Changes to models and inputs used for ECL calculations	(5,093)	(5,093)
Foreign exchange adjustments	(1,078)	(1,078)
As at 31 December 2022	89,321	89,321
Letters of credit	Stage 1	Total
ECLs as at 1 January 2022	-	-
New exposures	4,158	4,158
At 31 December 2022	4,158	4,158

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 December 2023 the Group possesses insurance for its transportation (also compulsory motor third party liability insurance) and buildings, properties, ATMs, banking risks, electronic or computer crimes and for professional responsibility. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

23. Equity

As of 31 December 2023 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2022: AMD 19,947,633 thousand).

In accordance with the Bank's statutes, the share capital consists of 66,492 ordinary shares, all of which have a par value of AMD 300,000 each and of 333 preference shares, all of which have a par value of AMD 100 each (2022: 66,492 ordinary shares and 333 preference shares).

The respective shareholdings as at 31 December 2023 and 31 December 2022 may be specified as follows:

	31 December 2023		31 December 2022	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	-	33	-
HayPost Trust Management B.V. Company	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	100.00	19,947,633	100.00

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

The preference shareholders are entitled to receive annual dividends amounting 20% of the nominal value of the shares they own if decision on dividend payment is made by authorized body.

(thousands of Armenian drams)

According to decision of Meeting of Shareholders dated on 22 June 2023 dividends declared and paid by the Bank amounted to AMD 4,432,084 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders (2022: AMD 509,683 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders). As of the date the dividends declared per ordinary share amounted to AMD 66,656, and dividends per preference share amounted to AMD 19.8 (2022: AMD 7,665 per ordinary shares and AMD 19.8 per preference shares).

The share capital of the Bank was contributed by the shareholders in Armenian drams and they are entitled to dividends and any capital distribution in Armenian drams.

Distributable reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a statutory general reserve fund. The statutory general reserve has been created in accordance with the Bank's statutes.

Statutory general reserve

The statutory general reserve is created as required by the regulations of the Republic of Armenia, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve is created in accordance with the Bank's charter, which requires creation of statutory general reserve.

Revaluation surplus for land and buildings

Revaluation surplus for land and buildings is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for financial assets at FVOCI

Revaluation reserve for financial assets at FVOCI records fair value and expected credit loss changes on financial assets at FVOCI.

24. Net interest income

Net interest income comprises:

	<u>2023</u>	<u>2022</u>
Financial assets measured at amortized cost		
Loans to customers	26,341,549	23,813,110
Investment securities	751,205	1,244,308
Amounts due from banks	370,304	251,009
Cash equivalents	78,871	60,196
Other interest income	14,620	9,974
Financial assets measured at fair value through other comprehensive income		
Debt securities at FVOCI	9,794,132	4,798,777
Interest income calculated using effective interest rate	37,350,681	30,177,374
Finance leases	144,399	55,190
Trading securities	43,980	42,853
Other interest income	188,379	98,043
Total interest income	37,539,060	30,275,417
Amounts due to customers	11,753,749	10,400,791
Other borrowed funds	2,400,898	2,155,626
Debt securities issued	1,281,531	1,036,087
Amounts due to banks	349,552	388,605
Lease liabilities	156,685	149,459
Subordinated loans	418	21,342
Interest expense	15,942,833	14,151,910
Net interest income	21,596,227	16,123,507

(thousands of Armenian drams)

25. Net fee and commission income

Net fee and commission income comprises:

	2023	2022
Plastic cards operations	8,231,346	3,532,073
Wire transfer fees	705,619	593,699
Fees and commission income from early repayments of loans	400,015	175,648
Settlement operation	389,922	733,881
Banknotes transfers to banks	159,527	1,243,651
Guarantees and letters of credit	142,552	121,025
Other fee income	758,725	744,657
Fee and commission income	10,787,706	7,144,634
Plastic cards operations	5,768,209	1,953,576
Expenses related to Armenian Card payment system	521,575	349,995
Banknotes transfers to banks	176,439	559,465
Wire transfer fees	146,352	125,241
Settlement operation	38,941	18,776
Guarantees and letters of credit	19,128	70,955
Other fee expense	310,507	190,560
Fee and commission expense	6,981,151	3,268,568
Net fee and commission income	3,806,555	3,876,066

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. Due to the nature of the service, no significant contract assets and liabilities exist.

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	<p>The Group provides banking services to retail and corporate customers, including account management, credit card and servicing fees, fees form transfers.</p> <p>Fees for ongoing account management and servicing 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>Transaction-based fees including fees for money transfers and processing fees are charged to the customer's account when the transaction takes place or service is performed.</p>	<p>Revenue from account management and servicing fees is recognised over time as the services are provided.</p> <p>Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed.</p>

26. Net trading income

	2023	2022
Net gains from foreign currency transactions	8,329,685	13,879,025
Net income/(loss) from operations with precious metals	286,683	(80,688)
Net gain from trading securities	114,817	168,510
Net loss on derivative financial instruments	(894,689)	(340,151)
Total net trading income	7,836,496	13,626,696

(thousands of Armenian drams)

27. Other income

	<u>2023</u>	<u>2022</u>
Fines and penalties received	647,940	487,848
Income from payment terminals	71,699	103,022
Income from provided services	67,801	71,193
Income from cash collection services	10,681	21,030
Dividend income	-	247
Income from grants	2,424	2,424
Other income	220,355	183,130
Total other income	<u>1,020,900</u>	<u>868,894</u>

28. Net impairment losses on financial instruments

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 December 2023:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	7	(3,997)	-	-	(3,997)
Amounts due from banks	9	8,029	-	-	8,029
Loans and advances to customers*	11	(613,068)	(276,201)	(207,601)	(1,096,870)
Debt securities measured at amortised cost	12	1,248,203	-	-	1,248,203
Debt securities measured at FVOCI	12	29,709	-	-	29,709
Other financial assets	16	(1,521)	20	(792)	(2,293)
Financial guarantees	22	38,956	-	-	38,956
Loan commitments	22	146,017	-	-	146,017
Letters of credit	22	(4,158)	-	-	(4,158)
Total credit loss expense		<u>848,170</u>	<u>(276,181)</u>	<u>(208,393)</u>	<u>363,596</u>

* The significant impairment recovery on loans and advances to customers is mainly due to the cession of Stage 2 and Stage 3 loans to the RA Government based on the decision N 2326-Ն of the RA Government dated 28.12.23.

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 December 2022:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	7	(3,165)	-	-	(3,165)
Amounts due from banks	9	(4,825)	-	-	(4,825)
Loans and advances to customers	11	1,593,754	985,024	(629,801)	1,948,977
Debt securities measured at amortised cost	12	(9,012)	-	-	(9,012)
Debt securities measured at FVOCI	12	83,880	-	-	83,880
Other financial assets	16	19,596	(23)	54,520	74,093
Financial guarantees	22	41,590	-	-	41,590
Loan commitments	22	(44,946)	-	-	(44,946)
Letters of credit	22	4,158	-	-	4,158
Total credit loss expense		<u>1,681,030</u>	<u>985,001</u>	<u>(575,281)</u>	<u>2,090,750</u>

(thousands of Armenian drams)

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2023	2022
Salaries	9,136,872	7,804,369
Other expenses	206,923	132,070
Personnel expenses	9,343,795	7,936,439
Software maintenance expenses	845,772	765,314
Advertising costs	747,037	546,546
Insurance of deposits	452,276	413,384
Fixed assets repair and maintenance expenses	282,320	259,314
Consulting	220,524	75,384
Communications	219,319	233,779
Security	206,565	207,208
Taxes, other than income tax, duties	198,489	178,827
Office supplies	156,795	136,079
Insurance expenses	113,997	119,048
Utility expenses	108,860	109,882
Lease expenses	54,170	29,481
Business trip expenses	53,465	44,808
Financial system mediator	46,218	37,310
Audit*	42,000	50,400
Penalties paid	454	5,758
Other expenses	1,481,513	438,513
Other operating expenses	5,229,774	3,651,035

* Included in the audit for the year ended 31 December 2023 is AMD 42,000 thousand for the audit of IFRS consolidated financial statements of the Group for the year ended 31 December 2023, which were paid/are payable to the audit firm. All these fees are VAT exclusive.

30. Risk management

Introduction

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

The process of risk management is organized in accordance with the mission, principal and interim objectives of the Group and is designed to improve the financial position and the reputation of the Group.

The aim of the risk management process is the assistance to the management of the Group in making decisions in the framework of risk mitigation measures, limits and internal acts for effectively managing the risks related to the assets and liabilities of the Group and its customers by the means of excluding or minimizing the possible losses related to the risks, ensuring the acceptable level of profitability, liquidity and solvency. The risk management is based on procedures, regulations, norms and limits, approved by the Group's authorized body. The identification, measurement, supervision and monitoring of the Group's risks are ongoing and regular processes. The risk analysis is an integral part of the Group's strategic planning, as well as the evaluation of investment programs. The Group's risks management principles include: the implementation of non-standard risk management procedures in critical situations, periodical implementation of stress scenarios for testing the financial stability, avoiding the concentrations of business processes in the assets and loan portfolio, diversification of the Group's assets and liabilities, implementation of monitoring by a frequency consistent with the risks undertaken by the Group, management of the risk concentrations, the ongoing cooperation between the risk management administration and departments.

Risk management structure

The risk management is organized and coordinated by the Executive Director in accordance with the internal legal acts approved by the Bank's Board. The risk management is implemented in a clear and documented manner for all business processes described, through appropriate internal legal acts and limits determined for all the processes and operations.

The Board

The Board is responsible for the overall supervision of risk management and risk management policy, as well as approval of the policies related to the risk management, based on which the Bank's Executive Director organizes the risk management, taking into consideration the management limits and the requirements of the Bank's internal legal acts.

(thousands of Armenian drams)

Direction

The Bank's Executive Board implements the following for the purpose of risk management:

- ▶ Approval of complex measures, in agreement with the Board, based on the Group's risk management, associated with the Group's profitability in the critical situations, as well as operating, strategic, reputational and legal risks;
- ▶ Determining prohibitions for several transactions;
- ▶ Determining limits for transactions without collateral in inter-bank markets;
- ▶ Determining internal norms for banking risks regulation and supervision.

The Executive Board is responsible for the management of the Group's assets and liabilities, as well as the overall financial system. The Bank's Executive Board is also responsible for the Group's liquidity financial risks. The Executive Board is designed to fulfill the functions of the Group's Assets and Liabilities Management Committee.

Risk management division

The main functions of the risk management division are:

- ▶ Elaboration and implementation of active mechanisms and processes for risk management in the Group, as well as monitoring over their implementation;
- ▶ Analysis of the risk level of loans issued by the Group and the monitoring over the lending process in the framework of program loans;
- ▶ Monitoring of issued loans, identification of issues related to them and reporting;
- ▶ Supervision over the evaluation of pledged property and periodical revaluations of the pledged property;
- ▶ Organization of the insurance process of the Group's property;
- ▶ Management of the doubtful loans portfolio.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Bank's Board.

Risk measurement and reporting systems

Depending upon various factors, the Group divides the risks into the internal and external risks.

The external risks include the country, legislation, force-major factors, price and competition risks.

Internal risks of the Group are the risks associated with its activity. They include the credit, operational, liquidity, interest rate, currency, reputational, capital decrease, staff and money laundering risks.

The country risk is managed by the Group using the rating of international rating agencies (Moody's, S&P, Fitch), granted to international banks and organizations. The risk management division monitors the rating of internal bank counterparties of the Group and quarterly presents to the Bank's Executive Board approval the limits for each bank and financial institution.

The minimal possible price risk level is ensured in the framework of the following measures: analysis of the financial markets' structural, volume and price indicators' dynamics, and liquidity of several financial instruments, as well as identification of current trades, assessment of possible losses on a monthly basis using the stress testing, determination of limits for financial instruments (by types of transactions with securities, by dealer, by issuer), diversification of securities portfolio by issuer, industry, maturity profile, etc.

The management of competition risk is implemented by the business divisions and marketing department, by periodically comparing the range of services and conditions provided by the Group and its competitors.

The interest rate risk is managed by the Risk Management Division of the Group by elaborating and implementing interest rate mitigation mechanisms/models, based on which the Group's Assets and Liabilities Management Committee makes decisions. The Risk Management Division has elected to use the models for interest rate change sensitivity gap, duration and basic risk. Interest rate change sensitivity gap and duration models are implemented through stress testing on a monthly basis. The interest rate basic risk is managed through stress tests by implementing scenarios of different severity on a quarterly basis.

For liquidity risk management purposes daily discussions are held around the structure of assets and liabilities maturity profiles and the liquidity gap, as well as supervision is established over the weight of investments in highly liquid instruments. For mitigation of the liquidity risk the Group's Risk management division presents monthly analysis of the Group's expected repayments, amounts to be lent and the positions to the Group's Assets and Liabilities Management Committee. The liquidity risk management includes the elaboration of pricing mechanisms for assets of the Group, limits of amounts attracted by the Group, their types or gross interest expenses, limits on concentrations of the financial sources used by the Group for fulfilling the liquidity requirements, the diversification of the maturities of the borrowings, limits on the borrowings attracted from the Group's related parties aimed at satisfying the liquidity needs, principles and methods

(thousands of Armenian drams)

for determining the interest rate risk limit, including the interest rate risk and limits related to the off-balance sheet items, the intended level of interest margins, mechanisms and procedures of making decisions on attraction and attribution of financial means, acceptable limits of maturity gaps between the Group's assets and liabilities, the ways of coordinating the Group's other divisions activities, who can influence the Group's liquidity level by their operations, the extraordinary liquidity requirements fulfilment programs (which can arise from reduction of the income, increase of doubtful assets, concentrations of deposits), the forms of reports on liquidity management to be submitted to the Group's executive body and Board.

The capital decrease risk measurement mechanisms are the norms determined internally and by the CBA (capital adequacy, one borrower risk etc.). The stress tests implemented monthly allow determining the maximum loss of capital, depending on different circumstances.

The staff risk is managed by the Staff management department, which periodically observes the vacancies and offered conditions existing in the RA banking system, as well as organizes trainings for improving the professional skills level of the employees by using internal and external resources.

The money laundering risk management is conducted by the financial observations department, which operates in accordance with the requirements of anti-money laundering legislation and Bank's internal legal acts.

Excessive risk concentrations

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

For avoiding the excessive risk concentrations, the Group's policy and processes includes special principles aimed at maintaining diversified assets types, loan and securities portfolios.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

(thousands of Armenian drams)

Impairment assessment

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR at origination. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive considering the possible credit risk. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The <i>Exposure at Default</i> is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 91 days past due on its contractual payments.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as the quality of credits due to affiliated parties, the state of being rescheduled which are approved by the management.

PD estimation process

Treasury and interbank relationships

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

(thousands of Armenian drams)

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Group.

- ▶ Large business loans;
- ▶ SME loans;
- ▶ Consumer loans;
- ▶ Mortgage loans;
- ▶ Gold pawn loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

Based on the estimated deviation of the historical forecasts of the selected macroeconomic parameters from the actual trends three scenarios of the forward-looking macroeconomic development are directed to the final outcome of PDs, which are weighted by 15%, 70% and 15% probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

For Stage 3 and POCI financial assets exposure at default is equal to the gross amount of the loans.

Loss given default

The Group uses historical information on recoveries after the default date for all collectively assessed defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

For individually significant Stage 1, Stage 2 and Stage 3 exposures the Group calculates LDG individually considering expected cash, including cash flows from realization of collateral.

Significant increase in credit risk

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The main criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- ▶ Overdue days of the borrower in other financial institutions in Armenia;
- ▶ Overdue days of the predefined affiliated parties;
- ▶ Difficulties in the financial conditions of the borrower;
- ▶ Renegotiation of the loan terms resulting from deterioration of the borrower's financial position.

The loans transferred to Stage 3 are transferred back to Stage 2 if they correspond to at least Stage 2 criteria for consequent 6-months. The loans are transferred to Stage 1 from Stage 2 if they correspond to at least Stage 2 criteria for 9 months and to Stage 1 criteria for last consequent 3 months.

(thousands of Armenian drams)

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- ▶ Economic Activity Index;
- ▶ USD/AMD exchange rate;
- ▶ Unemployment rate;
- ▶ Government accounts with the CBA;
- ▶ Yield curve.-

The Group obtains the forecasts of macroeconomic data from third party source (International Monetary Fund and Central Bank of Armenia). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

In 2023, along with baseline forecasts (with 70% probability of occurrence), additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the upside (with 15% probability of occurrence) and downside (15% probability of occurrence) scenarios. In 2022 the Group applied the same weights for the scenarios. The Group estimates the relationship between the default rates and the macroeconomic factors based on the Ordinary least squares (OLS) regression models. The selected variables used in the model differ based on the portfolios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2023.

Key driver	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>2024</i>
Economic activity index	Upside	15%	290.3
	Base case	70%	270.0
	Downside	15%	252.0
AMD/USD exchange rate	Upside	15%	393.0
	Base case	70%	419.0
	Downside	15%	440.0
Unemployment rate, %	Upside	15%	11.2
	Base case	70%	14.5
	Downside	15%	17.8
Government accounts with the CBA, billion Armenian drams	Upside	15%	(469)
	Base case	70%	(469)
	Downside	15%	(469)
Yield curve, %	Upside	15%	10.26
	Base case	70%	10.26
	Downside	15%	10.26

(thousands of Armenian drams)

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2022.

	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>2023</i>
Key driver			
GDP annual growth, %	Upside	15%	7.5
	Base case	70%	4.4
	Downside	15%	0.5
AMD/USD exchange rate			
	Upside	15%	418
	Base case	70%	438
	Downside	15%	458
Unemployment rate, %			
	Upside	15%	14.0
	Base case	70%	16.0
	Downside	15%	19.0
Government accounts with the CBA, billion Armenian drams			
	Upside	15%	(448)
	Base case	70%	(373)
	Downside	15%	(298)
Yield curve, %			
	Upside	15%	9.88
	Base case	70%	10.13
	Downside	15%	10.39

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings, as described above. The Group has rating grades as per which classifies its financial assets per High, Standard, Sub-standard and Impaired grades.

<i>International external rating agency (Moody's, S&P, Fitch) rating</i>	<i>Rating description</i>
A3 to Aaa / A- to AAA and fully cash collateralized assets	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+	Standard grade
B3 to B1 / B- to B+	Sub-standard grade
Below B3 / B-	Impaired

In the table below loans to customers of high grade are those having a minimal level of credit risk, fully collateralized with cash and deposit. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. For banks and securities the Group determines allocation to grades depending on ratings given by international rating agencies.

(thousands of Armenian drams)

The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position and loan commitment, guarantees and other financial facilities, based on the Group's credit rating system.

31 December 2023	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	7	Stage 1	2,714,771	25,540,915	-	-	28,255,686
Amounts due from banks	9	Stage 1	938,175	36,404,766	-	-	37,342,941
Loans to customers at amortised cost	11						
Large business loans including amounts receivable under reverse repo agreements		Stage 1	34,444,558	37,077,442	3,618,987	-	75,140,987
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	4,807,300	4,807,300
Debt investment securities	12						
- Measured at FVOCI		Stage 1	26,646,948	96,210,203	-	-	122,857,151
- Measured at amortised cost		Stage 1	4,016,352	6,531,648	-	-	10,548,000
- Measured at FVOCI pledged under repurchase agreements		Stage 1	-	7,927,279	-	-	7,927,279
Other financial assets		Stage 1	500,545	674,153	-	-	1,174,698
		Stage 2	-	-	2,895	-	2,895
	16	Stage 3	-	-	-	4,764	4,764
Undrawn loan commitments	22	Stage 1	-	14,457,798	-	-	14,457,798
Guarantees	22	Stage 1	-	8,494,788	-	-	8,494,788
Total			69,261,349	233,318,992	3,621,882	4,812,064	311,014,287
31 December 2022	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
	7	Stage 1					
Cash and cash equivalents, except for cash on hand			2,334,918	38,211,293	-	-	40,546,211
Amounts due from banks	9	Stage 1	534,196	45,759,781	-	-	46,293,977
Loans to customers at amortised cost	11						
Corporate lending		Stage 1	28,390,644	31,535,050	3,272,397	-	63,198,091
		Stage 2	-	-	233,537	-	233,537
		Stage 3	-	-	-	5,013,251	5,013,251
Debt investment securities	12						
- Measured at FVOCI		Stage 1	18,926,117	87,963,519	-	-	106,889,636
- Measured at amortised cost		Stage 1	8,952,737	9,455,180	-	-	18,407,917
Other financial assets		Stage 1	90,753	556,092	-	-	646,845
		Stage 2	-	-	5,267	-	5,267
	16	Stage 3	-	-	-	6,547	6,547
Undrawn loan commitments	22	Stage 1	-	16,277,823	-	-	16,277,823
Letter of credits	22	Stage 1	-	334,535	-	-	334,535
Guarantees	22	Stage 1	-	7,209,682	-	-	7,209,682
Total			59,229,365	237,302,955	3,511,201	5,019,798	305,063,319

See Note 11 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

(thousands of Armenian drams)

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2023 and 31 December 2022.

	31 December 2023			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	21,553,252	12,647,552	3,013,502	37,214,306
Trading securities	970,372	-	-	970,372
Amounts due from banks	28,645,172	3,076,325	5,596,943	37,318,440
Derivative financial assets	-	72,646	-	72,646
Loans and advances to customers	236,919,619	34,748,120	163,285	271,831,024
Investment securities	99,370,352	1,212,941	32,892,196	133,475,489
Securities pledged under repurchase agreements	7,927,279	-	-	7,927,279
Other financial assets	910,820	847	242,327	1,153,994
	396,296,866	51,758,431	41,908,253	489,963,550
Liabilities				
Amounts due to banks	4,106,870	2,264	66,833	4,175,967
Derivative financial liabilities	-	31,110	-	31,110
Amounts due to customers	283,649,520	66,029,504	9,570,632	359,249,656
Debt securities issued	18,125,307	1,691,969	550,072	20,367,348
Other borrowed funds	35,377,695	-	1,874,052	37,251,747
Subordinated debt	-	-	-	-
Lease liabilities	1,894,332	48,481	-	1,942,813
Other liabilities	2,245,913	-	285,433	2,531,346
	345,399,637	67,803,328	12,347,022	425,549,987
Net assets/(liabilities)	50,897,229	(16,044,897)	29,561,231	64,413,563

Other non-OECD countries as of 31 December 2023 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon.

	31 December 2022			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	37,150,661	11,601,137	2,382,433	51,134,231
Trading securities	823,400	-	-	823,400
Amounts due from banks	35,878,641	5,722,746	4,676,118	46,277,505
Derivative financial assets	58,292	138,722	-	197,014
Loans and advances to customers	198,153,941	25,653,255	169,487	223,976,683
Investment securities	89,127,312	-	36,235,457	125,362,769
Other financial assets	537,400	314	90,768	628,482
	361,729,647	43,116,174	43,554,263	448,400,084
Liabilities				
Amounts due to banks	297,849	41,126	2,002,034	2,341,009
Amounts due to customers	260,105,275	70,594,358	11,150,692	341,850,325
Debt securities issued	13,429,730	863,590	398,828	14,692,148
Other borrowed funds	31,460,258	-	3,041,198	34,501,456
Subordinated debt	-	276,140	-	276,140
Lease liabilities	1,463,632	57,882	-	1,521,514
Other financial liabilities	2,068,663	-	87,040	2,155,703
	308,825,407	71,833,096	16,679,792	397,338,295
Net assets/(liabilities)	52,904,240	(28,716,922)	26,874,471	51,061,789

Other non-OECD countries as of 31 December 2022 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon.

(thousands of Armenian drams)

Liquidity risk and funding management

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

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% of certain obligations of the Group denominated in Armenian drams and 6% on certain obligations of the Group denominated in foreign currency in Armenian drams and 12% on certain obligations of the Group denominated in foreign currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 December 2023 and 31 December 2022, these ratios were as follows:

	Threshold	31 December 2023, % (Unaudited)	31 December 2022, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets/ total assets)	Min 15%	43.45	46.41
N22 "Current Liquidity Ratio" (highly liquid assets/ liabilities payable on demand)	Min 60%	114.26	102.77

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. See Note 32 for the contractual maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	31 December 2023					Total	Carrying amounts
	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		
Financial liabilities							
Amounts due to banks	4,056,691	65,274	-	-	60,719	4,182,684	4,175,967
Amounts due to customers	180,463,387	22,693,824	94,519,896	69,189,924	1,532,304	368,399,335	359,249,656
Debt securities issued	-	-	13,036,383	8,329,608	-	21,365,991	20,367,348
Other borrowed funds	1,320,882	212,672	3,165,527	17,975,344	25,976,607	48,651,032	37,251,747
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813
Total undiscounted financial liabilities	185,912,801	23,110,702	111,299,123	97,351,053	28,379,367	446,053,046	422,987,531
Commitments and contingent liabilities	22,952,586	-	-	-	-	22,952,586	22,952,586
Derivative financial liabilities	1,776,713	-	-	-	-	1,776,713	1,776,713
	31 December 2022						
	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	Total	Carrying amounts
Financial liabilities							
Amounts due to banks	281,435	1,062,553	896,985	58,997	59,036	2,359,006	2,341,009
Amounts due to customers	197,621,767	20,361,771	80,210,089	51,013,330	1,644,762	350,851,719	341,850,325
Debt securities issued	-	-	185,235	16,219,785	-	16,405,020	14,692,148
Other borrowed funds	689,358	432,628	4,645,705	19,823,528	19,056,770	44,647,989	34,501,456
Subordinated debt	276,562	-	-	-	-	276,562	276,140
Lease liabilities	61,968	122,720	487,415	1,329,302	319,271	2,320,676	1,521,514
Total undiscounted financial liabilities	198,931,090	21,979,672	86,425,429	88,444,942	21,079,839	416,860,972	395,182,592
Commitments and contingent liabilities	23,822,039	-	-	-	-	23,822,039	23,822,039

(thousands of Armenian drams)

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

Average effective interest rates

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2023 and 31 December 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2023			2022		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest earning assets			0.45%- 0.75%			0.45%- 0.75%
Cash and cash equivalent	-	-	-	-	-	-
Trading securities	7.49%	-	-	7.16%	-	-
Amounts due from banks	-	4.83%	3.54%	11.9%	7.27%	-
Loans and advances to customers	14.28%	8.56%	7.26%	13.94%	9.49%	9.47%
Investment securities	9.62%	5.14%	3.14%	9.91%	5.35%	5.35%
Investment securities pledged under repurchase agreements	10.16%	-	-	-	-	-
Interest bearing liabilities			6.24%			2.23%
Amounts due to banks	-	-	-	-	-	-
- Amounts due to customers						
- Amounts payable under repurchase agreements	9.43%-	4.00%	3.13%	-	-	-
- Term deposits from customers	9.84%	3.58%	1.92%	10.32%	4.27%	1.28%
- Current accounts from customers	1.37%	0.14%	0.01%	1.97%	0.12%	-
Debt securities issued	10.09%	4.33%	-	10.14%	4.71%	-
Subordinated debts	-	-	-	-	7.12%	-
Other borrowed funds	6.54%	-	-	6.34%	-	-
Lease liabilities	12.82%	-	-	11.41%	-	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities, except for interest bearing cash and cash equivalents and current accounts and demand deposits from customers, and existing as at 31 December 2023 and 2022, is as follows:

	2023	2022
100 bp parallel rise	(232,913)	(109,305)
100 bp parallel fall	232,913	109,305

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 2023 and 2022 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2023 Equity	2022 Equity
100 bp parallel rise	(2,584,054)	(1,962,667)
100 bp parallel fall	2,584,054	1,962,667

(thousands of Armenian drams)

Currency risk

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

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

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

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	15,533,648	5,969,389	3,513,307	12,197,962	37,214,306
Trading securities	970,372	-	-	-	970,372
Amount due from banks	3,079,747	24,242,355	9,547,954	448,384	37,318,440
Loans and advances to customers	168,899,593	90,051,192	12,880,239	-	271,831,024
Investment securities	88,529,536	35,891,647	9,054,306	-	133,475,489
Investment securities/securities pledged under repurchase agreements	7,927,279	-	-	-	7,927,279
Other assets	553,718	399,101	225,014	4,524	1,182,357
Total assets	285,493,893	156,553,684	35,220,820	12,650,870	489,919,267
Liabilities					
Amounts due to Banks	3,986,080	121,458	66,444	1,985	4,175,967
Amounts due to customers	171,169,356	139,847,150	35,262,437	12,970,713	359,249,656
Debt security issued	8,131,239	12,236,109	-	-	20,367,348
Other borrowed funds	37,251,747	-	-	-	37,251,747
Subordinated debt	-	-	-	-	-
Other liabilities	2,528,400	1,420	1,440	86	2,531,346
Total liabilities	223,066,822	152,206,137	35,330,321	12,972,784	423,576,064
Off balance					
Effect of derivatives (currency swap)	-	1,700,388	201,555	(1,860,407)	41,536
Net position	62,427,071	6,047,935	92,054	(2,182,321)	66,384,739

* Other currencies mainly comprise of balances in RUB and AED.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	18,591,558	8,847,730	10,975,054	12,719,889	51,134,231
Trading securities	823,400	-	-	-	823,400
Amount due from banks	8,965,069	27,547,129	8,191,838	1,573,469	46,277,505
Loans and advances to customers	126,560,263	82,145,088	15,234,796	36,536	223,976,683
Investment securities	73,335,533	34,842,756	17,184,480	-	125,362,769
Investment securities/securities pledged under repurchase agreements	-	-	-	-	-
Other assets	322,732	283,335	50,886	1,706	658,659
Total assets	228,598,555	153,666,038	51,637,054	14,331,600	448,233,247
Liabilities					
Amounts due to Banks	45,401	278,578	2,005,609	11,421	2,341,009
Amounts due to customers	134,153,003	134,316,953	55,720,361	17,660,008	341,850,325
Debt security issued	5,997,216	8,694,932	-	-	14,692,148
Other borrowed funds	34,501,456	-	-	-	34,501,456
Subordinated debt	-	276,140	-	-	276,140
Other liabilities	2,088,384	65,451	1,868	-	2,155,703
Total liabilities	176,785,460	143,632,054	57,727,838	17,671,429	395,816,781
Off balance					
Effect of derivatives (currency swap)	(11,204,585)	6,426,918	4,844,164	130,517	197,014
Net position	40,608,510	16,460,902	(1,246,620)	(3,209,312)	52,613,480

* Other currencies mainly comprise of balances in RUB and AED.

(thousands of Armenian drams)

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2023 and 2022, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes, and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>2023</u>	<u>2022</u>
10% appreciation of USD against AMD	604,794	1,646,090
10% appreciation of EUR against AMD	9,205	(124,662)
10% appreciation of other currencies against AMD	(218,232)	(320,931)

A strengthening of the AMD against the above currencies at 31 December 2023 and 2022 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.

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the Group. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The operational risk management is conducted in a clear and documented manner for all the business processes described, through the internal legal acts regulating those business process, as well as limits for all the processes and operations, and double control mechanisms for all transactions. The more actual operational risk management is described below.

Legal risk: all the standard contract forms of the Group are prepared by the Group's Legal Department by cooperating with the Group's appropriate departments and are approved by the Group's Executive Board. In the Group's day-to-day operations non-standard contracts between the Group and third parties are allowed only in case of appropriate conclusion from the Group's Legal Department.

The IT risks are managed in accordance with internal legal acts.

The risk mitigation mechanisms for the process are:

- ▶ Regulation of all business processes by internal legal acts;
- ▶ Physical protection of the Group's assets and critical documents (including loan contracts);
- ▶ Establishing and maintaining limits;
- ▶ Common preservation of property and records;
- ▶ Implementation and archiving of data journals;
- ▶ Implementation of double control mechanism in recording transactions.

The internal audit periodically assesses the internal control system effectiveness and adequacy with the Group's risks and supervises the Group's activity and operational risks.

The Group's compliance with the standards is accompanied by the internal auditor's periodic observations. The results of those observations are discussed by the Group's management's appropriate representative to whom it concerns. The summaries of the observations are submitted to the Board.

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets. If the securities increase or decrease in value, the Group may, in certain circumstances, require, or be required, to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, country risk and operational risk, and therefore has not derecognised them. In addition, it recognised a financial liability for cash received.

Similarly the Group may sell or re-pledge securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead records a separate asset for any cash given.

(thousands of Armenian drams)

Offsetting of financial instruments

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements. These arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously:

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets recognised 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 received	
31 December 2023						
Loans and advances to customers – reverse repurchase agreements	7,400,589	-	7,400,589	(7,400,589)	-	-
Total financial assets	7,400,589	-	7,400,589	(7,400,589)	-	-
Amounts due to banks - Repurchase agreements with CBA	(3,933,642)	-	(3,933,642)	(3,933,642)	-	-
Amounts due to customers - repurchase agreements with financial institutions	(3,806,274)	-	(3,806,274)	(3,806,274)	-	-
Total financial liabilities	(7,739,916)	-	(7,739,916)	(7,739,916)	-	-

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets recognised 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 received	
31 December 2022						
Amounts due from banks – reverse repurchase agreements	6,031,539	-	6,031,539	(6,031,539)	-	-
Loans and advances to customers – reverse repurchase agreements	6,673,850	-	6,673,850	(6,673,850)	-	-
Total financial assets	12,705,389	-	12,705,389	(12,705,389)	-	-

(thousands of Armenian drams)

31. Fair value measurements

Fair value measurement procedures

The Group's management determines the policies and procedures for both recurring fair value measurement, such as trading and FVOCI securities, derivatives and for non-recurring measurement, such as repossessed assets.

External valuers are involved for valuation of significant assets, such as properties and repossessed assets. Involvement of external valuers is decided upon annually by the Board.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments that are not measured at fair value

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

	31 December 2023			Total fair values	Total carrying amount
	Level 1	Level 2	Level 3		
Financial assets					
Loans and advances to customers	-	-	262,030,598	262,030,598	271,831,024
Investment securities at amortised cost	4,015,412	6,532,346	-	10,547,758	10,537,783
Financial liabilities					
Amounts due to customers	-	-	360,247,244	360,247,244	359,249,656
Other borrowed funds	-	-	35,744,907	35,744,907	37,251,747
Debt securities issued	-	20,082,581	-	20,082,581	20,367,348
	31 December 2022			Total fair values	Total carrying amount
	Level 1	Level 2	Level 3		
Financial assets					
Loans and advances to customers	-	-	217,027,374	217,027,374	223,976,683
Investment securities at amortised cost	7,012,418	9,307,696	-	16,320,114	18,392,578
Financial liabilities					
Amounts due to customers	-	-	342,912,851	342,912,851	341,850,325
Other borrowed funds	-	-	33,383,126	33,383,126	34,501,456
Debt securities issued	-	14,700,166	-	14,700,166	14,692,148

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

(thousands of Armenian drams)

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 3% to 24% per annum (2022: 3% to 22% per annum).

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 3% to 10% per annum (2022: 2% to 10% per annum).

Other borrowed funds

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.6% to 10.6% per annum (2022: 4.5% to 10% per annum).

Financial instruments that are measured at fair value

	31 December 2023		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	970,372	970,372
Derivative financial assets	-	72,646	72,646
Investment securities at FVOCI	26,646,948	96,290,758	122,937,706
Investment securities at FVOCI pledged under repurchase agreements		7,927,279	7,927,279
Total	26,646,948	105,261,055	131,908,003
Financial liabilities			
Derivative financial liabilities	-	31,110	31,110
Net fair value	26,646,948	105,229,945	131,876,893

	31 December 2022		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	823,400	823,400
Derivative financial assets	-	197,014	197,014
Investment securities at FVOCI	18,926,118	88,044,073	106,970,191
Total	18,926,118	89,064,487	107,990,605
Net fair value	18,926,118	89,064,487	107,990,605

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. There were no transfers between Level 1 and 2 in 2023 (2022: none).

Fair value measurement of non-financial assets and liabilities

	31 December 2023	
	Level 3	Total
Non-financial assets		
Land and buildings	5,164,027	5,164,027
Total	5,164,027	5,164,027
	31 December 2022	
	Level 3	Total
Non-financial assets		
Land and buildings	5,305,397	5,305,397
Total	5,305,397	5,305,397

(thousands of Armenian drams)

Fair value measurements in Level 3

The Group's non-financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial assets and financial liabilities within this level can be reconciled from beginning to ending balance as follows:

<i>Non-financial assets</i>	<i>Land and buildings</i>	<i>Total</i>
Balance as at 1 January 2023	5,305,397	5,305,397
Purchases	3,601	3,601
Depreciation charge	(144,971)	(144,971)
Net fair value at 31 December 2023	5,164,027	5,164,027

<i>Non-financial assets</i>	<i>Land and buildings</i>	<i>Total</i>
Balance as at 1 January 2022	4,790,824	4,790,824
Purchases	9,561	9,561
Effect of revaluation	627,598	627,598
Depreciation charge	(122,586)	(122,586)
Net fair value at 31 December 2022	5,305,397	5,305,397

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

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

The land and buildings were revalued in 2022. The land and buildings were previously revalued in 2019.

(thousands of Armenian drams)

32. Maturity analysis of assets and liabilities

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

	31 December 2023							Total
	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	Overdue	No maturity	
Cash and cash equivalents	37,214,306	-	-	-	-	-	-	37,214,306
Trading securities	-	-	48,524	499,276	422,572	-	-	970,372
Amounts due from banks	8,787,442	-	-	-	-	-	28,530,998	37,318,440
Derivative financial assets	72,646	-	-	-	-	-	-	72,646
Loans and advances to customers	11,001,993	34,838,944	40,959,074	95,450,097	88,204,670	1,376,246	-	271,831,024
Investment securities pledged under repurchase agreements	2,534,247	24,173,417	32,770,838	48,457,356	25,459,053	-	80,578	133,475,489
Property, plant and equipment	-	-	1,607,671	6,319,608	-	-	-	7,927,279
Intangible assets	-	-	-	-	-	-	11,095,293	11,095,293
Repossessed assets	-	-	-	-	-	-	804,122	804,122
Other assets	3,048,832	16,970	805,618	250,526	41,251	-	1,866	4,165,063
Total assets	62,659,466	59,029,331	76,191,725	150,976,863	114,127,546	1,376,246	41,395,065	505,756,242
Liabilities								
Amounts due to banks	4,053,648	61,600	-	-	-	-	60,719	4,175,967
Derivative financial liabilities	31,110	-	-	-	-	-	-	31,110
Amounts due to customers	179,994,800	21,893,507	91,386,739	64,790,678	1,183,932	-	-	359,249,656
Current income tax liabilities	-	-	2,675,304	-	-	-	-	2,675,304
Debt securities issued	-	-	12,528,916	7,838,432	-	-	-	20,367,348
Other borrowed funds	1,216,606	210,359	2,991,485	15,032,135	17,801,162	-	-	37,251,747
Lease liabilities	38,832	74,439	315,731	1,018,034	495,777	-	-	1,942,813
Provisions on commitments and contingencies	323,878	-	-	-	-	-	-	323,878
Deferred tax liabilities	-	-	-	494,462	-	-	-	494,462
Other liabilities	231,437	223,206	2,448,666	631,448	11,468	-	-	3,546,225
Total liabilities	185,890,311	22,463,111	112,346,841	89,805,189	19,492,339	-	60,719	430,058,510
Net position	(123,230,845)	36,566,220	(36,155,116)	61,171,674	94,635,207	1,376,246	41,334,346	75,697,732

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.

(thousands of Armenian drams)

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2022:

	31 December 2022							Total
	<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>Overdue</i>	<i>No maturity</i>	
Cash and cash equivalents	51,134,231	-	-	-	-	-	-	51,134,231
Trading securities	-	41,159	-	450,160	332,081	-	-	823,400
Amounts due from banks	15,596,541	-	553,481	-	-	-	30,127,483	46,277,505
Derivative financial assets	197,014	-	-	-	-	-	-	197,014
Loans and advances to customers	12,911,871	12,770,613	54,087,778	72,197,446	69,887,764	2,121,211	-	223,976,683
Investment securities	4,389,873	9,715,708	34,578,857	57,502,677	19,095,300	-	80,354	125,362,769
Property, plant and equipment	-	-	-	-	-	-	8,775,341	8,775,341
Intangible assets	-	-	-	-	-	-	653,241	653,241
Repossessed assets	-	-	-	-	-	-	2,039,484	2,039,484
Other assets	3,672,746	28,356	769,718	183,843	239,848	-	1,865	4,896,376
Total assets	87,902,276	22,555,836	89,989,834	130,334,126	89,554,993	2,121,211	41,677,768	464,136,044
Liabilities								
Amounts due to banks	281,435	1,056,238	889,860	54,440	-	-	59,036	2,341,009
Amounts due to customers	197,054,993	19,948,505	76,247,480	47,352,849	1,246,498	-	-	341,850,325
Current income tax liabilities	-	-	3,208,769	-	-	-	-	3,208,769
Debt securities issued	-	-	941,965	13,750,183	-	-	-	14,692,148
Other borrowed funds	636,233	233,552	3,050,793	14,040,461	16,540,417	-	-	34,501,456
Subordinated debt	276,140	-	-	-	-	-	-	276,140
Lease liabilities	42,575	85,150	339,401	886,970	167,418	-	-	1,521,514
Provisions on commitments and contingencies	143,063	-	-	-	-	-	-	143,063
Deferred tax liabilities	-	-	-	138,794	-	-	-	138,794
Other liabilities	176,141	247,154	2,250,635	-	13,892	-	-	2,687,822
Total liabilities	198,610,580	21,570,599	86,928,903	76,223,697	17,968,225	-	59,036	401,361,040
Net position	(110,708,304)	985,237	3,060,931	54,110,429	71,586,768	2,121,211	41,618,732	62,775,004

(thousands of Armenian drams)

33. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these consolidated financial statements, related parties include the Parent, entities under common control, members of Group's Management as well as other persons and enterprises related with and controlled by them respectively. The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

A number of banking transactions are entered into with related parties. These include loans, deposits and other transactions. The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

The outstanding balances and the income and expense arising from related party transactions are as follows:

	31 December 2023			31 December 2022		
	Parent	Entities under common control	Key management personnel and their close family members	Parent	Entities under common control	Key management personnel and their close family members
Consolidated statement of financial position						
Loans and advances to customers						
Loans outstanding at 1 January, gross	11,719	30,103,012	230,755	4,648	37,948,054	292,780
Loans issued during reporting period	54,104	15,911,861	1,055,639	81,838	15,453,031	810,453
Loan repayments during reporting period	(52,274)	(14,548,125)	(1,029,244)	(74,767)	(23,298,073)	(872,478)
Loans outstanding at the end of the reporting period, gross	13,549	31,466,748	257,150	11,719	30,103,012	230,755
Less: allowance for loan impairment	(204)	(5,111)	(2,501)	(145)	(47,687)	(1,399)
Loans outstanding at the end of the reporting period, net	13,345	31,461,637	254,649	11,574	30,055,325	229,356
Amounts due to customers						
Deposits at 1 January	219,593	38,071,478	1,110,438	173,543	59,007,765	1,041,183
Deposits received during reporting period	6,852,465	152,653,381	9,893,988	992,054	190,544,006	6,064,298
Deposits repaid during reporting period	(7,011,809)	(140,914,062)	(9,652,962)	(946,004)	(211,480,293)	(5,995,043)
Deposits at the end of the reporting period	60,249	49,810,797	1,351,464	219,593	38,071,478	1,110,438
Amounts due to customers – subordinated debt						
Subordinated debt at 1 January	-	276,140	-	-	336,885	-
Redemption of subordinated loans	-	(276,346)	-	-	-	-
Net result from FX revaluation	-	849	-	-	(62,010)	-
Other movements	-	(643)	-	-	1,264	-
Subordinated debt at the end of the reporting period	-	-	-	-	276,140	-
Items not recognised in the consolidated statement of financial position						
Guarantees given	-	-	-	-	-	-
Consolidated statement of comprehensive income						
Interest income	-	2,618,610	22,576	-	2,753,980	37,279
Fee and commission income	72	40,037	5,571	138	25,951	6,246
Other income	21,543	86,098	5,808	3,106	144,336	5,619
Interest expense	(16,915)	(1,357,358)	(56,938)	(2,680)	(1,833,030)	(59,629)
Impairment charge	(59)	42,576	(1,102)	(103)	(5,185)	306
Other expenses	(3)	(29,148)	(50,430)	-	(57,278)	(32,949)

(thousands of Armenian drams)

Deposits from entities under common control denominated in USD have 3.79% average EIR and maturity 2024-2029 (2022: 4.75%, and maturity 2023-2029). Deposits from Key management personnel and their close family members denominated in AMD have 10.25% average EIR and maturity 2024-2025, in USD 3.47% average EIR with maturity 2024-2025, in EUR 1.02% average EIR with maturity 2024-2025 (2022: AMD 9.46%, maturity 2023-2024, USD 3.62%, maturity 2023-2024).

Loans to entities under common control denominated in AMD have 17.36% average EIR and maturity 2026-2042, in USD have 8.45% average EIR and maturity 2024-2041, (2022: AMD 19.05%, maturity 2026-2042, USD 8.22% maturity 2023-2041, in EUR 14%, maturity 2041). Loans to Key management personnel and their close family members denominated in AMD have 11.43% average EIR and maturity 2025-2043, in USD 7.9% average EIR with maturity 2033-2043, in EUR 5.04% average EIR with maturity 2033-2041 (2022: AMD 11.41%, maturity 2023-2042, USD 7.81%, maturity 2033-2041, EUR 5.11%, maturity 2034-2041).

Out of total loans to related party AMD 31,415,482 thousand is collateralized with cash and deposit (2022: AMD 30,091,627 thousand is collateralized with cash and deposit).

Compensation of key management personnel was comprised of the following:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Salaries and other short-term benefits	1,139,033	690,230
Total key management personnel compensation	<u>1,139,033</u>	<u>690,230</u>

34. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Other borrowed funds</i>	<i>Subordinated loans</i>	<i>Lease liabilities</i>	<i>Total liabilities from financing activities</i>
Carrying amount at 31 December 2021	19, 21	17,235,691	29,144,282	336,885	1,440,047	48,156,905
Proceeds from issue		8,214,949	11,654,735	-	-	19,869,684
Redemption		(8,735,050)	(6,256,980)	-	(575,601)	(15,567,631)
Foreign currency translation		(1,995,518)	(133,265)	(62,010)	-	(2,190,792)
Additions and modifications		-	-	-	507,609	507,609
Interest expense on lease liabilities		-	-	-	149,459	149,459
Other		(27,924)	92,684	1,265	-	66,025
Carrying amount at 31 December 2022	19, 21	<u>14,692,148</u>	<u>34,501,456</u>	<u>276,140</u>	<u>1,521,514</u>	<u>50,991,258</u>
Proceeds from issue		5,295,222	8,116,744	-	-	13,411,966
Redemption		-	(5,392,342)	(276,346)	(647,653)	(6,316,341)
Foreign currency translation		347,319	-	849	-	348,168
Additions and modifications		-	-	-	907,903	907,903
Interest expense on lease liabilities		-	-	-	156,685	156,685
Other		32,659	25,889	(643)	4,364	62,269
Carrying amount at 31 December 2023	19, 21	<u>20,367,348</u>	<u>37,251,747</u>	<u>-</u>	<u>1,942,813</u>	<u>59,561,908</u>

The "Other" line includes the effect of change of accrued interest balance on debt securities issued, other borrowed funds, subordinated loans.

(thousands of Armenian drams)

35. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. New capital adequacy ratios came into force on June 1, 2023. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

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

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

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Capital Accord 1988 principles, banks have to maintain a ratio of tier 1 capital to risk weighted assets, as well as a ratio of tier 1 core capital to risk weighted assets and a ratio of total capital to risk weighted assets (capital adequacy ratios N1.1, N1.2 and N1, were accordingly 6.2%, 8.3% and 11%) above the prescribed minimum levels. As at 31 December 2022 this minimum levels of N1.1 and N1.2 ratios were accordingly 9% and 12%. The Group is in compliance with the statutory capital ratio as at 31 December 2023 and 31 December 2022.

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, as at 31 December 2023 and 31 December 2022:

	31 December 2023 (Unaudited)	31 December 2022 (Unaudited)
Tier 1 capital	69,846,025	55,257,747
Tier 2 capital	2,951,362	(407,983)
Total capital	72,797,387	54,849,764
Risk-weighted assets	416,724,739	344,620,487
Capital adequacy ratio N1.1	16.76%	16.03%
Capital adequacy ratio N1.2	17.47%	15.92%

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

The Group has complied with externally imposed capital requirements as at 31 December 2023 and 31 December 2022.