Financial Statements and Independent Auditor's Report

“Credit Concept” universal credit organization closed joint stock company

31 December 2024

Contents

Independent Auditor's Report

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To the shareholders of "Credit Concept" universal credit organization closed joint stock company

Opinion

We have audited the financial statements of "Credit Concept" universal credit organization closed joint stock company (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

27 June 2025

Statement of profit or loss and other comprehensive income

In thousand AMD

	Notes	2024	2023
Interest income calculated using effective interest rate	5	652,897	303,516
Other interest income	5	13,998	3,986
Interest expense	5	(318,382)	(147,714)
Net interest income		**348,513**	**159,788**
Fee and commission income	6	1,001	167
Fee and commission expense	6	(4,564)	(1,185)
Net fee and commission expense		**(3,563)**	**(1,018)**
Net gain from foreign currency transactions		67,480	7,922
Net gain on derecognition of investment securities measured at fair value through other comprehensive income		40,280	1,406
Other income		4,798	2,723
Credit loss expenses	7	(19,024)	(27,611)
Personnel expenses	8	(152,313)	(67,012)
Other expenses	9	(71,221)	(55,139)
Profit before tax		**214,950**	**21,059**
Income tax expense	10	(44,449)	(5,201)
Profit for the year		**170,501**	**15,858**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt securities)			
Net unearned gain from fair value changes		10,189	32,091
Changes in allowance for expected credit losses		(1,606)	1,256
Income tax relating to items that will be reclassified		(1,895)	(1,702)
Net gain on investment securities at fair value through other comprehensive income		**6,688**	**31,645**
Total comprehensive income for the year		**177,189**	**47,503**

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 53.

Statement of financial position

In thousand AMD	Notes	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	11	47,515	95,460
Deposits in banks	12	302,694	135,502
Investment securities measured at FVOCI	13	-	34,312
Securities pledged under sale and repurchase agreements	13	221,643	780,706
Loans to customers	14	5,332,368	2,909,408
Property, equipment and intangible assets	15	37,667	22,418
Deferred tax assets	10	2,237	4,542
Other assets	16	39,928	13,422
Total assets		**5,984,052**	**3,995,770**
Liabilities and equity			
Liabilities			
Loans under repurchase agreements	17	203,610	734,032
Loans and borrowings	18	4,893,255	2,622,613
Subordinated debt	19	39,682	40,519
Current income tax liabilities		40,311	-
Other liabilities	20	55,215	101,816
Total liabilities		**5,232,073**	**3,498,980**
Equity			
Share capital	21	633,000	555,000
Revaluation reserve		(10,750)	(17,438)
Retained earnings (Accumulated loss)		129,729	(40,772)
Total equity		**751,979**	**496,790**
Total liabilities and equity		**5,984,052**	**3,995,770**

The financial statements were approved on 27 June 2025 by:

Karen Petrosyan
Chief Executive Officer

Alisa Sargsyan
Chief Accountant

"CREDIT CONCEPT"
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The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 53.

Statement of changes in equity

In thousand AMD	Share capital	Fair value reserve for investment securities	Retained earnings (Accumulated loss)	Total
Balance at 1 January 2024	**555,000**	**(17,438)**	**(40,772)**	**496,790**
Profit for the year	-	-	170,501	170,501
Other comprehensive income:				
Net change in fair value of investment securities at FVOCI	-	37,710	-	37,710
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	(27,521)	-	(27,521)
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	(1,606)	-	(1,606)
Income tax relating to components of other comprehensive income	-	(1,895)	-	(1,895)
Total comprehensive income for the year	**-**	**6,688**	**170,501**	**177,189**
Increase in share capital	78,000	-	-	78,000
Total transactions with owners	**78,000**	**-**	**-**	**78,000**
Balance at 31 December 2024	**633,000**	**(10,750)**	**129,729**	**751,979**
Balance at 1 January 2023	**415,000**	**(49,083)**	**(56,630)**	**309,287**
Profit for the year			15,858	15,858
Other comprehensive income:				
Net change in fair value of investment securities at FVOCI	-	35,293	-	35,293
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	(3,202)	-	(3,202)
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	1,256	-	1,256
Income tax relating to components of other comprehensive income	-	(1,702)	-	(1,702)
Total comprehensive income for the year	**-**	**31,645**	**15,858**	**47,503**
Increase in share capital	140,000	-	-	140,000
Total transactions with owners	**140,000**	**-**	**-**	**140,000**
Balance at 31 December 2023	**555,000**	**(17,438)**	**(40,772)**	**496,790**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 53.

Statement of cash flows

In thousand AMD

	2024	2023
Cash flows from operating activities		
Profit before tax	214,950	21,059
Adjustments for		
Amortization and depreciation allowances	5,518	4,148
Credit loss expense on financial assets	19,024	27,611
Foreign currency translation net (gain) loss	11,427	(2,685)
Interest receivable	(13,398)	(12,715)
Interest payable	18,514	21,877
Cash flows from operating activities before changes in operating assets and liabilities	**256,035**	**59,295**
(Increase) decrease in operating assets		
Deposits in banks	(173,724)	(56,921)
Loans to customers	(2,426,545)	(1,845,745)
Other assets	(26,260)	8,456
Increase (decrease) in operating liabilities		
Loans under repurchase agreements	(530,740)	554,189
Other liabilities	(51,561)	89,063
Net cash flow used in operating activities before income tax	**(2,952,795)**	**(1,191,663)**
Income tax paid	(3,728)	-
Net cash used in operating activities	**(2,956,523)**	**(1,191,663)**

Statement of cash flows (continued)

In thousand AMD

	2024	2023
Cash flows from investing activities		
Purchase of investment securities	-	(775,214)
Proceeds from sale of investment securities	603,137	185,463
Purchase of property, equipment and intangible assets	(20,777)	(4,842)
Proceeds from sale of property, equipment and intangible assets	336	-
Net cash from (used in) investing activities	**582,696**	**(594,593)**
Cash flows from financing activities		
Proceeds from issue of share capital	78,000	140,000
Loans and borrowings received	33,768,045	3,728,101
Loans and borrowings repaid	(31,512,844)	(1,995,983)
Net cash from financing activities	**2,333,201**	**1,872,118**
Net increase (decrease) in cash and cash equivalents	**(40,626)**	**85,862**
Cash and cash equivalents at the beginning of the year	95,460	3,052
Effect of exchange differences on cash and cash equivalents	(7,319)	6,546
Cash and cash equivalents at the end of the year (Note Error! Reference source not found.**)**	**47,515**	**95,460**
Supplementary information:		
Interest received	653,497	294,787
Interest paid	(299,868)	(125,837)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 53.

Notes to the financial statements

"Credit Concept" universal credit organization closed joint stock company

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

1 Nature of operations

The principal activity of the “Credit Concept” universal credit organization closed joint stock company (the “Company”) is lending. The Company provides a comprehensive package of financial services throughout the entire chain of agricultural production, processing and marketing, including operational and business development loans, farm development and seasonal loans to food processing enterprises, rural small and medium entities and private farmers.

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

“Credit Concept” universal credit organization closed joint stock company (the “Company”) was incorporated in the Republic of Armenia on 31.07.2020 regulating by the legislation of RA and conducting its business under license number 54.

By Resolution No. 122 of 31.07.2020 of the Board of the Central Bank of Armenia (the “CBA”), the Company was granted license No. 359 to carry out all financial operations permitted by the RA Law "On Credit Organizations" and by the normative legal acts of the CBA of RA to credit organizations.

The registered office of the Company is located at: Arzumanyan st. 16/7, Yerevan, Republic of Armenia.

As at 31 December 2024 the number of employees of the Company is 18 employees (31 December 2023: 15 employees).

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

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

Business environment

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

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

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

These financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations of the Company. The Company’s management constantly analyzes the economic situation in the current environment. The future economic and political situation and its impact on the Company’s operations may differ from the management's current expectations

2.1 Presentation of financial statements

The Company presents its statement of financial position in order of liquidity based on the Company’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 26.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2024

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

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

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

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

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

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

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

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

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

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

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

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

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

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

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

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories.

Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

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

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

4 Material accounting policies

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

4.1 Basis of preparation

The financial statements have been prepared on a fair value basis for financial instruments at fair value through other comprehensive income. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost.

4.2 Climate-related matters

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

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

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

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

4.3 Foreign currency

Functional and presentation currency

The national currency of Armenia is the Armenian dram (“AMD”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

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

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of non-trading assets are recognized in the statement of financial performance in the line item “Net gain from foreign currency transactions”. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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

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

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

4.4 Recognition of income and expenses

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

The effective interest rate method

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

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

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

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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

For information on when financial assets are credit-impaired, see Note 4.6(vi)).

Other interest income

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

Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate .

Other fee and commission income – including transactions and servicing fees – is recognised as the related services are performed.

4.5 Income tax

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

Current tax

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

Deferred tax

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

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

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

4.6 Financial instruments

i) Recognition and initial measurement

The Company initially recognises loans, deposits and liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which The Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Financial liabilities are never reclassified.

Financial liabilities

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

iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see Note 4.6(iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

Financial liabilities

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

iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see Note 4.6(iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs.

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

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

v) Offsetting

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

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

vi) Impairment

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

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL (12mECLs) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

Measurement of ECL

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 27.1.2.

Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2, Stage 3, as described below:

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

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

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

PD (the Probability of Default) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD (the Exposure at Default) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD (the Loss Given Default) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The PD, the EAD and the LGD are further explained in Note 1034502127.1.2.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 4.6 (iii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

Presentation of allowances for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise balances on current accounts with banks. Cash and cash equivalents are carried at amortised cost.

4.8 Deposits in banks

In the normal course of business, the Company maintains advances or deposits for various periods of time with banks. Deposits to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method.

Deposits to banks are carried net of any allowance for impairment losses.

4.9 Loans to customers

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

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

Loans to customers are carried net of any allowance for impairment losses.

4.10 Investment securities

The "investment securities" caption in the statement of financial position includes investment securities measured at FVOCI.

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

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

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

4.11 Repurchase and reverse repurchase agreements

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

4.12 Leases

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company,
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defies scope of the contract,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

Company as a lessee

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

As at 31 December 2024 and 31 December 2023 the Company has designated all of its leases as a low-value asset or lease with a lease term of less than 12 months at the time of initial application of the standard, as under all the terms of the Company lease agreement, the lessee and the lessor, in turn, have the right to terminate the lease early without any obligation to pay fines or penalties, without the consent of the other party (by informing within one to three months prior to termination). The Company also estimates that the costs associated with a possible termination of the lease, such as relocation, identification of another asset that is appropriate to the Company's needs, and integration of a new asset into the Company' s operations, are negligible.

Company as a lessor

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease. Upon commencement of a finance lease, the

Company recognise the net investment in the leases, which is the minimum lease payments receivable discounted at the interest rate implicit in the lease. The difference between the gross investment and its present value is recorded as unearned finance lease income.

Finance lease income is recognised based on pattern reflecting a constant periodic rate of return on the net investment in respect of the finance lease. Initial direct costs are included in the initial measurement of the lease receivables.

When the Company takes possession of finance lease assets under terminated lease contracts, it measures the assets at the lower of net realisable value and amortised historical cost of the inventory.

4.13 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset and the residual value. The Company depreciates and amortizes its property, equipment and intangible assets considering a residual value of 5% of the asset's cost. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Computer and other communication equipment	3	33.3
Property and office equipment	8	12.5
Other property and equipment	8	12.5
Server	5	20
Property and equipment, low value up to AMD 50,000	1	100

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

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

4.14 Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 5 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

4.15 Impairment of non-financial assets

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

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

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

4.16 Borrowings

Borrowings, which include loans, borrowings from related party, overdrafts from commercial banks and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

4.17 Equity

Share capital

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

Retained earnings/Accumulated losses

Include accumulated earnings/losses of current and previous periods.

Fair value reserve for investments securities at FVOCI

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

4.18 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

4.18.1 Significant judgements in applying accounting policies

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

Classification of financial assets:

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

Establish criteria for calculating ECL

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

4.18.2 Assumptions and estimations uncertainty

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 24).

Useful Life of property and equipment

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

Extension options for leases

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

In assessing the non-cancellable term, the Company takes into account all the terms of the lease agreement, according to which, the lessee and the lessor each in turn have the right to terminate the lease early without any penalty or commitment for losses, without the permission of another party (by informing within one to three months before termination). The Company also assessed that the costs associated with the possible termination of lease agreements, such as relocation, the identification of another asset underlying the Company's needs (search), and the cost of integrating a new asset into the Company's activities.

Impairment of financial instruments

The Company assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see Note 27.1.2), as well as the key assumptions used in estimating recoverable cash flows (see Note 4.6.(vi)).

Tax legislation

Armenian tax legislation is subject to varying interpretations. see Note 22.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

5 Net interest income

	2024	2023
Interest income calculated using effective interest rate		
Cash and cash equivalents	674	270
Deposits in banks	1,117	7,031
Loans to customers	622,001	272,807
Investment securities at FVOCI (including the pledged securities)	29,105	23,408
	652,897	**303,516**
Other interest income		
Finance lease receivables	13,998	3,986
Total interest income	**666,895**	**307,502**

Borrowings from related party and subordinated debt	(40,749)	(26,330)
Loans received from the Treasury under international programs	(67,255)	(26,601)
Loans from the CBA through international programs	(150,031)	(54,409)
Loans under repurchase agreements	(21,939)	(31,020)
Other interest expense	(38,408)	(9,354)
Total interest expense	**(318,382)**	**(147,714)**
Total net interest income	**348,513**	**159,788**

6 Fee and commission income and expense

	2024	2023
Fee and commission income from lease agreements	935	167
Other fees and commissions	66	-
Total fee and commission income	**1,001**	**167**
Wire transfer fees	(4,214)	(940)
Securities operations	(230)	(245)
Payment system integration fee	(120)	-
Total fee and commission expense	**(4,564)**	**(1,185)**

7 Credit loss expense (reversal of credit loss expense)

					2024
	Note	Stage 1	Stage 2	Stage 3	Total
Deposits in banks	12	1,689	-	-	1,689
Investment securities	13	(1,606)	-	-	(1,606)
Loans to customers	14	9,870	3,014	5,584	18,468
Other assets	16	473	-	-	473
Total credit loss expense		**10,426**	**3,014**	**5,584**	**19,024**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

					2023
	Note	Stage 1	Stage 2	Stage 3	Total
Deposits in banks	12	536	-	-	536
Investment securities	13	1,256	-	-	1,256
Loans to customers	14	18,035	(719)	8,791	26,107
Other assets	16	(288)	-	-	(288)
Total credit loss expense (reversal of credit loss expense)		**19,539**	**(719)**	**8,791**	**27,611**

8 Personnel expenses

	2024	2023
Compensations of employees, related taxes included	151,164	66,369
Personnel training expenses	1,149	643
Total personnel expenses	**152,313**	**67,012**

9 Other expenses

	2024	2023
Depreciation and amortization	5,518	4,148
Fixed assets maintenance	7,657	6,354
Communications	1,176	1,509
Advertising costs	606	1,251
Loan collection fee	8,117	4,760
Taxes, other than income tax, duties	7,220	7,106
Consulting and other services	4,200	2,400
Security	504	451
Representative expenses	1,095	1,544
Office supplies	3,050	1,619
Expenses of short-term assets leases	17,150	13,147
Entrance fees for professional associations	4,504	1,279
AS service fee	6,700	5,162
Other expenses	3,724	4,409
Total other expenses	**71,221**	**55,139**

10 Income tax expense

	2024	2023
Current tax expense	41,151	-
Adjustments of current income tax of previous years	2,888	-
Deferred tax	410	5,201
Total income tax expense	**44,449**	**5,201**

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

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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

	2024	Effective tax rate (%)	2023	Effective tax rate (%)
Profit before taxation	214,950		21,059	
Income tax	38,691	18	3,791	18
Non-deductible expenses	813	-	1,893	9
Adjustments for prior years	2,888	1	-	-
Net gain from revaluation	2,057	1	(483)	(2)
Income tax expense	**44,449**	**20**	**5,201**	**25**

Deferred tax calculation in respect of temporary differences:

	2023	Recognized in profit or loss	Recognized in other comprehensive income	2024		
				Net	Deferred tax asset	Deferred tax liability
Loans to customers	(1,828)	(1,685)	-	(3,513)	-	(3,513)
Investment securities	4,196	(289)	(1,895)	2,012	2,012	-
Other assets	(190)	(15)	-	(205)	-	(205)
Property, equipment and intangible assets	(92)	(560)	-	(652)	-	(652)
Loans and borrowings	(10)	410	-	400	400	-
Other liabilities	2,466	1,729	-	4,195	4,195	-
Deferred tax asset (liability)	**4,542**	**(410)**	**(1,895)**	**2,237**	**6,607**	**(4,370)**

	2022	Recognized in profit or loss	Recognized in other comprehensive income	2023		
				Net	Deferred tax asset	Deferred tax liability
Loans to customers	(808)	(1,020)	-	(1,828)	-	(1,828)
Investment securities	7,458	(1,560)	(1,702)	4,196	4,196	-
Other assets	-	(190)	-	(190)	-	(190)
Property, equipment and intangible assets	(181)	89	-	(92)	-	(92)
Loans and borrowings	131	(141)	-	(10)	-	(10)
Other liabilities	1,236	1,230	-	2,466	2,466	-
Tax losses carried forward	3,609	(3,609)	-	-	-	-
Deferred tax asset (liability)	**11,445**	**(5,201)**	**(1,702)**	**4,542**	**6,662**	**(2,120)**

11 Cash and cash equivalents

	31 December 2024	31 December 2023
Current accounts with banks	47,515	17,396
Accumulation account for replenishment of share capital in banks	-	78,064
Total cash and cash equivalents	**47,515**	**95,460**

As at 31 December 2024 the amounts of current accounts with Banks in amounts of AMD 36,122 thousand (76%) were due from 3 commercial banks (2023: AMD 91,603 thousand (96%) were due from 2 commercial banks).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

In January 2024, an amount of AMD 78,000 thousand was transferred from the accumulation account to the replenishment of the share capital (refer to note 21).

As at 31 December 2024, turnover of all bank accounts opened by the Company in one bank are pledged under the overdraft from the RA commercial bank. Restrictions on cash are applied only in the event of a default on the Company's contractual obligations (see Note 18).

As at 31 December 2024 and 31 December 2023 the ECLs relating to cash rounds to zero, that's why it's not disclosed here.

12 Deposits in banks

	31 December 2024	31 December 2023
Deposits in banks	305,752	136,871
	305,752	**136,871**
ECL allowances	(3,058)	(1,369)
Total deposits in banks	**302,694**	**135,502**

Deposits in banks have a maturity of more than 90 days.

As at 31 December 2024 deposits in amount of AMD 305,752 thousand (100%) are placed in 1 banks (2023: AMD 136,871 thousand (100%), placed in two banks).

An analysis of changes in the ECLs on deposits in banks as follows:

	2024	2023
	Stage 1	Stage 1
ECL allowance at the beginning of the year	1,369	833
Net remeasurement of loss allowance	1,689	536
Balance at 31 December	**3,058**	**1,369**

13 Investment securities

	31 December 2024	31 December 2023
Investment securities measured at FVOCI		
RA state bonds	-	34,312
Total investment securities at FVOCI	**-**	**34,312**
Investment securities measured at FVOCI pledged under repurchase agreements		
RA state bonds	221,643	780,706
Total investment securities at FVOCI pledged under repurchase agreements	**221,643**	**780,706**
Total investment securities	**221,643**	**815,018**

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

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	2,218	962
Net remeasurement of loss allowance	(1,606)	1,256
Balance at 31 December	**612**	**2,218**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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

All debt securities have fixed coupons.

As at 31 December 2024 investments securities measured at FVOCI gross amounted to AMD 221,643 thousand, were pledged as collateral under loan under repurchase agreement (2023: AMD 780,706 thousand) (see Note 17).

Investment securities measured at FVOCI by effective interest rates and maturity date comprise:

	2024		2023	
	%	Maturity	%	Maturity
RA state bonds	9.18	2037	9.18-11.20	2033-2037

14 Loans to customers

	31 December 2024			31 December 2023		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Agricultural						
Animal Farming	1,044,297	(5,782)	1,038,515	660,113	(3,560)	656,553
Fruit and vegetable production	2,287,945	(10,181)	2,277,764	1,260,317	(9,604)	1,250,713
Other agricultural loans	304	(1)	303	1,521	(74)	1,447
	3,332,546	**(15,964)**	**3,316,582**	**1,921,951**	**(13,238)**	**1,908,713**
Commercial lending						
Trade	760,230	(5,315)	754,915	382,454	(2,125)	380,329
Industry	297,743	(1,801)	295,942	147,033	(683)	146,350
Other commercial loans	548,031	(4,505)	543,526	237,817	(1,278)	236,539
	1,606,004	**(11,621)**	**1,594,383**	**767,304**	**(4,086)**	**763,218**
Consumer lending	**293,766**	**(16,083)**	**277,683**	**187,669**	**(9,944)**	**177,725**
Financial lease receivables	**144,961**	**(1,241)**	**143,720**	**60,310**	**(558)**	**59,752**
Total	**5,377,277**	**(44,909)**	**5,332,368**	**2,937,234**	**(27,826)**	**2,909,408**

The finance lease receivables may be analyzed as follows:

				2024
	Not later than 1 year	From 1 to 5 years	More than 5 years	Total
Gross investments in finance lease receivables at 31 December	52,461	133,750	964	187,175
Unearned future finance income on finance leases	(16,784)	(25,380)	(50)	(42,214)
Net investments in finance lease receivables at 31 December	**35,677**	**108,370**	**914**	**144,961**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

				2023
	Not later than 1 year	From 1 to 5 years	More than 5 years	Total
Gross investments in finance lease receivables at 31 December	18,839	59,735	2,332	80,906
Unearned future finance income on finance leases	(7,263)	(13,025)	(308)	(20,596)
Net investments in finance lease receivables at 31 December	**11,576**	**46,710**	**2,024**	**60,310**

During the year ended 31 December 2024 and 31 December 2023 the Company has not obtained any assets by taking possession of collateral for loans to customers.

As at 31 December 2024 loans to customers in amount of AMD 383,540 thousand (7.1% of gross loan portfolio) due from the ten largest third party entities and parties related with them (2023: AMD 298,268 thousand, 10.2% of gross loan portfolio). An allowance of AMD 1,325 thousand was made against these loans (2023: AMD 1,658 thousand).

As at 31 December 2024 the Company's right of demand on loans to customers in the gross amount of AMD 1,399,873 thousand (2023: AMD 734,022 thousand) were pledged as collateral for loans from Treasury under international programs (see Note 18).

As at 31 December 2024 the Company's right of demand on loans to customers in the gross amount of AMD 2,544,240 thousand (2023: AMD 1,517,575 thousand) were pledged as collateral for loans from the CBA through international programs (see Note 18).

As at 31 December 2024 the Company's right of demand on loans to customers in the amount of AMD 1,137,126 thousand (2023: AMD 604,780 thousand) were pledged as collateral for overdrafts from the RA commercial banks (see Note 18).

An analysis of changes in gross carrying amounts in relation to loan and financial lease receivables to customers are as follows:

				2024
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,921,243	507	15,484	2,937,234
New assets originated	3,858,867	-	11,888	3,870,755
Assets repaid	(1,415,812)	(2,313)	(37,677)	(1,455,802)
- Transfer to Stage 1	1,049	-	(1,049)	-
- Transfer to Stage 2	(12,810)	12,810	-	-
- Transfer to Stage 3	(31,985)	(6,170)	38,155	-
Change in balance of asset from interest and foreign exchange	16,453	6,419	3,603	26,475
Recoveries	-	-	20,836	20,836
Amounts written off during the year	-	-	(22,221)	(22,221)
Balance at 31 December	**5,337,005**	**11,253**	**29,019**	**5,377,277**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

				2023
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,068,626	4,341	12,517	1,085,484
New assets originated	2,535,129	-	219	2,535,348
Assets repaid	(659,494)	(2,220)	(16,308)	(678,022)
- Transfer to Stage 1	997	(997)	-	-
- Transfer to Stage 2	-	1,282	(1,282)	-
- Transfer to Stage 3	(28,250)	(1,923)	30,173	-
Change in balance of asset from interest and foreign exchange	4,235	24	811	5,070
Recoveries	-	-	4,225	4,225
Amounts written off during the year	-	-	(14,871)	(14,871)
Balance at 31 December	**2,921,243**	**507**	**15,484**	**2,937,234**

An analysis of changes in ECL allowances in relation of loans financial lease receivables to customers as follows.

				2024
	Stage 1	Stage 2	Stage 3	Total
ECL allowance at 1 January	23,654	343	3,829	27,826
- Transfer to Stage 1	1,011	-	(1,011)	-
- Transfer to Stage 2	(62)	62	-	-
- Transfer to Stage 3	(525)	(1,108)	1,633	-
Net remeasurement of loss allowance	(15,167)	3,014	2,468	(9,685)
Net remeasurement of loss allowances on new originated assets	25,037	-	3,116	28,153
Recoveries	-	-	20,836	20,836
Amounts written off during the year	-	-	(22,221)	(22,221)
Balance at 31 December	**33,948**	**2,311**	**8,650**	**44,909**

				2023
	Stage 1	Stage 2	Stage 3	Total
ECL allowance at 1 January	7,804	152	4,409	12,365
- Transfer to Stage 1	45	(45)	-	-
- Transfer to Stage 2	-	1,001	(1,001)	-
- Transfer to Stage 3	(2,230)	(46)	2,276	-
Net remeasurement of loss allowance	(4,246)	(719)	8,791	3,826
Net remeasurement of loss allowances on new originated assets	22,281	-	-	22,281
Recoveries	-	-	4,225	4,225
Amounts written off during the year	-	-	(14,871)	(14,871)
Balance at 31 December	**23,654**	**343**	**3,829**	**27,826**

As at 31 December 2024 and 31 December 2023 the estimated fair value of loans to customers approximates it carrying value. See Note 24.

Maturity analysis of loans to customers is disclosed in Note 26.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Credit, currency and interest rate analyses of loans to customers are disclosed in Note 27.

The information on related party balances is disclosed in Note 23.

15 Property, equipment and intangible assets

	Computer and other communication equipment	Equipment and office supplies	Vehicles	Intangible assets	Total
Cost					
At 1 January 2023	6,688	5,290	7,557	8,065	27,600
Additions	3,298	1,544	-	-	4,842
At 31 December 2023	**9,986**	**6,834**	**7,557**	**8,065**	**32,442**
Additions	6,577	3,781	10,419	-	20,777
Disposals	(102)	(71)	-	-	(173)
At 31 December 2024	**16,461**	**10,544**	**17,976**	**8,065**	**53,046**
Accumulated depreciation/amortisation					
At 1 January 2023	2,861	1,744	270	1,001	5,876
Expenses for the year	1,974	745	897	532	4,148
At 31 December 2023	**4,835**	**2,489**	**1,167**	**1,533**	**10,024**
Expenses for the year	2,586	1,027	1,371	534	5,518
Disposals	(97)	(66)	-	-	(163)
At 31 December 2024	**7,324**	**3,449**	**2,539**	**2,067**	**15,379**
Carrying amount					
At 31 December 2023	**5,151**	**4,345**	**6,390**	**6,532**	**22,418**
At 31 December 2024	**9,137**	**7,095**	**15,437**	**5,998**	**37,667**

Fully depreciated items

As at 31 December 2024 property, equipment and intangible assets included fully depreciated assets in gross amount of AMD 4,086 thousand (2023: AMD 2,952 thousand).

Restrictions on title of fixed assets

As at 31 December 2024, the Company does not possess any fixed assets and intangible assets pledged as security for liabilities or whose title is otherwise restricted (2023: either).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

16 Other assets

	31 December 2024	31 December 2023
Receivables under money transfer and clearing systems	1,956	1,802
Receivables from the state budget	2,347	3,547
Other receivables	1,007	220
Other financial assets	**5,310**	**5,569**
Credit loss allowance	(53)	(56)
Total other financial assets	**5,257**	**5,513**
Prepayments	20,840	2,970
Prepaid value added tax	13,339	4,560
Materials	492	379
Total non-financial assets	**34,671**	**7,909**
Total other assets	**39,928**	**13,422**

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

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	56	383
Net remeasurement of loss allowance	473	(288)
Net write-off	(476)	(39)
Balance at 31 December	**53**	**56**

17 Loans under repurchase agreements

As at 31 December 2024 the loans under repurchase agreement were from 2 commercial banks (2023: three commercial bank).

As at 31 December 2024 loans under repurchase agreements were secured by investments securities measured at FVOCI gross amounted to AMD 221,643 thousand (2023: AMD 780,706 thousand) (See Note 13).

18 Loans and borrowings

	31 December 2024	31 December 2023
Loans received from the Treasury under international programs	1,438,622	742,026
Borrowings from related party	636,107	418,220
Loans from the CBA through international programs	2,395,773	1,373,410
Overdrafts from the RA commercial banks	422,753	88,957
Total loans and borrowings	**4,893,255**	**2,622,613**

As at 31 December 2024 the Company has not had any defaults of principal, interest or other breaches with respect to its liabilities (2023: either).

Loans received from the Treasury under international programs include loans received from the GFC-PIU and loans received from the GFC Millennium Challenges programs.

As at 31 December 2024 the loans from the Treasury under international programs are secured by the right to claim the loans given to the customers in the gross amount of AMD 1,399,873 thousand (2023: AMD 734,022 thousand) (see Note 14).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

In the event of non-fulfilment of a loan in the amount of AMD 50,000 thousand received from related parties, according to the loan agreement, the lender may impose restrictions in the amount of AMD 50,000 thousand to the Company's current accounts or deposit accounts in banks operating within the RA.

Loans from the CBA through international programs includes loans received from the German Armenian Fund (KFW, EIB).

As at 31 December 2024 the loans from the CBA through international programs are secured by the right to claim the loans given to the customers in the gross amount of AMD 2,544,240 thousand (2023: AMD 1,517,575 thousand) (see Note 14).

As at 31 December 2024 the loans from the RA commercial banks are secured by the right to claim the loans given to the customers in the gross amount of AMD 1,137,126 thousand (2023: AMD 604,780 thousand) (see Note 14) and are also secured by the balances and turnover of all bank accounts opened with this bank (See Note 11).

19 Subordinated debt

In 2021 the Company received a subordinated debt of $100,000 from a related party, with a maturity date set from 2027 onwards. The subordinated debt is provided at an interest rate of 12%.

Subordinate debt represents a long term borrowing agreement, which, in case of the Company's default, would be secondary to the Company's other obligations.

20 Other liabilities

	31 December 2024	31 December 2023
Amounts payable	5,031	3,218
Due to personnel	18,900	9,392
Total other financial liabilities	**23,931**	**12,610**
Accounts payable for replenishment of share capital	-	78,000
Tax payable, other than income tax	22,441	8,251
Received prepayments	8,023	2,800
Other liabilities	820	155
Total other non-financial liabilities	**31,284**	**89,206**
Total other liabilities	**55,215**	**101,816**

21 Equity

As at 31 December 2024 the Company's declared and fully paid-in share capital was AMD 633,000 thousand (31 December 2023: AMD 555,000 thousand).

In accordance with the Company's statues, the share capital consists of 63,300 ordinary shares (2023: 55,500 ordinary shares), all of which have a par value of AMD 10,000 each.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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

	31 December 2024		31 December 2023	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Manvel Jon Vardanyan	131,000	20.695	112,000	20.180
Marina Mamikonyan	130,000	20.537	130,000	23.423
Hrant Karapetyan	70,000	11.058	50,000	9.009
Artak Harutyunyan	65,000	10.269	60,000	10.810
Karen Hovhannisyan	32,000	5.055	28,500	5.135
Karine Khudoyan	32,000	5.055	28,000	5.045
Jonathan Patrick Konrad Stark	28,000	4.423	28,000	5.045
Mary Nikoghosyan	22,500	3.555	17,500	3.155
Karen Petrosyan	21,000	3.318	21,000	3.783
Vladimir Martirosyan	21,000	3.318	21,000	3.783
Kevork Kahanian	20,000	3.160	10,000	1.801
Ani Matevosyan	17,000	2.686	17,000	3.065
Edgar Galstyan	15,000	2.370	15,000	2.704
Armen Ayunc	18,500	2.923	7,000	1.261
Yelena Malnyeva	10,000	1.578	10,000	1.801
	633,000	**100**	**555,000**	**100**

As at 31 December 2024, the Company did not possess any of its own shares.

In 2024 the shareholders of the Company increased its share capital by AMD 78,000 thousand (2023: AMD 140,000 thousand).

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 Company.

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

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

As of 31 December 2024 there were no legal actions and complaints taken against the Company.

Therefore, the Company has not made any respective provision related to such tax and legal matters.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Insurance

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

23 Transactions with related parties

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

The Company does not have an ultimate controlling party.

A number of Company's transactions are entered into with related parties in the normal course of business. These include loans and borrowings.

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

	2024	2023
	Shareholders and parties related with them	Shareholders and parties related with them
***Statement** of financial position*		
Loans and borrowings		
Balance at the beginning of the year	418,220	176,545
Increase during the year	474,635	418,690
Decrease during the year	(256,748)	(177,015)
At 31 December	**636,107**	**418,220**
Subordinated debt		
Balance at the beginning of the year	40,519	39,383
Increase during the year	10,402	1,136
Decrease during the year	(11,239)	-
At 31 December	**39,682**	**40,519**
Statement of profit or loss and other comprehensive income		
Interest expense	(53,630)	(33,257)

Compensation of key management personnel was comprised of the following:

	31 December 2024	31 December 2023
Salaries and other short-term bonuses	38,532	16,864
Total key management compensation	**38,532**	**16,864**

24 Fair value measurement

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

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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).

24.1 Financial instruments that are not measured at fair value

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

			31 December 2024
	Level 2	Total fair values	Total carrying amount
Financial assets			
Cash and cash equivalents	47,515	47,515	47,515
Deposits in banks	302,694	302,694	302,694
Loans to customers	5,332,368	5,332,368	5,332,368
Other assets	5,257	5,257	5,257
Financial liabilities			
Loans under repurchase agreements	203,610	203,610	203,610
Loans and borrowings	4,893,255	4,893,255	4,893,255
Subordinated debt	39,682	39,682	39,682
Other liabilities	23,931	23,931	23,931

			31 December 2023
	Level 2	Total fair values	Total carrying amount
Financial assets			
Cash and cash equivalents	95,460	95,460	95,460
Deposits in banks	135,502	135,502	135,502
Loans to customers	2,909,408	2,909,408	2,909,408
Other assets	5,513	5,513	5,513
Financial liabilities			
Loans under repurchase agreements	734,032	734,032	734,032
Loans and borrowings	2,622,613	2,622,613	2,622,613
Subordinated debt	40,519	40,519	40,519
Other liabilities	12,610	12,610	12,610

Amounts due from and to financial institutions

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

Loans 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 6% to 24% per annum (2023: 11% to 24%) per annum for loans to customers and from 12% to 14.4% per annum for finance lease receivables (2023: 13.4-14.4%).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

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

Loans and borrowings

The fair value of loans and borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for loans of similar maturities and terms.

24.2 Financial instruments that are measured at fair value

	31 December 2024	
	Level 2	Total
Financial assets		
Investment securities at fair value through other comprehensive income including those pledged	221,643	221,643
Net fair value	**221,643**	**221,643**

	31 December 2023	
	Level 2	Total
Financial assets		
Investment securities at fair value through other comprehensive income including those pledged	815,018	815,018
Net fair value	**815,018**	**815,018**

25 Offsetting of financial assets and financial liabilities

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

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

				31 December 2024		
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised liabilities	Gross amount of recognised liabilities set in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial liabilities						
Loans under repurchase agreements (Note 17)	203,610	-	203,610	221,643	-	(18,033)
Total	**203,610**	**-**	**203,610**	**221,643**	**-**	**(18,033)**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

				31 December 2023		
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised liabilities	Gross amount of recognised liabilities set in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial liabilities						
Loans under repurchase agreements (Note 17)	734,032	-	734,032	780,706	-	(46,674)
Total	**734,032**	**-**	**734,032**	**780,706**	**-**	**(46,674)**

26 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled. See 27.3 for the Company's contractual undiscounted repayment obligations.

							31 December 2024
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash and cash equivalents	47,515	-	47,515	-	-	-	47,515
Deposits in banks	-	302,694	302,694	-	-	-	302,694
Investment securities at fair value through other comprehensive income including those pledged	221,643	-	221,643	-	-	-	221,643
Loans to customers	90,400	1,151,392	1,241,792	3,805,961	284,615	4,090,576	5,332,368
Other assets	5,257	-	5,257	-	-	-	5,257
	364,815	**1,454,086**	**1,818,901**	**3,805,961**	**284,615**	**4,090,576**	**5,909,477**
Liabilities							
Loans under repurchase agreements	203,610	-	203,610	-	-	-	203,610
Loan and borrowings	22,396	1,440,477	1,462,873	2,954,012	476,370	3,430,382	4,893,255
Subordinated debt	27	-	27	39,655	-	39,655	39,682
Other financial liabilities	23,931	-	23,931	-	-	-	23,931
	249,964	**1,440,477**	**1,690,441**	**2,993,667**	**476,370**	**3,470,037**	**5,160,478**
Net position	**114,851**	**13,609**	**128,460**	**812,294**	**(191,755)**	**620,539**	**748,999**
Accumulated gap	**114,851**	**128,460**		**940,754**	**748,999**		

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

							31 December 2023
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash and cash equivalents	95,460	-	95,460	-	-	-	95,460
Deposits in banks	-	5,641	5,641	129,861	-	129,861	135,502
Investment securities at fair value through other comprehensive income including those pledged	780,706	646	781,352	-	33,666	33,666	815,018
Loans to customers	46,974	648,564	695,538	2,042,681	171,189	2,213,870	2,909,408
Other assets	5,513	-	5,513	-	-	-	5,513
	928,653	**654,851**	**1,583,504**	**2,172,542**	**204,855**	**2,377,397**	**3,960,901**
Liabilities							
Loans under repurchase agreements	734,032	-	734,032	-	-	-	734,032
Loan and borrowings	12,668	573,589	586,257	1,712,917	323,439	2,036,356	2,622,613
Subordinated debt	40	-	40	40,479	-	40,479	40,519
Other financial liabilities	12,610	-	12,610	-	-	-	12,610
	759,350	**573,589**	**1,332,939**	**1,753,396**	**323,439**	**2,076,835**	**3,409,774**
Net position	**169,303**	**81,262**	**250,565**	**419,146**	**(118,584)**	**300,562**	**551,127**
Accumulated gap	**169,303**	**250,565**		**669,711**	**551,127**		

27 Risk management

The Company'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. Exposure to risk is an integral part of financial activity, and operational risks are an inevitable consequence of activity. However, the Company's objective is to achieve an appropriate balance between risks and benefits and to minimize adverse effects on the Company's financial position.

The Company carries out risk management through continuous processes of identification, valuation and monitoring, as well as other internal control measures.

The Company is exposed to credit risk, liquidity risk, market risk and other operating risk. The market risk includes foreign currency, interest rate and other price risks.

Risk management structure

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

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

General Executive Director

The General Executive Director is responsible for the implementation and monitoring of the risk management process, asset and liability management. The Executive Director is also responsible for Company's liquidity and finance risk.

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Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Controller

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

Risk measurement and reporting systems

The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Excessive risk concentration

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

27.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to finance lease receivables into the Company's asset portfolio. The credit risk management and control are centralised in credit risk management team of Company's Risk Management Department and reported to the Company's Management.

27.1.1 Credit quality analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements.

Explanation of internal rating grades is included in Note 27.1.2.

Internal rating grade	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Standard	47,515	-	-	47,515
Gross carrying amount	**47,515**	**-**	**-**	**47,515**
Credit loss allowance	-	-	-	-
Net carrying amount	**47,515**	**-**	**-**	**47,515**
Deposits in banks				
Standard	305,752	-	-	305,752
Gross carrying amount	**305,752**	**-**	**-**	**305,752**
Credit loss allowance	(3,058)	-	-	(3,058)
Net carrying amount	**302,694**	**-**	**-**	**302,694**

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Internal rating grade				31 December 2024
	Stage 1	Stage 2	Stage 3	Total
Investment securities at fair value through other comprehensive income including those pledged				
Standard grade	221,643	-	-	221,643
Carrying amount-fair value	**221,643**	**-**	**-**	**221,643**
Credit loss allowance	(612)	-	-	(612)
Loans to customers				
High grade	5,337,005	-	-	5,337,005
Substandard grade	-	11,253	-	11,253
Non-performing grade	-	-	29,019	29,019
Gross carrying amount	**5,337,005**	**11,253**	**29,019**	**5,377,277**
Credit loss allowance	(33,948)	(2,311)	(8,650)	(44,909)
Net carrying amount	**5,303,057**	**8,942**	**20,369**	**5,332,368**
Other financial assets				
Standard	5,310	-	-	5,310
Gross carrying amount	**5,310**	**-**	**-**	**5,310**
Credit loss allowance	(53)	-	-	(53)
Net carrying amount	**5,257**	**-**	**-**	**5,257**

Internal rating grade				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Standard	95,460	-	-	95,460
Gross carrying amount	**95,460**	**-**	**-**	**95,460**
Credit loss allowance	-	-	-	-
Net carrying amount	**95,460**	**-**	**-**	**95,460**
Deposits in banks				
Standard	136,871	-	-	136,871
Gross carrying amount	**136,871**			**136,871**
Credit loss allowance	(1,369)	-	-	(1,369)
Net carrying amount	**135,502**	**-**	**-**	**135,502**
Investment securities at fair value through other comprehensive income including those pledged				
Standard grade	815,018	-	-	815,018
Carrying amount-fair value	**815,018**	**-**	**-**	**815,018**
Credit loss allowance	(2,218)	-	-	(2,218)

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Internal rating grade	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
High grade	2,914,398	-	-	2,914,398
Standard grade	6,845	443	-	7,288
Substandard grade	-	64	-	64
Non-performing grade	-	-	15,484	15,484
Gross carrying amount	**2,921,243**	**507**	**15,484**	**2,937,234**
Credit loss allowance	(23,654)	(343)	(3,829)	(27,826)
Net carrying amount	**2,897,589**	**164**	**11,655**	**2,909,408**
Other financial assets				
Standard	5,569	-	-	5,569
Gross carrying amount	**5,569**	**-**	**-**	**5,569**
Credit loss allowance	(56)	-	-	(56)
Net carrying amount	**5,513**	**-**	**-**	**5,513**

27.1.2 Impairment assessment

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

Significant increase in credit risk

At each reporting date, the Company assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The Company considers both quantitative and forward-looking qualitative criteria in order to assess whether a significant increase in credit risk has occurred.

However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Company uses past due information to determine whether there have been significant increases in credit risk since initial recognition.

Criteria for loans and financial lease receivables to customers

The criteria for loans to and finance lease receivables are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified as default, during the last 12 months it was at least once in stage 3.
- Loans in the probation period. Significant increase in credit risk is considered in case of a forborne performing loan or forborne non-performing loan, which is in the probation period (period after cure period), wherein, the loan should not have overdue days of more than 30 days or any indication of an unlikeliness to pay.

Criteria for amounts due from financial institutions

The criteria for credit institutions and other financial corporations are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- For correspondent and current accounts 7 days' past due. More than 7 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Change notches external credit score/rate. For this criterion, the corporate rating will be taken into account. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down each time by one level, started from B (S&P) (or the equivalent of Moody's and Fitch). In cases where a financials institutions don't have a corporate rating in a rating agency and the Company does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified in default, during the last 12 months it was at least once in stage 3.

Criteria for Investment securities

The criteria for securities are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when the Company has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when the Company has an internal credit rating system
- Change notches external credit score/ rate. For this criterion, the country's rating will be taken into account government securities or corporate rating will be taken into account for corporate securities. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down one level each time, beginning with B2 (S&P) (or the equivalent of Moody's and Fitch). In cases where an issuers of securities don't have a corporate rating in a rating agency and The Company does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.

Exit criteria from significant deterioration stage

If none of the indicators that are used by The Company to assess whether significant increase in credit risk has occurred, is present, transfer from stage 2 to stage 1 is performed, with the exception of forborne loans for which a probation period is used.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative (primarily driven by days past due: Not overdue financial assets are defined high grade, overdue less than 30 days – standard grade, overdue more than 30 days and less than 90 days – substandard or low grade and overdue more than 90 days – non-performing grade) factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The table below presents average 12 month PDs per grades for loans to customers.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

		2024	2023
	Grade	12 month PD range	12 month PD range
Agricultural	Standard	1.02%	1.51%
	Non-Performing	100%	100%
Commercial lending	Standard	1.02%	1.51%
	Substandard	57.05%	-
	Non-Performing	100%	100%
Consumer lending	Standard	7.25%	8.04%
	Substandard	-	69.3%
	Non-Performing	100%	100%
Financial lease receivables	Standard	1%	1%
	Non-Performing	100%	100%

The table below shows the mapping of Company's grading system and external ratings of the counterparties.

		2024	2023
	Grade	12 month PD range	12 month PD range
AAA to A-	Hight	0.001-0.023%	0.001-0.028%
BBB+ to B-	Standard	0.040-3.137%	0.047-2.813%
CCC+ to CC	Low	5.403-27.625%	4.695-21.841%
D	Non-Performing	100%	100%

Collective or individual assessment

The Company calculates ECLs either on a collective or an individual basis . Asset classes where the Company calculates ECL on an individual basis include:

- Individually significant loans of Stage 3, regardless of the class of financial assets
- The large and unique exposures
- The treasury, trading and interbank relationships such as Due from Banks, Securities pledged under repurchase agreements and debt instruments at amortised cost/FVOCI.

Those assets for which ECL does not calculated individually the company groups into segment on the basis of shared credit risk characteristics (mortgage, consumer lending, etc.).

Definition of default and cure

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

The Company considers interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- lawsuit, execution or enforced execution in order to collect debt,
- license of the borrower is withdrawn,
- the borrower is a co-debtor when the main debtor is in default,

- multiple restructurings on one exposure,
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows,
- the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage; equity reduced by 50% within a reporting period due to losses;
- debt service coverage ratio indicates that debt is not sustainable
- loss of major customer or tenant,
- connected customer has filed for bankruptcy,
- restructuring with a material part which is forgiven (net present value (NPV) loss),
- credit institution or leader of consortium starts bankruptcy/insolvency proceedings

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Company's criterion for 'cure' for ECL purposes is less stringent than the 12 months' requirement for forborne non-performing exposures.

Forborne and modified loan

The Company sometimes makes concessions or modifications to the original terms of loans and financial lease receivables as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

The Company defines the "cure" period as a 12-month period after forbearance, which is applied for forborne non-performing exposures. Given the fact that it is impossible to determine financial difficulties immediately after forbearance, it is necessary to use the "cure" period to determine whether the loan was effectively cured. All forborne non-performing loans must remain at stage 3 after the forbearance date, despite the behavior of the loan (no overdue days, etc.).

The Company defines the probation period as 24-month period after "cure" period, which is applied for forborne performing exposures (excluding any grace period). Once an asset has been classified as forborne performing exposures, it will remain forborne for a minimum 24-month probation period.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, as explained in Note 4.6.(iv).

Probability of Default (PD)

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12mECL), or over the remaining lifetime (LTECLs) of the obligation.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Loss given default (LGD)

LGD is determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Exposure at default (EAD)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For products with contractual terms, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Company's recent default data.

Forward looking information

An overview of the approach to estimating ECLs is set out in Note 4.6.(vi), estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (WB, CBA, Government of RA and etc.). In order to generate the influence of the macroeconomic factors, the Company determining the weights to the selected macroeconomic factors and to the multiple scenarios (Base, Upside and Downside), which are predicted.

27.1.3 Risk concentrations

Geographical sectors

Credit risk assets are located in the RA.

Industry sectors

As at 31 December 2024 and 31 December 2023 the Company's assets exposed to credit risk are included in bank balances, cash and investment securities are concentrated in the financial sector. Loans to customers are mainly concentrated in the agriculture and trade sectors (see detailed analysis in Note 14).

27.1.4 Collateral and other credit enhancement

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

The main types of collateral obtained are, as follows:

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- For loan to customer - movable properties and residential properties.

Management will monitor the market value of collateral and will request additional collateral in accordance with the underlying agreement.

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

In addition, in order to minimise the credit loss, the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans.

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

	31 December 2024	31 December 2023
Loans collateralized by real estate	2,735,886	1,566,527
Loans collateralized by movable property	1,158,931	777,221
Unsecured loans	1,482,460	593,486
Total loans to customers (gross)	**5,377,277**	**2,937,234**

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

As at 31 December 2024 the net carrying amount of credit-impaired loans to customers amounted to AMD 20,369 thousand (2023: AMD 11,655 thousand) and the amount of collateral (mainly real estate and vehicles) for the same loans amounted to AMD 72,425 thousand (2023: AMD 41,095 thousand).

27.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Company classifies exposures to market risk into either trading or non-trading portfolios. As at 31 December 2024 the Company does not hold trading portfolio. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

27.2.1 Market risk – Non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at 31 December 2024 the Company did not possess any financial assets and liabilities with variable interest rates.

The sensitivity of equity is calculated by revaluating fixed rate of financial assets measured at FVOCI as of 31 December 2024 and 2023 based on the expected changes in the yield curve.

Currency			2024
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(14,238)
AMD	-1	-	15,729

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Currency	2023		
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(48,434)
AMD	-1	-	52,937

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.

	2024		2023	
	Average effective interest rate, %		Average effective interest rate, %	
	AMD	USD	AMD	USD
Interest earning assets				
Deposits in banks	9.09	-	9.09	5.25
Investment securities at fair value through other comprehensive income including those pledged	9.18	-	10.67	-
Loans to customers	16.61	16.07	16.84	17.08
Interest bearning liabilities				
Loans under repurchase agreements	8.03	-	10.5	-
Loans and borrowings	8.59	8.0	8.48	7.66
Subordinated debt	-	12.67	-	12.67

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2024 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (related to changes in the fair value of non-trading monetary assets and liabilities sensitive to foreign exchange).

A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	31 December 2024		31 December 2023	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	5	420	5	325
USD	(5)	(420)	(5)	(325)

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

	31 December 2024			
	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and cash equivalents	23,536	23,972	7	47,515
Deposits in banks	302,694	-	-	302,694
Investment securities at fair value through other comprehensive income including those pledged	221,643	-	-	221,643
Loans to customers	4,847,310	485,058	-	5,332,368
Other assets	5,257	-	-	5,257
	5,400,440	**509,030**	**7**	**5,909,477**
Liabilities				
Loans under repurchase agreements	203,610	-	-	203,610
Loans and borrowings	4,439,774	453,481	-	4,893,255
Subordinated debt	-	39,682	-	39,682
Other liabilities	23,931	-	-	23,931
	4,667,315	**493,163**	**-**	**5,160,478**
Net position at 31 December 2024	**733,125**	**15,867**	**7**	**748,999**
Total financial assets	**3,666,238**	**294,663**	**-**	**3,960,901**
Total financial liabilities	**3,121,611**	**288,163**	**-**	**3,409,774**
Net position at 31 December 2023	**544,627**	**6,500**	**-**	**551,127**

Freely convertible currencies represent US dollar and EUR, non-freely convertible currencies RUB.

27.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. 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 Company maintains a portfolio of highly marketable government bonds that can be easily liquidated in the event of an unforeseen interruption of cash flow. 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 Company.

The liquidity management of the Company 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 table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations. See Note 26 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	31 December 2024					
	Demand and less than 1 month From	1 to 12 months From	1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities						
Loans under repurchase agreements	204,167	-	-	-	204,167	203,610
Loans and borrowings	31,656	1,738,252	3,540,178	519,437	5,829,523	4,893,255
Subordinated debt	417	4,341	46,402	-	51,160	39,682
Other liabilities	23,931	-	-	-	23,931	23,931
Total undiscounted non-derivative financial liabilities	**260,171**	**1,742,593**	**3,586,580**	**519,437**	**6,108,781**	**5,160,478**

	31 December 2023					
	Demand and less than 1 month From	1 to 12 months From	1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities						
Loans under repurchase agreements	736,942	-	-	-	736,942	734,032
Loans and borrowings	17,410	738,470	2,081,025	372,514	3,209,419	2,622,613
Subordinated debt	438	4,432	52,222	-	57,092	40,519
Other liabilities	12,610	-	-	-	12,610	12,610
Total undiscounted non-derivative financial liabilities	**767,400**	**742,902**	**2,133,247**	**372,514**	**4,016,063**	**3,409,774**

27.4 Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;

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- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

28 Reconciliation of liabilities arising from financing activities

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

	Loans and borrowings	Subordinated debt	Total
Carrying amount at 1 January 2023	866,050	39,383	905,433
Proceeds	3,728,101	-	3,728,101
Redemption	(1,995,983)	-	(1,995,983)
Foreign currency translation	4,010	1,124	5,134
Other	20,435	12	20,447
Carrying amount at 31 December 2023	**2,622,613**	**40,519**	**2,663,132**
Proceeds	33,768,045	-	33,768,045
Redemption	(31,512,844)	-	(31,512,844)
Foreign currency translation	(3,087)	(823)	(3,910)
Other	18,528	(14)	18,514
Carrying amount at 31 December 2024	**4,893,255**	**39,682**	**4,932,937**

The ''Other'' line includes accrued but not paid interest of Loans and borrowings and subordinated debt.

29 Capital adequacy

The Central Bank of Armenia has set the minimum value of the total normative capital for credit organizations amounting to AMD 150,000 thousand.

The Company maintains an actively managed capital base to cover risks inherent in the business.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and maximize the profit of participants.

The Company 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 Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The minimum ratio between total capital and risk weighted assets required by the Central Bank of Armenia is 10%.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves and other reserves.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

As at 31 December 2024 and 2023 the amount of the capital adequacy ratio, calculated in accordance with the requirements of the Central Bank of the Republic of Armenia is presented below:

	Unaudited	
	31 December 2024	31 December 2023
Common Equity Tier 1	770,831	511,951
Additional Tier 2	4,384	(2,494)
Total regulatory capital	**775,215**	**509,457**
Risk-weighted assets	**5,682,084**	**2,928,453**
Capital adequacy ratio	**13.6%**	**17.4%**

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

30 Events after reporting date

On May 14, 2025 the shareholders of the Company increased its share capital by issuing additional ordinary shares (with a nominal value of AMD 10,000) in amount of AMD 110,000 thousand.

In 2025, the Company opened a new branch in Armavir region. The branch operates in accordance with the regulations and licensing requirements established by the Central Bank of Armenia. It commenced full operations on June 4, 2025 and currently performs all core credit and financial functions defined by the organization.