Financial Statements and Independent Auditor's Report

“GLOBAL CREDIT” closed joint-stock company universal credit organization

31 December 2024

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Independent Auditor's Report

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To the shareholders of "GLOBAL CREDIT" closed joint-stock company universal credit organization

Opinion

We have audited the financial statements of "GLOBAL CREDIT" closed joint-stock company universal credit organization (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	Emil Vassilyan
Chief Executive Officer of "Grant Thornton" CJSC	Engagement Partner

26 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	8,993,358	6,048,245
Other interest income	5	24,908	1,471
Interest and similar expense	5	(2,797,756)	(2,485,006)
Net interest income		**6,220,510**	**3,564,710**
Fee and commission income		1,697	48
Fee and commission expense	6	(227,746)	(251,120)
Net fee and commission income		**(226,049)**	**(251,072)**
Loss from credit concession	16	-	(19,320)
Net loss from foreign currency transactions	7	(18,821)	(12,095)
Other income	8	224,215	229,165
Credit loss expense	9	(2,085,065)	(500,414)
Net operating income		**4,114,790**	**3,010,974**
Personnel expenses	10	(732,424)	(650,153)
Other expenses	11	(1,386,668)	(1,181,861)
Profit before income tax		**1,995,698**	**1,178,960**
Income tax expense	12	(407,416)	(157,651)
Profit for the year		**1,588,282**	**1,021,309**

Statement of profit or loss and other comprehensive income (continued)

In thousand AMD

	Notes	2024	2023
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value		842,872	832,845
Changes in allowance for expected credit losses		4,617	(10,811)
Income tax relating to items that will be reclassified		(151,717)	(149,911)
Net gain on securities measured at FVOCI		**695,772**	**672,123**
Total other comprehensive income for the year, net of tax		**695,772**	**672,123**
Total comprehensive income for the year		**2,284,054**	**1,693,432**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 61.

Statement of financial position

In thousand AMD	Notes	31 December 2024	31 December 2023
Assets			
Cash	13	378,781	160,883
Amounts due from financial institutions	14	231,719	329,093
Securities measured at FVOCI	15	41,996	85,533
Securities pledged under repurchase agreements	15	15,561,433	14,048,290
Loans to customers	16	18,388,448	15,704,081
Property and equipment	17	182,860	37,404
Intangible assets	18	896,021	936,608
Deferred income tax assets	12	86,064	221,241
Repossessed assets	19	26,255	29,104
Other assets	20	53,613	48,256
Total assets		**35,847,190**	**31,600,493**
Liabilities and equity			
Liabilities			
Loans and borrowings	21	30,943,877	29,090,819
Lease liabilities	22	155,102	5,532
Current income tax liabilities		246,549	161,765
Other liabilities	23	343,910	468,679
Total liabilities		**31,689,438**	**29,726,795**
Equity			
Share capital	24	3,000,000	3,000,000
Statutory general reserve		77,328	77,328
Fair value reserve		127,668	(568,104)
Retained earnings (accumulated loss)		952,756	(635,526)
Total equity		**4,157,752**	**1,873,698**
Total liabilities and equity		**35,847,190**	**31,600,493**

The financial statements were signed on 24 June 2025 by:

Tigran Petrosyan
Acting Chief Executive Officer

Susanna Khachatryan
Chief Accountant

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 11 to 61.

Statement of changes in equity

In thousand AMD	Share capital	Statutory general reserve	Revaluation reserve for investment securities	Retained earnings (accumulated loss)	Total
Balance at 1 January 2024	**3,000,000**	**77,328**	**(568,104)**	**(635,526)**	**1,873,698**
Profit for the year	-	-	-	1,588,282	1,588,282
Other comprehensive income:					
Net change in fair value of investment securities at FVOCI	-	-	842,872	-	842,872
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	-	4,617	-	4,617
Income tax relating to components of other comprehensive income	-	-	(151,717)	-	(151,717)
Total comprehensive income for the year	**-**	**-**	**695,772**	**1,588,282**	**2,284,054**
Balance at 31 December 2024	**3,000,000**	**77,328**	**127,668**	**952,756**	**4,157,752**
Balance at 1 January 2023	**3,000,000**	**77,328**	**(1,240,227)**	**(1,656,835)**	**180,266**
Profit for the year	-	-	-	1,021,309	1,021,309
Other comprehensive income:					
Net change in fair value of investment securities at FVOCI	-	-	832,845	-	832,845
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	-	(10,811)	-	(10,811)
Income tax relating to components of other comprehensive income	-	-	(149,911)	-	(149,911)
Total comprehensive income for the year	**-**	**-**	**672,123**	**1,021,309**	**1,693,432**
Balance at 31 December 2023	**3,000,000**	**77,328**	**(568,104)**	**(635,526)**	**1,873,698**

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 11 to 61.

Statement of cash flows

In thousand AMD

	2024	2023
Cash flows from operating activities		
Interest received	9,006,570	5,915,603
Interest paid	(2,739,793)	(2,474,926)
Fee and commission received	1,697	48
Fee and commission paid	(227,746)	(251,120)
Net gain from trading in foreign currency	12	64
Other income	224,215	229,165
Payments of employees	(720,813)	(643,633)
Other expenses	(1,213,066)	(858,850)
Cash flows from operating activities before changes in operating assets and liabilities	**4,331,076**	**1,916,351**
(Increase) decrease in operating assets		
Amounts due from financial institutions	97,918	(169,972)
Loans to customers	(4,662,892)	(2,974,538)
Repossessed assets	-	7,991
Other assets	(132,750)	(66,674)
Increase (decrease) in operating liabilities		
Other liabilities	(144,744)	45,660
Net cash flow used in operating activities before income tax	**(511,392)**	**(1,241,182)**
Income tax paid	(339,171)	(65,001)
Net cash used in operating activities	**(850,563)**	**(1,306,183)**

Statement of cash flows (continued)

In thousand AMD

	2024	2023
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(72,518)	(148,063)
Purchase of securities	(615,038)	(3,300,410)
Net cash used in investing activities	**(687,556)**	**(3,448,473)**
Cash flows from financing activities		
Loans and borrowings received	114,334,367	94,506,355
Loans and borrowings repayment	(112,496,585)	(89,601,089)
Payment of lease liabilities	(80,345)	(66,384)
Net cash from financing activities	**1,757,437**	**4,838,882**
Net increase in cash and cash equivalents	**219,318**	**84,226**
Cash at the beginning of the year	160,883	77,985
Effect of ECL	(1,761)	(1,626)
Exchange differences on cash	341	298
Cash at the end of the year (Note 13)	**378,781**	**160,883**

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 11 to 61.

Notes to the financial statements

"GLOBAL CREDIT" closed joint-stock company universal credit organization

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

1 Nature of operations

The principal activities of "Global Credit" UCO CJSC (the "Company") are the provision of micro- to medium-sized loans to individuals and legal entities in the Republic of Armenia.

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

"Global Credit" UCO CJSC (the "Company") was established on 26 October 2010 as a result of merging of "Washington Capital" UCO CJSC and "Credit Union" UCO CJSC and is a closed joint stock company. The Company is regulated by the legislation of the Republic of Armenia (RA). The Company was registered on 26 October 2010 under license N 35, granted by the Central Bank of Armenia (the "CBA").

The Company's office is located in Yerevan. The Company does not have branches. The registered office of the Company is located at: Sasna Tsrer 2, area 251, Yerevan, Republic of Armenia.

The number of employees of the Company at 31 December 2024 was 76 employees (2023: 80 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 30.

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 presented 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 IFS 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 an accruals basis and under the historical cost convention. The financial instruments are stated at present discounted value of future cash flows as well as at fair value.

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 the Company’s 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 translation of non-trading assets and liabilities are recognized in the statement of profit or loss and other comprehensive income in net gain (loss) 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.

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 net gain (loss) from foreign currency transactions in the line net gain (loss) from foreign currency translation.

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

	31 December 2024	31 December 2023
AMD/1 USD	396.56	404.79

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

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

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Dividend income

Revenue is recognized when the Company's right to receive payment is established.

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.

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

The Republic of Armenia also has various operating taxes, which are assessed on the 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

Financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which The Company becomes a party to the contractual provisions of the instrument.

At initial recognition, an entity measures a financial asset or financial liability at its fair value, plus or minus, when it is not a financial asset or financial liability at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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.

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

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.

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(vi)), 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.

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

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

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 Notw 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
- lease receivables

- loan commitments to provide a loan
- financial guarantee contracts

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which the Company 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 31.1.2.

Based on the above process, The Company groups its financial instruments into Stage 1, Stage 2, Stage 3 and POCI, 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 31.1.2.

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.
- loan commitments and financial guarantee contracts: generally, as a provision;
  - When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  - where a financial instrument includes both a drawn and an undrawn component, and The Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Company presents a combined loss allowance for both components. The combined

amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision;

– the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within Provisions.

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. Both the total carrying amount of that asset and the impairment allowance (if any) are written off directly. Derecognition is a partial or complete derecognition. 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.

4.6.1 Cash

Cash comprise current bank accounts.

Cash are carried at amortised cost.

4.6.2 Amounts due from financial institutions

In the normal course of business, the Company maintains advances or deposits for various periods of time with banks and payment companies. Cash in payment companies are measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

4.6.3 Loans to customers

Loans and advances 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 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 loans and advances are measured at amortised cost using the effective interest method. Loans and advances that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans and advances to customers are carried net of any allowance for impairment losses.

4.6.4 Securities measured at FVOCI

For debt 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.

4.6.5 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.

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

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

4.7 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

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in the other liabilities.

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 recognie 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 net investments in the lease.

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.

4.8 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. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Computers	3	33.33
Vehicles	8	12.5
Other fixed assets	1-8	12.5-100

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.

4.9 Intangible assets

Intangible assets include computer software, licences and other.

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 13 to 15 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.

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

4.10 Repossessed assets

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

4.11 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 air 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.

4.12 Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to other financial institutions, borrowings of legal entities 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.

4.13 Financial guarantees and loan commitments

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

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

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

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

4.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

4.15 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 loss)

Retained earnings (accumulated loss) include accumulated profit and loss of current and previous periods.

Dividends

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

Fair value reserve for investments securities at FVOCI

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

4.16 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.

4.16.1 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.

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

4.16.2 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 28).

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.

Impairment of financial assets

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 31.1.2), 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 26.

5 Net interest income and expense

	2024	2023
Interest income calculated using effective interest rate		
Loans to customers	7,566,060	4,967,368
Investment securities at FVOCI	1,426,563	1,080,458
Cash	735	419
	8,993,358	**6,048,245**
Other interest income		
Finance lease receivables	24,908	1,471
Total interest income	**9,018,266**	**6,049,716**
Loans and borrowings	(1,501,868)	(1,333,461)
Loans under repurchase transactions	(1,271,926)	(1,148,549)
Lease liabilities	(23,962)	(2,996)
Total interest expense	**(2,797,756)**	**(2,485,006)**
Total net interest income	**6,220,510**	**3,564,710**

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

6 Fee and commission expense

	2024	2023
Payment and settlement services	164,904	222,312
Bank transactions	62,842	28,808
Total fee and commission expense	**227,746**	**251,120**

7 Net loss from foreign currency transactions

	2024թ.	2023թ.
Net gain from trading in foreign currencies	12	64
Net loss on foreign currency translation of non-trading assets and liabilities	(18,833)	(12,159)
Total net loss from foreign currency transactions	**(18,821)**	**(12,095)**

8 Other income

	2024թ.	2023թ.
Fines and penalties received	193,508	102,769
Net income from sale of property and equipment	-	21
Reimbursements from borrowers for expenses incurred	23,138	115,436
Other income	7,569	10,939
Total other income	**224,215**	**229,165**

9 Credit loss expense

					2024
	Note	Stage 1	Stage 2	Stage 3	Total
Cash	13	1,761	-	-	1,761
Amounts due from financial institutions	14	(544)	-	-	(544)
Investment securities	15	4,617	-	-	4,617
Loans to customers	16	68,852	251,772	1,619,948	1,940,572
Other assets	20	130,228	-	-	130,228
Financial guarantees	25	8,431	-	-	8,431
Total credit loss expense		**213,345**	**251,772**	**1,619,948**	**2,085,065**

					2023
	Note	Stage 1	Stage 2	Stage 3	Total
Cash	13	1,626	-	-	1,626
Amounts due from financial institutions	14	920	-	-	920
Investment securities	15	(10,811)	-	-	(10,811)
Loans to customers	16	159,322	134,137	124,061	417,520
Other assets	20	111,186	-	-	111,186
Financial guarantees	25	(20,027)	-	-	(20,027)
Total credit loss expense		**242,216**	**134,137**	**124,061**	**500,414**

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

10 Personnel expenses

	2024	2023
Compensations of employees, related taxes included	714,574	638,420
Staff training costs	2,707	2,201
Other personnel expenses	15,143	9,532
Total personnel expenses	**732,424**	**650,153**

11 Other expenses

	2024	2023
Loan collection service	382,718	322,404
Taxes, other than income tax, and duties	28,569	36,532
Advertising costs	161,821	128,359
Depreciation of property and equipment and amortization of intangible assets	173,602	153,232
Maintenance costs of fixed assets and computer software	296,902	277,953
Lease expenses of short-term and low-value assets	12,297	12,390
Loan provision costs	97,592	87,458
Office supplies	77,350	68,946
Financial mediator fees	22,176	17,284
Consulting and other services	24,178	35,222
Representative expenses	5,341	7,388
Business trip expenses	1,628	5,075
Charitable contributions	61,330	4,085
Other expenses	41,164	25,533
Total other expenses	**1,386,668**	**1,181,861**

12 Income tax expense

	2024	2023
Current tax expense	423,956	226,767
Deferred tax	(16,540)	(69,116)
Total income tax expense	**407,416**	**157,651**

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 expense and accounting profit is provided below:

	2024	Effective tax rate (%)	2023	Effective tax rate (%)
Profit before taxation	**1,995,698**		**1,178,960**	
Income tax	359,226	18	212,213	18
Non-deductible expenses	44,800	2	45,472	4
Foreign exchange losses	3,390	-	2,189	-
Realized tax loss	-	-	(102,223)	(9)
Income tax expense	**407,416**	**20**	**157,651**	**13**

Deferred tax calculation in respect of temporary differences:

				2024		
	2023	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Securities measured at FVOCI	140,075	831	(151,717)	(10,811)	-	(10,811)
Loans to customers	51,568	30,921	-	82,489	82,489	-
Property and equipment	(27)	(26,231)	-	(26,258)	-	(26,258)
Other assets	-	416	-	416	416	-
Loans and borrowings	381	(6,109)	-	(5,728)	-	(5,728)
Lease liabilities	996	26,922	-	27,918	27,918	-
Other liabilities	28,248	(10,210)	-	18,038	18,038	-
Deferred tax asset (liability)	**221,241**	**16,540**	**(151,717)**	**86,064**	**128,861**	**(42,797)**

				2023		
	2022	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Securities measured at FVOCI	291,932	(1,946)	(149,911)	140,075	140,075	-
Loans to customers	(19,222)	70,790	-	51,568	51,568	-
Property and equipment	(9,894)	9,867	-	(27)	-	(27)
Loans and borrowings	381	-	-	381	381	-
Lease liabilities	13,454	(12,458)	-	996	996	-
Other liabilities	25,385	2,863	-	28,248	28,248	-
Tax losses carried forward	62,480	(62,480)	-	-	-	-
Deferred tax asset (liability)	**364,516**	**6,636**	**(149,911)**	**221,241**	**221,268**	**(27)**
Tax asset estimation	(62,480)	62,480	-	-	-	-
Deferred tax asset (liability)	**302,036**	**69,116**	**(149,911)**	**221,241**	**221,268**	**(27)**

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

13 Cash

	31 December 2024	31 December 2023
Current accounts with the banks	382,956	163,297
	382,956	**163,297**
Credit loss allowance	(4,175)	(2,414)
Total cash	**378,781**	**160,883**

As at 31 December 2024 accounts in total amount of AMD 315,966 thousand (83%) (2023: AMD 142,601 thousand (87%), three banks) were due from two commercial banks.

In the current accounts, the cash flows are pledged against loans from banks (see Note 21).

Non-cash transactions performed during 2024 are represented by repayment of AMD 37,082 thousand loans by repossessed collateral (2023: AMD 51,704 thousand).

An analysis of changes in the ECLs on cash as follows:

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	2,414	788
Net remeasurement of loss allowance	1,761	1,626
Balance at 31 December	**4,175**	**2,414**

14 Amounts due from financial institutions

	31 December 2024	31 December 2023
Amounts due from payment and settlement organizations	199,178	253,576
Amounts due from banks	34,533	78,053
	233,711	**331,629**
Credit loss allowance	(1,992)	(2,536)
Total amounts due from financial institutions	**231,719**	**329,093**

An analysis of changes in the ECLs on amount due from financial institutions as follows:

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	2,536	1,616
Net remeasurement of loss allowance	(544)	920
Balance at 31 December	**1,992**	**2,536**

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

15 Securities measured at FVOCI

	31 December 2024	31 December 2023
Securities measured at FVOCI		
RA state bonds	41,996	85,533
Total securities measured at FVOCI	**41,996**	**85,533**
Securities measured at FVOCI pledged under repurchase agreements		
RA state bonds	15,561,433	14,048,290
Total investment securities measured at FVOCI pledged under repurchase agreements	**15,561,433**	**14,048,290**
Total securities measured at FVOCI	**15,603,429**	**14,133,823**

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

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	38,460	49,271
Net remeasurement of loss allowance	4,617	(10,811)
Balance at 31 December	**43,077**	**38,460**

The above loss allowance is not recognised 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.

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

	31 December 2024		31 December 2023	
	%	Maturity	%	Maturity
RA state bonds	7.95-12.2	2027-2047	7.95-12.2	2027-2047

16 Loans to customers

	31 December 2024			31 December 2023		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Mortgage and consumer lending						
Mortgage and house improvement loans	2,142,143	(3,111)	2,139,032	6,414,623	(99,784)	6,314,839
Consumer lending	10,887,529	(923,363)	9,964,166	5,284,483	(573,154)	4,711,329
Auto loans	3,009,549	(397,253)	2,612,296	2,082,810	(390,147)	1,692,663
	16,039,221	**(1,323,727)**	**14,715,494**	**13,781,916**	**(1,063,085)**	**12,718,831**

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

	31 December 2024			31 December 2023		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Commercial lending						
Agriculture	1,656,525	(87,298)	1,569,227	1,348,372	(27,297)	1,321,075
Trade	562,970	(55,984)	506,986	437,553	(28,262)	409,291
Industry	61,121	(6,152)	54,969	253,233	(58,458)	194,775
Other	1,599,946	(58,174)	1,541,772	1,111,605	(51,496)	1,060,109
	3,880,562	**(207,608)**	**3,672,954**	**3,150,763**	**(165,513)**	**2,985,250**
Total	**19,919,783**	**(1,531,335)**	**18,388,448**	**16,932,679**	**(1,228,598)**	**15,704,081**

The ECL allowance in these tables includes ECL on loan commitments for products such as credit cards, because the Company cannot separately identify the ECL on the loan commitment component from those on the financial instrument component (see Note 25).

Based on the decision of the RA Government in December 2023 the Company assigned to the RA Government the right to claim loans to individuals of the Nagorno Karabagh totalling AMD 64,398 thousand, in exchange for which it received government bonds issued by the RA Government. The incurred loss from the assignment of loans amounted to AMD 19,320 thousand.

During the year ended 31 December 2024 the Company obtained assets by taking possession of collateral for loans to customers. The carrying amount of such assets was AMD 37,452 thousand (2023: AMD 51,705 thousand). The Company sells these assets in a short period (see Note 19).

As at 31 December 2024 the Company's right to claim the loans to customers in the amount of AMD 5,829,510 thousand (2023: 5,835,129 thousand) were pledged as collateral for loans and borrowings from other organizations in the amount of AMD 4,934,318 thousand (2023: AMD 5,480,863 thousand) (see Note 21).

As at 31 December 2024 the Company has 2 borrowers whose loans exceed 10% of equity in the amount of AMD 1,846,702 thousand (2023: four borrowers, AMD 1,339,825 thousand).

Net investments in finance leases are included in commercial loans provided to customers (presented in the agriculture sector) and as at 31 December 2024 amounted to AMD 429,615 thousand (as at 31 December 2023: AMD 13,036 thousand).

Impairment reserves for net investments in finance leases are included in the impairment loss for loans to customers and as at 31 December 2024 amounted to AMD 4,432 thousand (as at 31 December 2023: AMD 35 thousand).

The assumed average interest rate on net investments in finance leases is 13.15% (2023: 13%).

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

An analysis of changes in gross carrying amounts in relation to mortgage and consumer lending and commercial lending are as follows:

				2024
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
Balance at 1 January	11,446,565	645,075	1,690,276	13,781,916
New assets originated or purchased	31,159,751	469,044	947,313	32,576,108
Assets repaid	(27,981,626)	(34,724)	(733,464)	(28,749,814)
- Transfer to Stage 1	127,675	(85,208)	(42,467)	-
- Transfer to Stage 2	(206,961)	264,704	(57,743)	-
- Transfer to Stage 3	(1,045,959)	(516,900)	1,562,859	-
Change in balance of asset from interest and foreign exchange	(2,232)	(392)	(587)	(3,211)
Amounts written off during the year	-	-	(1,565,778)	(1,565,778)
Balance at 31 December	**13,497,213**	**741,599**	**1,800,409**	**16,039,221**

				2024
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
Balance at 1 January	2,860,237	60,934	229,592	3,150,763
New assets originated or purchased	4,222,228	12,650	7,175	4,242,053
Assets repaid	(2,920,960)	(1,331)	(483,163)	(3,405,454)
- Transfer to Stage 1	16,817	(8,114)	(8,703)	-
- Transfer to Stage 2	(14,817)	21,317	(6,500)	-
- Transfer to Stage 3	(629,295)	(60,023)	689,318	-
Change in balance of asset from interest and foreign exchange	(28,852)	(888)	(5,003)	(34,743)
Net amounts written off during the year	-	-	(72,057)	(72,057)
Balance at 31 December	**3,505,358**	**24,545**	**350,659**	**3,880,562**

				2023
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
Balance at 1 January	9,688,504	357,771	1,456,617	11,502,892
New assets originated or purchased	22,035,613	365,493	602,276	23,003,382
Assets repaid	(19,648,458)	(55,012)	(801,686)	(20,505,156)
- Transfer to Stage 1	122,461	(81,474)	(40,987)	-
- Transfer to Stage 2	(237,285)	260,640	(23,355)	-
- Transfer to Stage 3	(514,513)	(202,343)	716,856	-
Change in balance of asset from interest and foreign exchange	243	-	134	377
Net amounts written off during the year	-	-	(219,579)	(219,579)
Balance at 31 December	**11,446,565**	**645,075**	**1,690,276**	**13,781,916**

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

				2023
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
Balance at 1 January	1,798,684	552,471	345,554	2,696,709
New assets originated or purchased	2,212,273	31,245	19,150	2,262,668
Assets repaid	(1,141,053)	(388,751)	(207,605)	(1,737,409)
- Transfer to Stage 1	114,219	(113,055)	(1,164)	-
- Transfer to Stage 2	(42,156)	42,156	-	-
- Transfer to Stage 3	(84,862)	(63,357)	148,219	-
Change in balance of asset from interest and foreign exchange	3,132	225	883	4,240
Net amounts written off during the year	-	-	(75,445)	(75,445)
Balance at 31 December	**2,860,237**	**60,934**	**229,592**	**3,150,763**

An analysis of changes in ECL allowances in relation to mortgage and consumer lending and commercial lending are as follows:

				2024
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
ECL allowance at 1 January	427,654	159,185	476,246	1,063,085
- Transfer to Stage 1	12,921	(9,765)	(3,156)	-
- Transfer to Stage 2	(10,702)	25,654	(14,952)	-
- Transfer to Stage 3	(70,722)	(162,175)	232,897	-
Net remeasurement of loss allowance	(298,289)	46,755	1,085,399	833,865
Net remeasurement of loss allowances on new originated financial assets	345,181	199,804	447,570	992,555
Net amounts written off during the year	-	-	(1,565,778)	(1,565,778)
Balance at 31 December	**406,043**	**259,458**	**658,226**	**1,323,727**

				2024
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
ECL allowance at 1 January	87,211	5,378	72,924	165,513
- Transfer to Stage 1	1,031	-	(1,031)	-
- Transfer to Stage 2	(381)	381	-	-
- Transfer to Stage 3	(7,107)	(5,538)	12,645	-
Net remeasurement of loss allowance	(38,082)	2,700	81,425	46,043
Net remeasurement of loss allowances on new originated financial assets	60,042	2,513	5,554	68,109
Net amounts written off during the year	-	-	(72,057)	(72,057)
Balance at 31 December	**102,714**	**5,434**	**99,460**	**207,608**

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

				2023
	Stage 1	Stage 2	Stage 3	Total
Mortgage and consumer lending				
ECL allowance at 1 January	333,110	65,396	615,694	1,014,200
- Transfer to Stage 1	17,118	(8,394)	(8,724)	-
- Transfer to Stage 2	(8,536)	11,314	(2,778)	-
- Transfer to Stage 3	(39,658)	(40,044)	79,702	-
Net remeasurement of loss allowance	(234,299)	7,129	(258,312)	(485,482)
Net remeasurement of loss allowances on new originated financial assets	359,919	123,784	270,243	753,946
Net amounts written off during the year	-	-	(219,579)	(219,579)
Balance at 31 December	**427,654**	**159,185**	**476,246**	**1,063,085**

				2023
	Stage 1	Stage 2	Stage 3	Total
Commercial lending				
ECL allowance at 1 January	34,290	25,661	31,951	91,902
- Transfer to Stage 1	21,360	(21,187)	(173)	-
- Transfer to Stage 2	(415)	415	-	-
- Transfer to Stage 3	(1,726)	(2,735)	4,461	-
Net remeasurement of loss allowance	(28,130)	(619)	100,653	71,904
Net remeasurement of loss allowances on new originated financial assets	61,832	3,843	11,477	77,152
Net amounts written off during the year	-	-	(75,445)	(75,445)
Balance at 31 December	**87,211**	**5,378**	**72,924**	**165,513**

Maturity analysis of loans and advances to customers are disclosed in Note 30.

Credit, currency and interest rate analyses of loans and advances to customers are disclosed in Note 31. Information on related parties is disclosed in Note 27.

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

17 Property and equipment

	Computer equipment	Right-of-use assets	Vehicles	Office furniture and other equipment	Total
Cost					
At 1 January 2023	89,206	274,231	12,325	129,367	505,129
Additions	3,037	-	-	2,155	5,192
At 31 December 2023	**92,243**	**274,231**	**12,325**	**131,522**	**510,321**
Additions	11,994	-	-	5,356	17,350
Disposals	-	(300,902)	-	-	(300,902)
Remeasurement	-	205,953	-	-	205,953
At 31 December 2024	**104,237**	**179,282**	**12,325**	**136,878**	**432,722**
Accumulated depreciation					
At 1 January 2023	78,758	219,265	2,232	101,536	401,791
Expenses for the year	6,121	54,816	1,541	8,648	71,126
At 31 December 2023	**84,879**	**274,081**	**3,773**	**110,184**	**472,917**
Expenses for the year	6,177	60,224	1,540	9,906	77,847
Disposals	-	(300,902)	-	-	(300,902)
At 31 December 2024	**91,056**	**33,403**	**5,313**	**120,090**	**249,862**
Carrying amount					
At 31 December 2023	**7,364**	**150**	**8,552**	**21,338**	**37,404**
At 31 December 2024	**13,181**	**145,879**	**7,012**	**16,788**	**182,860**

Fully depreciated items

As at 31 December 2024 fixed assets included fully depreciated assets in amount of AMD 113,743 thousand (2023: AMD 102,739 thousand).

Restrictions on title of fixed assets

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

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

18 Intangible assets

	Investments in intangible assets	Computer software and licenses	Total
Cost			
At 1 January 2023	178,341	789,839	968,180
Additions	142,871	-	142,871
Reclassification	(298,743)	298,743	-
At 31 December 2023	**22,469**	**1,088,582**	**1,111,051**
Additions	54,133	1,035	55,168
Reclassification	(76,602)	76,602	-
At 31 December 2024	**-**	**1,166,219**	**1,166,219**
Accumulated amortisation			
At 1 January 2023	-	92,337	92,337
Amortisation charge	-	82,106	82,106
At 31 December 2023	**-**	**174,443**	**174,443**
Amortisation charge	-	95,755	95,755
At 31 December 2024	**-**	**270,198**	**270,198**
Carrying amount			
Balance at 31 December 2023	**22,469**	**914,139**	**936,608**
Balance at 31 December 2024	**-**	**896,021**	**896,021**

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

As at 31 December 2024 the intangible asset with a carrying amount of AMD 490,918 thousand is the Cashme mobile application software, which accepts and approves loan applications (2023: AMD 491,154 thousand).

19 Repossessed assets

	31 December 2024	31 December 2023
Real estate	26,255	29,104
Total repossessed assets	**26,255**	**29,104**

As at the date of repossession the collateral, it is measured at the lower of the carrying amount of outstanding loan commitment and fair value of realizable collateral.

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell.

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

20 Other assets

	31 December 2024	31 December 2023
Debtors and other receivables	15,734	19,142
Credit loss allowance	(8,780)	(10,540)
Total other financial assets	**6,954**	**8,602**
Prepayments	46,659	39,654
Total non-financial assets	**46,659**	**39,654**
Total other assets	**53,613**	**48,256**

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

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	10,540	3,793
Net remeasurement on loss allowance for new financial assets provided	8,618	10,540
Net remeasurement of loss allowance	121,610	100,646
Net write-off	(131,988)	(104,439)
Balance at 31 December	**8,780**	**10,540**

21 Loans and borrowings

	31 December 2024	31 December 2023
Loans from the Central Bank of Armenia through international programs	1,406,130	1,642,132
Loans from refinancing credit organizations	3,475,525	4,374,861
Loans from banks under repurchase agreements (Note 15)	14,363,290	13,262,228
Loans from banks and credit lines	7,223,175	7,817,209
Loans from RA Government through international programs	1,304,928	882,301
Borrowings from commercial and non-commercial organizations	305,789	306,541
Borrowings from shareholders	2,865,040	805,547
Total loans and borrowings	**30,943,877**	**29,090,819**

As at 31 December 2024 the Company has loans and borrowings from 8 organizations (2023: 12 organizations), whose loans and borrowings balances exceed 10% of equity. The total amount of such loans as at 31 December 2024 is AMD 15,973,604 thousand (2023: AMD 29,007,986 thousand).

The Company's current accounts turnover and the shareholders' guarantees are collateralized for the Company loans and credit lines.

As at 31 December 2024 loans and borrowings received from other organizations in the amount of AMD 4,934,318 thousand (2023: AMD 5,835,129 thousand) are secured by a right of claim against loans in the amount of AMD 5,829,510 thousand (2023: AMD 5,480,863 thousand in total) (see Note 16).

The Company has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2023: either).

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

22 Lease liabilities

Lease liabilities

The Company has leases for the head office. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (see Note 17).

Leases of for the building and office area are generally limited to a lease term of 5 years. Lease payments are generally fixed.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. The Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

	2024	2023
At 1 January	5,532	68,920
Accretion of interest	23,962	2,996
Remeasurement	205,953	-
Payments	(80,345)	(66,384)
Total lease liabilities at 31 December	**155,102**	**5,532**

In 2024 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 12.5% (2023: 9%).

The maturity analysis of undiscounted lease liabilities as at 31 December 2024 is presented in Note 31.3.

23 Other liabilities

	31 December 2024	31 December 2023
Accounts payables	191,910	299,126
Due to personnel	105,037	93,422
Amounts due to RA Government	-	45,301
Subsidized interests	12,730	12,303
Total other financial liabilities	**309,677**	**450,152**
ECL for guarantee*	13,340	4,909
Tax payable, other than income tax	20,893	13,618
Total other non-financial liabilities	**34,233**	**18,527**
Total other liabilities	**343,910**	**468,679**

*Provisions have been made in respect of costs arising from financial guarantees. An analysis of changes in the ECLs on financial guarantees see Note 25.

24 Equity

As at 31 December 2024 the Company's registered, issued and paid-in share capital was AMD 3,000,000 thousand. In accordance with the Company's statues, the share capital consists of 3,000,000 ordinary shares, all of which have a par value of AMD 1,000 each.

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

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

	Paid-in share capital	% of total paid-in capital
Eduard Marutyan	1,250,000	41.67
Arayik Karapetyan	1,149,599	38.32
Hayk Darbinyan	600,401	20.01
	3,000,000	**100**

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

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.

25 Financial guarantees and loan commitments

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

As at 31 December the contract amounts were:

	31 December 2024	31 December 2023
Undrawn loan commitments	273,237	251,477
Guarantees	170,856	97,209
Total commitments and contingent liabilities	**444,093**	**348,686**

An analysis of changes in the ECLs on loan commitment included in allowances of loans and advances to customers (see Note 16).

The changes in the ECLs on financial guarantees are presented in other liabilities (see Note 23). An analysis of these changes as follow:

	2024	2023
	Stage 1	Stage 1
Financial guarantees		
ECL allowance at 1 January	4,909	24,936
Net remeasurement of loss allowance	8,431	(20,027)
Balance at 31 December	**13,340**	**4,909**

26 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.

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

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.

Contractual liabilities

As at 31 December 2024 the Company has no contractual obligations to make investments in fixed assets and intangible assets (2023: either).

27 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 ultimate controlling party.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, borrowings and other transactions.

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

	2024		2023	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
Statement of financial position				
Loans to customers				
Loans outstanding at 1 January gross	506,388	50,614	512,269	48,524
Loans issued during the year	2,340,240	56,654	295,126	42,120
Loan repayments during the year	(1,561,162)	(54,014)	(301,007)	(40,030)
Loans outstanding at 31 December gross	**1,285,466**	**53,254**	**506,388**	**50,614**
Credit loss allowance	(65,119)	(1,473)	(26,002)	(1,827)
Balance at 31 December	**1,220,347**	**51,781**	**480,386**	**48,787**

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	2024		2023	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
Loans and borrowings				
Loans outstanding at 1 January	805,547	-	-	-
Loans received during the year	3,050,000	-	1,750,350	-
Loan repayments during the year	(1,050,000)	-	(950,350)	-
Accrued interests	59,493	-	5,547	-
Balance at 31 December	**2,865,040**	**-**	**805,547**	**-**
Guarantees issued	**84,954**	**-**	**19,170**	**-**
Statement of profit or loss and other comprehensive income				
Interest income on loans	123,027	5,234	35,339	4,976
Credit loss expense (reversal of credit loss expense)	(39,117)	354	(4,815)	723
Interest expense on borrowings	(65,252)	-	(5,547)	-
Interest expense on lease	(23,962)	-	(2,996)	-
Depreciation charge of right-of-use assets	(60,224)	-	(54,816)	-
Other expenses	(13,515)	-	(14,532)	-

Compensation of key management personnel was comprised of the following:

	31 December 2024	31 December 2023
Salaries and bonuses	105,064	94,313
Total key management compensation	**105,064**	**94,313**

The loans issued to related parties during the year are repayable monthly over 1-7 years and have interest rates of 4.5-20.0% (2023: 4.5-20.0%). The loans advanced are collateralised by real estate and guarantees.

28 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:

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).

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28.1 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 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash	-	378,781	-	378,781	378,781
Amounts due from financial institutions	-	231,719	-	231,719	231,719
Loans to customers	-	18,295,758		18,295,758	18,388,448
Other assets	-	6,954	-	6,954	6,954
Financial liabilities					
Loans and borrowings	-	30,943,877	-	30,943,877	30,943,877
Lease liabilities	-	155,102	-	155,102	155,102
Other liabilities	-	309,677	-	309,677	309,677

	31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash	-	160,883	-	160,883	160,883
Amounts due from financial institutions	-	329,093	-	329,093	329,093
Loans to customers	-	15,673,186	-	15,673,186	15,704,081
Other assets	-	8,602	-	8,602	8,602
Financial liabilities					
Loans and borrowings	-	29,090,819	-	29,090,819	29,090,819
Lease liabilities	-	5,532	-	5,532	5,532
Other liabilities	-	450,152	-	450,152	450,152

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.

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.

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Attracted loans and borrowings

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

28.2 Financial instruments that are measured at fair value

				31 December 2024
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities at FVOCI including those pledged	-	15,603,429	-	15,603,429
Total	**-**	**15,603,429**	**-**	**15,603,429**
Net fair value	**-**	**15,603,429**	**-**	**15,603,429**

				31 December 2023
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities at FVOCI including those pledged	-	14,133,823	-	14,133,823
Total	**-**	**14,133,823**	**-**	**14,133,823**
Net fair value	**-**	**14,133,823**	**-**	**14,133,823**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

29 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 financial liabilities	Gross amount of recognised financial assets/ liabilities 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 from banks under repurchase agreements (Notes 15, 21)	14,363,290	-	14,363,290	15,561,433	-	(1,198,143)
Total	**14,363,290**	**-**	**14,363,290**	**15,561,433**	**-**	**(1,198,143)**

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						31 December 2023
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities 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 from banks under repurchase agreements (Notes 15, 21)	13,262,228	-	13,262,228	14,048,290	-	(786,062)
Total	13,262,228	-	13,262,228	14,048,290	-	(786,062)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position and disclosed in the above tables are measured in the statement of financial position on the following basis:

- liabilities resulting from loans received under repurchase agreements are measured at amortised cost.

30 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 Note 31.3 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	378,781	-	378,781	-	-	-	378,781
Amounts due from financial institutions	231,719	-	231,719	-	-	-	231,719
Securities measured at FVOCI	-	-	-	-	41,996	41,996	41,996
Securities pledged under repurchase agreements	15,561,433	-	15,561,433	-	-	-	15,561,433
Loans to customers	2,844,507	5,766,153	8,610,660	4,283,034	5,494,754	9,777,788	18,388,448
Other assets	6,954	-	6,954	-	-	-	6,954
	19,023,394	**5,766,153**	**24,789,547**	**4,283,034**	**5,536,750**	**9,819,784**	**34,609,331**
Liabilities							
Loans and borrowings	17,926,568	7,206,523	25,133,091	4,585,148	1,225,638	5,810,786	30,943,877
Lease liabilities	3,433	37,760	41,193	113,909	-	113,909	155,102
Other liabilities	309,677	-	309,677	-	-	-	309,677
	18,239,678	**7,244,283**	**25,483,961**	**4,699,057**	**1,225,638**	**5,924,695**	**31,408,656**
Net position	**783,716**	**(1,478,130)**	**(694,414)**	**(416,023)**	**4,311,112**	**3,895,089**	**3,200,675**
Accumulated gap	**783,716**	**(694,414)**		**(1,110,437)**	**3,200,675**		

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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	160,883	-	*160,883*	-	-	-	160,883
Amounts due from financial institutions	329,093	-	*329,093*	-	-	-	329,093
Securities measured at FVOCI	-	-	-	-	85,533	*85,533*	85,533
Securities pledged under repurchase agreements	14,048,290	-	*14,048,290*	-	-	-	14,048,290
Loans to customers	2,261,417	4,249,273	*6,510,690*	3,493,085	5,700,306	*9,193,391*	15,704,081
Other assets	8,602	-	*8,602*	-	-	-	8,602
	16,808,285	**4,249,273**	***21,057,558***	**3,493,085**	**5,785,839**	***9,278,924***	**30,336,482**
Liabilities							
Loans and borrowings	14,265,530	8,428,340	*22,693,870*	4,972,341	1,424,608	*6,396,949*	29,090,819
Lease liabilities	5,532	-	*5,532*	-	-	-	5,532
Other liabilities	450,152	-	*450,152*	-	-	-	450,152
	14,721,214	**8,428,340**	***23,149,554***	**4,972,341**	**1,424,608**	***6,396,949***	**29,546,503**
Net position	**2,087,071**	**(4,179,067)**	***(2,091,996)***	**(1,479,256)**	**4,361,231**	***2,881,975***	**789,979**
Accumulated gap	**2,087,071**	**(2,091,996)**		**(3,571,252)**	**789,979**		

31 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.

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is 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.

Executive Director

The 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.

Credit Committee

The Credit Committee has the overall responsibility for the risk management in the process of loan provision.

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

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries. In addition the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

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.

In order to avoid excessive concentrations of risks, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

31.1 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 loans and advances, and investment activities that bring debt securities and other bills into the Company's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Company and reported to the Board of Directors regularly.

The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

31.1.1 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. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of internal rating grades is included in Note 31.1.2.

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

Internal rating grade	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Cash				
Standard	382,956	-	-	382,956
Gross carrying amount	**382,956**	-	-	**382,956**
Credit loss allowance	(4,175)	-	-	(4,175)
Net carrying amount	**378,781**	-	-	**378,781**
Amounts due financial institutions				
Standard	233,711	-	-	233,711
Gross carrying amount	**233,711**	-	-	**233,711**
Credit loss allowance	(1,992)	-	-	(1,992)
Net carrying amount	**231,719**	-	-	**231,719**
Mortgage and consumer landing				
High grade	12,924,840	-	-	12,924,840
Standard grade	572,373	244,582	-	816,955
Low grade	-	497,017	-	497,017
Non-performing grade	-	-	1,800,409	1,800,409
Gross carrying amount	**13,497,213**	**741,599**	**1,800,409**	**16,039,221**
Credit loss allowance	(406,043)	(259,458)	(658,226)	(1,323,727)
Net carrying amount	**13,091,170**	**482,141**	**1,142,183**	**14,715,494**
Commercial landing				
High grade	3,473,778	-	-	3,473,778
Standard grade	31,580	9,451	-	41,031
Low grade	-	15,094	-	15,094
Non-performing grade	-	-	350,659	350,659
Gross carrying amount	**3,505,358**	**24,545**	**350,659**	**3,880,562**
Credit loss allowance	(102,714)	(5,434)	(99,460)	(207,608)
Net carrying amount	**3,402,644**	**19,111**	**251,199**	**3,672,954**
Securities at FVOCI including those pledged under repurchase agreements				
Standard	15,603,429	-	-	15,603,429
Carrying amount (fair value)	**15,603,429**	**-**	**-**	**15,603,429**
Credit loss allowance	(43,077)	-	-	(43,077)
Other financial assets				
High grade	15,734	-	-	15,734
Gross carrying amount	**15,734**	**-**	**-**	**15,734**
Credit loss allowance	(8,780)	-	-	(8,780)
Net carrying amount	**6,954**	**-**	**-**	**6,954**

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Internal rating grade				31 December 2024
	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantees				
High grade	444,093	-	-	444,093
	444,093	**-**	**-**	**444,093**
Credit loss allowance*	(13,340)	-	-	(13,340)

Internal rating grade				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
Cash				
Standard	163,297	-	-	163,297
Gross carrying amount	**163,297**	**-**	**-**	**163,297**
Credit loss allowance	(2,414)	-	-	(2,414)
Net carrying amount	**160,883**	**-**	**-**	**160,883**
Amounts due from financial institutions				
Standard	331,629	-	-	331,629
Gross carrying amount	**331,629**	**-**	**-**	**331,629**
Credit loss allowance	(2,536)	-	-	(2,536)
Net carrying amount	**329,093**	**-**	**-**	**329,093**
Mortgage and consumer landing				
High grade	11,196,183	-	-	11,196,183
Standard grade	250,382	390,721	-	641,103
Low grade	-	254,354	-	254,354
Non-performing grade	-	-	1,690,276	1,690,276
Gross carrying amount	**11,446,565**	**645,075**	**1,690,276**	**13,781,916**
Credit loss allowance	(427,654)	(159,185)	(476,246)	(1,063,085)
Net carrying amount	**11,018,911**	**485,890**	**1,214,030**	**12,718,831**
Commercial landing				
High grade	2,846,739	-	-	2,846,739
Standard grade	13,498	25,226	-	38,724
Low grade	-	35,708	-	35,708
Non-performing grade	-	-	229,592	229,592
Gross carrying amount	**2,860,237**	**60,934**	**229,592**	**3,150,763**
Credit loss allowance	(87,211)	(5,378)	(72,924)	(165,513)
Net carrying amount	**2,773,026**	**55,556**	**156,668**	**2,985,250**
Securities at FVOCI including those pledged under repurchase agreements				
Standard	14,133,823	-	-	14,133,823
Carrying amount (fair value)	**14,133,823**	**-**	**-**	**14,133,823**
Credit loss allowance	(38,460)	-	-	(38,460)

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Internal rating grade				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
High grade	19,142	-	-	19,142
Gross carrying amount	**19,142**	**-**	**-**	**19,142**
Credit loss allowance	(10,540)	-	-	(10,540)
Net carrying amount	**8,602**	**-**	**-**	**8,602**
Loan commitments and financial guarantees				
High grade	348,686	-	-	348,686
	348,686	**-**	**-**	**348,686**
Credit loss allowance*	(4,909)	-	-	(4,909)

*The ECL allowance in these tables includes only ECL on guarantee, because the Company cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

31.1.2 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 use past due information to determine whether there have been significant increases in credit risk since initial recognition.

Criteria for loans and advances to customers

The criteria for Loans and advances to customers 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.
- 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
- 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' pas 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 BB (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.
- 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
- 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, which 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 Entity 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 Entity has an internal credit rating system
- Change notches external credit score/ rate. criterion takes into account the country's (sovereign) rating. A significant change notches in the credit score assigned by the 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 BB (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

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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 present average 12 month PDs per grades for loans and advances to customers and loan commitments and financial guarantee.

		2024	2023
	Grade	12 month PD range	12 month PD range
Mortgage and consumer landing	Standard	1.44-33.64%	0.46-21.86%
	Substandard	24.22-86.37%	14.5-65.96%
	Non-Performing	95.38-99.99%	94.81-100%
Loans to commercial customers	Standard	3.39-12.26%	5.4-8.33%
	Substandard	36.69-86.5%	12.98-31.11%
	Non-Performing	96.91-100%	96.4-100%

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 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
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Those assets for which ECL does not calculated individually the Company groups into segment on the basis of shared credit risk characteristics as described below.

- Type of loan (for example, corporate, mortgage, consumer loan, etc.)
- The type of customer (for example, a physical person or legal entity or by industry type),
- Type of collateral (for example, real estate, movable property, etc.),
- Currency
- Other relevant characteristics.

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 intercompany 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,
- 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 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 (excluding the grace period). 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.).

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 one 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 (iii).

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. To calculate the macroeconomic adjustment for ECL the Company uses a wide range of forecast information as economic inputs for its models, including:

- GDP growth
- Net current transfers from abroad
- Unemployment
- Company nonperforming loans to total gross loans
- Trade growth
- Industry growth
- Agriculture growth
- Official exchange rate

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- Real estate prices (average price in Yerevan)

31.1.3 Risk concentrations

Geographical sectors

Credit risk assets are fully located in the RA.
Loan placements by economy branches are disclosed in Note 16.

31.1.4 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:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, movable properties, equipment, in special circumstances, government guarantees
- For consumer lending residential properties and movable properties.
- For mortgages over residential properties

Management monitors 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.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. 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 and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Generally, no collaterals are required for provision of loans and advances to financial institutions. The exception is collaterals obtained under repurchase agreements and securities borrowing transactions. Debt securities and other eligible bills are generally unsecured.

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

	31 December 2024	31 December 2023
Loans collateralized by real estate	2,991,135	3,496,517
Loans collateralized by inventories	2,989,723	3,901,528
Loans collateralized by fixed assets	-	53,155
Loans collateralized by vehicles	2,929,141	2,164,684
Loans collateralized by guarantees of organizations and individuals	969,814	1,034,344
Unsecured loans	9,945,068	6,151,892
Other collateral	94,902	130,559
Total loans (gross)	**19,919,783**	**16,932,679**

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.

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31.2 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.

Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

31.2.1 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. The Board of Directors has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement.

As at 31 December 2024 and 31 December 2023 the Company has not had financial assets and liabilities with variable interest rate.

The sensitivity of equity is calculated by revaluating fixed rate available-for-sale financial assets, including the effects of the assumed changes in interest rates as at 31 December 2024.

Currency			2024
	Change in basis points	Sensitivity of equity	Total
AMD	1	(806,401)	(806,401)
AMD	-1	884,602	884,602

Currency			2023
	Change in basis points	Sensitivity of equity	Total
AMD	+1	(733,031)	(733,031)
AMD	-1	805,598	805,598

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.

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	2024		2023	
	Average effective interest rate, %		Average effective interest rate, %	
	AMD	USD	AMD	USD
Interest earning assets				
Securities measured at FVOCI including those pledged under repurchase agreements	9.59	-	9.58	-
Loans to customers	88.36	11.48	84.21	15.97
Interest bearning liabilities				
Loans from the CBA through international programs	5.6	-	5.6	-
Loans from refinancing credit organizations	7.3	-	7.3	-
Loans from banks under repurchase agreements	8.3	-	10.7	-
Loans from banks and credit lines	11.3	10.4	11.2	10.5
Loans from RA Government with international programs	6.6	4.1	6.4	4.1
Borrowings from commercial and non-commercial organizations	8.2	-	10.3	6.2
Borrowings from shareholders	12.7	-	11.9	-
Lease liabilities	12.5	-	9	-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Company had significant exposure as 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 (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. 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	21,997	5	11,502

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

	Armenian Dram	Freely convertible currencies	Total
Assets			
Cash	372,748	6,033	378,781
Amounts due from financial institutions	231,719	-	231,719
Securities measured at FVOCI	41,996	-	41,996
Securities pledged under repurchase agreements	15,561,433	-	15,561,433
Loans to customers	17,581,486	806,962	18,388,448
Other assets	6,954	-	6,954
Total	**33,796,336**	**812,995**	**34,609,331**
Liabilities			
Loans and borrowings	30,571,122	372,755	30,943,877
Lease liabilities	155,102	-	155,102
Other liabilities	309,378	299	309,677
Total	**31,035,602**	**373,054**	**31,408,656**
Net position at 31 December 2024	**2,760,734**	**439,941**	**3,200,675**
Commitments and contingent liabilities at 31 December 2024	**444,093**	**-**	**444,093**
Total financial assets	**29,328,833**	**1,007,649**	**30,336,482**
Total financial liabilities	**28,768,889**	**777,614**	**29,546,503**
Net position at 31 December 2023	**559,944**	**230,035**	**789,979**
Commitments and contingent liabilities at 31 December 2023	**348,686**	**-**	**348,686**

Freely convertible currencies represent mainly US dollar amounts.

31.3 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 has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company maintains a portfolio of highly marketable and diverse assets 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.

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Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2024 based on contractual undiscounted repayment obligations. See Note 30 for the expected maturities of these liabilities.

	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 and borrowings	17,942,558	7,532,251	5,290,762	1,273,475	32,039,046	30,943,877
Lease liabilities	3,742	41,158	138,439	-	183,339	155,102
Other liabilities	309,677	-	-	-	309,677	309,677
Total undiscounted non-derivative financial liabilities	**18,255,977**	**7,573,409**	**5,429,201**	**1,273,475**	**32,532,062**	**31,408,656**
Commitments and contingent liabilities	**273,237**	**94,193**	**56,245**	**20,418**	**444,093**	**444,093**

	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 and borrowings	14,271,866	8,776,055	5,903,785	1,542,191	30,493,897	29,090,819
Lease liabilities	5,532	-	-	-	5,532	5,532
Other liabilities	450,152	-	-	-	450,152	450,152
Total undiscounted non-derivative financial liabilities	**14,727,550**	**8,776,055**	**5,903,785**	**1,542,191**	**30,949,581**	**29,546,503**
Commitments and contingent liabilities	**251,477**	**94,270**	**2,939**	**-**	**348,686**	**348,686**

31.4 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 reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board and Executive Management. 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;
- 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.

32 Reconciliation of liabilities arising from financing activities

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

			2024
	Loans and borrowings	Lease liabilities	Total
Carrying amount at 1 January 2024	29,090,819	5,532	29,096,351
Proceeds from issue	114,334,367	-	114,334,367
Outflow	(112,496,585)	(80,345)	(112,576,930)
Foreign currency translation	(18,725)	-	(18,725)
Other	-	205,953	205,953
Interests accrued	34,001	23,962	57,963
At 31 December 2024	**30,943,877**	**155,102**	**31,098,979**

			2023
	Loans and borrowings	Lease liabilities	Total
Carrying amount at 1 January 2023	24,161,379	68,920	24,230,299
Proceeds from issue	94,506,355	-	94,506,355
Outflow	(89,601,089)	(66,384)	(89,667,473)
Foreign currency translation	17,090	-	17,090
Interests accrued	7,084	2,996	10,080
At 31 December 2023	**29,090,819**	**5,532**	**29,096,351**

33 Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Company.

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 to maximise shareholders' value.

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.

Regulatory capital consists of Tier 1 capital, which comprises share capital, statutory general reserve, accumulated loss including current year profit. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves.

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