PROSPECTUS

On shares issued by

"ACBA BANK"

Open Joint Stock Company

YEREVAN 2024

PROSPECTUS

"ACBA BANK"

Issuer Name

Open Joint Stock Company

Organizational legal form

82-84 Aram Street, Yerevan, Armenia, 0002
Phone: +(374)10 31 88 88 Fax: +(374)10 54 34 85
E-mail: acba@acba.am
Website: www.acba.am

Class (type) of shares: common stock
Form of shares: non-documentary
Number of shares: 485,000
Nominal value of shares: AMD 10,000
The placement value of one share: 14 299.4 AMD, which has been calculated based on the USD/AMD exchange rate published by the CBA as of 21.08.2024 (1 USD = 388.36 AMD). The price is subject to adjustment based on the USD/AMD exchange rate published by the CBA as of the day that is three business days preceding the date of the commencement of the allotment of shares. Nevertheless, the price per share cannot exceed 18 000 AMD. The price adjusted based on the provisions of this section shall be published in section "Shareholders and Investors" of the Bank's website no later than 21:00 of the day that is three days preceeding the commencement of the allotment of shares.
Total nominal value of shares: AMD 4,850,000,000
Total placement value of shares: 485,000 multiplied by placement value of one share but in any case not greater than 8,730,000,000

ACBA BANK

Underwriter's name

Open Joint Stock Company

Organizational legal form

82-84 Aram Street, Yerevan, Armenia, 0002
Phone: +(374)10 31 88 88
E-mail: acba@acba.am
Website: www.acba.am

THE REGISTRATION OF THE PROSPECTUS BY THE CENTRAL BANK OF REPUBLIC OF ARMENIA DOES NOT GUARANTEE THE SECURITY OF THE INVESTMENT, THE ACCURACY OR THE TRUTHFULNESS OF THE INFORMATION PRESENTED.

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CHAPTER 1. RESPONSIBLE PERSONS

"We, the undersigned, hereby certify that we have used all reasonable efforts to ascertain the accuracy and completeness of the information contained in the prospectus. Accordingly, we assure that, to the best of our knowledge, the information included in the prospectus is accurate and complete, does not contain omissions that could distort the content of the prospectus.".

Signatories:

Rafayel Sargsyan	Board chairman		
(name, surname)	(position)	(signature)	(date)
Henrik Kochinyan	Board member		
(name, surname)	(position)	(signature)	(date)
Vardan Urutyan	Board member		
(name, surname)	(position)	(signature)	(date)
Aram Babayan	Board member		
(name, surname)	(position)	(signature)	(date)
Harutyun Pakhchanyan	Board member		
(name, surname)	(position)	(signature)	(date)
Gayane Hayrapetyan	Board member		
(name, surname)	(position)	(signauture)	(date)

Hakob Andreasyan	Chief Executive Officer		
(name, surname)	(position)	(signature)	(date)
Styopa Zakinyan	Chief Financial Officer, Deputy CEO		
(name, surname)	(position)	(signature)	(date)
Armen Hakobyan	Chief Accountant		
(name, surname)	(position)	(signature)	(date)

I validate the signatures:

Hakob Andreasyan	Chief Executive Officer		
(name, surname)	(position)	(signature)	(date)

L.S.

CHAPTER 2. SUMMARY SHEET

NOTICE TO THE INVESTOR

The summary sheet should be regarded as an introductory summary of the Prospectus. An investor's decision to invest in the offered shares should be based on the full Prospectus.

When considering the other parts of the Prospectus, the person responsible for compiling the summary sheet assume civil liability for incomplete or misleading information contained in the summary sheet (including the part related to translation).

The investor can obtain the Prospectus and the documents attached to the Prospectus in paper form at the Bank's central office or branches, and in electronic form at the Bank's website **www.acba.am.**

It should also be noted that all financial indicators presented in the Prospectus are calculated based on the consolidated financial statements of "ACBA BANK" OJSC and its subsidiary companies, "ACBA LEASING" CJSC and "ACBA TECHNOLAB" LLC.

2.1. Information about the Bank and its activities

2.1.1. Issuer details and contact information

Bank's full name:

Armenian: «ԱԿԲԱ ԲԱՆԿ» բաց բաժնետիրական ընկերություն
English "ACBA BANK" Open Joint Stock Company

Bank's short name:
Armenian: «ԱԿԲԱ ԲԱՆԿ»
English: "ACBA BANK"

Bank's state registration address: 82-84 Aram Street, 89, 99, 100 areas, Yerevan, Armenia, 0002

Bank's state registration number: 70

Bank's location: 82-84 Aram Street, Yerevan, Armenia, 0002

Contact: Phone: +(374)10 31 88 88
E-mail: **acba@acba.am**
Website: **www.acba.am**

In case of questions related to investments in shares, investors can contact their service branches at "ACBA BANK" OJSC (hereinafter referred to as "Issuer" or "Bank"), as well as the employees of the Bank's Dealing Department at the following phone numbers: +(374)10 31 88 88 (0067), +(374)10 31 88 83.

2.1.2. Brief history and strategy of the Issuer

"ACBA BANK" OJSC is a universal bank operating in Armenia, which operates in accordance with the RA legislation, and whose activities are regulated by the Central Bank of Armenia. The state registration number of the Bank is 0170. The Bank operates on the basis of license No. 70 and is a member of the RA Deposit Guarantee Fund.

Bank's history and development

On August 28, 1995, the "Agricultural Cooperative Bank of Armenia" cooperative bank was established. The Bank's activities were initially aimed at financing the agriculture of the newly independent Armenia and supporting agriculture living in changed financial and economic conditions. In 1996, the Bank provided only short-term seasonal agricultural loans. In the years following its establishment, the Bank gradually began to provide loans for the implementation of non-agricultural projects in the rural environment, and from 1999, also for the development of small and medium-sized businesses.

In the same year, the Bank joined the SWIFT and FACET systems and opened correspondent accounts in the French Credit Agricole and the Dutch ABN AMRO banks.

In 2000, the Bank's activities were highly appreciated in the international arena, in particular, the Bank was recognized as the best bank of the year in Armenia for the first time by The Banker magazine of the prestigious British organization Financial Times. Later, by the same periodical, Acba Bank was many times recognized as the best bank of the year in Armenia. Acba Bank was recognized as the best dealer in the state bond market by the Ministry of Finance and Economy of the Republic of Armenia and the RA Central Bank. Since 2000 until now, the Bank is a founding member of the processing center of "Armenian Card" CJSC.

In 2001, the Bank issued its first ArCa Classic payment card.

2002թ. In 2002, the Bank became a full member of VISA International international payment system. For the first time in Armenia, Acba Bank issued VISA payment cards of Electron, Classic, Business and Gold types.

Acba Bank has been in the leading positions in the banking system of RA for years in the volume of credit investments in the real sector.

Acba Bank is the first bank in RA, which was granted ISO 9001:2000 international quality management system license by the international auditing company. In the same year, the Bank acquired a license from the VISA International payment system for servicing VISA cards issued by other banks at trade and service points.

In 2003, the first registered specialized leasing company in Armenia, "ACBA LEASING" CO CJSC, was established. The main goals of the company were to support small and medium-sized enterprises operating in all sectors of the economy, farms to acquire equipment and production means through medium-term financing.

Since 2006, the reputable French banking group "CREDIT AGRICOL S.A." became a shareholder of the Bank with a shareholding of 28%, and on September 9 of the same year, the Bank was reorganized and renamed to "ACBA-CREDIT AGRICOLE BANK" closed joint-stock company by the decision of the General Meeting of the same year, operating as such until April 29, 2020, when the Bank was reorganized again.

In 2007, the “Fitch Ratings” rating agency awarded the Bank a long-term issuer rating of BB (with a stable outlook). In August of the same year, the European Bank for Reconstruction and Development (EBRD) together with Citigroup, one of the largest banks

in the world, provided a syndicated loan to the Bank for the first time in the banking history of Armenia, which was used for lending to small and medium enterprises (including those operating in remote areas of Armenia) operating in Armenia.

In 2009, despite the unfavorable situation caused by the global economic and financial crisis, the Bank continued to be the leader in almost all the most important indicators of banking activity and occupied the first place in the RA banking system in terms of the amount of taxes paid to the state budget.

In 2010, for the first time in the banking history of the Republic of Armenia, the Bank crossed the border of 100 billion AMD in the volume of credit investments made in the real sector. In the same year, the Bank was the only one in the banking system of Armenia that issued and served cards of 3 major international (American Express, Visa International, Mastercard) and one national (ArCa) payment systems. During the same year, the German bank "Commerzbank AG" awarded Acba Bank with the "Quality Excellence" award for ensuring the high quality of international transfers.

In 2011, the RA government implemented a program of subsidizing interest rates for agricultural loans, within the framework of which more than 94% of loans were provided by Acba Bank.

In the same year, together with the UEFA Champions League, the Bank issued Mastercard UEFA Champions League card type and American Express Blue card, the second type of the American Express system, with exclusive rights.

In 2013, Acba Bank founded "Amundi-Acba Asset Management" CJSC together with the leading European asset manager "Amundi Asset Management". In terms of assets under management, Amundi is Europe's leading asset manager.

Being one of the largest organizations in Armenia, the Bank implemented a Corporate Social Responsibility system, the priority directions of which were the support of remote border settlements, environmental protection, preservation of historical and cultural values, and the implementation of youth-oriented programs.

At the end of **2014**, the Central Bank of Armenia started a process of enlargement in the banking system of Armenia. Although the banking system was sufficiently capitalized, the requirements for the stability of the system were raised. In particular, the minimum amount of the total capital of banks was revised and instead of AMD 5 billion, the threshold of AMD 30 billion was set, which had to be ensured by January 1, 2017. As of that moment, 6 of the 21 commercial banks operating in the Republic of Armenia overcame such a requirement.

Among those 6 banks, ACBA-CREDIT AGRICOLE Bank (currently Acba Bank) ranked second in terms of total capital.

In 2015, the Bank introduced a new tool for providing remote banking services, the ACBA Mobile application, which was the first step towards digital transformation. After testing the system, it continued to improve, offering new features to customers.

The Bank also implemented structural changes, as a result of which 3 main business directions of banking activity were formed: agricultural, retail and SME.

In 2017, Acba Bank and SAP, the world's leading company in the market of corporate business solutions, signed a software purchase agreement, under which the Bank implements a complete digital transformation through the use of modern solutions created by SAP.

As a result of the Bank's digital transformation, the Bank is able to interactively respond to customer requirements and provide the service packages and solutions that best meet their needs and are most efficient from the Bank's point of view.

In the same year, the Bank issued new "ARCA-MIR" chip cards of the Russian MIR payment system.

In 2018, the Bank broadened its network of partners in the international card business. Due to the partnership between the Japanese company JCB Co International and Acba Bank, for the first time the service of JCB cardholders in Armenia began. JCB cards are held by approximately 117 million cardholders worldwide.

In 2019, as a result of the cooperation between Acba Bank and the Chinese UnionPay International, the UnionPay card service was launched in Armenia.

On April 29, **2020**, by the decision of the Bank's General Meeting, "ACBA-CREDIT AGRICOLE BANK" CJSC was reorganized and renamed to "ACBA BANK" open joint-stock company.

In 2021, the Bank underwent a rebranding and presented itself to the public in a new way, preserving its best values and traditions. From that point on, Acba-Credit Agricole Bank presented itself as Acba Bank.

In the same year, the employees of Acba Financial Group underwent a process that allowed them to become Acba Bank shareholders. Around 75% of the employees became shareholders of "ACBA BANK" OJSC, after which a primary public offering of 500,000 shares with a total value of AMD 7.5 billion was carried out by the Bank. All these shares were fully subscribed within the given timeframe. As a result, Acba Bank emerged as one of the companies with the highest number of shareholders in Armenia, with its shares listed on the reputable A platform of the Armenian Stock Exchange.

Acba Bank introduced an innovative NFC payment system for the first time in Armenia through a partnership with Visa International. By 2022, Acba Bank customers were able to use Apple Pay and Google Pay, making their payment experience more convenient, secure, and efficient.

In 2023, Acba Bank launched the Acba Business Club. The goal of the club is the development of the business sector in Armenia, the creation of business connections, greater opportunities for cooperation and the creation of new perspectives.

In February, 2024, the prestigious rating agency (Fitch Ratings) reviewed the "B+" rating of the "Long-term issuer Default Rating IDR" assigned to ACBA BANK, raising to "BB-"with Stable Outlook.

Acba Bank is currently one of the biggest universal banks in Armenia, providing its customers with a broad variety of banking services.

The Bank's vision is to be:

- the Bank of first choice, always offering flexible and creative solutions,
- a guarantor of the development of the agricultural value chain,
- the most valuable and recognizable brand in the financial market,
- the absolute leader in the financial market in terms of efficiency and profitability,
- the first choice employer in the RA financial market.

The mission *of "ACBA BANK" OJSC is:*
Contribute to the sustainable development of society with unique and innovative solutions.

2.1.3. The bank's statutory capital

The charter (statutory) capital of the Bank is 55,000,000,000 (fifty-five billion) AMD, which is divided into 5,500,000 (five million five hundred thousand) common (ordinary) shares with a nominal value of AMD 10,000 (ten thousand) each.

The number of ordinary shares of the Bank subject to additional allocation (authorized) is 3,000,000 (three million) with a nominal value of AMD 10,000 (ten thousand) each. These are the shares that the Bank can allocate, apart from the allocated shares.

There are no limits on the maximum quantity of voting shares of the Bank that can be owned by a single shareholder.

Major shareholders of the Bank are:

- "ACBA FEDERATION" closed joint stock company: 81.62%*
- "SACAM INTERNATIONAL" société par actions simplifiée - 4.55%*

In April 2021, "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC, and the Bank jointly implemented the ESOP (employee stock ownership plan) of ACBA group employees in the statutory capital of "ACBA BANK" OJSC, which consisted of 2 phases. Within the framework of the 1st phase of the ESOP, in July 2021 147,530 shares of the Bank were allocated to a total of 1,116 employees of "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC and the Bank (which was 2.95% of the share capital).

The 2nd phase of the ESOP was introduced in May of 2023, as a result of which a total of 134,430 shares were allocated.

In general, as a result of the ESOP, 281,960 shares were allocated by "ACBA FEDERATION" CJSC to the employees of the Bank, "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC (which made up 5.20% of the share capital).

2.1.4. Bank's branches

Currently, the Bank has 65 branches. The Bank's head office and 21 branches are located in Yerevan, and the rest are located in the regions of the Republic of Armenia.

Branch addresses are detailed in section 4.3.1 of the Prospectus.

2.1.5. Bank group structure

"ACBA BANK" OJSC is the parent organization of the group. The group consists of the Bank, its subsidiaries and associate organizations. The subsidiary organizations of the Bank

* As of the date of approval of this Prospectus by the bank Board ,26.08.2024.

are "ACBA LEASING" CO CJSC and "ACBA TECHNOLAB" LLC. The associate organization of the Bank is "AMUNDI-ACBA ASSET MANAGEMENT" CJSC.

"ACBA LEASING" CO CJSC carries out financial leasing operations and was founded in 2003.

"ACBA TECHNOLAB" LLC was founded in 2021. The organization implements educational programs, courses, and trainings.

It should also be noted that by the decision of the Board of the RA Central Bank dated April 28, 2017, "ACBA-CREDIT AGRICOLE BANK" CJSC (currently: "ACBA BANK" OJSC), "AGBA LEASING" CO CJSC (currently: "ACBA LEASING" CO CJSC) and "AMUNDI-ACBA ASSET MANAGEMENT" CJSC were recognized as a financial group under the name "ACBA-CREDIT AGRICOLE GROUP".

According to the decision of the Board of "ACBA BANK" OJSC dated August 14, 2020, the financial group was renamed to "ACBA GROUP". "ACBA BANK" OJSC was appointed as the responsible person of "ACBA GROUP" financial group.

"AMUNDI-ACBA ASSET MANAGEMENT" CJSC carries out investment fund management activities and was founded in 2013.

2.1.6. Bank's administrative structure

The Bank's internal administrative structure is presented in **Appendix 1.**

2.1.7. Business description

Acba bank's activities are targeted at 3 main business directions: retail, SME and agricultural.

The main services offered by the Bank in the mentioned directions are:

- agricultural, commercial, consumer and mortgage loans,
- account opening and maintenance,
- on demand and term deposits,
- issuance and servicing of local and international payment cards, including the American Express cards on exclusive rights basis,
- foreign exchange operations,
- electronic transfers, including transfers with fast money transfer systems,
- provision of brokerage services, registry keeping and custody of corporate securities, sale of bonds,
- financing of international commercial transactions (letters of credit, guarantees),
- other services.

Among the services provided by the Bank, a particularly important place is allocated to investments through loans, which are made throughout the territory of Armenia.

Expanding the Bank's stable base of deposits is a key focus area for the institution. The Bank is continuously growing the amount of on demand and term deposits from both individuals and businesses.

The Bank is vigorously active in issuing and servicing local and international payment cards in Armenia, making cashless transactions modern, accessible, convenient and safe for cardholders. Currently, the Bank is the only one in the market that serves 7 payment systems and is a card issuer of 4 major payment systems: American Express, Visa International, Mastercard, UnionPay and 1 national ArCa payment system.

Acba is also a card service provider of the major UnionPay International payment system and, from May 2024, the first and still the only UnionPay Gold and UnionPay Business card issuer.

Since 2009, the Bank has been exclusively presenting three American Express cards in the Armenian market: Amex Gold, Blue and Cashback cards, which have found their loyal segment in the banking system of Armenia. Cooperation with American Express on an exclusive basis is regularly extended.

The Bank has one of the widest networks of ATMs and POS-terminals in the territory of the Republic of Armenia, which ensures the convenience and availability of cash and non-cash transactions throughout the territory of the Republic of Armenia.

A number of new digital solutions and services (ATM transfer, money request, 5G consumer online loans, card-to-card transfers, multiple payments, etc) have been implemented in the Bank's acba digital application and online service platforms, as a result of which the Bank's successes in improving digital banking services are receiving a significant response among customers. According to various data, acba digital application is the most used banking application in the market.

The corporate social responsibility policy adopted by Acba Bank is aimed at improving the banking and entrepreneurship sector of Armenia and protecting the environment, as well as promoting the use of alternative energy sources. Staying loyal to its values, the Bank does not finance activities that harm the environment, arms/ammunition production and trade, as well as organizations engaged in gambling and lottery activities. Furthermore, the Bank studies the social and environmental consequences of the activities it finances.

Acba has recorded a steady pace of dynamic development since its establishment. Due to its financial stability and reliability, the Bank has gained a great reputation and trust both in Armenia and in the international financial arena, attracting new partners.

2.1.8. Asset

A summary of the Bank's assets and income assets is presented below.

thousand AMD

	30.06.2024թ. (Unaudited)	December 31, 2023 (Audited:except*)	December 31, 2022 (Audited: except*)	December 31, 2021 (Audited: except*)
Assets including:	802,668,790	783,793,780	664,938,881	546,930,535
Interest bearing assets, including:	695,182,883	659,439,213*	536,310,223*	416,142,057*
Claims against customers	570,159,428	538,605,763*	461,862,466*	372,528,145*
Government securities	54,338,496	18,238,634	18,052,964	16,541,954
Weight of interest bearing assets	86.6%	84.1%*	80.7%*	76.1%*
Bank's highly liquid assets/Total assets N²1	23.7%	24.0%*	20.5%*	24.6%*

* These amounts and figures have been calculated based on audited financial statements and accounting records and are unaudited.

2.2. Risks Related to the Bank and its Shares

2.2.1. Brief description of risks related to the Bank

During its activities, the Bank is exposed to the following main risks:

Credit risk: the Bank is exposed to credit risk, which is the risk of suffering financial losses when the borrower or the contractual party of the financial instrument is unable to fulfill its contractual obligations towards the Bank, which affects the latter's activity, causes additional costs and has a negative impact on profit.

Liquidity risk: the probability that the Bank will not have sufficient liquid funds to repay its obligations on time.

Interest rate risk: the probability of the Bank incurring a loss due to adverse changes in interest rates in the market.

Foreign exchange risk: the probability that fluctuations in currency exchange rates will have a negative impact on a Bank's capital and/or earnings.

Price risk: the risk of loss of the Bank as a result of changes in the prices of tangible assets (property, collateral).

Operational risk: the probability of loss of funds to the Bank as a result of errors in the actions of employees, technical malfunctions and frauds.

Risk of changes in the legislative environment: the possibility of incurring losses as a result of unfavorable or unwanted changes in the legal and legislative environment related to banking, conflicting clauses in contracts and other similar circumstances.

Reputational risk: the possibility that the public's negative opinion of the Bank will lead to a decrease in the number of customers, a reduction in the volume of transactions with counterparties/customers, costly legal proceedings and a decrease in profitability. In this regard, the Bank highly values its good reputation and makes best efforts to maintain it.

Non-compliance risk: the risk of legal, administrative or disciplinary sanctions against the Bank, significant financial losses and reputational risk.

Country risk: the probability that economic, social and (or) political conditions or events occurring in the country will have a negative impact on the Bank's risk profile, liquidity, capital and (or) profit.

Competitive risk: the possibility of losing the Bank's potential revenues in connection with the provision of similar services under more favourable conditions by competing Banks in the market.

A full description of the risks related to the Bank is presented **in section 4.2 of the Prospectus.**

2.2.2. Summary of Risks Associated with Shares

Business risk that may arise as a result of adverse changes in the general economic environment, the banking services industry or the Bank's competitive position, as a result of which the Bank's profit may decrease, leading to a decrease in the share price.

Liquidity risk that may arise due to sudden market changes or the deterioration of the Bank's financial condition. This can lead to shares becoming less attractive and a decrease in their value. Consequently, investors may find it challenging to sell their shares quickly at a desirable price, resulting in financial losses when selling at a lower price.

Interest rate risk, which may result from sudden changes in market interest rates, which, as an alternative investment direction, indirectly affects stock prices.

Foreign exchange risk arises due to fluctuations in exchange rates and can have a negative impact on both the Bank and the stock market. The shares will be quoted and paid for in AMD, therefore, for those investors whose financial flows are in other currencies, the given shares contain significant foreign exchange risks.

*The Bank's **Reputational risk** has a direct impact on the attractiveness and price of the stock.*

*A comprehensive description of the risks related to the shares is presented **in section 3.1 of the Prospectus.***

2.3. Development trends of the Bank

2.3.1. Development trends

For the coming period, the Bank will continue to emphasize its activities in the retail, SME, and agricultural areas. Emphasizing the services provided to customers remotely, the Bank will continue to expand the ways of providing remote services. In this regard, the Bank's activities will be aimed at expanding the range of services provided, reducing costs and increasing profitability, as well as increasing the quality of service and providing new services. In particular:

- in the coming years, the Bank will pay close attention to the automation and improvement of the efficiency of crediting processes, reducing as much as possible the operating costs of the latter and increasing the profitability.
- emphasizing the expansion of various services provided remotely to the Bank's customers, as well as improving the convenience of using banking services by customers, it is planned to constantly replenish the list of services provided by mobile and web applications.
- taking into account the trends in the development of information technologies (which significantly affect the behavior of customers over time), the Bank will continuously develop and introduce new business models, launching new technological platforms and digital channels for the provision of various banking and non-banking services in real time mode.
- the Bank will also expand the volume of card issuance and service throughout the territory of RA, in parallel with which the Bank will continue to expand the total volume of credit lines provided by cards, which will be offered to both individuals and organizations.

2.3.2. Legal claims, expected changes

All patents and licenses necessary for the Bank's activities are valid. The Bank is not involved in any judicial, arbitration and/or administrative legal proceedings that may have a significant negative impact on the Bank's financial condition or profitability. No organizational changes are expected either.

The changes in the Bank's activity and financial condition up to the date of submission of the Prospectus registration are presented in the following table:

thousand AMD

Financial indicators	December 30, 2023 (Unaudited)	December 31, 2023 (Audited)	Increase/ decrease
Equity	140,747,681	133,110,039	5.7%
Assets	802,668,790	783,793,780	2.4%
Liabilities	661,921,109	650,683,741	1.7%

thousand AMD

Financial indicators	January 1, 2024 - June 30, 2024 (Unaudited)	January 1, 2023 - June 30, 2023 (Unaudited)	Increase/ decrease
Profit before tax	16,014,122	14,628,531	9.5%
Net interest income	25,502,757	21,493,681	18.7%
Operating income	32,711,022	28,757,059	13.7%

2.4. Auditors and Consultants

The independent audit of the Bank in 2017-2021 was carried out by:

- "Ernst & Young" CJSC

"Ernst & Young" CJSC: address: 7th floor, Kamar Business Center, 2 Vazgen Sargsyan St, Yerevan 0010
phone: +(374)60 50 77 77,
website: www.ey.com/am,
General director: Eric Hayrapetyan

In 2022, the Bank announced a tender for the selection of an external auditing organization in order to audit its financial and economic activities in 2022, 2023 and 2024. According to the results of the competition, an external auditor was selected to audit the Bank's financial statements for 2022, 2023 and 2024.

"PricewaterhouseCoopers Armenia" LLC: 8th floor, Kamar Business Center, 2 Vazgen Sargsyan St, Yerevan 0010
phone: +374 (10) 51 21 51,
website: https://www.pwc.com/am/en
General director: Nino Kadagishvili

2.5. Management and shareholders

The Bank's charter defines the following governing bodies of the Bank:

- The General Meeting of the Bank's shareholders (hereinafter "General Meeting"),
- The Bank's Board (hereinafter "Board"),

- The Bank's Chief Executive Officer (hereinafter "Chief Executive Officer")

The Board and the Chief Executive Officer manage the Bank's activities within the framework of the powers granted to them by the Bank's Charter.

The Bank has a Chief Accountant, an Internal Audit unit, a person responsible for the Risk Management function, a person responsible for Compliance function and a Corporate Secretary.

By the decision of the Bank's Board dated November 2, 2022, the following 3 Board committees were established at the Bank:

- Audit Committee,
- Risk Management Committee,
- Governance, Nominations and Remunerations Committee.

The independent members of the Board were appointed as chairmen of the Board committees.

2.5.1. Bank's Shareholders

Significant shareholders of the Bank are presented **in section 2.1.3 of the Summary sheet**.

2.5.2. Bank's Board

The Bank's Board consists of 10 (ten) members: the Chairman of the Board and nine members, whose composition is presented below:

Name Surname	Position	Experience
Rafayel Sargsyan	Chairman of the Board	Member of the Board since January 2022
Bruno Charrier	Independent member of the Board	Member of the Board since May 2019
Klaus Gressenbauer	Independent member of the Board	Member of the Board since April 2022
Ashot Karapetyan	Independent member of the Board	Member of the Board since April 2022
Bernard de Wit	Independent member of the Board	Member of the Board since July 2024
Vardan Urutyan	Board member	Member of the Board since April 2022
Henrik Kochinyan	Board member	Member of the Board since April 2010
Aram Babayan	Board member	Member of the Board since April 2022
Harutyun Pakhchanyan	Board member	Member of the Board since April 2022
Gayane Hayrapetyan	Board member	Member of the Board since September 2024

2.5.3. Bank's Chief Executive Officer

The Chief Executive Officer of the Bank is Hakob Andreasyan. Experience with the Bank is more than 28 years. The Chief Executive Officer has 5 deputies, whose composition is presented below:

Name Surname	Position	Experience with the Bank
Styopa Zakinyan	Deputy CEO CFO	more than 24 years
Nikolay Hovhannisyan	Deputy CEO Chief Operating Officer	more than 28 years
Norik Nazaryan	Deputy CEO for Sales Promotion and Regional Management	more than 26 years
Arsen Melkonyan	Deputy CEO for Business Operations	more than 24 years
Tigran Simonyan	Deputy Chief Executive Officer for Platforms and Technology Development	more than 15 years

The Chief Accountant of the Bank is Armen Hakobyan, with more than 26 years of experience in the Bank.

The number of employees of the Bank and its subsidiaries in the historical financial period is as follows:

as of December 31, 2021: 1506p people
as of December 31, 2022: 1675 people
as of December 31, 2023: 1820 people
as of June 30, 2024: 1789 people.

2.6. Basic information on shares offered by the Bank

Share type: paperless common stock,
Nominal value of one share: AMD 10,000 (ten thousand),

Subscription price of one share: 14 299.4 AMD, which has been calculated based on the USD/AMD exchange rate published by the CBA as of 21.08.2024 (1 USD = 388.36 AMD). The price is subject to adjustment based on the USD/AMD exchange rate published by the CBA as of the day that is three business days preceding the date of the commencement of the allotment of shares. Nevertheless, the price per share cannot exceed 18 000 AMD. The price adjusted based on the provisions of this section shall be published in section "***Shareholders***

and investors" of the Bank's website no later than 21:00 of the day that is three days preceeding the commencement of the allotment of shares.
Number of shares: 485,000 (four hundred and eighty-five thousand),
The total volume of shares: (in nominal value) AMD 4,850,000,000 (four billion eight Armenian fifty million),
Currency of shares: AMD
The purpose of issuing securities: capital increase,
The intended ways of using the funds: the capital increase will enable the Bank to direct a larger volume of funds to the lending of the RA economy in the SME, agricultural and retail sectors.

2.7. Description of the offer of shares and their trading authorization

The offer of shares is carried out entirely based on additionally issued shares, within the limits of the authorized shares set by the Bank's charter. "ACBA BANK" OJSC will carry out the allotment of shares. Regarding the offered shares, a trading permit will be requested at "Armenia Stock Exchange" OJSC. An application for a trading permit may also be denied.

The offer of shares is directed exclusively to the shareholders included in the register of shareholders of "ACBA BANK" OJSC as of 17:00 on September 16, 2024 and to "PROPARCO".

The possibility to exercise the pre-emptive rights for existing shareholders will start on October 1 of this year (the notification of the exercise of the pre-emptive rights will be carried out on the specified date) at 10:00 and will last until October 31 at 16:30 inclusive. Allotment of shares for Proparco will start on November 1 of this year at 10:00 and will last until November 8 at 16:30 inclusive.

The date of starting the allocation of shares will be published on the Bank's website on October 1 of this year.

2.8 Summary financial data

The financial data of the Bank for 2021-2023, and also for the second quarter of 2024 are presented below

Thousand AMD

Financial indicators	30.06.2024թ. (Unaudited)	2023 (Audited: except*)	2022 (Audited: except*)	2021 (Audited: except*)
Net profit after deduction of profit tax	12,940,665	28,392,762	22,570,440	9,607,761

* These amounts and figures have been calculated based on audited financial statements and accounting records and are unaudited.

Average equity	136,928,860	121,256,082*	98,797,746*	79,351,235*
Return on equity (ROE) %	18.9%	23.4%*	22.8%*	12.1%*
Net profit after deduction of profit tax	12,940,665	28,392,762	22,570,440	9,607,761
Average total assets	793,231,285	724,366,330*	605,934,708*	521,281,113*
Return on assets (ROA) %	3.3%	3.9%*	3.7%*	1.8%*
Net profit after deduction of profit tax	12,940,665	28,392,762	22,570,440	9,607,761
Operating income	32,711,022	61,899,140*	54,264,518*	34,685,477*
Net profit margin (NPM) %	39.6%	45.9%*	41.6%*	27.7%*
Operating income	32,711,022	61,899,140*	54,264,518*	34,685,477*
Average total assets	793,231,285	724,366,330*	605,934,708*	521,281,113*
Asset utilization ratio (AU) %	8.2%	8.5%*	9.0%*	6.7%*
Average total assets	793,231,285	724,366,330*	605,934,708*	521,281,113*
Average equity	136,928,860	121,256,082*	98,797,746*	79,351,235*
Equity multiplier (EM) %	579%	597%*	613%*	657%*
Net interest income	25,502,757	47,256,222	33,812,940	27,654,517
Average earning assets	677,311,048	597,874,718*	476,226,140*	409,377,330*
Net interest margin (NIM) %	7.5%	7.9%*	7.10%*	6.8%*
Interest income	44,238,922	79,296,532*	58,117,500*	48,681,313*
Average earning assets	677,311,048	597,874,718*	476,226,140*	409,377,330*
Return on earning assets %	13.1%	13.3%*	12.2%*	11.9%*
Interest expenses	18,736,166	32,040,310	24,304,560	21,026,796

* These amounts and figures have been calculated based on audited financial statements and accounting records and are unaudited.

Average interest bearing liabilities	641,027,208	582,849,580*	489,099,511*	431,711,582*
Interest expenses on interest bearing liabilities%	5.9%	5.5%*	5.0%*	4.9%*
Net profit after deduction of profit tax	12,940,665	28,392,762	22,570,440	9,607,761
Weighted Average Number of shares	5,500,000	5,500,000	5,500,000	5,333,333
Net earnings per share (EPS)	2,352.85	5,162.32	4,103.72	1,801.56
Spread	7.2%	7.8*	7.2%*	7.0%*

Formulas for calculating financial ratios are presented in **Appendix 2**.

2.8.2. Changes to Presentation

Some changes to presentation have been made in the consolidated statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2021.

In connection with the preparation of the 2022 consolidated financial statements, the Group (Acba Bank and subsidiaries) has changed the presentation of Investment securities, Property and Equipment and income from fines and penalties.

Specifically, in the consolidated financial statement lines of Investment securities revaluation reserve and Retained earnings the Group has reclassified Visa Inc's Class C equity investment as an equity investment at FVPL. Reclassifications have been made in the notes to property, plant and equipment in the consolidated financial statements, but have had no impact on the Group's equity, financial position and statement of profit or loss.

In the consolidated financial statements for the year ended December 31, 2021, the income from penalties and fines was presented in the "Other income" line of the statement of profit or loss. The Group has reclassified income from penalties and fines from "Other income" to "Interest income calculated using effective interest rate" for penalties received from loans to customers, to "Other interest income" for penalties received under receivables from finance lease, as well as has filtered the penalties received from termination of term deposits from the interest expense incurred on deposits.

In connection with the above mentioned change to presentation, the comparative data for 2021 has been revised accordingly.

The impact of the changes in presentation through comparative data is summarized in the following table.

* These amounts and figures have been calculated based on audited financial statements and accounting records and are unaudited.

thousand AMD

Title of the article	As originally presented	Correction 1	As restated as of January 1, 2021
Revaluation reserve for investment securities	3,572,143	(2,468,125)	1,104,018
Retained earnings	33,990,423	2,468,125	36,458,548

The effect of the amendments on the consolidated statement of financial position as of December 31, 2021 was as follows:

thousands AMD

Title of the article	As originally presented	Correction 1	As restated for the year ended December 31, 2021
Revaluation reserve for investment securities	3,446,766	(2,262,404)	1,184,362
Retained earnings	21,314,819	2,262,404	23,577,223

The effect of the reclassification on the December 31, 2021 amounts in the consolidated statement of profit or loss and other comprehensive income was as follows:

thousand AMD

Title of the article	As originally presented	Correction 1	Correction 2	As restated for the year ended December 31, 2021
Consolidated statement of profit or loss				
Interest income calculated using the effective interest rate method	43,312,133	1,844,467		45,156,600
Other interest income	3,498,291	26,422		3,524,713
Interest expense	(21,294,891)	268,095		(21,026,796)
Net gain/(loss) from financial instruments measured at fair value through profit or loss	560,811	-	(250,880)	309,931
Other income	3,024,059	(2,138,984)		885,075
Income tax expense	(2,803,449)	-	45,159	(2,758,290)
Consolidated statement of other comprehensive income				
(Losses)/gains on equity instruments at fair value through other comprehensive income	(253,375)	-	250,880	(2,495)

Income tax relating to components of the other comprehensive income	(73,356)	-	(45,159)	(118,515)
Basic and diluted, attributable to equity holders of parent AMD	1,840.03	-	(38.47)	1,801.56

The information presented in this Prospectus has been provided based on the revised presentation, as applicable.

The changes described above were made to ensure a more appropriate and transparent presentation of the Group's operation.

2.8.3 Key Financial Indicators of the Issuer and Alternative Performance Measures

This document contains certain data that the Issuer considers to be alternative performance measures (APC).

These include: Return on Equity (ROE), Return on Assets (ROA), Net Profit Margin (NPM), Asset Utilization Ratio (AU), Equity Multiplier (EM), Net Interest Margin (NIM), Return on Earning Assets, expenditure of liabilities for which interest expenses are incurred, Net Earnings Per Share (EPS) and Spread.

APCs are not defined or presented under IFRS. APCs have not been audited or otherwise verified by independent auditors, are not measures of an issuer's operating performance under IFRS, and should not be considered as an alternative to performance measures under IFRS or measures of issuer liquidity.

In the issuer's belief, the measures listed below provide useful information for investors to evaluate the issuer's financial condition and results of operations, the quality of its assets and the fundamentals of its operations. However, the approach and calculation methodology of the Issuer's APCs may differ from the application and calculation methodology of similar criteria by other companies.

In the issuer's belief, APCs provide useful information for investors to assess the issuer's financial condition and results of operations, the quality of its assets and the fundamentals of its operations.

In particular:

a) The purpose of the ratios presented by the issuer is to quantify some aspects and strengths of the issuer's activity in the context of the banking system of Armenia.

b) although there is no statutory requirement for alternative performance measures in the preparation of financial statements, they allow comparisons to be made between other banks over different periods and between issuer and industry averages; and

c) the ratios reflect the approaches used by the management to evaluate the performance on a periodic basis.

CHAPTER 3. INFORMATION ABOUT SHARES

3.1. Risk factors

Investments in shares are associated with certain potential risks, so before making a decision to invest, investors should carefully study and analyze the potential risks associated with the investment and disclosed in the Prospectus, as well as other information provided. It is also necessary to take into account the fact that the Prospectus presents an incomplete list of possible risks, and the emergence of certain other risks of an unpredictable nature is also likely. Therefore, when making a decision on investment, the investor should fully understand the nature of the investment and be guided by his own experience, goals and expectations.

Each of the mentioned risks can have adverse effects on the Bank's performance and market conditions. This could lead to lower share turnover, decreased income, higher expenses, and ultimately a reduction in share prices.

Below are the main risks identified by the Bank, which the investor should consider when investing in shares:

Business risk, which may arise as a result of adverse changes in the general economic environment, the banking services sector or the competitive position of the Bank, which may result in a decrease in the Bank's profit, leading to a decrease in the share price.

Liquidity risk, which may arise as a result of a sharp change in the market situation, deterioration of the Bank's financial condition, as a result of which the shares may lose their attractiveness, leading to a drop in their price. As a result, the investor in the shares is not able to quickly sell the shares at a profitable price for them at any time and therefore incurs financial losses by having to sell them at a lower price.

Interest rate risk, which may result from sudden changes in market interest rates, which, as an alternative investment direction, indirectly affects stock prices.

Foreign exchange risk, which appears due to fluctuations in exchange rates and can have a negative impact on both the Bank and the stock market. The shares will be quoted and paid for in AMD, therefore, for those investors whose financial flows are in other currencies, the given shares contain significant foreign exchange risks.

Bank's reputational risk has a direct impact on the attractiveness and price of shares.

Risk of changes in the legislative framework, which may occur due to unfavorable changes in legislation, that may affect both the Bank's operations and the market situation. At the same time, it should be noted that these changes may also affect the attractiveness of shares and, as a result, liquidity.

It should be noted that the Bank takes all necessary measures to reduce the negative impact of the mentioned factors. However, since in most cases the mentioned risk factors are beyond the control of the Bank, the effectiveness of the measures taken to reduce the negative impact of risks not limited to this list is not guaranteed by the Bank.

3.2. Basic information

3.2.1. Capitalization and liabilities (unaudited)

Capitalization of "ACBA BANK" OJSC as of June 30, 2024.

thousand AMD

Statutory Capital	55,000,000
Retained Earnings	76,240,357
Equity	140,747,681

"ACBA BANK" OJSC liabilities as of June 30, 2024.

thousand AMD

1**. Long-term liabilities that incur interest expense, including:**	178,488,937
1.1. secured liabilities	28,869,996
1.2. unsecured liabilities	149,618,941
2**. Short-term liabilities that incur interest expense, including:**	470,307,146
2.1. secured liabilities	8,110,912
2.2. unsecured liabilities	462,196,234
3. Off-balance sheet and contingent liabilities	62,338,752
Liabilities	648,796,083
Guaranteed liabilities	194,610,415
Non-guaranteed liabilities	454,185,668

3.2.2. *Purpose of the offer and use of funds to be raised*

The purpose of the additional issuance and placement of paperless ordinary shares of the Bank is to increase the capital of the Issuer, which will allow the Bank to allocate a larger volume of funds to the lending of the RA economy in the areas of SMEs, agriculture and retail.

According to the Bank's estimation, the maximum total amount of possible funds attracted will be 485,000 multiplied by placement value of one share but in any case not greater than 8,730,000,000

Those funds are not intended for use to acquire assets beyond the Bank's usual activities, make acquisitions of other businesses, or for compensating liabilities, repaying debts, or refinancing.

3.3. Information relating to the shares offered

3.3.1. Information related to the shares

a. Type and class of shares

The class (type) of shares offered through this Prospectus: common stock (equity share); Securities identifier code: (ISIN) AMACBAS10ER7.

b. The country under whose legislation the shares were issued

The Bank's ordinary nominal shares were issued in accordance with RA legislation, and disputes arising around them, including judicial ones, are subject to resolution in accordance with the procedure established by RA legislation.

c. Form of shares

The offered shares are paperless, and the register of the owners of the shares will be maintained by "Central Depository of Armenia" OJSC (26/1 Vazgen Sargsyan str., 5th floor, Erebuni Plaza Business Centre, Yerevan 0010, Armenia, phone: +(374) 60 61 55 55, ext:111, +(374) 10 54 33 21, ext:136) (hereinafter “Depository”) according to the relevant rules and procedures.

d. Nominal value and number of shares

The nominal value of one share is AMD 10,000 (ten thousand). The total number of newly issued shares will be 485,000 (four hundred and eighty five thousand).

e. Currency of issue

The currency of issue is AMD.

f. Description of rights arising from shares.

1. Right to receive dividends

Each share entitles its owner to receive dividends in proportion to the number of shares owned. The payment of dividends for both previously allocated and additionally allocated shares is regulated by RA legislation, the Bank's charter and the Bank's Dividend Policy.

The Bank's Dividend Policy states that the decision to pay dividends is made by the General Meeting of the Bank's shareholders. The General Meeting decides on the annual dividends, the amount to be paid, and how it will be paid based on the Board's recommendation. For each payment of dividends, the Bank's Board creates a list of shareholders eligible to receive dividends, which consists of shareholders that were included in the shareholder register as of the record date for participating in the General Meeting.

Dividends declared by the Bank are paid in AMD, in cash or non-cash form, by transferring the money to their bank accounts.

According to the current RA legislation, dividends are paid to the shareholders of the Bank from the profit after paying taxes (net profit), which is calculated on the basis of the banks' financial reports prepared in accordance with the requirements of the legislation. According to the current RA legislation, the Bank is a tax agent when paying dividends to shareholders for their shares.

Dividend payment to a shareholder who is a natural or legal person is considered to be the cash receipt of the appropriate amount of money from the Bank's account upon presentation of an identity document by the shareholder or the transfer of this amount to the shareholder's bank account according to the shareholder's valid bank terms and conditions, which are registered in the Central Depository.

The Bank has no right to declare and pay dividends if:
a) the statutory capital has not been fully paid;
b) the Bank did not buy back all the shares in accordance with the law.
c) at the moment of adopting the decision to pay dividends, the condition of the Bank corresponds to the signs of insolvency (bankruptcy) defined by law, or they will appear as a result of the payment of dividends;
d) the value of the Bank's net assets is less than the statutory capital or will be less as a result of the payment of dividends;
e) the distribution of dividends is limited by the RA Central Bank.

The amount of annual dividends cannot be less than the amount of interim dividends already paid.

No particularities are defined for receiving dividends by non-resident shareholders of the Bank.

Other matters related to the calculation and payment of dividends are regulated by the Bank's dividend policy, which is available at the Bank's head office and branches, as well as on the "Shareholders and Owners" page of the Bank's website www.acba.am.

2. *Voting right*

A shareholder owning ordinary shares of the Bank has the right to participate in the General Meeting of shareholders in person or through a representative, with the right to vote on all matters within the latter's scope of powers, according to their number of shares, subject to the restrictions established by law and the Bank's charter.

3. *Preemptive rights in the case of allotment of shares of the same class*

During the allocation period of additional shares and equity convertible securities, shareholders have the right to exercise their pre-emptive rights to purchase new shares, except when in case of open subscription the general meeting of shareholders has decided not to apply the pre-emptive rights.

4. *Rights to receive a share of the remaining property in case of liquidation*

Shareholders who hold ordinary shares in the Bank are entitled to receive a portion of the Bank's assets (funds) in the event of the Bank being liquidated, following the order specified in the RA law "On Banks and Banking Activities," after the Bank pays off its other liabilities.

5. *Redemption Claim Rights*

Owners of voting shareholders have the right to demand from the Bank a determination of the share repurchase price and the full or partial repurchase of their shares, if:

- a decision was made regarding the reorganization of the Bank, suspension of pre-emptive rights or conclusion of a major transaction and the said shareholders voted against the reorganization of the Bank, suspension of the pre-emptive rights or conclusion of the said major transaction, or did not participate in the voting on these issues,
- additions or changes were made to the charter, or a new edition of the charter was adopted, as a result of which the rights of the mentioned shareholders were restricted, and they voted against or did not participate in the voting.

The repurchase of the shares by the Bank is carried out at their market value, which is determined without taking into account the changes arising as a result of the actions of the Bank giving the right to the share valuation and repurchase claim.

The approval of the Board of the RA Central Bank is necessary for the repurchase of shares by the Bank.

6. *Conversion rights*

There is no right to convert ordinary shares issued by the Bank.

g. Decision of the Board of the Bank on the issue of shares

The issuance of additional ordinary shares of the Bank is carried out in accordance with the decision of the Bank's Board No. 153-B.7 on April 18, 2024, according to which, up to 485,000 (four hundred and eighty-five thousand) ordinary additional shares with a nominal value of AMD 10,000 (ten thousand) will be issued and allocated.
According to the resolution No. 24-3 of the annual general meeting of the Bank's shareholders of May 14, 2024, the placement of additional 485,000 (four hundred and eighty five thousand) common (ordinary) shares to be issued will be carried out via closed subscription. In particular, the additional shares will be offered exclusively to the Bank's shareholders and subsequently to the French company Société de Promotion et de Participation pour la Coopération Economique ("PROPARCO"), which is a French development financial institution. Moreover, all shareholders of the Bank will have a pre-emptive right to acquire additional shares, and in case of any shareholder waiving their pre-emptive rights (including not exercising the pre-emptive rights within the terms prescribed in this prospectus), such shares will be offered to "PROPARCO". "ACBA FEDERATION" CJSC has committed to forego their pre-emptive right within this placement to the benefit of Proparco, so that Proparco will have the rights to subscribe to the shares to which "ACBA FEDERATION" CJSC would have been entitled to subscribe under its pre-emptive rights.

This prospectus of the Bank's shares was also approved by the decision of the Bank's Board ***No. 155-B.2 of 26.08.2024.***

h. Description of restrictions on free circulation of shares

The following are the restrictions established by the RA legislation regarding the acquisition of shares:
A person or affiliated persons may acquire a significant (direct and indirect) participation in the Bank's statutory capital in accordance with the law (i.e. acquire 10 percent or more of the Bank's voting shares) only with the prior consent of the RA Central Bank.
This given person must meet the requirements set by the legislation and submit the necessary documents and information in the order and form prescribed by the regulations of the RA Central Bank. After receiving all the required documents, the Central Bank examines them within one month.
The Central Bank rejects the application, notifying the applicant within 10 days if:

- the person has a conviction for committing an intentional crime
- the person has been deprived of the right to hold positions in the financial, banking, tax, customs, commercial, economic, legal spheres by a legally binding decision or a court judgement,
- the person has been declared bankrupt and has outstanding (unforgiven) obligations,
- the person's actions have previously led to the bankruptcy of the Bank or another person,
- the person or related persons have engaged in such behavior in the past, that in the opinion of the RA Central Bank, as justified by the guidelines approved by the RA Central Bank, there are grounds to suspect that the actions of the given person as a voting member of the highest governing body of the Bank may lead to the bankruptcy or financial deterioration or reputational damage of the Bank.

- the transaction is aimed at or results in or may result in the restriction of free economic competition,
- As a result of the transaction, the person who acquires a significant shareholding in the statutory capital of the Bank and its affiliates attain a dominant position in the banking market of the Republic of Armenia which enables them to pre-determine market tariffs or the terms of operations outlined in Article 34 of the RA Law "On Banks and Banking," or of at least one of them,
- the documents were submitted in violation of the form and order established by the Central Bank of RA, or false or unreliable information was reflected in the submitted documents or information,
- as a result of this transaction, the person who acquires a significant participation in the Bank's statutory capital or its affiliate in the justified opinion of the RA Central Bank is in a bad financial situation, or the deterioration of the financial condition of the significant participant or its affiliates may result in the deterioration of the Bank's financial condition, or the activities of persons acquiring a significant participation in the Bank's statutory capital and/or its affiliates, or the nature of their relationship with the Bank, in the justified opinion of the RA Central Bank may hinder the implementation of effective supervision by the RA Central Bank or does not allow identifying or effectively managing the Bank's risks,
- the person does not present sufficient and complete justifications (documents, information, etc.) regarding the legality of the origin of the funds invested by them.

The restrictions set forth in this point do not apply to the acquisition of participation in the statutory capital of a bank that is a reporting issuer according to the RA Law "On the Securities Market", if this was done on the stock exchange and does not exceed 20 percent of the statutory capital of the bank, and in case of exceeding, with the prior consent of the Central Bank of RA. Please be informed that the current offer is not done on the stock exchange, the Bank will file an application to AMX to list the shares placed within this offer after the placement is completed.
Without the prior consent of the RA Central Bank, the agreement to acquire a significant participation in the statutory capital of the Bank is null and void.
The shares to be issued (offered for sale under this prospectus) may be traded on the stock exchange after receiving permission to trade on the stock exchange. The Bank will apply for the listing of shares on "Armenia Stock Exchange" OJSC. The application for listing of shares may also be rejected. After receiving permission for listing and trading of shares, the Bank's shares cannot be bought and sold outside the regulated market, except for the following cases defined by the regulations of the RA Central Bank:

1. Private transactions, namely transactions whose parties are known in advance, according to Article 129 of the RA Law "On the Securities Market" and the Decision No. 331-N of the RA Central Bank dated November 27, 2012, private transactions are considered:

- transactions concluded by the RA Central Bank,
- transactions of repurchase or purchase of securities issued by the Issuer,
- transactions with equity securities within the framework of a takeover bid.

2. transactions carried out by underwriters within the framework of share placement,

3. transactions of admission and sale of shares admitted to trading on the market in another regulated market.

There are no other restrictions on the free circulation of shares, except for cases defined by the Bank's financial security policy.

i. Description of the obligation to make a mandatory takeover bid

The obligation to make a mandatory takeover bid, as well as the cases of lack of such an obligation, are regulated by Chapter 15 of the RA Law "On Securities Market".

Each person who becomes the owner of more than 75 percent of the securities of a given class as a result of one or more transactions with the issuer's equity securities is obliged to make an offer to transfer all the securities of the given class to him. The mentioned requirement also applies to the case when trading of the issuer's securities on the regulated market was stopped by the operator based on the application of the Reporting Issuer. In this case, the mandatory takeover bid must be submitted by those shareholders of the issuer who voted in favor of the decision to terminate the permission to trade the issuer's securities on the regulated market. At the same time, the shareholders who voted in favor of the decision to terminate the permission to trade the issuer's securities in the regulated market elect a representative who will implement the mandatory takeover bid on their behalf.

The person is obliged to submit the declaration of the takeover bid proposal to the Central Bank within 10 business days following the execution of the relevant transaction, as a result of which the person became the owner of more than 75 percent of the securities of the given class.

The requirement to make a mandatory offer to deliver securities does not apply to cases when:

- the person acquires over 75% of the specific class of securities through a reduction in the company's statutory capital
- the person acquires ownership of more than 75% of the specific class of securities through a non-binding tender offer for all outstanding securities of that class.
- the securities were acquired by a person providing investment services for the purpose of placement,
- the individual alienates more than 75 percent of the securities of that class within 10 business days of acquiring them to a party who is not considered to be acting in concert as per Article 151 of the RA Law "On Securities Market," and as long as no shareholders meeting is called within that timeframe.

j. A complete and detailed description of the procedure for taxation of income from securities.

Taxation of income from shares ***for resident legal entities*** is carried out in accordance with Article 4, Article 104, Article 105, Article 107, Article 110 and Article 123 of the RA Tax Code.

In particular:

When determining taxable profit, gross income is reduced by the amount of dividends received by the taxpayer, that is, dividends (income from shares) are not subject to profit tax.

In the case of non-resident legal entities, taxation is carried out in accordance with Article 4, Article 104, Article 105, Article 107, Article 109, Article 110, Article 125, Article 126 and Article 132 of the RA Tax Code.

In particular:
In this case, dividends (income from shares), with the exception of dividends from shares listed on the RA stock exchange, are subject to income tax as passive income at a rate of 5%. Taxation is carried out by the tax agent (Bank) at the time of the decision on the distribution of dividends (not from the total amount of income paid to the resident).
Non-resident legal entities are exempted from paying profit tax on dividends received from shares (income from shares) listed on the stock exchange operating in the Republic of Armenia.

Taxation of income from shares for ***resident*** and ***non-resident natural persons*** is carried out in accordance with Article 4, Article 140, Article 141, Article 143, Article 144, Article 147, Article 149 and Article 150 of the RA Tax Code.
In particular:
Dividends paid to resident and non-resident natural persons (income from shares), except for dividends from shares listed on the stock exchange operating in the Republic of Armenia, are subject to income tax as passive income at the rate of 5%. Taxation is carried out by the tax agent (Bank) at the time of the decision on the distribution of dividends (from the total amount of paid income).
Dividends received from shares listed on the stock exchange operating in the Republic of Armenia (income from shares) are deducted from the income of resident and non-resident natural persons when determining the tax base.

3.4. Terms and conditions of the offer

3.4.1. Conditions of the offer

a. The total volume of the issue and (or) offer.

The total nominal volume of the issue (offer) is AMD 4,850,000,000 (four billion, eight hundred and fifty million), which consists of 485,000 (four hundred and eighty-five thousand) ordinary shares, each with a nominal value of 10,000 (ten thousand) AMD, the total market value of which is 485,000 multiplied by placement value of one share but in any case not greater than 8,730,000,000
The offer is fully implemented based on the issuance of additional shares, within the limits of authorized shares set by the Bank's charter.
The entire volume of shares offered is subject to closed subscription.

Price per share
The selling price of one share is 14 299.4 AMD, which has been calculated based on the USD/AMD exchange rate published by the CBA as of 21.08.2024 (1 USD = 388.36 AMD). The price is subject to adjustment based on the USD/AMD exchange rate published by the CBA as of the day that is three business days preceding the date of the commencement of the allotment of shares. Nevertheless, the price per share cannot exceed 18 000 AMD. The price adjusted based on the provisions of this section shall be published in section "***Shareholders and investors***" of the Bank's website no later than 21:00 of the day that is three days preceeding the commencement of the allotment of shares.

b. The start and end of the offer (including any possible changes to the terms)

. The possibility to exercise the pre-emptive rights for existing shareholders will start on October 1 of this year (the notification of the exercise of the pre-emptive rights will be carried out on the specified date) at 10:00 and will last until October 31 at 16:30 inclusive. Allotment of shares for Proparco will start on November 1 of this year at 10:00 and will last until November 8 at 16:30 inclusive.
In case of subscription of the entire volume of shares before the end of the mentioned periods, the Bank will stop the subscription process.
The offer of shares by the Issuer, as well as the placement, may be postponed or cancelled only in case of force majeure.

c. Subscription process and procedure and conditions for approving the subscriptions

For the purpose of purchasing/subscribing shares, the investor shall submit a subscription application (hereinafter "application") using the standard form approved by the Bank, which is also published on the website **www.acba.am**, in any of the following ways:

- by presenting it in person at any branch of "ACBA BANK" OJSC, or
- by submitting an electronic application through the ACBA DIGITAL application,

The shareholders of the Bank must submit the application for the purpose of exercising/subscribing the pre-emptive right to purchase shares during the allotment period, from the day of notification on the exercise of the pre-emptive rights until 31.10.2024 at 16:30. "PROPARCO" will have the opportunity to acquire the shares that the Bank's shareholders were entitled to acquire under their pre-emptive rights but have not exercised their rights in the prescribed time period. In order to acquire such shares, "PROPARCO" must submit an application within the period beginning from November 1, 2024 at 10:00 and ending on November 8, 2024 at 16:30.
The pre-emptive rights will apply only to those shareholders who will be included in the "ACBA BANK" OJSC register of shareholders as of September 16, 2024 at 17:00.
Each shareholder will have the right to acquire additional allotted shares in the amount of 8.82 % (eight point eighty-two) percent of the number of Bank shares held by them as of September 16, 2024 at 17:00.
The possibility to acquire fractional shares is not envisaged, therefore, when fractional shares arise at the result of the above calculation, then the latter are rounded up to the next whole number.

The application must contain at least the following information:

- the Investor's name and surname, identity document data, place of residence, signature in case of submission in person (in the case of a legal entity: name, location, signature of an authorized person),
- the number of shares to be acquired,
- the number of the securities account opened by the account operator of "Central Depository of Armenia" OJSC.

Attached to the application are submitted:

- in the case of a natural person, copies of an identity document (if available, a social card or a document containing a public service number) (or a certificate of non-receipt of a public service number)
- in the case of a legal entity, the state registration certificate (in the case of a resident legal entity registered in the State Register of the Republic of Armenia, in the case of branches and representations of non-resident legal entities established in the Republic of Armenia, also the registration tab of the current head) or an extract from the unified state register, in the case of an authorized person, also the power of attorney.

Individuals and/or legal entities wishing to participate in the acquisition of shares may submit more than one application.
Applicants are registered in a register specially opened for this purpose, and applications are approved according to the order in which they become fully compliant with the requirements of the Prospectus.

Payment terms for Existing Shareholders

In case of exercising their pre-emptive rights the shareholder shall until 16:30 of 31.10.2024 provide the amount necessary for the purchase/subscription of shares to the account number 220004131649000 opened at "ACBA BANK" OJSC (payment must be made in AMD, and all commissions arising during the payment will be provided by the investor), by:

- making a cash deposit at any branch of "ACBA BANK" OJSC, or
- making a cashless transfer, in which case the investor's name, surname/first name and identity document details/TPIN should be indicated as the purpose of transfer, or
- providing the necessary amount to any of its current account opened in "ACBA BANK" OJSC and agreeing to the unilateral charge of that amount with the application.

Payment terms for Proparco

Within 15 business days (as defined in Armenia and in France) after submitting the application or another time period as agreed between the Bank and Proparco, Proparco shall provide the amount necessary for the purchase/subscription of shares to the account number 220004131649000 opened at "ACBA BANK" OJSC (payment must be made in AMD), by:

- making a cash deposit at any branch of "ACBA BANK" OJSC, or
- making a cashless transfer, in which case the investor's name, surname/first name and identity document details/TPIN should be indicated as the purpose of transfer, or
- providing the necessary amount to any of its current account opened in "ACBA BANK" OJSC and agreeing to the unilateral charge of that amount with the application.

The application is considered approved, and the transaction of purchase/subscription of shares is executed, if all the circumstances mentioned below are present at the same time:

- the application was submitted in the manner specified in the Prospectus, and
- the amount necessary for the purchase/subscription of shares has been secured in the manner specified by the Prospectus, and
- there is no valid negative opinion of the Compliance Department of "ACBA BANK" OJSC regarding the purchase/subscription transaction of shares, based on the legislation of the AML/CFT sector and/or international sanctions regulations,
- also, none of the circumstances defined by subparagraph e) of section 3.4.2 of the Prospectus are present.

d. Circumstances under which the offer may be delayed or cancelled;

The cases of delay or cancellation of the offer are regulated by Article 20 and Article 21 of the RA Law "On Securities Market".

1. If the underwriter (i.e. the issuer in this circumstance) submits an amendment to the prospectus while the underwriting process is ongoing, which is related to a significant change in the information provided in the prospectus or the emergence of a new material circumstance or fact, then at the request of the investor it must revoke the investor's acceptance and refund the funds received during the subscription or repurchase the securities sold to the investor prior to the filing of the amendment, at least at the price at which the securities were originally purchased. The request for redemption shall be submitted to the underwriter in writing. The term for submitting a redemption request is 5 business days following the publication of amendments to the prospectus.
Redemption of securities and return of funds received during placement are carried out within 10 business days after submitting the request.

2. The Central Bank suspends the allocation process by its decision, if:

- during the placement, the requirements of the law and/or other legal acts regulating the public offer were violated, or
- during the placement, the conditions of the public offer specified in the prospectus were not observed, or
- the prospectus contains material errors and misleading information, or omits or misrepresents a material fact.

3. The decision to suspend the allotment must contain a request to eliminate the detected violations and omissions and the terms for executing the request, after which the allotment can be continued with the permission of the Central Bank.

4. At the initiative of the underwriter,(i.e., the issuer in this circumstance), the underwriting process can be suspended only with the consent of the Central Bank, for a maximum of 10 business days. If the allotment is not continued within one business day from the end of the suspension period, the underwriter is obliged to stop the allotment and return the funds received during the allotment to the persons who purchased the securities within 10 business days from the end of the suspension period.

5. The underwriter (i.e., the issuer in this circumstance) is obliged to publish the information about suspending and continuing the allotment, terminating the allotment and returning the funds received during it, at least by the same means by which the public offer announcement was published.
In case of postponement or cancellation of the offer, the refund is carried out based on the application of the person who submitted a subscription application, in the manner specified in the application, in cash or non-cash, by transferring it to the account specified in the application.

e. The possibility of reducing the subscription, as well as the method and form of returning the money paid by the applicants (investors who submitted an application) in that case;

The placement will be carried out under the following conditions:
Subscription is considered as completed regardless of the volume of placement achieved during the allotment period.
The investor in the Bank's shares is informed about the approval of the Application submitted on the Application approval day.
In case of partial approval of the application, if there is an amount to be returned to the investor, then within 2 (two) business days after the end of the allotment, the specified amount is subject to return by the Bank, which is carried out in a non-cash way, by transferring it to the bank account of the relevant investor.

Applicants for the purchase of shares should be aware that in case their applications are not satisfied or partially satisfied, keeping the money paid for the purchase of shares in a special account until the time of their return is not illegal retention of funds or avoidance of their return, and interest is not calculated on them.

f. The minimum and maximum amounts that can be specified in purchase (subscription) requests.

Since the offer to existing shareholders is carried out within the framework of their pre-emptive rights and the number of additional allocated shares is 8.82% of the total outstanding shares, each shareholder included in the Bank's shareholder register as of September 16, 2024 at 17:00 will be able to acquire shares in the amount of 8.82% of the total number of shares owned by them and since no fractional shares are envisaged, so if fractional shares arise at the result of the above calculation, then the latter are rounded up to the next whole number.

g. The period during which the application can be withdrawn, providing that the investors can get back the subscription fees

Applications submitted by investors that fully meet the requirements set forth in the Prospectus are not subject to withdrawal.

h. Methods and terms of making payments for securities (regularity, bank accounts, etc.), as well as methods and terms of receiving securities, the form of obtaining a statement of ownership of securities

The methods of paying the necessary amount for the purchase/subscription of shares are defined in paragraph c) of section 3.4.1 of the Prospectus.
The ownership right over shares is registered by "Central Depository of Armenia" OJSC, and statements certifying the right of ownership are provided by the Account Operator servicing the investors' securities account in the specified manner and within the time limits.

The investor pays for the registration of the ownership right, as well as the provision of a statement certifying the ownership right, according to the tariffs set by the account operator of "Armenia Central Depository" OJSC. The buyer's ownership rights over the share arises from the moment of registration of the share in the name of the buyer in the Central Depository of Armenia or any other custodian licensed by the Central Bank of Armenia in accordance with the RA legislation. The rights arising from the securities can be exercised by the buyer after the completion of the entire allocation process and after the general meeting of the Bank summarizes the results of the allocation and after the charter reflecting the change in the statutory capital of the Bank as a result of the issuance of additional shares (the charter with the new edition) has been registered by the RA Central Bank.
The shares are transferred to the buyer's account within a maximum of 10 business days after the RA Central Bank registers the charter reflecting the change in the Bank's statutory capital (the charter with the new edition).

i. Full description of the form and timing of the publication of the offer results.

The results of the issue and allocation of shares are published on the Bank's website within 3 working days following the end day of the allocation.

j. Description of the process of exercising pre-emptive rights.

During the allotment of shares, shareholders included in the register of shareholders of "ACBA BANK" OJSC as of September 16, 2024 at 17:00 will have the right to exercise their pre-emptive rights to purchase the allotment shares, within the terms specified in section 3.4.1 paragraph "b" of this Prospectus, and the applications are approved according to the order in which they fully meet the requirements of the Prospectus.

3.4.2. The placement plan

a. Groups of investors to whom the offer is directed.

The offer of shares is directed exclusively to the shareholders included in the register of shareholders of "ACBA BANK" OJSC as of September 16, 2024 at 17:00 and to "PROPARCO". Moreover, "PROPARCO" will be given the exclusive right to acquire the shares that the Bank's shareholders were entitled to acquire under their pre-emptive rights but have refrained from exercising them.

b. Participation of Bank shareholders or management members in the offer.

"ACBA FEDERATION" CJSC has committed to forego their pre-emptive right within this placement to the benefit of Proparco, so that Proparco will have the rights to subscribe to

the shares which they would have been entitled to subscribe under their pre-emptive rights.
In the future Proparco intends to acquire shares of the Bank from the secondary market, increasing its shareholding in the Bank to around 10%.
The Bank has no information on the 5% or more subscription planned by other shareholders of the Bank, members of the management body or any other person, not mentioned in this section.

c. Informing investors about the fulfillment of applications.

The investors are informed of their Application's approval by the Underwriter (i.e., the issuer in this circumstance) at the time of submission.

d. Certain tranche for minority investors, institutional investors or Bank employees

There is no separate tranche for minority investors, institutional investors or Bank employees.

e. Accepting or rejecting subscription applications

Applications are approved in order they fully comply with the requirements of the Prospectus. If the number of shares mentioned in any application exceeds the number of shares to which the given shareholder is entitled under their pre-emptive rights, then the application is satisfied with the maximum number of shares to which the shareholder is entitled.
The application may be rejected in the following cases:

- the documents submitted by the investor for the purpose of purchasing/subscribing shares are incomplete or false,
- the legislation requires obtaining the preliminary consent of the RA Central Bank for the investment, and the Central Bank has refuses to grant the preliminary consent,
- the number of shares to be allocated has been exhausted,
- it was not submitted by a shareholder included in the register of shareholders of "ACBA BANK" OJSC as of 17:00 on September 16, 2024 or by PROPARCO.

In this case, the appropriate amount is paid to the investor from the Underwriter's account in order to return the money paid by the applicants (investors who submitted an application).

3.4.3. Offer price

a. The price at which the shares will be offered.

The allotment price of the shares issued by "ACBA BANK" OJSC is set by the Board at 14 299.4 AMD, which has been calculated based on the USD/AMD exchange rate published by the CBA as of 21.08.2024 (1 USD = 388.36 AMD). The price is subject to adjustment based on the USD/AMD exchange rate published by the CBA as of the day that is three business days preceding the date of the commencement of the allotment of shares. Nevertheless, the

price per share cannot exceed 18 000 AMD. The price adjusted based on the provisions of this section shall be published in section "**Shareholders and investors"** of the Bank's website no later than 21:00 of the day that is three days preceeding the commencement of the allotment of shares. During the subscription period, the investor does not incur any costs for consulting and other services related to the subscription process provided by "ACBA BANK" OJSC. Fees for the services provided by the account operator of "Armenia Central Depository" OJSC are charged according to the tariffs set by the account operator, which the investor can get acquainted with through the official website of "Armenia Stock Exchange" OJSC www.amx.am.

b. The process of identifying the price of the offer.

The share price was determined by taking into account the Bank's net asset value, the offer and demand price of the shares, USD/AMD exchange rate, as well as the weighted average market price of 1 share during the last six months.
Since the Offer is addressed to Proparco, which is a non-resident organization, the investment in AMD causes foreign exchange risks. Due to the fact that there is a long period of time between the date of registration of the prospectus and the date of subscription, a provision for adjusting the price of securities due to exchange rate fluctuation has been provided. Taking into account that the shareholders of the Bank have the right of exercise their pre-emptive rights over the allocated shares, the shares are offered to the shareholders of the Bank at the same price before they are offered to Proparco.

3.4.4. Placement

a. The names and locations of the persons who have agreed to carry out the guaranteed placement;

Guaranteed placement (underwriting) of shares will not be carried out.

b. The names and locations of persons who have agreed to carry out non-guaranteed placements, including best efforts placements;

Non-guaranteed allocation of shares will be carried out by "ACBA BANK" OJSC.
The address of "ACBA BANK" OJSC: 82-84 Aram Street, 89, 99, 100 areas, Yerevan, Armenia, 0002

c. The essential terms of the contracts concluded with the guaranteed and non-guaranteed underwriters and the commission fees charged for the underwriting,

Non-guaranteed allocation of shares will be carried out by "ACBA BANK" OJSC.
The address of "ACBA BANK" JSC is: Aram Building 82-84, Areas 89, 99, 100, Yerevan 0002, RA.

c. The material terms of the contracts concluded with the guaranteed and non-guaranteed underwriters and the commission fees charged for the underwriting;

Non-guaranteed allocation of shares will be carried out by "ACBA BANK" OJSC.

d. Deadlines for concluding the guaranteed placement (underwriting) contract.

The Issuer and the Underwriter are the same legal entity: "ACBA BANK" OJSC. The Issuer/Underwriter has not entered into a joint placement agreement with other underwriters and/or group.

e. Payment for shares and account opening.

Payments for the subscription of shares are made in AMD via depositing or transferring a lump sum amount to the transit account 220004131649000 opened at "ACBA BANK" OJSC.

Registration of ownership rights over the offered shares (maintenance of the register of owners) will be carried out through the Depository, which will act as the General Custodian in accordance with RA legislation and the rules governing the organization's activities.

Shares can also be registered by any custodian licensed by the Central Bank of Armenia (the sub-custodian of the Depository, the list and addresses of which are posted on the official website of "Armenia Stock Exchange" OJSC www.amx.am) by opening and maintaining a securities account by the owner of the shares with that custodian.

The address of the depository is: 26/1 Vazgen Sargsyan Street, Erebuni Plaza, 5th floor, Yerevan 0010, RA, phone: +(374) 60 61 55 55, (ext. 111), +(374) 10 54 33 21, (ext. 136).

"ACBA-BANK" OJSC is the Account Operator for the management of the share register.

Before acquiring shares, investors are obliged to open a personal securities account at the Depository or any other licensed sub-custodian.

3.5. Trade permission and trade organization

1) Trade permission

Regarding the offered shares, permission to trade in "Armenia Stock Exchange" OJSC will be requested later. A request for a trade license may also be denied. The request for permission to trade will be submitted within 5 business days after the completion of the placement.

2) Names of markets where the same class of shares offered are already admitted to trading

The ordinary shares of the Bank are currently listed on the "A" platform (list) of "Armenia Stock Exchange" OJSC.

3) The names of the persons who have the obligation to ensure liquidity in the secondary market in terms of the offered shares.

The Bank has not yet concluded an agreement with specialized persons on using the services of a market maker in the secondary market.

The Bank undertakes to sign a contract of a market maker in the secondary market with specialized persons, after signing which they will publish the necessary information in accordance with the law.

4) Measures aimed at price stabilization.

No price stabilization measures are planned.

3.6. Selling Shareholders

This prospectus does not constitute an offer to sell shares owned by current shareholders. The offer applies only to ordinary nominal shares to be additionally allotted by the Bank.
The major shareholder of the Bank expresses his desire to maintain the package of existing shares owned by them and to continue to operate as the controlling shareholder of the Bank.

3.7. Issuance and offering expences

The size of the net amount that can be raised is calculated as the difference between the gross amount collected and the expenses incurred for the purpose of collection. According to the Bank's estimation, the possible gross sums will be 485,000 multiplied by placement value of one share but in any case, not greater than 8,730,000,000. The costs incurred for the purpose of raising the funds are as follows: the state fee for registration of the prospectus: AMD 50,000 (fifty thousand).

3.8. Additional information

1) Consultants involved in the information presented in this section and their scope of authority

No consultants have been engaged in connection with the information presented in this section.

2) Audit report submitted by an independent auditor on the information presented in this section.

The data in this section has not been separately audited by an independent auditor.

Apart from the Issuer's historical financial statements presented in this Prospectus, which have been audited by independent auditing firms, other information presented in this Prospectus has not been audited by independent auditing firms. Copies of the reports and the conclusions issued by the independent auditing organizations are presented in **Appendix 3 of the Prospectus**.

Auditor references

PricewaterhouseCoopers Armenia LLC has not audited, verified or performed any procedures with respect to the financial data included in this prospectus after December 31, 2023 and, accordingly, PricewaterhouseCoopers Armenia LLC expresses no opinion or any other form of assurance for such information.
The consolidated financial statements of the Bank and its subsidiaries included in any part of this prospectus as of December 31, 2023 and for the year ended on that date have been audited by PricewaterhouseCoopers Armenia LLC, as independent auditors, as stated in those statements.

The consolidated financial statements of the Bank and its subsidiaries included in any part of this prospectus as of December 31, 2022 and for the year ended on that date have been audited by PricewaterhouseCoopers Armenia LLC, as independent auditors, as stated in those statements.

The consolidated financial statements of the Bank and its subsidiaries included in any part of this prospectus as of December 31, 2021 and for the year ended on that date have been audited by Ernst & Young CJSC, as independent auditor, as stated in those statements.

3) Information submitted by third parties in connection with this section

There is no information obtained from third parties.

CHAPTER 4: BANK INFORMATION

4.1. Independent auditors

An external audit is selected by the shareholders every year in accordance with the procedure established by RA legislation. The objective of an audit is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to express an audit opinion, including an auditor's opinion.

- In 2017-2021, an independent audit of the Bank was annually carried out by Ernst & Young CJSC.

"Ernst & Young" CJSC is a member of the global "Ernst & Young" (EY) international auditing and consulting services organization. The company started its activity in Armenia in 2008.

The address of "Ernst & Young" CJSC: 2 Vazgen Sargsyan Street, "Kamar" business center, 7th floor, Yerevan 0010, RA, phone: +(374) 60 50 77 77, website: www.ey.com/am. The General Director of the organization is Eric Hayrapetyan.

- In 2022-2024, "PricewaterhouseCoopers Armenia" LLC is conducting annual independent audit of the Bank.

"PricewaterhouseCoopers Armenia" LLC is a member of the global "PricewaterhouseCoopers" (PWC) international auditing and consulting services organization. The company started its activities in Armenia in 2008.

Address of "PricewaterhouseCoopers Armenia" LLC: 2 Vazgen Sargsyan Street, "Kamar" business center, 8th floor, Yerevan 0010, RA, phone: +374 (10) 51 21 51, website: www.pwc.com/am/en. The director of the organization is Nino Kadagishvili.

The independent audit reports for the historical financial period are presented in **Appendix 3**.

4.2. Risk factors

Like any financial activity, banking always involves risk. Banking risk is the probability that the Bank will not make a profit as a result of the given activity, will make a profit significantly inferior to the planned volumes, or will incur a loss.

In the course of any economic activity, especially banking activity, the concept of zero risk is impossible and the question is not to exclude it at all, but to assess its correct quantitative characteristics and effective management.

Risk management is an important part of the management system of "ACBA BANK" OJSC and it represents a set of interconnected actions aimed at preventing and reducing potential losses of the Bank. The risk management process is extremely important for maintaining the Bank's profitability.

Each of the risks mentioned below may lead to the deterioration of the Bank's financial condition, financial results and cash flows, as well as the decline of the market position, competitiveness and prospective development, which, in turn, may lead to full or partial non-fulfillment of the obligations assumed by the Bank or make it difficult for investors to sell shares quickly and at a profitable price in the future and receive dividends. Investors should also note that the risks presented below are not all the risks that the Bank may ever

bear. There may be additional risks that the Bank does not currently consider to be significant or
that are not currently known to it, and any such risk may result in a partial or complete loss of the invested amount by the investor.

In the course of its activities, the Bank deals with the following main risks:

Credit risk: the risk of suffering financial loss when the borrower or the contractual party of the financial instrument is unable to fulfill its contractual obligations towards the Bank, which affects the latter's activities, causes additional costs and negatively affects the profit.

Credit risk is one of the main risks of the Bank, that is why the Bank monitors it with particular attention. Credit risk is related mainly to credit operations, which lead to the granting of loans and advances, and investment activities, which add debt securities and other debt instruments to the Bank's asset portfolio. Risk also exists in off-balance sheet financial instruments such as debt obligations.

Credit risk management and control is carried out by the Bank's Risk Management and Compliance Department and reports are regularly submitted to the Bank's Board, Risk Management Committee and Chief Executive Officer.

According to the risk analyzes of the Bank's credit portfolio, the Bank's portfolio has the following structure:

	30.06.2024թ. (Unaudited)	December 31, 2023 (Audited: except*)	December 31, 2022 (Audited: except*)	December 31, 2021 (Audited: except*)
Loans to customers including:	490,010,272	460,471,333	413,878,081	348,959,692
Stage 1[1]	470,354,800	440,146,216*	392,606,428*	315,949,398*
Stage 2[2]	6,678,352	7,191,299*	8,885,751*	16,552,085*
Stage 3[3]	12,950,886	13,104,137*	12,317,641*	16,271,566*
POCI[4]	26,234	29,681*	68,261*	186,643*
Credit loss allowance	(5,861,970)	(5,271,996)	(5,438,836)	(7,664,614)

[1] **Group 1:** A financial instrument is generally classified in Group 1 upon initial recognition. Group 1 also includes loans that have had a significant improvement in credit risk as of the reporting date and have moved here from Group 2.

[2] **Group 2:** Loans characterized by a significant worsening of credit risk from the moment of issuance are transferred to Group 2, for which provisioning is made on the basis of credit losses of assets assessed for the entire period until maturity. A loan may also be classified in Group 2 at the time of issuance if it meets the criteria for Group 2 classification, such as the existence of a refinancing condition. Regardless of the existence of other reasons, at the moment of crossing 31 days overdue, the loan is transferred to Group 2.

[3] **Group 3:** All impaired assets are transferred to Group 3, for which the provision is made based on the estimated credit losses of the assets over the entire period until maturity.

[4] **POCI [4]:** Purchased or originated credit impaired (POCI) assets are financial assets that are impaired at initial recognition. These assets are initially recognized at fair value, and interest income is subsequently recognized based on the credit risk-adjusted effective interest rate. AUC is recognized or derecognized only to the extent that the estimate of expected credit losses over the entire life of the asset changes.

* These indicators were calculated on the basis of audited financial statements and accounting records and are unaudited.

In order to effectively manage credit risks, the Bank emphasizes the diversification of the credit portfolio, controls various types of concentration, continuously monitors the condition of individual loans and regularly assesses the solvency of its customers, changing the loan limits and the minimum acceptable score level if necessary.
The Bank uses many measures to mitigate credit risk. In particular, decreasing credit risk by means of collateral. The Bank sets rules regarding the acceptability of specific types of collateral or risk mitigation.
The main types of collateral for loans and transfers are:

- real estate pledged via mortgage agreements,
- operational assets of organizations - buildings, other fixed assets, inventory,
- financial instruments: debt and equity securities,
- movable assets.

Collateral securing various financial assets is determined by the nature of the financial instrument. Bonds and other debt securities are usually unsecured.

Liquidity risk: the probability that the Bank will not have enough liquid funds to repay the obligations on time. It can appear in two ways: the impossibility of attracting funds and the risk of liquidity of assets. The first one implies that the Bank will not have the opportunity to attract funds from the market within the relevant period at such a price that is available to other market participants (for example, as a result of the decline in the Bank's rating or reputation). In the second case, the Bank is not able to sell its assets in the market without price losses (in shallow or illiquid market conditions, when there are significant price fluctuations or in case of insufficient market demand for the assets of a specific bank).
The Bank evaluates the liquidity of the markets in which it operates, and also plans and ensures the availability of capital equivalent to its level of liquidity, taking into account that the size of the Bank's capital may affect the Bank's ability to attract liquidity in crisis situations.
In order to mitigate this risk, the Bank attracts additional funds in addition to its main deposit base, manages assets taking into account liquidity risk and analyzes future cash flows and liquidity on a daily, weekly, monthly basis. In addition, at the request of the RA Central Bank, the Bank maintains mandatory reserves in the correspondent accounts of the Central Bank in the amount of 4% of its AMD liabilities in AMD, and 6% of foreign currency liabilities in AMD and 12% in foreign currency liabilities in foreign currency, which serve as a reserve buffer to service possible outflows.
Below are the liquidity ratios as of 2021-2023 and the second quarter of 2024:

Ratios	Minimum amount set by the RA CB	Actual level June 30, 2024 (Unaudited)	Actual level December 31, 2023 (Unaudited)	Actual level December 31, 2022 (Unaudited)	Actual level December 31, 2021 (Unaudited)
N21*	minimum 15%	23.7%	24.0%	20.5%	24.6%
N22**	minimum 60%	103.6%	102.9%	72.5%	111.1%

* A minimum ratio between the amounts of the Bank's highly liquid assets and total assets
** A minimum ratio between the Bank's highly liquid assets and demand liabilities

Interest rate risk: the probability of the Bank incurring a loss due to unfavourable changes in interest rates in the market, which is expressed by an increase in the interest paid for the funds involved or a decrease in the income received from the allocated funds, that is, the effect of the interest rate risk has an immediate impact on the Bank's interest margin. Considering that the main part of the Banks' incomes and expenses are interest incomes and expenses, the direct dependence of banks on the interest rate risk and the importance of the possibility of management of this risk for banks becomes obvious.

Foreign exchange risk: the possibility that fluctuations in currency exchange rates will have a negative impact on the Bank's capital and/or profits. Applies to both commercial and credit operations. Foreign exchange risk can occur when a foreign exchange position is open "short" (a bank's foreign currency assets are less than its foreign currency liabilities) or "long" (its assets in a given currency exceed its liabilities in that same currency).

In order to mitigate the foreign exchange risk, the governing bodies of the Bank have established foreign currency position/total regulatory capital limits for all the significant currencies of the Bank, as well as for the total position of the Bank, which are monitored on a daily basis. Due to the conservative foreign exchange risk policy, no significant open positions were held in the euro and Russian ruble foreign currencies, and the position expressed in US dollars was at an acceptable level for the Bank.

Price risk: the risk of loss of the Bank as a result of changes in the prices of tangible assets (property, collateral).

Operational risk: the probability of loss of funds at the Bank as a result of errors in the actions of employees, technical malfunctions and frauds. Of the risks related to the failure of technical means, the risks threatening the complete preservation of the database are of the greatest importance for the Bank. In this regard, the Bank carries out regular archiving of the database, copies of which are stored both in the Bank's servers and computers, and on external drives. In order to reduce the risks caused by human factors, the Bank has implemented an internal control system, which includes double checking of transactions and confirmation by at least two people, regular inspections by the Bank's internal auditor, permanent supervisor, etc.

The risk of changes in the legislative and regulatory environment arises as a result of legislative changes that may affect both the Bank's activities and the market situation. Banking activity is an activity subject to licensing and regulation by state administration bodies and is one of the most controlled sectors of the RA economy. The goal of state regulation in the field of banking activity is the protection of the rights of investors and customers, which is implemented by defining the regulations for economic activity and banking risk management systems. This means that there are possible changes related to state regulation, which can significantly affect the Bank's operations and even negatively affect the Bank's indicators.

Reputational risk - is the possibility that the public's negative opinion about the Bank (corresponding to reality or not) will lead to a decrease in the number of clients, a reduction in the volume of transactions with counterparties/clients, costly legal proceedings and a decrease in profitability. In this regard, the Bank highly values its good reputation and makes best efforts to maintain the Bank's reputation. The Bank takes appropriate measures to comply with the requirements of international sanctions (in

particular, those applied by the United Nations, the European Union, France and the USA) in order to avoid reputational risk.

Non-compliance risk - is the risk of applying legal, administrative or disciplinary sanctions against the Bank, significant financial losses and threats to reputation, which is the result of non-compliance with the legal and regulatory requirements governing banking and financial activities, violation of the Bank's internal legal acts, orders of the executive management, professional and ethical rules.

In order to effectively manage and contain this type of risk, the Bank has developed an internal Financial Security Policy, legal acts and strict control measures to ensure compliance of its activities with the requirements of combating AML/CFT set by laws and regulations. The Bank regularly, but no later than once a year, reviews its potential and existing AML/CFT risks.

Country risk is the probability that economic, social and (or) political conditions or events occurring in the country will have a negative impact on the Bank's risk profile, liquidity, capital and (or) profit. In order to effectively manage and reduce risks, the Bank develops appropriate rating systems for the countries with whose residents the Bank or the Bank's clients carry out such financial operations, which are essential for the Bank from the point of view of country risk.

Risk of competitive conditions - is the possibility of losing the Bank's potential revenues in connection with the provision of similar services under more favorable conditions by competing banks in the market. The risk of competitive conditions arises in the conditions of constantly intensifying competition in the RA banking services market.

The RA banking services market is highly competitive, and in order to strengthen its competitive position, the Bank is guided by the principles of corporate management, introduces leading innovative banking technologies and improves the quality of services provided.

Aware of the above-mentioned risks, "ACBA BANK" OJSC constantly defines and implements such a strategy that will contribute to the use of effective risk management and mitigation mechanisms.

4.3. Information about the Bank

4.3.1. History and development of the issuer

a. Name and legal form of the issuer

The Bank's full name is:

Armenian: «ԱԿԲԱ ԲԱՆԿ» բաց բաժնետիրական ընկերություն
English "ACBA BANK" Open Joint Stock Company

Bank's short name:
Armenian: «ԱԿԲԱ ԲԱՆԿ»
English: "ACBA BANK"

The Bank was founded on the basis of the General Meeting decision of August 28, 1995 and the founding contract signed on December 1, 1995 as "Agricultural Cooperative Bank of Armenia" cooperative bank. Then, on March 3, 1996, it was registered with the RA Central Bank (registration certificate No. 0170) and on March 29 of the same year, it was granted banking license No. 70. On September 9, 2006, by the decision of the general meeting of shareholders, the Bank was reorganized and renamed to "ACBA-CREDIT AGRICOLE BANK" closed joint stock company. "ACBA-CREDIT AGRICOLE BANK" CJSC was reorganized and renamed to "ACBA BANK" open joint-stock company on April 29, 2020 by the decision of the General Meeting.

"ACBA BANK" OJSC operates in accordance with the legislation of the Republic of Armenia and its activities are regulated by the Central Bank of Armenia.

The Bank's trademark is:

which was registered by the RA Intellectual Property Agency on February 12, 2021.

b. Place and number of state registration

The place of state registration of the Bank is: 82-84 Aram Street, 89, 99, 100 areas, Yerevan 0002, RA.

The state registration number of the Bank is 0170.

c. Creation data

"ACBA BANK" OJSC (formerly "Agricultural Cooperative Bank of Armenia" cooperative bank) was founded in 1996 within the framework of the European Union "TACIS" program.

The "Credit Agricole Consultant" consulting service of the French "Credit Agricole" bank, together with the Dutch "Rabobank" and the German "DG-Agroprogress" companies, successfully implemented the three-stage bank establishment project.

- during the initial phase of project implementation (1993-1994), various financing options for the agriculture sector in Armenia were examined. Consequently, a suggestion was put forward to establish an agricultural bank based on the model of the European Cooperative Bank.
- In the period from September 1994 to December 1995, the structural establishment of the Bank took place, the main achievement of which was the creation of 60 rural mutual assistance unions. Rural mutual assistance unions were established in four regions of Armenia: Armavir (Echmiadzin), Ararat (Artashat), Shirak (Gyumri) and Vayots Dzor (Yeghegnadzor).

The operational establishment (1996) was marked by the establishment of the Bank and its three branches, as well as the issuance of a license for carrying out banking operations by the RA Central Bank on March 29, 1996.

The significant shareholders of the Bank are:

- "ACBA FEDERATION" closed joint stock company, whose participation in the statutory capital of the Bank is 81.62%[*].

Now "ACBA BANK" OJSC (operating in the market for about 28 years) is one of the largest and financially stable banks in Armenia.

d. Location of the bank, means of communication

The location of the bank is: 82-84 Aram str., Yerevan 0002, RA.

Means of communication:
Phone: +(374)10 31 88 88,
E-mail: acba@acba.am,
Website: www.acba.am:
Country of establishment of the Bank: Republic of Armenia.

The Bank has 65 branches and a Headquarter[*].

The Headquarter address: 82-84 Aram str., 89, 99, 100 areas, Yerevan
The addresses of the branches are:

1. “Kentron” branch, 82-84 Aram Street
2. “Teryan” branch, 7 Sayat-Nova Street, 12 Area
3. “Sayat-Nova” branch, 8, 21/1 Sayat-Nova street and 22 Abovyan street, 1/1
4. “Shengavit” branch, 16/2 Bagratunyats Street
5. “Armenia” branch, 10 V. Sargsyan Street, premise N 123, 124
6. “Tigran Mets” branch, 74 Tigran Mets avenu, 56-57 areas, Erebuni
7. “Malatia” branch, 55, 1/1 Raffi Street, Malatia-Sebastia
8. “Davtashen” branch, Davtashen I community, 42/2
9. “Zeytun” branch, 13/5 D. Anhaght Street
10. “Yeritasardakan” branch, Abovyan 36/49
11. “Komitas” branch, 56 Komitas Street, 167
12. “Arabkir” branch, 64a Sundukyan Street, 2/1
13. “Nor Nork” branch, Gai avenue 16/46
14. “Yerevan Mall” branch, Arshakunyac 34/3 number 93
15. “Opera” branch, Mashtots 42, 17/1
16. “Kesaria” branch, Malatia Sebastia, Sheram 93/3 and 93/5
17. “Shinararner” branch, 15 Shinararner Street, 156 Area
18. “Armavir” branch, 16 Yerevanyan Street
19. “Echmiadzin” branch, 30 Mashtots Street
20. “Metsamor” branch, 1-st District, 2 b. 1-6 store
21. “Ararat” branch, 31 Shahumyan Street

[*] As of the date of approval of this Prospectus by the bank board, 26.08.2024

22. “Branch” branch, 3 Central square
23. “Vedi” branch, 42/2 Araratyan Street
24. “Araks” branch, 45/1 Shahumyan Street
25. “Aragatsotn” branch, 1/1 N. Ashtarakeci Square
26. “Aragats” branch, Hoktemberyan street, 2/1
27. “Ashtarak” branch, 1 Yerevanyan Street, Ashtarak
28. “Talin” branch, 4 Komitas Street, Talin
29. “Aparan” branch, 37 Baghramyan Street, Aparan
30. “Shirak” branch, 256 Abovyan Street, Shirak, Gyumri
31. “Ani” branch, Ani District, 7th Street, 5/2, Gyumri
32. “Gyumri” branch, 18a Shirakatsi Street, Gyumri
33. “Artik” branch, 28/1 Ankakhutyan Street, Artik
34. “Ashotsk” branch, Ashotsk village
35. “Maralik” branch, 13 Freedom Square, Maralik
36. “Gegharquniq” branch, Boshnaghyan Street, Gavar
37. “Martuni” branch, 52 Yerevanyan Street, Martuni
38. “Sevan” branch, Nairyan 2nd Lane, No. 2, 3, Sevan
39. “Vardenis” branch, 5/1 Roman Street, Vardenis
40. “Lori” branch, 22a Tigran Mets Street, Lori
41. “Tashir” branch, Kirovi Street, area/district 5, N192
42. “Spitak” branch, 3 S. Avetisyan, Spitak
43. “Alaverdi” branch, 59 Tumanyan Street, Alaverdi
44. “Stepanavan” branch, 9 G. Nzhdeh Street, Stepanavan
45. “Tavush” branch, 6/4 Valance Street, Ijevan
46. “Noyemberyan” branch, 2 Barekamutyan Street, Noyemberyan
47. “Berd” branch, 1/3 Levon Bek Street, Berd
48. “Dilijan” branch, 37/2 Myasnikyan Street, Dilijan
49. “Kotayk” branch, 4/2 Hatis Street, Abovyan
50. “Eghvard” branch, 48 Charents Street, Yeghvard
51. “Hrazdan” branch, 31/101, Central area, Hrazdan
52. “Charentsavan” branch, 2/1-2/3 Khanjyan, Charentsavan
53. “Syunik” branch, 4 Aram Manukyan Street, Kapan
54. “Goris” branch, 2/5 Ankakhutyan Street, Goris
55. “Sisian” branch, 39d Sisakan Street, Sisian
56. “Vayots dzor” branch, 2/5 P.Sevak street, Yeghegnadzor
57. “Vayq” branch, 98/3-4 Shahumyan, Vayq
58. “Baghramyan” branch, Yerevanyan street 10/1 administrative building, Myasnikyan
59. “Erebuni” branch, 23 Erebuni Street, 74 premise
60. “Meghri” branch, Cinema building, 1 Z. Andranik street, Meghri,
61. "Chambarak" branch: Service office, 127/2 G. Nzhdehi street, Chambarak,
62. “Garni” branch, Alekyan street 28, 28/1, Garni
63. “Ajapnyak” branch, Z. Andraniki street 1, cinema building
64. “Avan” branch, M. Khudyakov street 210/2
65. “Sebastia” branch, 80 Sebastia street N 50 building, Malatya-Sebastia district

The Bank has no registered representative offices in the RA territory or outside the territory.

e. Significant events

On August 28, 1995, the "Armenian Rural Mutual Aid Bank" cooperative bank was established. The Bank's activities were initially aimed at financing the agriculture of the newly independent Armenia and supporting agriculture living in changed financial and economic conditions. In 1996, the Bank provided only short-term seasonal agricultural loans. In the years following its establishment, the Bank gradually began to provide loans for the implementation of non-agricultural projects in the rural environment, and from 1999, also for the development of small and medium-sized businesses.

In the same year, the Bank joined the SWIFT and FACET systems and opened correspondent accounts in the French Credit Agricole and the Dutch ABN AMRO banks.

In 2000, the Bank's activities were highly appreciated in the international arena, in particular, the Bank was recognized as the best bank of the year in Armenia for the first time by The Banker magazine of the prestigious British organization Financial Times. Later, by the same periodical, Acba Bank was repeatedly recognized as the best bank of the year in Armenia. Acba Bank was recognized as the best dealer in the state bond market by the Ministry of Finance and Economy of the Republic of Armenia and the RA Central Bank. Since 2000, the Bank has been a founding member of the processing center of "Armenian Card" CJSC.

In 2001, the Bank issued its first ArCa Classic payment card.

In 2002, the Bank became a full member of VISA International international payment system. For the first time in Armenia, Acba Bank issued VISA payment cards of Electron, Classic, Business and Gold types.

Acba Bank has been in the leading positions in the banking system of RA for years in the volume of credit investments in the real sector.

Acba Bank is the first bank of RA, which was granted ISO 9001:2000 international quality management system license by the international auditing company. In the same year, the Bank acquired a license for the VISA International payment system for servicing VISA cards issued by other banks at trade and service points.

In 2003, the first registered specialized leasing company in Armenia, "Acba LEASING" CO CJSC, was established. The main goals of the company were to support small and medium-sized enterprises operating in all sectors of the economy, farms to acquire equipment and production means through medium-term financing.

Since 2006, the prestigious French banking group "CREDIT AGRICOLE SA" became a shareholder of the Bank with a 28% of shareholding and the Bank was reorganized and renamed to "Acba-CREDIT AGRICOLE BANK" closed joint-stock company on September 9 of the same year by the decision of the General Meeting of the Bank, operating as such until April 29, 2020, when the Bank was reorganized again. In 2006, the Bank was the sole leader of the Armenian banking system.

In 2007, the Fitch Ratings rating agency awarded the Bank a long-term issuer rating of BB (with a stable outlook). In August of the same year, the European Bank for Reconstruction and Development (EBRD) together with one of the largest banks in the world, Citigroup, provided a syndicated loan to the Bank for the first time in the banking

history of Armenia, which was aimed at lending to small and medium enterprises (including those operating in remote areas of Armenia) operating in Armenia.

In 2009, despite the unfavorable situation caused by the global economic and financial crisis, the Bank continued to be the leader in almost all the most important indicators of banking activity and became the leader in the RA banking system in terms of the amount of taxes paid to the state budget.

In 2010, for the first time in the banking history of the Republic of Armenia, the Bank crossed the border of 100 billion AMD in the volume of credit investments made in the real sector. In the same year, the Bank was the only one in the banking system of Armenia that issued and served cards of 3 major international (American Express, Visa International, Mastercard) and one national (ArCa) payment system. During the same year, the German bank "Commerzbank AG" awarded Acba Bank with the "Quality Excellence" award for ensuring the high quality of international transfers.

In 2011, the RA government implemented a program of subsidizing interest rates for agricultural loans, within the framework of which more than 94% of loans were provided by Acba Bank.

In the same year, together with the UEFA Champions League, the Bank issued the Mastercard UEFA Champions League card type and issued the American Express Blue card, the second type of the American Express system, with exclusive rights.

In 2013, Acba Bank founded "Amundi-Acba Asset Management" CJSC together with the leading European asset manager "Amundi Asset Management". Amundi is Europe's leading asset manager with assets under management.

Being one of the largest organizations in Armenia, the Bank implemented a Corporate Social Responsibility system, the priority directions of which were the support of remote border settlements, environmental protection, preservation of historical and cultural values, and the implementation of youth-oriented programs.

At the end of **2014,** the Central Bank of Armenia started a process of enlargement in the banking system of Armenia. Although the banking system was sufficiently capitalized, the requirements for the stability of the system were raised. In particular, the minimum amount of the total capital of banks was revised and instead of 5 billion AMD, the threshold of 30 billion AMD was set, which had to be ensured by January 1, 2017. As of that moment, 6 out of 21 commercial banks operating in the Republic of Armenia have overcome such a requirement.

Among those 6 banks, ACBA-CREDIT AGRICOLE Bank (currently Acba Bank) ranked second in terms of total capital.

In 2015, the Bank introduced a new tool for providing remote banking services, the ACBA Mobile application, which was the first step towards digital transformation. After testing the system, it continued to improve, offering new features to customers.

The Bank also implemented structural changes, as a result of which 3 main business lines of banking activity were formed: agricultural, retail, SME.

In 2017, Acba Bank and SAP, the world's leading company in the market of corporate business solutions, signed a software purchase agreement, under which the Bank

implements a complete digital transformation of the Bank through the use of modern solutions created by SAP.

As a result of the Bank's digital transformation, the Bank is able to interactively respond to the customers' demands and provide the service packages and solutions that best meet their needs and are most effective from the Bank's point of view.

In the same year, the Bank issued new "ARCA-MIR" chip cards of the Russian MIR payment system.

In 2018, the Bank expanded its range of partners in the international card business. Thus, as a result of the cooperation between the Japanese JCB Co International and Acba Bank, for the first time in Armenia, the service of JCB cards, which has around 117 million cardholders in the world, began.

In 2019, as a result of the cooperation between Acba Bank and the Chinese UnionPay International, UnionPay card service was launched in Armenia.

On April 29, 2020, by the decision of the General Meeting of the Bank, "Acba-CREDIT AGRICULTURAL BANK" CJSC was reorganized and renamed to "Acba BANK" open joint-stock company.

In 2021, the Bank carried out rebranding and presented itself to the public in a new way, preserving the best values and traditions of the Bank. From that point on, Acba-Credit Agricole Bank presented itself as Acba Bank.

In the same year, the process of employees becoming shareholders of Acba Bank was carried out. About 75% of the employees of Acba Financial Group became shareholders of "ACBA BANK" OJSC, after which the Bank carried out a primary public placement of shares, issuing 500,000 shares with a total placement volume of AMD 7.5 billion. These shares were fully allotted within the stipulated time. Acba became one of the companies with the most shareholders in Armenia. The Bank's shares were listed on the most liquid platform A of the Armenian Stock Exchange.

In the same year, Acba Bank launched the innovative NFC payment system for the first time in Armenia as a result of cooperation with Visa International international payment system. Already in 2022, Apple Pay and Google Pay became available to the customers of Acba Bank, making payments with them became more convenient, safe and fast.

In 2023, Acba Bank launched the Acba Business Club. The goal of the club is the development of the business sector in Armenia, the creation of business connections, greater opportunities for cooperation and the creation of new perspectives. Acba Business Club is a business community that enables club member companies to expand their business connections, participate in business-related thematic discussions and events, and receive special offers for their business needs.

In February 2024, the prestigious Fitch rating agency (Fitch Ratings) revised the B+ rating of "Long-term Issuer Default Rating" granted to Acba BANK, raising the outlook to BB- rating (long-term Issuer Default Rating IDR) - "Stable".

In the report published by the agency, it is stated that the revision is due to the RA rating perspective and the Bank's operational profitability and capital increase, as well as the strengthening of the level of resources and liquidity involved.

The report published by Fitch also states that, in the latter's expectation, positive economic conditions will be maintained and will contribute to strengthening of the Bank's financial stability, increasing profitability, raising the level of liquidity, and the quality of the Bank's assets will continue to remain high.

Today, Acba Bank is one of the largest universal banks in Armenia, which offers its clients one of the widest range of banking services.

Acba Bank operates in all regions of Armenia. 21 of the Bank's 65 branches* and the Central Office operate in Yerevan, the rest in 10 regions of Armenia. The number of employees of the Bank and its subsidiaries reaches 1789.

Now, as of June 30, 2024, the total equity of Acba BANK is about 140,748 million AMD, which in percentage terms is 8.7% of the total capital of the banking system of Armenia, total assets amount to 802,669 million AMD, which is 8.2% of the total assets of the banking system of Armenia, and the credit portfolio (Loans to customers and Receivables from finance lease) is 570,159 million AMD, which in turn makes up 10.6% of the credit portfolio of the entire banking system.

4.3.2. Investments

a.Essential investments

During the 2021, 2022 and 2023 financial years, Acba Bank did not make significant investments in the capital of other persons.

In February 2024, ACBA BANK acquired participation in the charter capital of "ES EM" closed joint stock company in the amount of AMD 200.0 million AMD, as a result of which ACBA BANK's participation in the charter capital of "YES EM" closed joint stock company is 8.33%.

The governing bodies of the Bank have not undertaken any commitment to make significant investments in the future.

4.4. Business Description

4.4.1. Main activities

a. Description of the Bank's functions and main activities

During its more than 28 years of operation, the Bank has offered and continues to offer various financial services to the general public. The Bank's activity targets three main sectors: agricultural, retail and SME. In order to continuously develop the mutually beneficial cooperation with the mentioned sectors, the Bank aims to carry out more important works in the following years.

The Bank offers such products and services to the customers of the specified target sectors, the basis of which is the satisfaction of the latter's requirements. By studying the

* As of the date of approval of this Prospectus by the bank board, 26.08.2024

consumer behavior and preferences of customers, the Bank constantly offers its customers various financial solutions, endowed with features that meet their requirements.

The main services offered by the Bank in target directions are:

- providing agricultural, commercial, consumer and mortgage loans,
- account servicing
- attraction of on demand and term deposits,
- issuance and servicing of local and international plastic cards,
- foreign exchange operations,
- electronic transfers (including fast systems),
- remote banking services,
- keeping the register and custody of corporate securities,
- financing of international commercial transactions (letters of credit, guarantees).

At the same time, in order to ensure the management of its assets and liabilities, liquidity, as well as compliance with the regulatory requirements of the Central Bank of Armenia, the Bank is also engaged in the following main areas:

- investment in bonds,
- other short-term investments (interbank loans, deposits, repo).

In the services provided by the Bank, credit investments are especially important, which are made throughout the territory of Armenia.

Expansion of the stable base of deposits is also one of the most important directions of the Bank's activity. The Bank continues to develop the sector of on demand and term deposits, attracting funds from individuals and legal entities.

The Bank is active in the RA banking system in the direction of issuing and servicing local and international payment cards, making cashless transactions modern, accessible, convenient and safe for cardholders. Currently, the Bank is the only one in the market that serves 7 payment systems and is a card issuer of 4 major ones: American Express, Visa International, Mastercard, UnionPay and 1 national ArCa payment system.

Acba is also a card service provider of the major UnionPay International payment system and, from May 2024, the first and still the only UnionPay Gold and UnionPay Business card issuer.

Since 2009, the Bank has been exclusively presenting three American Express cards in the Armenian market: Amex Gold, Blue and Cashback cards, which have found their own loyal segment in the banking system of Armenia. Cooperation with American Express on an exclusive basis is regularly extended.

The Bank has one of the widest networks of ATMs and POS-terminals in the territory of the Republic of Armenia, which ensures the convenience and availability of cash and non-cash transactions throughout the territory of the Republic of Armenia.

A number of new digital solutions and services (ATM transfer, money request, 5G consumer online loans, card-to-card transfers, multiple payments, etc) have been implemented in the Bank's acba digital application and online service platforms, as a result of which the Bank's successes in improving digital banking services are receiving a significant

response among customers. According to recent data, acba digital application is the most used banking application in the market.

The corporate social responsibility policy adopted by Acba Bank is aimed at improving the banking and entrepreneurship sector of Armenia and protecting the environment, as well as promoting the use of alternative energy sources. Adhering to its principles, the Bank does not finance activities that harm the environment, arms/ammunition production and trade, as well as organizations engaged in gambling and lottery activities. Moreover, when implementing financing, it examines the social and environmental impact of the given activity.

Acba Bank is now a member of MoneyGram, RIA Money Transfer fast money transfer systems.

The Bank has correspondent accounts in more than 10 international banks, which makes it possible to provide settlement services to the Bank's clients in any freely convertible currency.

To carry out its activities, Acba Bank uses the international SWIFT payment, Bloomberg information systems, as well as the BankMail and CBANet systems operating in Armenia. Acba Bank is always open to start cooperation with international reputable financial and banking organizations, while remaining an attractive and reliable partner for the mentioned structures.

The Bank now actively cooperates with the European Bank for Reconstruction and Development (EBRD), the European Fund for South-Eastern Europe (EFSE), the International Finance Corporation (IFC), ReponsAbility Investments AG, Green for Growth Fund (GGF), Triodos Investment Management B.V., Rehabilitation Credit Bank (KFW), International Fund for Agricultural Development (IFAD), "Micro, Small & Medium Enterprises Bonds SA" (Micro, Small & Medium Enterprises Bonds SA), ReponsAbility Investments AG, Green for Growth Fund (GGF), Triodos Investment Management B.V., Credit Institute for Reconstruction (KFW), International Fund for Agricultural Development (IFAD), "Micro, Small & Medium Enterprises Bonds SA" (Micro, Small & Medium Enterprises Bonds SA), the European Investment Bank (EIB) and other international financial organizations.

Being the first issuer of many banking services and products in Armenia, the Bank has maintained its competitive leading positions for years, constantly offering solutions aimed at meeting the needs of customers. The Bank constantly studies customer requirements and develops and introduces new products and services aimed at meeting customer needs, improving service quality, and developing remote service delivery.

One of the important directions of development in the Bank is the development of the card business and the introduction of new services as a result of the study of international best practices. In particular, the Bank has recently introduced a new Visa Signature premium class card, which, in addition to traditional card services, also provides other services, such as insurance, concierge service, various discount programs, free entrances to airport lounges, etc. The Visa Virtual card was also introduced, which enables the possibility to activate a payment card within a few hours and make payments in the virtual domain. The introduction of new card and payment services is also planned.

As of June 30, 2024, the number of valid cards of the Bank was more than 657,345 cards.

Acba Bank has more than 420 ATMs, cash acceptance and currency exchange terminals located throughout the territory of the Republic of Armenia. And starting from December 2023, the Bank's ATMs will gradually be replaced by multi-functional terminals of the acba max type, which are a revolutionary innovation in the RA financial and banking system.

In the business of card acquiring, the Bank has more than 30,000 main-service cash registers, POS and vPOS terminals, as well as more than 7,350 integrations with POS terminals and cash registers of other banks. Acba took an active part in the state program within the framework of the RA Law "On Cashless Operations", according to which two RA banks were responsible for increasing the saturation of POS terminals in the market.

In order to ensure the growth of non-interest income and increase the Bank's efficiency, the Bank is continuously developing digital business, including payment settlement activities.

Up-to-date information technologies and infrastructures must be the basis of digital business development that is in line with the times. In this direction, the Bank has started making strategic investments since 2017. In 2018, a large-scale five-year digital transformation program was launched in the Bank under a contract signed with the German SAP, the world's leading provider of corporate software solutions, as a result of which the Bank has already created a state-of-the-art information base and infrastructure.

In this context, as early as April 2020, significant changes in the administrative structure of the Bank were implemented, which allowed to solve the defined strategic problems more efficiently. Within the framework of the above-mentioned changes, specialized departments of artificial intelligence and machine learning (AI/ML), process robotization (Robotic Process Automation) and data analysis (Data analytics) were created in the Bank.

By using RPA technology, the Bank implements the **digital workforce concept**, which in the short- and medium-term future will lead to a significant increase in the efficiency of operational processes and a reduction in operational costs. The Bank has already implemented robots that perform operational functions.

The real-time data analysis system contributes to increasing the efficiency of the Bank's management, allowing to make effective management decisions based on deep and comprehensive data analyses.

The use of **artificial intelligence and machine learning algorithms** in various areas of the Bank's activity allows solving such problems that are simply impossible to solve using other traditional technologies.

The continuous development and application of the above technologies in the practical processes of the Bank will allow to significantly increase operational efficiency and will give the Bank significant competitive advantages.

The Bank is continuously developing **remote and digital banking services**, introducing new ways of service delivery and customer service. In particular, in September 2020, the completely new acba digital system was released, which gives users the opportunity to use many banking services through both web and mobile applications (ios, android).

The Acba digital application includes solutions for both bank customers and non-bank customers, in particular, opening accounts, attaching cards issued by banks that are members of the ArCa processing system, Visa virtual card orders, the ability to receive international transfers.

5G online consumer loans, Visa Direct and MasterCard MoneySend card-to-card transfers, deposit processing, utility payments, online queuing, etc. (more on acba.digital website).

In 2023, Acba introduced a new biometric identification service, which allows the client to become an Acba customer within minutes and use various banking and non-banking services provided by the Bank.

The Bank continues its consistent work in the development of **fast money transfers** by introducing the "receive transfers by phone call" service, which enables customers to receive money transfers without visiting the Bank using the free ACBA Transfer card.

Being the first issuer of many banking services and products in Armenia, Acba constantly studies customer requirements and develops, introduces new solutions and services aimed at meeting customer needs, increasing service quality, and developing remote service delivery. Thus, one of Acba's strategic goals is the **modernization of lending systems**, the creation and integration of automatic decision-making systems into remote service systems. During 2020, point of sale loan granting systems were upgraded, providing loans within seconds. The Bank has implemented automatic decision making systems for both consumer loans and agricultural loans. Currently, work is being done to introduce automatic lending decision systems for other segments.

One of the important directions of development in the Bank is the **development of the card business** and the introduction of new services as a result of the study of international best practices. In particular, the Bank has recently introduced a new Visa Signature premium card type, which, in addition to traditional card services, also includes other services such as insurance, concierge service, various discount programs, free entrances to airport lounges, etc. The Visa virtual card was also introduced, which enables the possibility to activate a payment card within a few hours and make payments in the virtual domain. The introduction of new card and payment services is also planned. The Bank has recently appeared in the market as an issuer of UnionPay system cards.

Acba plans to introduce new leading digital technologies that will increase the quality of customer service and provide an opportunity to use more versatile services.

Technologies

In 2023, Acba Bank introduced a unique digital platform, acba max, which heralded a revolution in ATM capabilities throughout Armenia. This breakthrough platform, developed using state-of-the-art technology, enables customers to conduct a wide range of transactions beyond the traditional realm of cash. Customers are now able to effortlessly carry out foreign exchange, account and card top-up transactions not only between Acba Bank, but also between services provided by other financial institutions. Plus, they can easily pay off loans and make payments to more than 100 organizations, including utilities, charities, and more.

The introduction of the new Acba max digital platform has significantly improved the efficiency of Armenia's largest ATM network. Thus, the Bank ensures its availability to customers 24/7.

This innovation is in line with Acba Bank's commitment to provide an exceptional banking experience to its customers, and responds to customer demands to keep pace with technological advancements. The Bank is continuously developing, introducing new technologies, thus showing its willingness to increase the quality of services, optimize operational efficiency and provide convenience to customers.

Products and services

Customer requirements and innovations are cornerstones for Acba Bank. Accordingly, the Bank not only strives to create new services and products, but also improves existing ones, providing additional value for customers.

In 2023, based on the needs of customers and the overall goal of improving the quality of services, the **Business Tab** tool was introduced. Taking into account the specifics of farmers' activities and transportation difficulties, the tool allows the client's adviser to carry out an analysis of credit history and agricultural economy, fill out the application and inform on the decision of the Bank, without interrupting the farmer from his main work.
This innovative tool is still the only one in the banking system of the Republic of Armenia and allows to provide a loan in a matter of minutes without visiting the Bank and reduce the servising time.
About 6,000 customers were served and AMD 6.7 billion loans were provided through the Business Tab application.

Acba Business Partner Program

In March 2023, within the framework of the Acba Business Partner program, Acba Bank launched a Business Club for its SME clients.

Background

About 10 years ago, Acba Bank together with IFC initiated another important project with the aim of supporting the growth of small and medium enterprises. The SME banking market in Armenia was becoming increasingly competitive at the time, as both international and local banks recognized the future growth and profitability opportunities presented by the SME customer segment.

Acba's research study showed that the banking and business support needs of SMEs are not fully met by traditional banking relationships alone. There is a huge demand for advice, guidance and support among business owners. Acba started organizing educational seminars and introduced systems for freer information sharing, which received a positive response among SMEs.
The main objective of integrating non-financial services into Acba Bank's strategy was to promote and empower businesses by equipping them with basic knowledge and strong business connections.
Acba Bank currently offers a number of non-financial services aimed at enriching the business experience of customers.

Business training for SME clients

As of 2023, 135 business courses were conducted, in which 2078 decision makers of 1002 small and medium enterprises participated. Since 2016, the business support platform Sme.acba.am has also been launched, aiming to provide SMEs with practical tools and online learning options. The business portal now has improved content, is equipped with new functionality and tools.

Networking forums

They consolidate MSME customers. Through networking, members benefit from mutually beneficial relationships both within the Bank and among themselves. Networking events connect SMEs on various business topics (finance, automation, tourism, sustainable community development, women's empowerment in business, adaptive leadership, etc.), create a platform for discussion, and address issues commonly encountered by businesses. As of 2023, 7 networking events have helped 714 decision makers from 563 SMEs to expand their business network, gain useful knowledge and connect with participants from the entire value chain within a single platform.

"Produced by our partners" project is specially designed to promote the development of small and medium businesses in Armenia. This initiative provides a unique opportunity for our partners to increase the recognition and visibility of their products by presenting them in selected branches of the Bank.

Acba Business Club: over the years, Acba's non-financial services expanded and a strong business community was formed around the Bank. It was through the valuable feedback and support of that community that the concept of creating a Business Club was officially adopted. By joining Acba Business Club, company managers and owners receive many advantages, such as expanding the network, establishing valuable connections within the business community, and participating in business events. Members also receive exclusive privileges offered by the Bank's partner organizations, participate in information sessions and participate in various discussions on business topics.

Corporate Governance

Acba Bank traces its roots to the best traditions of European banking and corporate governance. The Bank was founded in 1996 by the joint efforts of the French Credit Agricole and the Dutch Rabobank, and later became a bank with the equity participation of the French Credit Agricole bank. Acba Bank consistently strives to introduce the values and practices of the European business world into the banking system of Armenia. Thus, the Bank's governance aims to ensure operations in Armenia in accordance with the best international standards.

Corporate governance in a Bank implies the distribution of powers and responsibilities. The Bank's board and senior management, including the Bank's chief executive officer and their deputies, carry out various activities, including:

- defining the Bank's strategy and tasks,
- staff selection and control,
- implementation of daily business operations of the Bank,

- protection of depositors' interests, fulfillment of obligations to shareholders and consideration of interests of other recognized stakeholders,
- alignment of corporate culture, corporate activities and behavior with the expectation that the Bank will operate safely and securely, in good faith and in compliance with applicable laws,
- definition of supervisory functions.

The main objective of corporate governance is to protect the interests of the stakeholders on a sustainable basis in accordance with the public interest. Especially in the case of retail banks, among the stakeholders, the interests of the shareholders are subordinated to the interests of the depositors.
The Bank recognizes that good corporate governance can create the following competitive advantages:

- greater access to external financing, which can lead to greater investment, greater growth, and greater job creation. Today, local and international investors often avoid companies that do not guarantee the rights of investors and do not ensure proper disclosure of corporate information and reliable functioning of the Board.
- lower capital, but higher cost price of the Bank, which increases the attractiveness for investments,
- better operational performance through more efficient allocation of resources and better management;
- lower risks
- better relations between all stakeholders, leading to improved labor relations and an atmosphere related to social aspects such as environmental protection.

Starting from 2020, the Bank, with the support and guidance of the French company Proparco, initiated and laid the foundation for the reform of its corporate governance system. In particular, within the framework of the reform program, the number of independent members of the Board was increased, which make up 4 of the 10 members of the Board. Also, many internal legal acts regulating the field of governance have been developed and implemented. The following 3 Board committees were established in November 2022, all of which are chaired by independent Board members:

- Audit Committee,
- Risk Management Committee
- Governance, Nominations and Remuneration Committee.

b. creation of new products or provision of new services

Being the first issuer of many banking services and products in Armenia, the Bank has maintained its competitive leading positions for years, constantly offering solutions aimed at meeting the needs of customers. The Bank constantly studies customer requirements and develops and introduces new products and services aimed at meeting customer needs, improving service quality, and developing remote service delivery.
In particular, one of the Bank's strategic goals is the modernization of lending systems, the creation and integration of automatic decision-making systems into remote service systems. Currently, point of sale loan disbursement systems have been modernized, providing loans within seconds. The Bank has implemented automatic decision making systems for both

consumer loans and agricultural loans. Currently, work is being done to introduce automatic lending decision systems for other segments.

One of the important directions of development in the Bank is the development of the card business and the introduction of new services as a result of the study of international best practices.
The Bank plans to introduce leading digital technologies that will increase the quality of customer service and provide an opportunity to use more versatile services.

4.4.2. Main markets

The Bank's activities were initially aimed at financing and supporting Armenian agriculture. At the foundation of the Bank lie the reforms implemented in the field of agriculture in 1991, as a result of which 938 large state and collective farms operating in the republic were divided and small farms were formed. Since 1998, the Bank has begun to expand the scope of its credit and other banking operations, gradually transforming into a universal bank.
Now the Bank provides extensive banking services. The bank has a complete service package for the following three business lines:

- SME,
- agricultural business direction,
- retail business direction.

The main operations and services offered by the Bank to the customers of the mentioned segments are:

- providing agricultural, commercial, consumer and mortgage loans,
- account servicing
- attraction of on demand and termdeposits,
- issuance and maintenance of local and international plastic cards,
- foreign exchange operations,
- electronic transfers (including fast systems),
- provision of brokerage services, registry keepig and custody of corporate securities,
- financing of international trade transactions (letters of credit, guarantees),
- other services.

The Bank is also the first in Armenia to organize business courses for small and medium-sized entrepreneurs, supporting the development of SMEs through the expansion of financial literacy.

The Bank carries out its activities in the entire territory of Armenia through a wide network of branches. Retail loans account for 55.1% of the Bank's loan portfolio, including agricultural loans of 27.6%, and SME and corporate loans of 44.9%.

During the first quarter of 2024, about 76.6% of the interest and non-interest income generated by the Bank falls on credit operations. Income from investment and foreign exchange operations makes up about 7.4% of the Bank's income.

The Bank is positioned in the market as on organization with a pronounced social responsibility, implementing many programs for the development of various branches of the economy, solving social problems.
Charity is also in the focus of the Bank's attention. In addition to one-time charitable events, the Bank initiated and implemented a new format that did not previously exist in Armenia: together with the Hayastan All-Armenian Fund, the Bank issued a Visa Barerar card through which 0.3% of payment transactions were transferred and are still being transferred to the fund's special account. Accumulated funds are directed to the implementation of various charitable projects.

During 2020, the Bank also provided assistance to the healthcare functions implemented within the framework of COVID 19 (about 27 million AMD), as well as in 2020, the Bank started and throughout 2021 continued to support the Hayastan All-Armenian Fund and the National Foundation For Servicemen Insurance,
moreover, from October 2020, 0.3% of payment transactions made with any Bank card is transferred to the " National Foundation For Servicemen Insurance" fund (except for the Visa Barerar type card). The Bank provided separate support to our compatriots temporarily displaced as a result of the war. Other members of Acba Financial Group, Acba Leasing and Amundi-Acba Asset Management, also joined the support. The total amount of support provided by the Bank and other members of the Acba financial group to the mentioned funds amounted to more than AMD 438 million.

The Bank's focus is also on initiatives aimed at youth, environmental, alternative energy, healthy lifestyle and a number of cultural programs.

During 2019-2020, the Bank implemented a large-scale advertising campaign titled "Protest Against Plastic", which was based on the idea of fighting against plastic. The campaign found a large resonance and gave rise to a big movement against plastic waste.

As part of the charity, the Bank also installed solar water heaters in various border villages and community structures.

In general, the activities of the Bank are aimed not only at the development of the economy and the provision of well-being in the country, but also at the introduction of innovative financial and technological solutions, their development, as well as at the development of the environment of its activity.

Competitive position

The Bank, being one of the leading banks in Armenia and maintaining its competitive position in the banking system, continues to maintain its key role and importance in the banking market of Armenia due to efficient, consolidated teamwork and well ordered operations.
The main competitive advantages of the Bank are:

- Low dollarization of the loan portfolio,
- relatively low dollarization of the deposit portfolio,
- Close cooperation and trust from a number of reputable international financial and banking organizations, which provide the Bank with the necessary financial resources,
- Professional and dedicated staff, low employee turnover rates and wide career opportunities,
- Good reputation in the general society.

Acba Bank, actively continuing its operation in the Financial System of Armenia and operating under conditions of healthy competition, maintains its leading position in the banking system in terms of capital (4th place), assets (4th place) and loan portfolio (3rd place).

Such leading positions once again testify to the Bank's reliability, competitiveness and stability.

Thus, thanks to its innovative approaches, uninterrupted work of a professional team, significant opportunities for competitiveness, Acba Bank constantly strengthens the values formed over the years and creates new ways of progress for mutually beneficial and long-term cooperation with clients and partners.

4.5. Bank group structure

4.5.1. Bank group structure

"ACBA BANK" OJSC is the parent company of the group. The group consists of Acba bank, its subsidiaries and associate. The subsidiary companies of the Bank are "ACBA LEASING" CO CJSC and "ACBA TECHNOLAB" LLC. The associate (dependent) company of the Bank is "AMUNDI-ACBA ASSET MANAGEMENT" CJSC.

"ACBA LEASING" CO CJSC was registered on April 23, 2003 by the CBA of the Republic of Armenia under license number 4 and operates in accordance with the legislation of the Republic of Armenia. The company carries out financial leasing operations.
It should also be noted that in December 2017, "ACBA-CREDIT AGRICOLE BANK" CJSC (currently "ACBA BANK" OJSC) bought a total of 92 shares in the statutory capital of "ACBA LEASING" CO CJSC from the French company "CREDIT AGRICOLE LEASING AND FACTORING" and 3 individuals. As a result, the participation of "ACBA BANK" OJSC in the charter capital of "ACBA LEASING" CO CJSC is 100%.
"ACBA TECHNOLAB" LLC was founded in 2021. The company implements educational programs, courses, training activities.

It should also be noted that by the decision of the Board of the Central Bank of RA dated April 28, 2017, "ACBA-CREDIT AGRICOLE BANK" CJSC, (currently: "ACBA BANK" OJSC) "ACBA LEASING" CO CJSC (currently: "ACBA LEASING" CO CJSC) and "AMUNDI-ACBA ASSET MANAGEMENT" CJSC were recognized as a financial group under the name "ACBA-CREDIT AGRICOLE GROUP" According to the decision of the Board of "ACBA BANK" OJSC dated August 14, 2020, the financial group was renamed to "ACBA GROUP" financial group.
"ACBA BANK" OJSC has been appointed as the responsible person of "ACBA GROUP" financial group.

"AMUNDI-ACBA ASSET MANAGEMENT" CJSC was registered on November 19, 2013 by the decision of the Board of the Central Bank of RA (registration number: 2). The company is licensed by the CBA of RA to perform investment fund manager activities and is currently one of the 2 pension fund management companies in RA.

4.6. The fixed assets of the Bank

1) Fixed assets (buildings, structures, land, equipment, equipment, etc.) of significant size at the bank's disposal and planned nearby, including leased property.

"ACBA BANK" OJSC owns 112 immovable properties (mainly branch buildings, buildings), the balance sheet value of which is about 40.6% of the total balance sheet value of the Bank's fixed assets.

2) Changes that may limit the use of fixed assets by the Bank;
There aren't any

4.7. Bank's capital resources (Liabilities)

1) information about the Bank's equity and current and non-current liabilities,

As of June 30, 2024, the Bank's liabilities and equity amounted to AMD 802,669 million, of which 17.5% or AMD 140,748 million was the equity, and 82.5% were liabilities.
39.1% of the equity or AMD 55,000 million was the share capital, 1.2% or AMD 1,750 million was share premium, 5.5% or AMD 7,757 million was the reserves and 54.2% or AMD 76,240million was retained earnings.

The major items of liabilities are:
customers' current accounts and deposits, funds drawn from Banks, the Central Bank of Armenia and other financial organizations and debt securities issued by the Bank, which made up 79.2% or AMD 524,420 million, 15.4% or AMD 102,106 million and 3.4% or AMD 22,271 million of the total liabilities, respectively.
The Bank publishes its quarterly interim and annual reports in the "**Reports**" section of the Bank's website at https://www.acba.am/, where more detailed information on equity and total liabilities can be obtained.
2) the sources and amounts of the Bank's cash flows, as well as those cash flows are described in a free style.

The Bank's cash flows are generated from its main activities, namely attracting and servicing demand and time deposits, servicing accounts, providing agricultural, commercial, consumer and mortgage loans, carrying out foreign currency operations, investment activities, etc.
The main amounts of the Bank's cash flows in the last reporting period are reflected in the table below:

thousand AMD

	30.06.2024 Unaudited	*2023 Audited*	*2022 Audited*
Cash flows from operating activities			
Interest received (calculated using effective interest rate)	35,630,424	65,435,119	49,369,597
Other interest received	6,017,712	10,445,440	6,102,070

Interest paid	(17,764,478)	(29,840,347)	(23,532,053)
Fees and commissions received	7,291,721	13,097,686	9,659,855
Fees and commissions paid	(2,849,120)	(5,014,623)	(3,623,931)
Net (payment)/receipt from derivative financial instruments at fair value through profit or loss	10,178	(663,718)	196,755
Net receipts from foreign exchange	2,355,310	5,333,764	13,516,463
Other operating expenses paid	(3,251,482)	(2,985,401)	(2,318,819)
Other income received	316,642	854,113	235,468
Salaries and other payments to employees	(12,222,458)	(18,700,666)	(14,460,895)
Other general administrative expenses paid	(2,747,329)	(3,755,177)	(3,925,140)
Cash flows from operating activities before changes in operating assets and liabilities	**12,787,120**	**34,206,190**	**31,219,370**
Net (increase)/decrease in operating assets			
Derivative financial assets	169,568	317,095	396,989
Loans and advances to banks	32,511,144	(48,347,859)	(32,847,258)
Loans to customers	(33,770,474)	(40,369,750)	(84,018,496)
Receivables from finance lease	(2,661,577)	(30,196,753)	(22,270,275)
Other assets	(5,633,246)	(1,262,502)	(2,693,895)
Net increase/(decrease) in operating liabilities			
Deposits and balances from banks	(518,468)	(8,637,177)	8,738,065
Customer current accounts and deposits from customers	29,091,206	71,747,907	116,891,930
Other liabilities	7,933,514	(5,658,758)	3,453,298
Net cash (used in)/from operating activities before income tax	**39,908,787**	**(28,201,607)**	**18,869,729**
Income tax paid	(5,508,797)	(7,383,676)	(2,687,672)
Net cash (used in)/from operating activities	**34,399,990**	**(35,585,283)**	**16,182,057**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	(3,666,321)	(2,444,064)	(3,466,341)

Proceeds from the sale of property, equipment	13,465	1,217,572	53,404
Purchases of investment securities	(37,118,219)	(13,364,866)	(6,195,291)
Sale of investment securities	(378,475)	16,049,251	2,944,680
Dividends received	1,021,608	701,763	539,806
Net cash from/(used in) investing activities	**(40,127,942)**	**2,159,656**	**(6,123,742)**
Cash flows from financing activities			
Proceeds from debt securities issued	1,430,569	18,339,013	2,191,500
Redemption of debt securities issued		(3,684,744)	(789,212)
Proceeds from other borrowed funds		34,345,599	34,288,004
Repayment of other borrowed funds	(6,550,409)	(27,032,928)	(37,932,197)
Subordinated loans received		4,479,000	0
Dividends paid	(5,500,000)	(4,400,000)	(3,300,000)
Net cash from/(used in) financing activities	**(10,619,840)**	**22,045,940**	**(5,541,905)**
Effect of exchange rates changes on cash and cash equivalents	(470,096)	1,123,990	(12,664,004)
Effect of changes in impairment allowance	37,494	46,259	68,891
Net decrease in cash and cash equivalents	(16,780,394)	(10,209,436)	(8,078,703)
Cash and cash equivalents beginning	78,159,849	88,369,285	96,447,988
Cash and cash equivalents, ending	**61,379,455**	**78,159,849**	**88,369,285**

3) Borrowing requirement

The Bank's borrowing requirement is assessed based on the Bank's asset growth outlook and the projected level of liquidity at different time intervals.

4) Restrictions on the use of capital resources that can directly or indirectly significantly affect the Bank's activity.

There aren't any.

4.8. Researches and development directions

There is no research and development policy by the Bank for the historical financial period.

4.9. Patents and licenses

The Bank carries out banking activities in the Republic of Armenia on the basis of banking license No. 70, issued on March 29, 1996. Banking license No. 70 is issued for an indefinite period.

4.10. Latest development trends

Between the end of the last reporting period and the date of submission of the Prospectus, there was no significant change in the tariffs of services provided by the Bank, which a reasonable investor would consider important when making investment decisions. It is expected that the services provided by the Bank will increase, interest rates will remain mostly stable.
In order for a reasonable investor to make an investment decision, the Bank presents the volume changes of asset and liability indicators in the previous reporting periods.

thousand AMD

Funds attracted	2022 (Audited: * except)	Increase/ decrease compared to 2021 (%)	2023 (Audited: * except)	Increase/ decrease compared to 2022 (%)	30.06.2024 (Audited: * except [1])	Increase/ decrease compared to 2023 (%)
From banks and other financial institutions	102,065,822*	-1.1%	108,939,565*	6.7%	102,105,519	-6.3%
Customer Current Accounts and Deposits	424,168,945	25.7%	503,231,650	18.6%	524,419,755	4.2%

thousand AMD

Fund allocation	2022 (Audited: * except)	Increase/ decrease compared to 2021 (%)	2023 (Audited: * except)	Increase/ decrease compared to 2022 (%)	30.06.2024 (Audited: * except)	Increase/ decrease compared to 2023 (%)
Loans to customers and receivables from financial leases	461,862,466*	24%	538,605,763*	16.6%	570,159,428	5.9%
Loans and advances to banks	50,806,230	159%	99,410,514	95.7%	66,209,274	-33.4%
Investment securities	23,641,527	-1.5%	21,422,936	-9.4%	58,814,181	174.5%

The economy of RA in general and the banking system in particular, in previous years have been regularly and unfortunately continue to be faced with various challenges that have had their impact and have significantly changed and are changing different directions of the banking system's activity. With the consequences of the COVID-19 pandemic still not fully overcome, the world faced new challenges - conflicts that arose in different countries and its consequences, which are already negatively affecting a number of countries around the world. The negative consequences are mainly materialized through the decline in economic growth rates, the fluctuation of international prices of food and raw materials, and the tightening of monetary policies. On the other hand, the consequences of the inflow of people and capital from the Russian Federation caused by the Russian-Ukrainian conflict have also had a positive impact on the RA economy in the short term, mainly due to significant increases in tourism, as well as exports from the RA to the Russian Federation. As a result, a fairly high economic growth rate was recorded in 2022-2023, mainly due to the

* These amounts and figures have been calculated based on audited financial statements and accounting records and are unaudited.

growth of services. From the point of view of demand, both external and internal demand contributed to the growth, the growth of which will continue in the near future, taking into account the increase in demand caused by the forcibly displaced population from Artsakh. Therefore, in order to avoid inflationary developments under unchanged or limited conditions in terms of supply in the long term, it is very important to integrate them into the economy, especially in the manufacturing sectors. The new demand for mortgage loans and real estate from the relocants, as well as from the population forcibly displaced from Artsakh, may lead to an increase in the demand for loans and contribute to a further heating of the real estate market.

The development of the Armenian banking system in the coming years will also be facilitated by the importance of a number of sectors defined by the plan of the RA government and the support programs aimed at them. The main directions defined by the 2021-2026 plan drawn up by the RA government remain unchanged and the projects related to agriculture, manufacturig industry, energy infrastructures, SMEs, IT, tourism sectors continue to be in the center of attention.

2024-2026 MTEF (Medium-term Expenditure Framework of the Republic of Armenia) provides for the implementation of works on the main targets set by the government plan, both in terms of current and capital expenditures (Capital spending priorities for the medium-term sector will mainly relate to education - construction of 300 schools and 500 kindergartens, renovation, road construction - North-South road corridor, road network repair and water management - construction of 15 small and medium reservoirs. Current expenses, on the other hand, will include expenses aimed at increasing labor and other pensions, social benefits). The 2024 state budget envisages significant increases in both revenues and expenditures, 13.1% and 20.8% growth, respectively. The increase in expenses also includes the support to the population forcibly displaced from Artsakh. Capital expenditures are planned to reach 6.6% of GDP in 2024, compared to the expected 5.9% in 2023 and the actual 4.5% in 2022, however, capital expenditures in 2023 are underperforming according to various analyses, and persistence of this issue may also jeopardize economic productivity growth.

In 2023, the Ministry of Economy continued the support programs for the entrepreneurship sector, especially aimed at the wine industry, export incentives, and the development of the green and circular economy. Thus, tax benefits will continue in the fields of agriculture, pharmaceuticals, textile and garment industry, winemaking, tourism, food processing, IT and telecommunications. To promote the producing capabilities of companies, the government launched the economic modernization program, which subsidizes most of the interest costs of financing (loans/leasing) the acquisition of new equipment by companies, and also compensates a part of the salaries of highly qualified foreign professionals. Due to this, more than 900 contracts were signed during 2022 for the purchase of equipment worth more than AMD 56 billion, and by the end of 2023 the total portfolio will reach more than AMD 200 billion. In this way, the economic potential will be expanded, making companies more competitive.

The unstable and tense geopolitical situation and high uncertainty, the application of sanctions against neighboring countries, the high level of dependence of the RA economy on Russia, as well as the complications related to exports and the threats of emigration, continue to be challenging. In order to face the existing challenges in the best way, the banking system was further strengthened during the previous years and equipped with such solutions, the need for which existed before, but perhaps was not urgent. The most obvious

change aimed at facing the mentioned challenges was the significant acceleration of the pace of digitization processes and the development of the digital infrastructures of the general banking system, which was not left out by the regulatory and state bodies.

The Central Bank has aimed at the transformation of the financial system from the point of view of digitalization, creating various smart infrastructures that will contribute to the rapid development of digital financial services, globalization and will be interconnected through unified information platforms. Digitization is built on 3 pillars: infrastructures, their interoperability, cyber security. Interoperability will be through API (open banking, open government, open finance). A centralized platform/SOC (cybersecurity operation center) will be created in financial institutions for the removal of systemic risks of information security and rapid response, which will ensure the incident response lifecycle.

The transformation of the financial system also implies:

- Implementation of a SubTech decision-making system that will help ease the burden on collection and reporting systems

- Implementation of a RegTech system of standards/structures, through which financial organizations will implement their compliance.

- The transformation of the payment system implies flexible services in accordance with international standards, modern, flexible and modular software systems implemented in financial organizations, which will provide an ecosystem of interoperable financial services through API. Unified settlement platforms will be formed and "open bank" or "open finance" systems will be introduced.

- A legislative project on the issue, circulation regulation and control of crypto-assets is already being developed, which will allow to increase the level of trust, activate competition and create new prerequisites for the development of the sector. As a result, electronic money issuing organizations will occupy their unique place in the financial intermediation market, provide more convenient services and expand the fields of application of electronic money.

- Incentive programs will be created for global and innovative fintech organizations through a regulatory sandbox and infrastructure for incubation and acceleration.

The CBA, together with colleagues from the Government, established the Information Systems Agency of Armenia, ISAA, which aims to create the digital society of Armenia and define the standards of the digital architecture of Armenia. All necessary standards and requirements for electronic identification have been developed. A unified national identification portal has been created and should be launched soon. Telecom companies have joined forces to replace their customers' phone chips with chips that provide electronic authentication and signature for free. Accordingly, in terms of cyber security, the necessary solutions for the protection of critical infrastructures and training and research were designed, and a platform for cyber simulations and education was acquired.

In addition to the mentioned internal challenges and opportunities, the following main international trends will also have an impact on the Armenian banking sector:

- **Digitization** continues to spread rapidly and significantly increases the efficiency of processes in the banking system. It includes both the digitization of services provided to customers, as well as the automation and robotization aspects of existing business processes for the provision of these services. Most of the services provided in Bank branches can now also be performed through banking applications. The ratio of non-cash payments to cash payments is gradually increasing, along with which the risk of cyber-attacks is also increasing significantly.

  Parallelly, technological companies successful in their field enter the banking system. For example, Google and Apple entered the banking system with a primary emphasis on payments /Google Pay, Apple Pay/. Apple also introduced payment cards and the "Buy now, pay later" product to the market. Google Pay also provides with the possibility of making transfers. The trend started back in China when Alibaba created the Alipay application. One such technology company is Meta, which has also created a possibility for paymets, a marketplace, etc. The demand for digital services in RA is also growing day by day, and from this point of view it is important to invest in digital systems, user friendly mobile banking, increasing service quality (also speed), expanding chatbot capabilities and other innovative solutions.
- **Individual approach:** Digitization and competition will contribute to the rapid development of digital financial services, globalization and the demand for quality, fast, accessible services and personalized finance. Under the "Open Bank" concept, new opportunities for personalized finance will be created by analyzing large volumes of data. Customers expect a high-quality experience from banks, so a personal approach becomes essential for banks and in this context it is very important to strengthen the identification of customer needs and the study of experience.
- **Cyber security:** An integral part of digitization is the development of information and cyber security systems to ensure the security of customers' and the Bank's data. Banks possess comprehensive data, the security of which is paramount not only from the Bank's point of view, but also from the customer's point of view. However, the low level of consumer awareness, cyber security issues, the day by day transformation of reality into digital, as well as the ever changing reality lead to an obvious increase in risk. It seems that the most vulnerable targets of cyber attack are the most flexible systems: neo-banks, digital services, but the problem remains relevant for the entire banking system. As a result of the pandemic, the culture of shopping online and working remotely has developed at a very fast pace, which also contributes to the spread of banking data in the digital domain. In this context, it is easier to take measures to prevent cybercrimes than to overcome the problems caused by them. Therefore, banks are already using various protection systems in Armenia, simultaneously raising the level of awareness of employees and customers.

- **Branch and mobile application:** While digitization has made customers more independent, it has also made it harder for banks to differentiate themselves. This has led to the need to take a more personalized approach and develop different benefits to increase customer loyalty. Correctly balancing the human factor provided by branches and digitization will be one of the main problems for banks in the coming years. In the long term, customers tend to use mobile applications, but the human factor is also important for them, which is associated with quality banking.

- ✔ **Generation Z (Gen Z) and children as a new banking segment:** According to research, Gen Z is considered the largest generation in the world (in 2021 it was 30% of the world) and by 2025 it will make up 27% of the labor market. Gen Z is considered "digitally native" because they have been using digital devices and services from an early age. They view smartphones as a primary means of communication and also use them for research and knowledge acquisition. Of course, the Armenian generation of this group has its own characteristics. It is necessary to pay attention to their requirements and involve them through personalized financial services.

  Interest in cashless payments and financial instruments is growing among school-age children and their parents, and active steps are being taken in the market to engage this segment. A number of banks have started targeting school-aged children as a new banking segment. With their involvement, an opportunity is created to have a base of adult and loyal customers in the future who already had a certain involvement in banking processes.
- ✔ **Green banking:** The green banking trend is still developing. This is evidenced by the approaches used by the institutions with the most important role in the field, the UN Sustainable Development Goals have entered the banking agenda. The Green Climate Fund (GCF) annually provides about USD 100 billion to developing countries for the advancement of the Green Agenda, major international financial structures (EBRD, EFSE, GGF, KFW, etc.) include Sustainable Development standards in their cooperation conditions.

In this context, it can also be added that the CBA has published the Sustainable Finance Roadmap 2023-2026, which will guide financial sector participants to incorporate ESG principles into their business decisions. The CBA intends to integrate ESG principles into the monitoring, verification and evaluation process. And for the participants of the banking system, the introduction of ESG provides new opportunities for attracting partners and resources.

Thus, taking into account the dynamic development trends of the financial system and the predicted trends, we come to the conclusion that in order to ensure sustainable growth and be competitive, financial organizations must be ready to make appropriate investments to meet customer requirements through innovative solutions, which will also help to face the challenges of the outside world.

In this context, the Bank has set the following targets for the main financial indicators for 2023-2025:

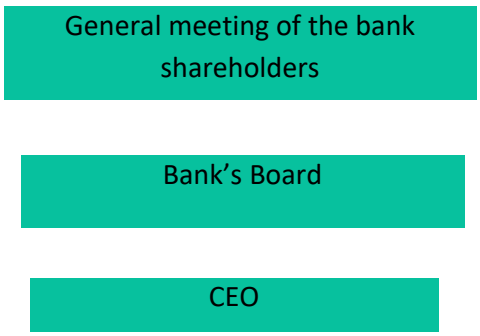
- 14% average annual growth of the loan portfolio, providing a 48% increase in the portfolio in 3 years,
- 14.2% average annual growth of the deposit portfolio (including bonds issued by the Bank), which implies an increase of the deposit portfolio by about 49% in the next 3 years,
- The Bank plans to reduce the ratio of operating expenses to net banking income by 2.3 percentage points.
- It is planned to increase the number of active customers by about 50% in the next three years due to the increase in the efficiency of business processes, new digital solutions, proposed products and non-cash payments legislative changes, as well as to increase the net commissions received,

- For 2023, the target level of the net deductions/loan portfolio index for possible loan losses is 0.9% for the Bank, the index will be maintained around the specified level in the following years.
- During the planned three years, loans will make up about 62 percent of assets, and both customer deposits and funds from international financial organizations will act as a source of financing for the latter.
- The total capital adequacy ratio will be maintained within 15%,
- As a result of liquidity management, it is planned to keep the ratio of highly liquid assets to total assets around 22%.
- In the next three years, the Bank aims to maintain the index of profitability of capital and assets around 17% and 2.8%, respectively.

4.11. Bank goverance bodies and their members

4.11.1. Governance bodies and structure

According to the Bank's charter, the Bank has the following governance structure:



The Bank has a Chief Accountant, an Internal Audit Division, a person responsible for the Risk Management function and a person responsible for the Compliance function and a Corporate Secretary.

The following Board committees operate within the Bank:

- Audit Committee,
- Risk Management Committee,
- Governance, Appointments and Remunerations Committee.

4.11.1.1. General meeting of Bank Shareholders

The General Meeting of Shareholders of the Bank (hereinafter "General Meeting") is the highest governing body of the Bank.

The following belong to the exclusive competence of the General Meeting:

1. Adoption of the Bank's charter, making changes and additions to it,
2. Reorganization of the Bank,
3. liquidation of the Bank,

4. approval of summary, interim and liquidation balances, appointment of the liquidation committee,
5. Determination of the size of the Board, election of Board members and early termination of their powers. The matters of determining the size of the Board and electing its members are discussed exclusively at the annual General Meetings. The issue of the election of members of the Board can be discussed at the extraordinary General Meeting, if the latter has adopted a decision on the premature termination of the powers of the Board or its individual members,
6. setting the amount of authorized shares,
7. approval of the person conducting the Bank's external audit upon the Board's proposal,
8. reduction of the Bank's statutory capital through share buyback,
9. making a decision on major transactions defined by law, the value of the subject of which at the moment of making the decision on entering into the transaction is 25-50 percent of the balance sheet value of the Bank's assets, but the decision on the conclusion of which was not adopted by the Board, and the Board has made a decision for the General Meeting to consider the issue of this transaction,
10. making a decision on major transactions defined by law, the value of the subject of which at the moment of making the decision on entering into the transaction is more than 50 percent of the balance sheet value of the Bank's assets,
11. approval of the Bank's annual financial statements, distribution of profits and losses,
12. approval of the order of conduct of the General Meeting,
13. the formation of the counting committee,
14. consolidation and division of shares,
15. adopting a decision not to apply the pre-emptive right to purchase shares in the cases provided for by law,
16. within the scope of the agenda, other issues considered as the exclusive competence of the General Meeting by law.

The adoption of decisions on all matters provided for in all the above points is reserved to the exclusive competence of the General Meeting and cannot be transferred to other management bodies of the Bank. The general meeting cannot discuss and make a decision on matters not related to its competence.

4.11.1.2. Bank's Board

The Board of the Bank carries out the general goverance of the Bank's activities within the limits of the matters reserved to the Board's powers by law.

The powers of the Board are:

1. determining the main directions of the Bank's activity, including the approval of the Bank's prospective development plan,
2. convening the annual and extraordinary meetings of the General Meeting, preparing the agenda, as well as ensuring the implementation of preparatory work related to the organization of their convening and holding,
3. appointment of the Chief Executive Officer and members of the Bank's executive body, early termination of their powers and approval of their remuneration conditions,

4. definition of the internal control standards in the Bank, formation of the Bank's internal audit unit, approval of its annual work plan, early termination of powers of internal audit employees and approval of their remuneration conditions,
5. approval of the Bank's annual budget and performance,
6. approval of the Bank's internal administrative structure,
7. submission of recommendations to the General Meeting on the payment of dividends, including the preparation of the list of shareholders of the Bank having the right to receive dividends for each payment of dividends, which should include those shareholders of the Bank who were included in the register of shareholders of the Bank as of the record date for having the right to attend the annual General Meeting of the Bank,
8. pre-approval of the Bank's annual financial reports and their presentation to the General Meeting,
9. the presentation of the candidacy of the person conducting the external audit of the Bank to the General Meeting's approval,
10. determining the amount of payment to the person conducting the external audit of the Bank,
11. if necessary, initiation of measures aimed at the elimination of deficiencies identified as a result of audits or other inspections carried out in the Bank and overseeing their implementation,
12. adoption of internal legal acts regulating the procedure of financial operations by the Bank,
13. approval of the charters of the Bank's territorial and independent structural divisions, the distribution of operational responsibilities between the Bank's independent structural divisions,
14. adoption of the decision on allotment of the Bank's bonds and other securities,
15. the use of the Bank's reserve and other funds,
16. establishment of the Bank's branches, representative offices and institutions,
17. determining the principles, bases, methods, rules, forms and procedures of the Bank's accounting policy for the purpose of conducting accounting and preparing financial reports,
18. establishment of subsidiary or dependent companies,
19. participation in subsidiaries and affiliates,
20. establishment of unions of commercial organizations,
21. membership in unions of commercial organizations,
22. increase of the statutory fund by increasing the nominal value of shares or allocating additional shares,
23. consenting to major transactions by the Bank as defined by law, the value of which, at the moment of adopting the decision to conclude the transaction, is 25 to 50 percent of the balance sheet value of the Bank's assets,
24. giving consent to any other investment by the Bank, which is not provided for in sub-clauses 18, 19, 20, 21 of this clause and the amount of which is 25% or more of the Bank's equity capital,
25. approving employee share ownership plans of the Bank, as well as adopting decisions related to employee share ownership or arising from employee share ownership plans,
26. adoption of other decisions provided by law.

The Bank's Board is composed of 10 (ten) members who are elected by the General Meeting for the term determined.

The Chairman of the Board is elected by the Board among the members.

The Chairman of the Board:

1. organizes the work of the Board,
2. convenes and presides over the meetings of the Board,
3. organizes the conduct of the minutes of the Board,
4. presides over the General Meeting,
5. organizes the work of the Board Committees, if there are any.

The Bank has a Corporate Secretary who supports the work of the Board. The appointment, determination of powers and termination of powers of the Corporate Secretary are carried out by the Board.

4.11.1.3. The Chief Executive Officer of the Bank

The current operations of the Bank are managed by the Chief Executive Officer. The Chief Executive Officer may have deputies.

The Chief Executive Officer is appointed by the Board, the Deputy Chief Executive Officers are appointed by the Board upon the presentation of the Chief Executive Officer. The Chief Executive Officer, as his exclusive authority, represents the Bank in the Republic of Armenia and in foreign countries, concludes transactions on behalf of the Bank, acts on behalf of the Bank without a power of attorney, issues powers of attorney.

Chief Executive Officer:

1. presents to the Board for approval the internal legal acts that are subject to Board approval, the regulations of the separate subdivisions, the administrative organizational structure of the Bank,
2. discusses in advance all issues subject to consideration by the General Meeting or the Board, for which he prepares the necessary documents, organizes the implementation of the decisions of the General Meeting of Shareholders and the Board,
3. enters into such transactions on behalf of the Bank, that are not reserved to the exclusive authority of the Board and the General Meeting by law and the charter,
4. manages the Bank's property, including financial resources, within the limits of their competence issues orders and mandatory instructions and supervises their execution,
5. approves job positions, hires and dismisses employees of the Bank, resolves issues of staff selection, placement, preparation and training,
6. applies incentive and disciplinary measures against Bank employees,
7. carries out the distribution of responsibilities between the Deputy Chief Executive Officers,
8. carries out other powers related to the management of the current activities of the Bank provided by the Bank's charter, as well as within the framework of the legal acts approved by the Board.

As a rule, the decisions of the Chief Executive Officer are implemented on the basis of their orders.

The Chief Executive Officer submits reports on their activities to the Board regularly, but not less than on a quarterly basis, in accordance with the procedure established by the Board.

The adoption of decisions on issues subject to the authority of the Chief Executive Officer cannot be transferred to other Bank management bodies, the Bank's internal audit, the Bank's Chief Accountant or any other person, unless the exercise of the Chief Executive Officer's powers has been properly temporarily transferred to the person replacing him.

4.11.1.4. Chief Accountant of the Bank

1. The chief accountant of the bank carries out the rights and duties defined for the chief accountant by the RA Law on "Accounting Law".
2. The Chief Accountant of the Bank is appointed by the Board upon the recommendation of the Chief Executive Officer.
3. The rights and duties of the Bank's chief accountant cannot be transferred to the General Meeting, the Board, the members of the executive body, the internal audit unit or any other person.
4. The Chief Accountant of the bank submits a financial report to the Board and the Chief Executive Officer at least on a quarterly basis in the form and content approved by the Board.

The Chief Accountant of the Bank is responsible for the management of the Bank's accounting records, their condition and reliability, for timely presenting the annual report, financial and statistical reports to the state administration bodies, as well as for the reliability of the financial information provided to the Bank's shareholders, creditors and press and other means of mass media, in accordance with the law, other legal acts and the charter.

4.11.1.5. Internal audit department

1. The head and members of the Internal Audit unit are appointed by the Board. The members of the Bank's governig bodies, other managers and employees, as well as persons related to the members of the executive body, cannot be members of the internal audit.
   The head of the internal audit and the members are obliged to maintain the work discipline established for the employees of the Bank.

2. Internal audit of the Bank according to the regulations approved by the Bank's Board

- supervises the Bank's current activities and operational risks,
- supervises the implementation of laws, other legal acts, internal legal acts of the Bank, by the Chief Executive Officer, territorial and structural divisions, supervises the execution of instructions given by the Chief Executive Officer
- gives conclusions and recommendations on the issues presented by the Board, as well as on its own initiative. Issues related to the powers of the internal audit cannot be transferred to the Bank's governing bodies or other persons for resolution.

3. The Head of Internal Audit submits the following reports to the Board and the Chief Executive Officer:
   - Periodic, on the results of the audits defined by regular annual plan,
   - extraordinary, if significant violations in the justified opinion of the internal audit are revealed, and if the violations are a consequence of the actions or inaction of the Chief Executive Officer or the Board, then the report is submitted directly to the Chairman of the Board.

In the cases provided for by this section, the reports are submitted within two business days after the discovery of the violation.

In case the internal audit discovers violations of laws and other legal acts, it is obliged to present them in writing to the Board, at the same time proposing measures to be taken in order to eliminate these violations and not to repeat them in the future.

4.11.1.6. The person responsible for the risk management function

1. The person responsible for the Bank's risk management function:
   - identifies, evaluates the risks inherent in the Bank's activity, gives a general description of the Bank's risk,
   - controls and monitors identified risks, ensures their effective management,
   - submits the Bank's risk management strategy, acceptable risk limits, as well as separate risk management policies to the Board for the approval, submits a report to the Board and executive body on the Bank's risk profile and risk management processes at intervals determined by the board,
   - performs other functions related to risk management defined by the regulatory acts of the Central Bank.

2. Minimum requirements for the effective implementation of the Bank's risk management function may be defined by the regulatory legal acts of the Central Bank.

4.11.1.7. The person responsible for implementing the compliance function

1. The person responsible for the implementation of the Bank's compliance function:
   - ensures compliance of the activities of the Bank and Bank employees with the requirements of laws, other legal acts, including the internal legal acts of the Bank;
   - ensures the formation and maintenance of responsible behavior in the Bank;
   - assesses the impact of possible changes in laws and other legal acts on the Bank's activities and possible risks related to them;
   - carries out other functions related to ensuring compliance defined by the regulatory legal acts of the Central Bank.

2. Regulatory legal acts of the Central Bank may set minimum requirements for the effective implementation of the Bank's compliance function

4.11.1.8 Corporate Secretary

1. The Corporate Secretary of the Bank
   - Supports the improvement of the Bank's corporate governance.
   - Carries out the organization of preparatory works for the general meeting of the Bank's shareholders, supports the holding of the meeting.

- Prepares the meetings of the Bank's Board and its Committees, supports the holding of the meetings.
- Provides professional assistance and advice to the Bank's Board, executive body and shareholders;
- Responsible for maintaining and disclosing corporate information;
- Responsible for managing relationships with stakeholders.

4.11.1.9. Board Committees

1. By the decision of the Bank's Board dated November 2, the following 3 Board committees were established:
   - Audit Committee,
   - Risk Management Committee,
   - Governance, Nominations and Remunerations Committee.
2. The Board independent members were appointed as chairmen of the Board committees.

4.11.1.9.1. The Audit Committee oversees and reviews

- the integrity of the financial statements, formal announcements, and disclosures relating to financial performance;
- the effectiveness of Internal Audit function and the external auditor;
- the effectiveness of internal control systems over financial reporting;
- such other matters as may be referred to it by the Board of the Bank

The Audit Committee consists of 3 members.

4.11.1.9.2. The Risk Management Committee carries out:

- the oversight of risk related matters and the enterprise risks, impacting the Bank, its subsidiaries and affiliates (the "Group"), risk governance and internal control systems (other than internal financial control systems).

The Risk Management Committee consists of 4 members.

4.11.1.9.3. The Governance, Nominations and Remunerations Committee is responsible for the following:

- Overseeing and monitoring the corporate governance framework of the Bank and making recommendations to the Board to ensure that the framework is consistent with corporate governance standards and best practice.
- Assisting the Board in keeping the composition of the Board and its committees under review and to lead the process for nominations to the Board and its committees.
- Overseeing a continuous and proactive process for planning and assessment of candidates to ensure plans are in place for the orderly succession for members of the Board, Group Executive and other senior appointments within the Bank.

- Being satisfied that good remuneration frameworks and practices are in place for the Bank's workforce.

The Governance, Nominations and Remunerations Committee consists of 4 members.

4.11.2. Members of the issuer's governing bodies

Board members

At the time of making this prospectus, the Bank's Board consisted of 10(ten) members: the chairman and eight members, of which 4 were independent members. Below is information by each governing body member:

N	*Name Surname*	Position, date of birth, profession and education, experience, place of residence	*Positions held during the last 5 years*	*Date of acceptance, termination*	*Activities carried out by a member of the management body outside the Bank's activities*
1	**Rafayel Sargsyan**	**Chairman of Board,** **Member of the Governance, Nominations and Remunerations Committee** **Member of the Risk Management Committee** **Member of the Audit Committee** *Rafayel Sargsyan was born on 6 November, 1982 in Yerevan. He is of Armenian nationality. Rafayel Sargsyan is graduate of the Faculty of Law of Yerevan State University with a bachelor's and master's degrees in law. Then he graduated from the Armenian-Russian Slavonic University / Lomonosov Moscow State University, receiving a degree of PhD in law.* *Since 2007 he has been working at ACBA Bank, first as a lawyer, then as the head of the Legal division, and later as the head of the Legal department.* *Since 2019, Rafayel Sargsyan is a lecturer of Banking Law at the Faculty of Law of Yerevan State University.* *In December 2021, Rafayel Sargsyan became a Board member of ACBA Bank appointed by the ACBA*	*Head of Legal Department of "ACBA BANK" OJSC* *Chariman of the Board of "ACBA BANK" OJSC.* *Member of the Governance, Nominations and Remunerations Committee of the "ACBA BANK" OJSC*	*2014-2021* *From January 27, 2022 to present* *From November 2, 2022 to present*	*From 2019 to present: Lecturer of the Banking Law at YSU Faculty of Law*

		Federation. In January 2022, he was elected as Chairman of the Board of ACBA Bank. ***Experience:*** *more than 17 years.* ***Place of residence:*** *Yerevan, RA*			
2	**Bruno Marie Charrier**	**Senior Independent Board Member,** **Chairman of the Governance, Nominations and Remunerations Committee** **Member of the Risk Management Committee** *Bruno, Marie Charrier was born on 27 January 1951 in Hague, Netherlands. He is of French nationality.* *Mr. Charrier studied in the National Institute of Applied Sciences in Lyon, obtaining a degree in IT Engineering and in the French Institute of Management (Lyon, France) obtaining a Master of Business Administration (MBA) degree. Bruno Charrier has extensive knowledge in financial services, technology and corporate strategy from a career spanning more than 40 years within Credit-Agricole Group. During this period Bruno held different positions of executive or Chairman in the various international subsidiaries of Credit Agricole Group. Bruno earlier served as Deputy CEO of Emoriki Bank in Greece and later as the Chairman of the Executive Board of Credit Agricole Serbia and the Chairman of the Executive Board of Credit Agricole Leasing Serbia.* ***Experience:*** *more than 50 years,* ***Place of residence:*** *France, Genay*	*General Manager of Credit Agricole Serbia* *"ACBA BANK" OJSC" Independent member of the Board* *Member of the Governance, Nominations and Remunerations Committee of the "ACBA BANK" OJSC*	*2013-2016* *From June 12, 2019 to present* *From November 2,2022 to present*	Retired
3	**Klaus Gressenbauer**	**Independent Board member,** **Chairman of the Audit Committee**	*Director of the Planning and Control Directorate of the European Central Bank*	*1998-2004*	● Member of the editorial board of GRC aktuell, a specialized journal of sustainable corporate governance

		Dr. Klaus Gressenbauer was born on 4 September 1956 in Wien, Austria. He is of Austrian nationality. *Dr. Gressenbauer studied in the International Management Institute (Geneva, Switzerland) where he received his MBA and in the University of Vienna (Austria) where he received his PhD in Political Science.* *From 1984 to 1997 Dr. Gressenbauer held various key positions in Austrian CREDITANSTALT bank. From 1997-1998 he held the post of the Head of the Supervision and Organization Department of the European Currency Institute. From 1998 to 2004 he was the Director of the Planning and Supervision Directorate of the European Central Bank. From 2005 to 2018 Dr. Gressenbauer was the Head of Internal Audit of the European Central Bank. Currently Dr. Gressenbauer is a member of the Audit Committee of the European Organisation for Nuclear Research (CERN), member of the European Governance Oversight Committee of Apex Group Ltd, as well as he is a lecturer at the International Anti-Corruption Academy (IACA)* *Dr. Klaus Gressenbauer has been appointed as an independent Board member of the Bank by the annual general meeting of the Bank's shareholders of 28 April 2022. By decision of the Board of 2nd November 2022, Klaus Gressenbauer has been nominated as the chairman of the Audit committee of ACBA Bank.* ***Experience:*** *more than 40 years.* ***Place of residence:*** *Austria, Vienna*	*Head of Internal Audit of the European Central Bank* *Independent Board member of the "ACBA BANK" OJSC, Chairman of the Audit Committee"* *Chariman of the Audit Committee of the "ACBA BANK" OJSC*	*2005-2018* *From April 28, 2022 to present* *From November 2, 2022 to present*	● Member of the OECD Internal Audit and Compliance Forums ● Participant in developing the Global Competitiveness Report of the International Institute for Management Development (IMD). ● Lecturer of the International Anti-Corruption Academy (IACA) and member of the European Corporate Governance Institute (ECGI).

4	Ashot Karapetyan	**Independent Board member,** **Chairman of the Risk Management Committee** *Ashot Karapetyan was born on 5th of February 1974 in Yerevan. He is of Armenian and Canadian nationality.Ashot Karapetyan graduated from the Yerevan State University where he received a degree in Economics, then from the University of Illinois at Urbana-Champaign where he received degree of a Master of Science (MSc) in Economics. Ashot Karapetyan holds the credentials of Certified Financial Analyst (CFA) and Financial Risk Manager (FRM). In years 1995-2002 and 2004-2007 Ashot Karapetyan worked in the Central Bank of the Republic of Armenia, holding various positions. First an economist in the Macroeconomic Analysis Division of the Monetary Policy Department, then the Head of the Balance of Payments Policy at the Monetary Policy Department, then the Head of the Summary Report for Financial Institutions, and finally the Head of the Policy Development Division of the Methodology Department. Ashot Karapetyan has resided in Canada since 2007 and has started to work at the Canadian Mortgage & Housing Corporation first as a market analyst/economist, later as Senior Analyst, Securitization Policy, Capital Markets, then Senior Specialist, Risk Management, Strategy and Products. Ashot Karapetyan has been appointed as an independent Board member of the Bank by the annual general meeting of the Bank's shareholders of 28 April, 2022.* ***Experience:** more than 29 years.* ***Place of residence:** Toronto, Canada*	*Independent Board member of the "ACBA BANK" OJSC,* *Chairman of the Risk Management Committee*	*April 28, 2022 - present* *From November 2, 2022 to present*	Senior Securitization Risk Management, Strategy and Product Specialist at Canada Mortgage and Housing Corporation

5	**Bernard de Wit**	**Independent Board member,** *Bernard De Wit was born on 17th of June 1959 in Bruxelles, Belgium. He is of French nationality.Mr. De Wit studied at the University of Louvain, in partnership with the University of Chicago where he received his MBA.From 1983 to 1989 he worked for French Générale de Banque banking group (Presently BNPP group) holding various positions in the retail network management and International Trade Finance areas.From 1989 to 1992 Bernard worked for Crédit Agricole (Caisse Régionale du Loiret) French Regional Bank, part of Crédit Agricole Group where he held positions of the Head of Management Control, then Chief Financial Officer, Member of the Management Board.From 1992 to 2000 Bernard worked at the K.P.M.G. Peat Marwick (Paris) holding various positions, including Senior Manager, then Partner of the Banking and Financial Services Department, Head of the Financial Risk Management Practice for Europe (from 1997), Signing Partner (from 1997) for numerous assignments for Banks, Insurance Companies and Investment Companies.From 2000 to 2009 Mr. De Wit worked for the French Crédit Agricole S.A. where he was the Deputy Head of International Affiliates Department - Responsible for Minority stakes and Latin American Network (2001-2005), then Deputy to the Head of International Retail Banking Business Line, Chief Financial Officer for International Retail Banking (2005-2009).* *Since December 2010 till present Bernard De Wit works for the famous French Amundi Group, one of the world leaders in asset management, where he held various key positions, particularly:* ➢ *Advisor to the CEO for the set up of Amundi - merger of CA and SG Asset Management (Dec 2009 – April 2010)* ➢ *Chief Risk Officer (May 2010 – March 2013)* ➢ *Deputy CEO – Head of the Support and Development Division (April 2013-Feb 2017)* ➢ *Deputy CEO – Head of Business Support and Control Functions (from March 2017 until June 2023)* *From July 2023 – Part-time Pre-retirement work agreement – Advisor to the CEO.* ***Experience**: more than 41 years,* ***Place of residence:** Rambouillet, France*	*Deputy CEO – Head of Business Support and Control Functions at Amundi Group* *Advisor to the CEO at Amundi Group*	*2017-2023թթ* *From 2023 to present*	*Advisor to the CEO of the Amundi Group (part-time, on the basis of a pre-retirement employment contract)*
			"ACBA BANK" OJSC Board independent member	*May 14, 2024 - present*	

6	**Vardan Urutyan**	**Board member,** **Audit Committee member** *Vardan Urutyan was born on 1 of November 1977 in Maralik city, Armenia. He is of Armenian nationality.* *Vardan Urutyan studied in the Yerevan State Institute of Economics, Faculty of General Economics, with specialization in "World Economy". In 2002 he received degree of Candidate of Economic Sciences and in 2007 the title of decenter. In 2003, he completed a postgraduate program in Agribusiness Finance and Risk Management at the University of Guelph, Canada. In 2008, he completed a special course in Leadership and Education Management at A&M University in Texas, and in 2011 he completed the Executive Management Program in Maastricht School of Management. Mr. Urutyan received 4 professional certificates from the World Bank Institute.* *Since September 2000, Vardan Urutyan has been working as a Lecturer-Researcher at International Center for Agribusiness Research and Education (ICARE) established by the Agrarian University, US Department of Agriculture, A&M University, Texas. In 2005 he was appointed Deputy Director of the Center, and from September 2008 to August 2018 - Director of the International Center for Agribusiness Research and Education (ICARE) and Head of the Department of Agribusiness at Armenian National Agrarian University (ANAU). From December 2018 till December 2023, Mr. Urutyan was the Rector of the National Agrarian University of Armenia.* *Since February 2010 Vardan Urutyan has been an adjunct professor in the Department of Agricultural Economics, Texas A&M University, Texas, USA.* *Vardan Urutyan has been appointed as a Board member of the Bank by the annual general meeting of the Bank's shareholders of 28 April 2022.* ***Experience:** more than 24 years.* ***Place of residence:** Yerevan, RA.*	*Rector at the National Agrarian University of Armenia*	*December 2018 – December 2023*	● *Agri Camp AgroTwin Team Lead, ICARE* ● *Visiting Professor, Department of Agricultural Economics, Texas A&M University, USA* ● *ANAU Precision Agriculture Center Consultant, Agribusiness Department Lecturer* ● *Member of a number of international, prestigious professional associations of agribusiness management and agricultural economics (IFAMA, AAEA, EAAE, ICA RC, IAAE)*
			"ACBA BANK" OJSC Board member	*April 28, 2022 - present*	
			Member of the Audit Committee of "ACBA BANK" OJSC	*November 2,2022- present*	

7	**Aram Babayan**	***Board member, Member of the Governance, Nominations and Remunerations Committee,*** *Aram Babayan was born on 26 October 1978 in Vayk city, Armenia. He is of Armenian nationality.* *Mr. Babayan studied in the Agricultural Academy of Armenia, receiving bachelor's and master's degrees. Then he studied in the University of Triesdorf in Germany, obtaining a Master of Business Administration (MBA) degree in Agriculture.* *From 2005 to 2009 Mr. Babayan worked at the State Agrarian University of Armenia, as accounting and audit lecturer.* *Since 2009 he has been working for the Deutsche Gesellschaft für Internationale Agency (GIZ), holding the positions of expert, program coordinator, deputy manager and team leader in various programs.* *Currently Aram Babayan is the Team leader of "Private Sector Development and Vocational Education and Training in South Caucasus" Programme at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).* *Aram Babayan has been appointed as a Board member of the Bank by the annual general meeting of the Bank's shareholders of 28 April 2022.* ***Experience**: more than 19 years.* ***Place of residence:** Yerevan, RA.*	*Project team leader at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)* *Board member of the "ACBA BANK" OJSC* *Member of the Governance, Nominations and Remunerations Committee of "ACBA BANK" OJSC*	*From 2019 to present* *From April 28, 2022 to present* *From November 2,2022- to present*	*Project team leader at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)*
8	**Harutyun Pakhchanyan**	***Board member, Member of the Risk management committee*** *Harutyun Pakhchanyan was born on 25 April 1983 in*	*Executive Director of"ARMBERRY" company. Member of Risk Management Committee of "ACBA BANK" OJSC*	*From 2015 to present* *From November 2, 2022 – to present*	Executive Director of "ARMBERRY" company

		Yerevan, Armenia. He is of Armenian nationality. *Mr. Pakhchanyan had studied in the Yerevan State Institute of Economics and then in Cardiff University in Wales (UWIC, UK) obtaining Master of Business Administration (MBA) degree. From 2008 to 2009 Mr. Pakhchanyan worked as a manager in Adidas Armenia, from 2009 to 2010 as a warehousing specialist at VivaCell-MTS, from 2011 to 2012 in Pizza Express Company (London, UK) as assistant manager, from 2012 to 2014 he worked in the Gondola Group (London, UK) as a financial supervisor.* *Since 2015 Harutyun Pakhchanyan is the Executive Director of "ARMBERRY" company.* *Harutyun Pakhchanyan has been appointed as a Board member of the Bank by the annual general meeting of the Bank's shareholders of 28 April 2022.* ***Experience:** is more than 16 years.* ***Place of residence:** Yerevan, RA.*			
9	**Henrik Kochinyan**	***Board member,*** ***Member of the Governance, Nominations and Remunerations Committee*** *Henrik Kochinyan was born on 7 of May 1948 in Alaverdi region, Armenia. He is of Armenian nationality.* *Henrik Kochinyan is a graduate of the Faculty of Mechanics and Mechanical Engineering of Yerevan Polytechnic Institute.* *Henrik Kochinyan has held many key positions in the public administration system of the Republic of Armenia, in large organizations, in higher education institutions. From 1971 to 1974 he worked in the Design and Technological*	Lecturer at National Polytechnic University of Armenia Board Chairman of "LORI AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO *Board member of the "ACBA BANK" OJSC* *Member of the Governance, Nominations and Remunerations Committee of "ACBA BANK" OJSC*	*From 2019 to present* *From 2021 to present* *From April 28, 2022 – to present* *From November 2, 2022 – to present*	Lecturer at National Polytechnic University of Armenia *Board Chairman of "LORI AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO.*

		Bureau of the Ministry of Automobile Transport of the Armenian SSR as a designer, senior designer and senior engineer. After that, Henrik Kochinyan worked at Yerevan Polytechnic Institute until 1995 as an assistant, associate professor, deputy dean, and dean of the Faculty of Mechanical Engineering. From 1990 to 1995 he was the Head of the Department of Automobiles. From 1990 to 1998 Henrik Kochinyan was the Minister of Transport and Communication of Armenia. From 1998 to 2006 Henrik Kochinyan was the Governor of Lori, from 2008 to 2010 he held the posts of the Head then Deputy Head of the Department of the Tax Inspection of the State Revenue Committee under the Government of the Republic of Armenia. From 2010 to 2013 Henrik Kochinyan was the general director of the "Roads Directorate" SNCO of the RA Ministry of Transport and Communication. *Currently Henrik Kochinyan is a lecturer at National Polytechnic University of Armenia. He is the Board Chairman of "LORI AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO.* *Henrik Kochinyan has been appointed as a Board member of the Bank by the annual general meeting of the Bank's shareholders of 2010 and he has been re-elected as a Board member by the annual general meeting of the Bank's shareholders of 28 April 2022. Experience is more than 53 years.* ***Place of residence:*** *Lori Region, RA.*			
10	**Gayane Hayrapetyan**	*Board member,* *Gayane Hayrapetyan was born in 28.08.1973.* *Graduated the Faculty of Radiophysics of Yerevan State University in 1995, receiving a Master's degree. Gayane Hayrapetyan has been appointed as a Board Member in May 2024. She*	*The Director of Life sciences international postgraduate educational center* *Board member of the "ACBA BANK" OJSC*	*1995-2023* *From May 14, 2024 – to present*	*The General Manager of the "SEL" LLC*

		is a General Manager in "SEL" LLC from 2023 to present. Fin the Period of 1995-2023 Gayane was a Director in Life Sciences International postgraduate Educational center. She is also a co-founder of "Aktitur" partnership and a founder of "7 Qar" complex. She is a Board member of "Kotayk *Regional Union of Rural Mutual Aid" public organization.* *Experience: is more than 29 years. Place of residence: Garni, Kotayk Region, RA*			

The powers and responsibilities of the Bank's board members are presented below.

The Board member has the right:

1. to submit draft decisions of the Board for consideration by the Board,
2. to give speeches, ask questions and make recommendations at the Board meetings, to be nominated and elected to the positions of the Chairman of the Board or his deputy (if such a position exists in the Bank), to participate in the General Meeting of Shareholders with the right of consultative vote.

A member of the Board may have other rights prescribed by the legislation, the Bank's charter and internal legal acts.

The member of the Board is obliged to:

1. participate in the meetings of the Board,
2. to comply with the requirements set by RA legislation, internal legal acts of the Bank,
3. to study the recommendations received from the Chairman of the Board of the Bank, the Chief Executive Officer, his deputies, the chief accountant, the head of the internal audit unit and other persons and express their opinion upon them,
4. receive any information on the Bank's activities, except for confidential documents, including getting acquainted with the accounting balances and reports in the manner prescribed by the charter.

The Board chairman, in addition to the above rights and duties, also performs the following functions:

- organizes the activities of the Board.
- convenes and chairs the meetings of the Board;
- organizes the management of the minutes of the Board meetings;
- presides over the Bank's general meeting.

The Bank's Chief Executive Officer

Current management of the Bank's activities is carried out by the Bank's Chief Executive Officer. The Bank's Chief Executive Officer has 5 deputies, whose complementary experience, qualifications and skills directly affect the efficiency of the Bank's executive structure.

Below is information by each governing body member:

N	*Name Surname*	*Position, date of birth, profession and education, experience, place of residence,* ***Powers and responsibilities***	*Positions held during the last 5 years*	*Date of acceptance, termination*	*Activities carried out by a member of the management body outside the Bank's activities*
1	**Hakob Andreasyan**	**Chief Executive Officer,** born on November 12, 1962, economist / Yerevan Institute of National Economy, more than 28 years of experience, Yerevan, RA	*Chairman of the RA Banks Union*	*2017-2018*	1. Chairman of the Board of Amundi-ACBA ASSET MANAGEMENT CJSC, 2. "ACBA LEASING" CO CJSC Board president 3. Member of the board of the ARMENIAN-FRENCH CHAMBER OF COMMERCE AND INDUSTRY 4. Chairman of the board of Alliance Française NGO of Armenia 5. Chairman of the board of ACBA TECHNOLAB LLC 6. Chairman of the board of ACBA TECHNOLOGIES CJSC 7. Chairman of the board of REVOLUTIONARY TECHNOLOGIES CJSC
		The key importance of the position of the Chief Executive Officer is due to the assumption of responsibility for making key decisions. *The mission of the position of Chief Executive Officer includes the scope of responsibility by which he guides the organization towards the realization of its strategic objectives and operational success, ensures operational excellence through visionary leadership and long-term value creation for all stakeholders based on the Bank's vision, values, goals, mission.* *The scope of job responsibilities includes setting strategic directions, implementing leadership and effective management, resposibility for effective financial management, risk management and ensuring compliance, promoting a transparent and positive corporate culture, talent development and succession planning, with an awareness of the role of innovation and social responsibility.*	***"ACBA BANK" OJSC Chief Executive Officer***	*April 25, 2014 - present*	

2	**Styopa Zakinyan**	**Deputy CEO CFO,** born December 5, 1976, Candidate of Economics / Yerevan Institute of National Economy, Master of Business Administration / London Business School, experience is more than 24 years, Yerevan, Armenia *The Deputy CEO CFO is responsible for the financial and fiscal management aspects of the Bank's operations, including accounting and control, reporting, financial analysis, asset and liability management and financial investments.* *Organizes the preparation of financial strategy and work plans and approves them.*	*"ACBA BANK" OJSC*	*July 15, 2015 - present*	1. *Member of the board of "ACBA LEASING" CO CJSC* *2. Chairman of the Board of Trustees of Berd Regional Development Fund*
3	**Nikolay Hovhannisyan**	**Deputy CEO COO,** born on August 8, 1964, economist / Yerevan Institute of National Economy experience is more than 28 years, Yerevan, RA ***The Deputy CEO COO** is responsible for the development of the operational management system. Defines the Bank's technical security process, coordination of logistics and property management processes, implements development and control of corporate style standards, coordinates and controls back office functions.*	*"ACBA BANK" OJSC **Deputy CEO COO***	*January 1, 2003 - present*	Member of the board of "ACBA LEASING" CO CJSC

4	**Norik Nazaryan**	***Deputy Chief Executive Officer for Sales Promotion and Regional Management,*** born on May 4, 1968, economist / Yerevan Institute of National Economy for more than 26 years, Yerevan, RA ***The Deputy Chief Executive Officer for Sales Promotion and Regional Management*** *is responsible for analyzing regional market trends, identifying growth opportunities and developing corresponding new business plans and strategies that ensure sales execution and execution of the regions' sales plans. Supervises the performance of regional managers, branches, sales management, point of sale loans and trade finance units.*	*"ACBA BANK" OJSC SME, Deputy Chief Executive Officer for Corporate and Agricultural Business*	*2015-2018*	*Does not carry out any activity outside of the bank's activities.*

5	**Arsen Melkonyan**	**Deputy Chief Executive Officer for Coordination of Business Functions,** *born on October 13, 1976, economist / Yerevan Institute of National Economy, more than 24 years of experience, Yerevan,RA* **The Deputy Chief Executive Officer for Business Operations Coordiation** is responsible for the planning, approval and implementation of annual activities for the Bank's Retail, SME and Corporate as well as Agricultural business lines. Develops and presents new banking product/service proposals, analyzes regional market trends and identifies new growth opportunities, offers new services, products aimed at meeting customer needs. Manages the Bank's PR and marketing activities and the analysis of information obtained from customer experience research and the process of implementing relevant improvements.	"ACBA BANK" OJSC Business Direction Development Department *Head of Development and Marketing Department of "ACBA BANK" OJSC* *"ACBA BANK" OJSC Deputy Chief Executive Officer for Business Operations Coordiation*	*2014-2018* *2017-2018* *April 10, 2018*	*Does not carry out any activity outside of the bank's activities.*
6	**Tigran Simonyan**	**Deputy Chief Executive Officer for Platforms and Technology Development,** *born on November 3, 1988, master of physics/Yerevan State University, experience is more than 15 years, Yerevan, Armenia*	*"ACBA BANK" OJSC Head of the Technical ToR Department* *"ACBA BANK" OJSC Head of Risk Management Department*	*2014-2017* *2017-2018*	1. Member of the Board of ARMENIAN CARD CJSC, *2. General director of ACBA TECHNOLOGIES CJSC, member of the board,* *3. CEO of REVOLUTIONARY TECHNOLOGIES CJSC, member of the board,* *4.Member of the board of ACBA TECHNOLAB LLC.*

		The Deputy Chief Executive Officer for Platforms and Technology Development *is responsible for the development and implementation of banking technology platforms, the Bank's digital business development strategy, information infrastructure development and management, and software development processes.*	*"ACBA BANK" OJSC Head of the Information Technology Development Department*	*2018-2020*	
			"ACBA BANK" OJSC Deputy Chief Executive Officer for Platforms and Technology Development	*April 1, 2020 - present*	

7	**Armen Hakobyan**	**Chief Accountant,** born on March 18, 1976, doctor of economics, professor/ Yerevan Institute of National Economy, experience is more than 26 years, Yerevan, Armenia The Chief Accountant of the Bank is responsible for maintaining the Bank's accounting records, their condition and reliability, preparing financial statements in accordance with the requirements of IFRS and their timely submission to the bodies defined by laws and other legal acts, as well as for reliability of financial information presented to the Bank's shareholders, creditors, press and other means of mass media about the Bank in accordance with the law, other legal acts and the Bank's charter.	*"ACBA BANK" OJSC Chief Accountant*	*July 20, 2015 - present*	1. ASUE "Financial Accounting" chair professor, 2. Member of the RA Chamber of Auditors and Expert Accountants, member of the Chamber's Qualification Committee, 3. Member of the "Economics" professional council of the RA SCC

4.11.3. Kinship between members of the governing body

There is no kinship between the members of the governing body.

4.11.4. For Each member of the governing body:

a. Profession (qualification).

b. In which companies or organizations and what kind of management positions did the member of the given governing body of the Bank hold during the 5 years preceding the moment of submitting the prospectus for registration? Here, it is not necessary to present the management positions held by these members in the Bank's subsidiaries.

The information is presented in subsection 4.11.2 of the prospectus.

c. About conviction for fraud within 5 years preceding the moment of submitting the prospectus for registration.

The members of the governing bodies have not been convicted of fraud in the 5 years prior to the time of submitting the prospectus for registration.

d. Have the members of the Bank's governing body been involved in any bankruptcy, liquidation or asset management processes of a bankrupt person during the 5 years preceding the filing of the prospectus? If yes, give a description of it.

The members of the Bank's governing body have not been involved in any bankruptcy, liquidation or asset management processes of a bankrupt person during the 5 years prior to the filing of the Prospectus for registration.

e. have the members of the Bank's governing body been prosecuted by any state body or regulatory (supervisory) body during the 5 years prior to the time of submitting the prospectus for registration and have they been deprived by the court of the right to hold a position as a member of the governing body of any issuer? If yes, give a description of it.

The members of the Bank's governing body have not been held responsible by any state body or regulatory (supervisory) body during the 5 years preceding the moment of submitting the prospectus for registration, and the latter have not been deprived of the right to hold the position of a member of the Bank's management body by the court.

4.11.5. Conflict of interest

There is no conflict of interest between the Bank, conflict of interest matters are regulated by the policy on conduct and internal discipline rules of "ACBA BANK" OJSC.

4.11.6. Arrangements with major shareholders, customers, suppliers or other persons according to which any person has been elected or appointed as a member of the Bank's governig body.

Agreements (such as an investment agreement and a shareholders agreement) have been (or will be) signed by and with PROPARCO that govern the investment which would be made by PROPARCO and governance matters related to the Bank.

In the event that Proparco becomes a shareholder of the Bank , "PROPARCO" will have the right to propose the appointment of one representative to the Bank's board.
Apart from those mentioned in the prospectus, there are no other agreements with major shareholders, customers, suppliers or other persons according to which any person can be elected or appointed as a member of a Bank's governing body.

4.12. Salaries and bonuses

4.12.1. The amounts received by each member of the Bank's governing bodies from the Bank and its subsidiaries as remuneration and bonuses, including compensations in any form for their benefit (cumulative pension payments, insurance payments, stock purchase options, etc.).
4.12.2. Pension payments made by the Bank for the benefit of members of the Bank's governing bodies in total amount.

AMD

Name Surname	*Position*	Net salary received during 2023 and other net payments equal to it (AMD)
Rafayel Sargsyan	Chairman of the Board	128,142,354
Bruno Charrier	Independent Member of the Board	21,401,336
Klaus Gressenbauer	Independent Member of the Board	19,208,886
Ashot Karapetyan	Independent Member of the Board	20,087,726
Armen Mkrtchyan	Member of the Board	3,163,225
Hrach Sargsyan	Member of the Board	2,703,725
Vardan Urutyan	Member of the Board	--
Henrik Kochinyan	Member of the Board	4,222,225
Aram Babayan	Member of the Board	3,792,250
Harutyun Pakhchanyan	Member of the Board	4,479,000
Hakob Andreasyan	Chief Executive Officer	711,835,839

Styopa Zakinyan	*Deputy Chief Executive Officer for Finance*	241,021,546
Nikolay Hovhannisyan	*Deputy Chief Executive Officer for Operational Management*	245,893,297
Norik Nazaryan	*Deputy Chief Executive Officer for Sales Promotion and Regional Management*	243,608,773
Arsen Melkonyan	*Deputy Chief Executive Officer for Coordination of Business Functions*	234,330,555
Tigran Simonyan	*Deputy Chief Executive Officer for Platforms and Technology Development*	246,077,710
Armen Hakobyan	Chief Accountant	57,662,099

4.13. Activities of governing bodies

4.13.1. The start and end of the tenure of each member of the governing bodies in the given position;

Information is provided in subclause **4.11.2** of the Prospectus.

4.13.2. Information on whether the governing members do not have contracts with the Bank or its subsidiaries that require them to receive a bonus or bonus after the end of their term of office. If such contracts do not exist, then state their absence in a separate clause.

The Bank's governing members do not have contracts with the Bank or its subsidiaries that require them to receive a bonus or bonus after the end of their term of office.

4.13.3. If available, submit information about the ank's Audit committee or Salaries (remuneration) committees

The Board has 3 committees that were established in November 2022 and are chaired by independent Board members:

- Audit Committee.
- Risk Management Committee.
- Governance, Appointments and Remuneration Committee.

Audit Committee of the Board

The Board of the Bank (hereinafter the Board) has delegated its functions for the oversight of matters relating to financial reporting and internal financial controls, in particular reviewing:

- the integrity of the financial statements, formal announcements, and disclosures relating to financial performance;
- the effectiveness of Internal Audit function and the external auditor;
- the effectiveness of internal control systems over financial reporting;
- such other matters as may be referred to it by the Board of the Bank

The Audit Committee consists of 3 members.

Risk Management Committee

The primary function of the Risk Management Committee is to assist the Board in fulfilling its responsibilities in relation to setting the Bank's risk appetite and overseeing performance against the Bank's risk profile and defined risk appetite. The Committee is also responsible for the control, identification, measurement, monitoring, management and accountability of the Bank's main enterprise risks.
The committee's responsibilities can be grouped according to the following main areas:

- Review of Risk Appetite Framework and Statement
- Monitoring over risk profile, including stress testing
- Review of the Risk Management Framework
- Oversight over Risk Management Function
- Oversight over Compliance Function

The Risk Management Committee consists of 4 members.

Governance, Nominations and Remunerations Committee

The Board of the Bank (hereinafter the Board) has delegated its functions for matters related to governance, nomination and remuneration to Committee, in particular, for:

- Overseeing and monitoring the corporate governance framework of the Bank and making recommendations to the Board to ensure that the framework is consistent with corporate governance standards and best practice.
- Assisting the Board in keeping the composition of the Board and its committees under review and to lead the process for nominations to the Board and its committees.
- Overseeing a continuous and proactive process for planning and assessment of candidates to ensure plans are in place for the orderly succession for members of the Board, Group Executive and other senior appointments within the Bank.
- Being satisfied that good remuneration frameworks and practices are in place for the Bank's workforce.

The Governance, Appointments and Remuneration Committee consists of 4 members.

There are also Executive level committees in the Bank. There is the "Committee on Internal Audit Issues", which is a standing committee.
According to the order of the Bank's Chief Executive Officer No. 12-L of January 26, 2024, the composition of the committee and the schedule of its holding are as follows:

Chairman: H. Andreasyan - Chief Executive Officer
Deputy: N. Malakyan - Head of Internal Audit Department

Members:
N. Hovhannisyan - Deputy CEO COO

N. Nazaryan - Deputy CEO for Sales Promotion and Regional Management
A. Melkonyan - Deputy CEO for Business Operations Coordination
T. Simonyan - Deputy Chief Executive Officer for Platforms and Technology Development
A. Hakobyan - Chief Accountant
Z. Azizyan - Head of Legal Department
A. Abrahamyan - Head of Human Resources Management Department
B. Melkumyan - Head of Risk Management and Compliance Department
V. Iskandaryan - Head of Information Security Department

Secretary

N. Hovhannisyan - Head of the Chief Executive Officer's Staff
Meeting schedule: at least six times a year.

According to the Bank's internal regulations on the Permanent Committees, Committees and Work Consultations with extended composition operating within the Bank.
The chairman of the committee:
a) ensures the organization of the normal activity of the Committee,
b) manages and coordinates the work of the Committee,
c) convenes and conducts the sessions of the Committee,
d) decides the order of discussion of the presented items, coordinating it with the members of the Committee,
e) signs the decisions of the Committee and other documents drawn up on behalf of the Committee,
f) distributes work among members of the Committee,
g) performs other functions related to the effective organization of the work of the Committee,
h) implements other powers assigned to them by the said regulation and other internal legal acts of the Bank.

In the absence of the Chairman of the Committee, their powers are exercised by the Deputy Chairman of the Committee.

The members of the Committee:
a) familiarize themselves with the items submitted for discussion at the Committee sessions and the supporting documents submitted with them,
b) participate in the sessions of the Committee,
c) submit recommendations regarding issues discussed at the Committee sessions,
d) familiarize themselves with the decisions and minutes adopted by the Committee,
e) support in ensuring of the normal work of the Committee and the proper performance of the functions of the Committee,
f) exercise other powers assigned to them by the said regulation and other internal legal acts of the Bank.

4.13.4. Indicate whether the Bank meets the principles of corporate governance adopted in the country of its establishment (if such principles exist).

The Bank complies with the principles of corporate governance in force in the Republic of Armenia. The Bank has its own Corporate Governance Code developed on the basis of the best international principles of corporate governance.

4.14. Employees

4.14.1. ***The average annual number of employees for each fiscal year included in the historical fiscal period or that number as of the end of the year.***

The number of employees of the Bank and its subsidiaries in the historical financial period is as follows:

As of December 31, 2021: 1506 people
As of December 31, 2022: 1675 people
As of December 31, 2023: 1820 people
As of June 30, 2024: 1789 people.

4.14.2. The most up-to-date information about the Bank's shares belonging to each member of the Bank's governing body and the presence of options on these shares, indicating the class, quantity, percentage of the total of shares belonging to each of them, etc.

Name Surname	*Position*	Equity securities class	Equity securities number	Percentage of total
Rafayel Sargsyan	Chairman of the Board	*Ordinary nominal share*	*2500*	*0.04545*
Bruno Charrier	Independent member of the Board	*Ordinary nominal share*	-	-
Klaus Gressenbauer	Independent member of the Board	*Ordinary nominal share*	-	-
Ashot Karapetyan	Independent member of the Board	*Ordinary nominal share*	-	-
Armen Mkrtchyan	Board member	*Ordinary nominal share*	*10*	*0.00018*
Hrach Sargsyan	Board member	*Ordinary nominal share*	*35*	*0.00064*
Vardan Urutyan	Board member	*Ordinary nominal share*	-	-
Henrik Kochinyan	Board member	*Ordinary nominal share*	*220*	*0.004*
Aram Babayan	Board member	*Ordinary nominal share*	-	-

Harutyun Pakhchanyan	Board member	*Ordinary nominal share*	*39*	*0.00071*
Hakob Andreasyan	Chief Executive Officer	*Ordinary nominal share*	*77,217*	*1.40395*
Styopa Zakinyan	*Deputy Chief Executive Officer for Finance*	*Ordinary nominal share*	*25,650*	*0.46636*
Nikolay Hovhannisyan	*Deputy Chief Executive Officer for Operational Management*	*Ordinary nominal share*	*25,060*	*0.45564*
Norik Nazaryan	*Deputy Chief Executive Officer for Sales Promotion and Regional Management*	*Ordinary nominal share*	*25,260*	*0. 45927*
Arsen Melkonyan	*Deputy Chief Executive Officer for Coordination of Business Functions*	*Ordinary nominal share*	*26,125*	*0. 475*
Tigran Simonyan	*Deputy Chief Executive Officer for Platforms and Technology Development*	*Ordinary nominal share*	*25,115*	*0.45664*
Armen Hakobyan	Chief Accountant	*Ordinary nominal share*	*2600*	*0.04727*

There are no options on the shares of the Bank belonging to the members of the Bank's governing bodies.

4.14.3. a description of what programs are in place to enable employees to participate in the Bank's capital

In April 2021, "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC, and the Bank jointly implemented the ESOP (employee stock ownership plan) of ACBA group employees in the statutory capital of "ACBA BANK" OJSC, which consisted of 2 phases. Within the framework of the 1st phase of the ESOP, in July 2021 147,530 shares of the Bank were allocated to a total of 1,116 employees of "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC and the Bank (which was 2.95% of the charter capital).

The 2nd phase of the ESOP was introduced in May of 2023, as a result of which a total of 134,430 shares were allocated.

In general, as a result of the ESOP, 281,960 shares were allocated by "ACBA FEDERATION" CJSC to the employees of the Bank, "ACBA FEDERATION" CJSC, "ACBA LEASING" CO CJSC (which made up 5.20% of the charter capital).

Employees who are shareholders of the Bank will enjoy their pre-emptive right to purchase shares on an equal basis with other shareholders of the Bank.

4.15. Major shareholders and controlling persons

4.15.1. To the extent known to the Bank, the name and surname of the major shareholders (except members of the governing bodies of the issuer), the amount of shareholding of each of them. If there are no large shareholders, then mention that fact separately.

The Bank has no large shareholders who are individuals.

The major shareholders of the Bank, which have the status of a legal entity, are:

- "ACBA FEDERATION" closed joint stock company – 81.62%*
- "SACAM INTERNATIONAL" société par actions simplifiée – 4.55%*

4.15.2.Information on whether each of the shares owned by all major shareholders carries the same voting rights.

The Bank's statutory capital is divided into common ordinary shares and all shares carry the same voting rights for all shareholders.

4.15.3. To the best of the Bank's knowledge, information about whether the Bank is controlled directly or indirectly.

According to the RA Law "On the Securities Market", the Bank is under the direct control of the below-mentioned person:

- "ACBA FEDERATION" closed joint-stock company - has direct significant participation in the Bank's capital) - 81.62%* (4,488,993 shares)

4.16. Transactions with Related Parties

Transactions with the Bank's related parties were carried out based on market conditions and interest rates. The balances of transactions with related parties as of the end of the reporting period are presented below.

thousand AMD	***2023***			***2022***		
	Parent organization	***Key management personnel and their family close members***	***Associated organizations***	***Parent organization***	***Key management personnel and their family close members***	***Associated organizations***
Gross outstanding loans as of January 1	2,127,184	971,585	-	768,800	346,064	-
Loans granted during the year	638,672	941,667	-	2,123,658	1,283,469	-
Loans repaid during the year	(583,349)	(752,215)	-	(768,800)	(658,991)	-

* As of 26.08.2024, the date of approval of this prospectus by the Bank's Board

Other changes	92,645	3,490	-	3,526	1,043	-
Gross outstanding loans as of December 31	2,275,152	1,164,527	-	2,127,184	971,585	-
Minus the provision for impairment as of December 31	(6,754)	(3,185)	-	(6,315)	(2,657)	-
Net outstanding loans as of December 31	2,268,398	1,161,342	-	2,120,869	968,928	-
Weighted average of effective interest rate of loans	8.5%	6.6%	-	8.5%	5.1%	-
Current accounts and deposits as of January 1	159	1,547,505	1,656,557	937,666	894,529	282,320
Current accounts and deposits attracted during the year	4,640,042	4,450,085	1,484,712	3,519,277	4,389,706	2,218,059
Current accounts and deposits paid off during the year	(4,080,144)	(4,400,884)	(991,300)	(4,435,395)	(3,750,199)	(849,483)
Other changes	2,307	63,703	2,041	(21,389)	13,469	5,661
Current accounts and deposits as of December 31	**562,364**	**1,660,409**	**2,152,010**	**159**	**1,547,505**	**1,656,557**

Income and expenses from operations with related parties are presented below.

thousand AMD	***December 31, 2023***			***December 31, 2022***		
	Parent organization	***Key management personnel and their immediate family members***	***Associated organizations***	***Parent organization***	***Key management personnel and their immediate family members***	***Associated organizations***
Interest income on loans	181,451	49,049	-	1,980	46,223	-
Interest expenses on deposits	76,885	121,975	153,363	106,577	117,999	76,854

Compensation to executive personnel is as follows

thousand AMD	***2023***	***2022***
Salaries and other short-term compensation	2,893,964	2,560,687
Share-based payments	274,738	1,140,099
Compensation to key management personnel only	3,168,702	3,700,786

4.17. Assets and liabilities, financial position

4.17.1. Historical Financial Information

The annual financial statements and independent auditor's conclusions (copies) on the finanncial statements of the Bank for 2021-2023 and for the second quarter of 2024 are presented in **Appendix 3** of this prospectus.

If desired, investors can also download the Bank's financial reports from the Bank's website at the following address: https://www.acba.am/hy/reports:

4.17.2. Significant changes in the Bank's financial condition

Changes in the Bank's activity and financial condition up to the date of submission of the Prospectus registration are presented in the following table:

thousand AMD

Financial indicators	30.06.2024 (Unaudited)	December 31, 2023 (Audited)	Increase/decrease
Equity	140,747,681	133,110,039	5.7%
Assets	802,668,790	783,793,780	2.4%
Liabilities	661,921,109	650,683,741	1.7%

thousand AMD

Financial indicators	01.01.2024-30.06.2024 (Unaudited)	01.01.2023-30.06.2023 (Unaudited)	Increase/decrease
Profit before tax	16,014,122	14,628,531	9.5%
Net interest income	25,502,757	21,493,681	18.7%
Operating income	32,711,022	28,757,059	13.7%

4.17.3. Judicial, arbitration and administrative proceedings

During the 12 months prior to the submission of this prospectus, the Bank is not involved in any judicial, arbitration and/or administrative legal proceedings that may have a material adverse effect on the Bank's financial condition or profitability and/or may have or have recently had a material adverse effect.

4.17.4. Tax benefits

There are no specific tax benefits for the issuer.

4.18. Additional information

4.18.1. Statutory (charter) capital

This part presents the following information according to the accounting balance of the last historical financial period:

a. Size of the statutory capital.

The statutory capital of the Bank is AMD 55,000,000,000 (fifty-five billion).

b. Number of declared shares

The number of authorized ordinary shares of the Bank subject to additional placement is 3,000,000 (three million).

c. Number of shares issued and fully paid, number of shares issued but not fully paid;

The number of issued and fully paid shares of the Bank is 5,500,000 (five million five hundred thousand) common (ordinary) shares. There are no shares issued but not fully paid.

d. Nominal value of one share

The nominal value of each Bank share is AMD 10,000 (ten thousand).

e. The number of shares issued by the issuer, nominal and par values, belonging to the issuer or its subsidiary company: 0

4.18.2. The Charter

This part presents:

a. The issuer's purpose and field of activity, indicating in which part of the issuer's charter they can be found

"ACBA BANK" open joint-stock company is a universal bank, which is a commercial organization and pursues the goal of making profit with its activities. The main goal of the Bank's activity is to support the development and strengthening of the economy, small and medium businesses, and agriculture.

See Clauses 1.1, 1.2 and 1.3 of the Charter.

b. The articles of the law, by-laws and (or) charter that regulate the rights and responsibilities of the issuer's governing bodies, presenting their brief description

The rights and duties of the Bank's management bodies are defined by Sections 6-9 of the Charter, as well as by Articles 21 - 21^{10} of the RA Law "On Banks and Banking".

c. The description of the rights and responsibilities of the holders of each class of the issuer's shares, according to the charter, as well as the restrictions related to those shares

Each share of the Bank gives its owner the same rights. Each shareholder has the right to:

- participate in the general meeting of the Bank's shareholders, with the right to vote on all matters within its competence, in the amount of the voting shares owned,
- participate in the governance of the Bank,
- receive dividends from the profits generated by the Bank's activities,
- to exercise their pre-emptive right to purchase shares distributed by the Bank,
- to receive the information prescribed by law regarding the Bank's activities, including acquaintance with the accounting balances, reports (this information is provided to the Bank's shareholders free of charge, based on their written application, within three business days),
- Bank shareholders, who own at least 5% of the voting shares in the Bank's statutory capital, have the right to request an external audit of the financial and economic activities. In that case, the shareholders requesting the audit choose the person conducting the external audit of the Bank, sign a contract with him, and pay for his services, moreover, they can demand compensation from the Bank for the expenses they incurred, if the audit was justified for the Bank by the decision of the general meeting.
- to authorize a third person to represent their rights at the general meetings of shareholders,
- make recommendations at the general meeting of shareholders,
- vote in the amount of votes of fully paid shares owned by him,
- to file a claim with the court in order to appeal the decisions adopted by the general meeting of the Bank's shareholders that contradict the existing laws and other legal acts,
- in case of liquidation of the Bank, to receive his due part of the property, to have other rights provided by the law and this charter.

Bank shareholders are obliged to:

- ensure the investment of the amount of the declared shareholding in the statutory fund of the Bank within the specified period,
- not to publish confidential information about the Bank's activities,
- perform other duties assigned to them by law.

d. What steps should be taken to introduce changes in shareholders' rights?

Amendments to the rights of shareholders may be made in case of amendments to the relevant legislative and sub-legislative acts and/or the articles of association.

e. The procedure for convening regular and extraordinary shareholders' meetings, the procedure for participating in them.

The list of shareholders of the Bank who have the right to participate in the general meeting is drawn on the basis of the data of the register of shareholders of the Bank as of the year, month, and date determined by the Board.

The year, month, and date of drawing the list of Bank shareholders entitled to participate in the General Meeting cannot be set earlier than the adoption of the decision to convene the General Meeting, and later than 45 days before the General Meeting is convened.

If the General Meeting is convened by absentee voting, the year, month and date of drawing the list of shareholders of the Bank entitled to participate in it shall be established at least 35 days before the date of convening the General Meeting.

The Bank shall notify the Central Bank of the holding of the General Meeting of its shareholders no later than 15 days before its holding.

In order to draw the list of shareholders of the Bank who have the right to participate in the general meeting, the nominee holder of the shares is obliged to provide data on the persons for the benefit of whom they own the shares as of the year, month and date of drawing the list.

The list of shareholders of the Bank with the right to participate in the general meeting must contain information about the name (name), location (residence) of each shareholder of the Bank and the shareholding belonging to him in the statutory capital of the Bank.

The list of shareholders of the Bank who have the right to participate in the general meeting should be provided for familiarization purposes to those shareholders of the Bank who are registered in the register of shareholders of the Bank.

At the request of the shareholder of the Bank, the Bank is obliged to provide him with a certificate about his inclusion in the list of participants entitled to participate in the General Meeting.

Changes to the list of participants of the Bank entitled to participate in the general meeting can be made only in order to correct the mistakes made during the compilation of the list or to restore the violated rights and legal interests of the participants of the Bank who are not included in it.

The general meeting is convened at least once a year. The General Meeting is considered to have a quorum, if at the time of completion of the registration of the participants of the General Meeting, the shareholders of the Bank, who jointly own more than 50 percent of the allocated voting shares of the Bank, have been registered.

Shareholders are invited to the General Meeting individually. The agenda of the general meeting is approved by the Board.

The shareholders must be notified about the convening of the General Meeting at least 15 days before the date of convening the General Meeting. The notice must contain at least the information provided by the law, including the place of the General Meeting, the date, the items on the agenda. Notice must be given by facsimile, email, registered mail or hand delivery.

The general meeting can be convened remotely. In case of holding a remote General Meeting, at least thirty days before, the agenda of the General Meeting is sent to the shareholders who have the right to participate in the General Meeting and their opinions are received on each issue of the agenda.

The General Meeting can also make decisions in such a way that during the General Meeting all shareholders can communicate with each other by telephone, telecommunications or other means of communication in real time mode. Such a General Meeting is not considered to be held by remote (request) procedure. At the General Meetings held in this order, decisions can be made only on matters not prohibited by law.

f. The articles of the law, by-laws and (or) charter, on the basis of which it is required to disclose information about it when acquiring shares from the issuer

When acquiring shareholding in the Bank, the disclosure of information about it is regulated:

- by Article 18 and Article 18^1 of the RA Law "On Banks and Banking",
- by Articles 153-157, Article 169 of RA Law "On Securities Market".
- by Regulation 4/15 on "Reporting and disclosure of acquisition, increase or decrease of participation in the statutory capital of reporting issuer",
- Regulation 4/15 "Procedure on Acknowledgment and Disclosure of Information on Acquisition, Increase and Decrease of Participation in the Statutory Capital of the Reporting Issuer",
- Regulation 4/16 "Procedure on the content, reporting form and submission of information to be included in the reports submitted to the Central Bank on 82 transactions with the issuer's shares, derivatives or other securities related to such derivatives by the head of the reporting issuer and persons affiliated with the issuer at their own expense"
- Regulation 1 "Procedures on Provision of Licensing, Registration, Consent and Permission, Relevant Professional examination and Qualification Procedures in the Sphere of Banking".

g. The description of the provisions of the charter, which set stricter requirements than those established by the relevant laws or other normative legal acts

The decisions mentioned in sub-clauses 3, 18, 19, 20, 21, 22, 23 and 24 of the clause 8.11 of the Charter must be adopted by the Board unanimously, and the decision mentioned in sub-clause 25 by 3/4 of the votes.

4.19. Essential contracts

4.19.1. The Bank does not have any current contracts concluded by the Bank outside the normal course of business during the last 3 years prior to the filing of the Prospectus, the value of which exceeds 5% of the value of equity stated in the Bank's financial statements for the last reporting period.

4.20. Professional structure

Apart from the financial statements of the Bank submitted to financial audit and presented in the Prospectus, no professional opinion of other persons or information taken from third parties was used in any part of the Prospectus.

4.21. Other information

4.21.1. During the entire period of application of the Prospectus, the Bank's charter, interim and annual financial reports, auditor's conclusions are always available to the public in electronic version. The electronic versions of the mentioned documents are posted on the Bank's official website at www.acba.am.

It should also be noted that all the financial indicators presented in the Prospectus are calculated based on the consolidated financial statements of "ACBA BANK" OJSC and its subsidiary companies, "ACBA LEASING" CJSC and "ACBA TECHNOLAB" LLC.

4.22. Participation in the share equity of other entities

The Bank has a 5% or more voting share in the capital of the following entities:

N	Company name	Organizational-legal form of the company	Location	Number of equity shares owned by the Bank	Percentage of the Bank participation (%)
1	"ACBA Leasing" CO CJSC	closed joint stock company	10 Vazgen Sargsyan Str. Yerevan, RA	200	100%
2	"AMUNDI-ACBA ASSET MANAGEMENT" CJSC	closed joint stock company	10 Vazgen Sargsyan Str. Yerevan, RA	1,225	49%
4	"Armenian Card" CJSC	closed joint stock company	32/1 G. Njdeh Str., Yerevan, RA	5	6.25%
5	“YES EM” CJSC	closed joint stock company	24/1 Azatutyun ave, Yerevan, RA	100,000	8.33%
6	“ACBA TECHNOLAB” LTD	limited company	82-84/87 Aram Street, Yerevan, Armenia	9,000	100%

CHAPTER5: APPENDICES

APPENDIX 1 : Organizational structure of the Bank

"ACBA BANK" OJSC organizational structure

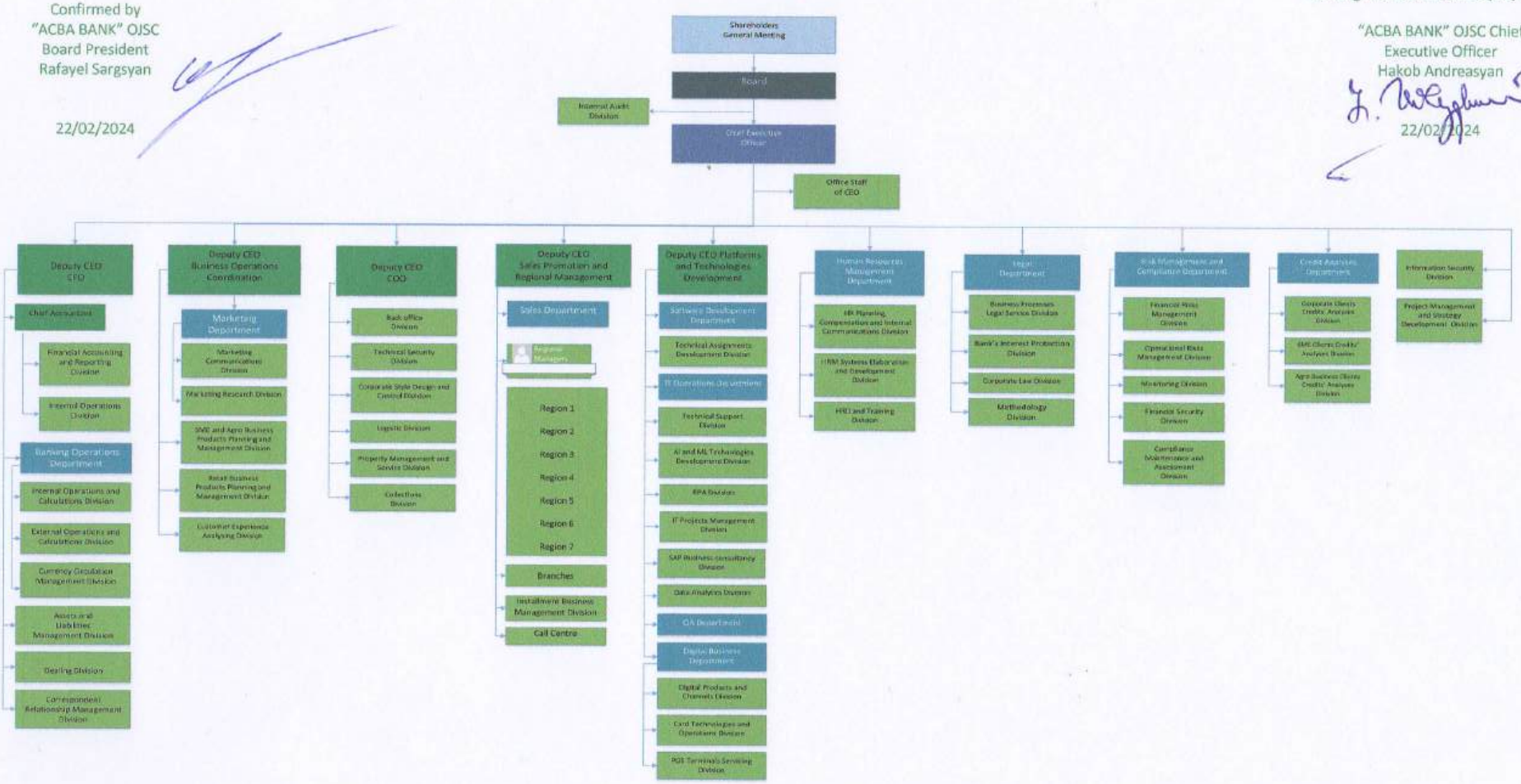
Confirmed by
"ACBA BANK" OJSC
Board President
Rafayel Sargsyan

22/02/2024

Coming into force from 01/04/2024

"ACBA BANK" OJSC Chief
Executive Officer
Hakob Andreasyan

22/02/2024



APPENDIX2: Formulas for calculating financial ratios

Return on Equity (ROE) = (Net profit after profit tax / Average equity) x 100

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

Net Profit Margin (NPM) = Net profit after profit tax / Operating income

Asset utilization ratio (AU) = Operating income / Average size of total assets

Equity Multiplier (EM) = Average Total Assets / Average Equity

Net Interest Margin (NIM) = Net Interest Income / Average Amount of Earning Assets

Return on Earning Assets = Interest Earnings / Average Amount of Earning Assets

Interest bearing liabilities = Interest bearing / Interest bearing liabilities

Earnings Per Share (EPS) = Net Earnings After Profit Tax Expense / Weighted Average Number of Shares

Spread = (Interest Earnings / Average Amount of Earning Assets) - (Interest Expenses / Interest-Earning Liabilities)

Weight of interest bearing assets = Interest bearing assets / Assets

Average equity = (Beginning equity + Ending equity) / 2

Average total assets = (Beginning assets + Ending assets) / 2

Average total liabilities = (Beginning liabilities + Ending liabilities) / 2

APPENDIX 3: Financial statements

ACBA Bank OJSC

IFRS Consolidated Financial Statements

For the second quarter of 2024

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ACBA Bank OJSC
Consolidated Statement of Financial Position as at 30 June 2024

In thousands of Armenian Drams	**Note**	**30 June 2024**	**31 December 2023**
ASSETS			
Cash and cash equivalents	7	61,379,455	78,159,849
Derivative financial assets	8	137,329	199,957
Loans and advances to banks	9	66,209,274	99,410,514
Investment securities	*10*		
-Held by the Bank		58,814,181	21,422,936
-Pledged under sale and repurchase agreements		-	-
Loans to customers	11	484,148,301	455,199,337
Receivables from finance leases	12	86,011,127	83,406,426
Investments in associates	36	1,345,194	1,775,530
Property, equipment and intangible assets	13	29,467,434	27,110,978
Other assets	16	15,156,495	17,108,253
TOTAL ASSETS		**802,668,790**	**783,793,780**
LIABILITIES			
Deposits and balances from banks	17	515,980	1,152,894
Current accounts and deposits from customers	18	524,419,755	503,231,650
Debt securities issued	19	22,270,810	21,087,118
Other borrowed funds	20	89,704,437	95,125,094
Current income tax liabilities	14	1,800,925	3,812,792
Deferred tax liabilities	14	162,896	732,149
Other liabilities	22	11,161,204	12,880,467
Subordinated loans	21	11,885,102	12,661,577
TOTAL LIABILITIES		**661,921,109**	**650,683,741**
EQUITY			
Share capital	23	55,000,000	55,000,000
Share premium	23	1,750,000	1,750,000
Share-based payment reserve	24	3,517,422	3,517,422
Revaluation reserve for property and equipment		3,891,400	3,909,911
Revaluation reserve for investment securities		348,502	151,526
Retained earnings		76,240,357	68,781,180
Total equity		**140,747,681**	**133,110,039**
TOTAL EQUITY AND LIABILITIES		**802,668,790**	**783,793,780**

Signed and authorized for release on behalf of the Management of the Bank on 15 July 2024.

In thousands of Armenian Drams	**Note**	**01/04/24-30/06/24**	**01/01/24-30/06/24**	**01/04/23-30/06/23**	**01/01/23-30/06/23**
Interest revenue calculated using effective interest rate	26	19,910,870	38,221,210	16,169,513	31,542,631
Other interest revenue	26	3,012,274	6,017,712	2,411,229	4,409,408
Interest expense	26	(9,400,641)	(18,736,166)	(7,486,411)	(14,458,358)
Net interest income		**13,522,503**	**25,502,757**	**11,094,331**	**21,493,681**
Reversal of credit loss expense	15	(834,772)	(1,005,934)	505,064	116,555
Net interest income after credit loss expense		**12,687,731**	**24,496,822**	**11,599,395**	**21,610,236**
Fee and commission income	27	3,746,868	7,291,721	3,314,324	6,286,648
Fee and commission expense	27	(1,488,488)	(2,849,120)	(1,164,330)	(2,210,704)
Net gain/(loss) on financial instruments at fair value through profit and loss		(140,310)	119,282	283,705	89,084
Net gain from foreign exchange trading activities		1,310,929	2,355,310	1,285,818	2,669,590
Net loss from foreign exchange translation		7,808	(24,939)	(61,879)	56,483
Share of profit of associates	36	309,560	557,105	247,002	462,657
Reversal of /(Charge for) other impairment and provisions	31	-	-	(14,243)	31,474
Other income	28	51,081	316,011	118,763	372,277
Non-interest income		**3,797,448**	**7,765,370**	**4,009,160**	**7,757,509**
Personnel expenses		(4,824,564)	(10,295,557)	(4,583,711)	(9,626,540)
Depreciation and amortization	13	(897,027)	(1,789,361)	(792,612)	(1,499,155)
Other operating expenses	29	(696,682)	(1,397,312)	(648,751)	(1,281,644)
Other general administrative expenses	30	(1,440,886)	(2,765,840)	(1,120,038)	(2,331,875)
Non-interest expense		**(7,859,159)**	**(16,248,071)**	**(7,145,112)**	**(14,739,214)**
Profit before income tax expense		**8,626,021**	**16,014,122**	**8,463,443**	**14,628,531**
Income tax expense	14	(1,489,344)	(3,073,457)	(1,755,766)	(3,014,227)
Profit for the year		**7,136,677**	**12,940,665**	**6,707,677**	**11,614,304**
Earnings per share					
Basic and diluted, attributable to equity holders of the parent, AMD	23	1,297.58	2,352.85	1,219.58	2,111.69

In thousands of Armenian Drams	**Note**				
Profit for the year		**7,136,677**	**12,940,665**	**6,707,677**	**11,614,304**
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Change in fair value of investment securities at fair value through other comprehensive income		29,415	157,644	120,997	305,923
Changes in allowance for expected credit losses		(66,917)	48,589	(89,863)	(89,863)
Income tax relating to components of other comprehensive income	14	6,750	(37,122)	(9,378)	(38,891)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(30,752)**	**169,111**	**21,756**	**177,169**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Revaluation of buildings and motor vehicles					
Gain/(loss) on equity instruments at fair value through other comprehensive income		(213)	(815)	(28)	(28)
Income tax relating to components of other comprehensive income	14	39	147	5	5
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(174)**	**(668)**	**(23)**	**(23)**
Not to be reclassified to profit or loss in subsequent periods					
Share of the other comprehensive income of associates		11,519	34,798	25,374	46,341
Income tax relating to components of other comprehensive income	14	(2,074)	(6,264)	(4,567)	(8,341)
Total share of the other comprehensive income of associates		**9,445**	**28,534**	**20,807**	**38,000**
Other comprehensive loss for the year, net of tax		**(21,481)**	**196,977**	**42,540**	**215,146**
Total comprehensive income for the year		**7,115,195**	**13,137,642**	**6,750,217**	**11,829,450**

ACBA Bank OJSC
Consolidated statement of changes in equity for the year ended 30 June 2024

In thousands of Armenian Drams	**Share capital**	**Share premium**	**Share-based payment reserve**	**Revaluation surplus for property and equipment**	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Retained* earnings**	**Total equity**
Balance as at 1 January 2024	**55,000,000**	**1,750,000**	**3,517,422**	**3,909,911**	**151,526**	**68,781,180**	**133,110,039**
Total comprehensive income							
Profit for the year						12,940,665	**12,940,665**
Other comprehensive income					196,977		**196,977**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**196,977**	**12,940,665**	**13,137,642**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	**-**	**-**	**-**	(18,511)	-	18,511	**-**
Transactions with owners, recorded directly in equity							
Replenishment of reserve fund from share premium	-	-	-	-	-	-	**-**
Dividends declared	-	-	-	-	-	(5,500,000)	**(5,500,000)**
Total transactions with owners	-	-	-	-	-	(5,500,000)	**(5,500,000)**
Share-based payments (Note 24)	-	-	-	-	-	-	-
Balance as at 30 June 2024	**55,000,000**	**1,750,000**	**3,517,422**	**3,891,400**	**348,502**	**76,240,356**	**140,747,681**
Balance as at 1 January 2023	**55,000,000**	**1,750,000**	**3,076,495**	**4,985,941**	**877,300**	**43,712,388**	**109,402,124**
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,614,304	**11,614,304**
Other comprehensive loss	-	-	-	-	215,146	-	**215,146**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**215,146**	**11,614,304**	**11,829,450**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity							
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(4,400,000)**	**(4,400,000)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,400,000)**	**(4,400,000)**
Share-based payments (Note 24)	-	-	440,927	-	-	-	**440,927**
Balance as at 30 June 2023	**55,000,000**	**1,750,000**	**3,517,422**	**4,985,941**	**1,092,446**	**50,926,692**	**117,272,501**

* Retained earnings include statutory general reserve of the Bank in the amount of AMD 8,250,000 thousand.

In thousands of Armenian Drams	Note	01/01/2024-30/06/2024	01/01/2023-30/06/2023
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		35,630,424	29,126,694
Other interest received		6,017,712	4,409,408
Interest paid		(17,764,478)	(13,996,068)
Fees and commissions received		7,291,721	6,286,648
Fees and commissions paid		(2,849,120)	(2,210,704)
Net (payment)/receipt from derivative financial instruments at fair value through profit or loss		10,178	(161,541)
Net receipts from foreign exchange		2,355,310	2,669,590
Other operating expenses paid		(3,251,482)	(1,410,630)
Other income received		316,642	429,056
Salaries and other payments to employees		(12,222,458)	(10,229,020)
Other general administrative expenses paid		(2,747,329)	(2,331,635)
Cash flows from operating activities before changes in operating assets and liabilities		**12,787,120**	**12,581,798**
Net (increase)/decrease in operating assets		169,568	293,332
Derivative financial assets		32,511,144	5,671,095
Loans and advances to banks		(33,770,474)	(47,773,729)
Loans to customers		(2,661,577)	(17,989,498)
Receivables from finance lease		(5,633,246)	(3,836,497)
Other assets			
Net increase/(decrease) in operating liabilities			
Deposits and balances from banks		(518,468)	(2,693,985)
Current accounts and deposits from customers		29,091,206	32,268,462
Other liabilities		7,933,514	3,276,030
Net cash (used in)/from operating activities before income tax		**39,908,787**	**(18,202,992)**
Income tax paid		(5,508,797)	(5,974,647)
Net cash (used in)/from operating activities		**34,399,990**	**(24,177,639)**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(3,666,321)	(2,374,292)
Proceeds from sale of property, equipment		13,465	850
Purchases of investment securities		(37,118,219)	-
Sale of investment securities		(378,475)	1,902,157
Dividends received	36	1,021,608	701,762
Net cash from/(used in) investing activities		**(40,127,942)**	**230,477**
Cash flows from financing activities			
Proceeds from debt securities issued (redemption)		1,430,569	8,268,134
Proceeds from other borrowed funds(redemption)		(6,550,409)	(5,774,565)
Subordinated loans received		-	-
Dividends paid	23	(5,500,000)	(4,400,000)
Net cash from/(used in) financing activities		**(10,619,840)**	**(1,906,431)**
Effect of exchange rates changes on cash and cash equivalents		(470,096)	(1,718,283)
Effect of changes in impairment allowance		37,494	44,971
Net decrease in cash and cash equivalents		(16,780,394)	(27,526,905)
Cash and cash equivalents, beginning		78,159,849	88,369,285
Cash and cash equivalents, ending	**7**	**61,379,455**	**60,842,380**

Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards") for the year ended 31 December 2023 for ACBA Bank OJSC (the "Bank") and its subsidiaries (the "Group").

ACBA Bank OJSC is the parent company in the Group, which is comprised of the Bank and its subsidiaries ACBA Leasing Credit Organization CJSC and ACBA Technolab LLC. It was formed in 1995 as a cooperative bank with collective ownership under the laws of the Republic of Armenia and reorganized into a closed joint stock company in 2006. The Bank was further reorganized into an open joint stock company and went public with an initial public offering in 2021 and after it got equity shares listing in the Armenian Stock Exchange (AMX). The Bank operates under a general banking license issued by the Central Bank of Armenia and is a member of the state deposit insurance system in the Republic of Armenia.

Principal activity. The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan, and it has 65 branches (including Head office) in Yerevan and other regions of Armenia.

Registered address and place of business. The Bank's registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.

ACBA Leasing Credit Organization, a subsidiary of ACBA Bank OJSC was formed on 30 March 2003 as a closed joint-stock company under the laws of the Republic of Armenia. The company's principal activities are finance lease operations with corporate and individual customers. The company possesses a credit organization license from the Central Bank of Armenia. The company is consolidated in these financial statements. The Bank owns 100% of the shares of ACBA Leasing Credit Organization CJSC.

On 23 December 2021 the Bank founded ACBA TECHNOLAB LLC educational center and owns 100% of its shares. The purpose of the center is to implement educational programs and attract qualified specialists.

As of 31 December, the shareholders of the Bank are:

Shareholder	30/06/2024, %	31/12/2023, %
ACBA Federation CJSC	81.62	81.61
Sacam International SAS	4.55	4.55
Other	13.83	13.84
Total	**100.0**	**100.0**

ACBA Federation CJSC is the parent of the Group and has no single controlling party. ACBA Federation CJSC was founded on 6 May 2017 by 10 Rural Mutual Assistance Associations, former shareholders of the Bank which are currently shareholders of ACBA Federation CJSC. The Rural Mutual Assistance Associations (the "Associations") are Non-Governmental Organisations working in the 10 regions of the Republic of Armenia which were founded to develop agriculture in the regions. The 10 Associations together have 74,940 members. The Bank's shares shown under other line are listed on Armenian Stock Exchange.

Presentation currency. These consolidated financial statements are presented in thousands of Armenian Drams ("AMD"), unless otherwise stated.

1 Operating Environment of Group

General

Environmental, Social and Governance (ESG) matters. In 2023 the Group carried out an assessment of the impact of climate change on the quality indicators of the Bank's agricultural portfolio, according to the results of which, until 2030, the quantities predicted by the official data of the climate change of the Republic of Armenia will have no significant impact on the variables characterizing the quality of agricultural loan portfolio. At the same time, the analysis carried out by the Group may be re-evaluated later.

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

Since the outbreak of the Russia-Ukraine war, EU export flows have been increasingly reoriented towards other economies in Eastern Europe and Central Asia. This reorientation has boosted associated trade and transport services, cut competition for native exports to Russia, and awakened previously dormant investment in the region.

Since March 2022, EU trade sanctions have nearly halved the bloc's goods exports to Russia and Belarus.

The likelihood of a negotiated settlement to the Russia-Ukraine war remains low over the short term, pointing to a prolonged conflict and trade sanctions. The trade diversion and influx of economic activity will have a longer-lasting impact beyond the current war. Previously dormant investment in infrastructure, IT, and production is awakening. Any improvements in infrastructure and/or local production boost longer-term growth potential. The governments must walk a thin line between reaping the added economic benefits of maintaining connections with Russia and the rest of the world while avoiding secondary sanctions.
In Armenia, growth is projected to hold steady at 4.5 percent a year over 2024-2025. While further unwinding in money transfer inflows from Russia is expected, re-exports and tourism will continue to support economic activity. However, long-term growth will remain hampered by commodity dependence, weaknesses in connectivity and logistics, and possible continuing geopolitical tensions between Armenia and Azerbaijan (World Bank January 2024 forecast).

When preparing its PD forecasts and ECL calculations the Group considered the above-mentioned observations and expectations.

Armenia has experienced significant socio-political and economic shocks in recent years. These events have included the 2020 twin shocks of the COVID-19 pandemic and the conflict with Azerbaijan, and more than 100,000 ethnic Armenians fleeing into the territory of Armenia in 2023.

Despite these challenges, the economy has continued to demonstrate resilience, which can be attributed to prudent macroeconomic policies, including active inflation targeting, adherence to fiscal responsibility, and effective oversight of the financial sector. Armenia’s growth accelerated in 2022 (12.6% increase in GDP) and remained strong in 2023 (8.7% increase in GDP), boosted by an inflow of foreign exchange, migrants, and businesses, mainly from Russia. Inflation, which peaked in the wake of the war in Ukraine, has quickly subsided. However, the regional security situation worsened significantly in September 2023, after Azerbaijan’s government took full control of Nagorno-Karabakh, which triggered the exodus of about 100,000 ethnic Armenians into Armenia. The government has responded with prompt policy measures to support their immediate needs.

S&P Global Ratings affirmed its 'BB-/B' long- and short-term foreign- and local- currency sovereign credit ratings in Armenia on 23 February 2024. The outlook on the long-term ratings is stable. Fitch Ratings has affirmed Armenia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook dated 26 January 2024.

The long-term effects of the current and future economic situation are difficult to assess and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 4 contains more information of how the Group incorporated forward-looking information in the ECL models.

2 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

These consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment (land, building and vehicle), financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI") and fair value of ordinary shares for employee stock ownership programme. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements are directed to primary users, being investors who lend or provide equity capital to the reporting entity. These consolidated financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena reported in these consolidated financial statements.

These consolidated financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these consolidated financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

3 Material accounting policy information

Investments in associates. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill.

The future changes in the carrying amount reflect the changes in the Group's share in the net assets of the associated organization after the consolidation. The Group's share in profit or loss of the associated organization is recognized in the consolidated statement of comprehensive income, and the changes in provisions are recognized in other comprehensive financial results.

Fair value measurement. The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair value is measured in accordance with the requirements of IFRS 13. Fair values of financial instruments measured at amortised cost are disclosed in Note 34.

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

Initial measurement. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and which is adjusted with the amount of commission fees and

expenses, directly attributable to the transaction, in case of instruments, which are not revalued at fair value through profit or loss.

At the initial recognition, the best evidence of the fair value of a financial instrument is the transaction price. If the Group finds that the fair value at initial recognition differs from the transaction price, and if that fair value is based on the quoted price for a similar asset or liability in the market, or is based on the valuation technique, that uses the data of only observable markets, then at the initial recognition, the Group recognizes the difference between the fair value and the transaction price in profit or loss; in all other cases, the initial measurement of a financial instrument is adjusted so that the difference between the fair value and transaction price at initial recognition is transferred to the future periods. After initial recognition, the Group recognizes the deferred difference as a gain or loss, only when the input data become observable or if the instrument is derecognized.

Measurement categories of financial assets and liabilities. The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
Amortised cost; FVOCI; FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group classifies Visa C shares as dept instruments measured at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and guarantees, are measured at amortized cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Loans and advances to banks, loans to customers, investment securities at amortized cost

The Group only measures loans and advances to banks, loans to customers and investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined under note 4.

Debt instruments at FVOCI. The Group measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

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

Advances given for finance leases. The Group treats advances received from lessees and advances given to suppliers as monetary items and recognises financial liabilities and financial assets for them.

Reclassification of financial assets and liabilities. The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, Nostro accounts in banks and amounts due from the CBA, including obligatory reserves in AMD free from contractual encumbrances. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Mandatory cash balances with the CBA. Mandatory cash balances with the CBA are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repurchase and reverse repurchase agreements and securities lending. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings. Borrowing include amounts due to the Central bank, amounts due to banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Subordinated loans. Subordinated debt is carried at AC.

Debt securities issued. Debt securities in issue include promissory notes, bonds issued by the Group. Debt securities are stated at AC.

Leases

Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value

assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 2,500 thousand).

Operating − Group as a lessor. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Finance − Group as a lessor. The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term.

Recognition of financial income is based on schedule that provides a fixed periodic rate of return on the lessor's net investment under the lease. Finance income from leases is recorded within "Other interest revenue" in profit or loss. Initial direct costs are included in the initial estimate of finance lease receivables.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC. Interest income is recognised on gross carrying amount, except for impaired loans in stage 3, for which interest income is recognised on net carrying amount.

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

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

- Change in currency of the loan;
- Change in counterparty;

If the modification is such that the instrument would no longer meet the SPPI criterion.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3. In order for the restructured loan to be reclassified out of Stage 3 the below mentioned conditions should be met:

- Loans with monthly payment schedules, overdue amounts have been fully paid for, 3 consecutive payments of principal and interest in accordance with the modified payment schedule have been made and there are no overdue days exceeding 7 days;
- Loans with flexible payment schedules, overdue amounts have been fully paid, afterwards, regular payments of principal and interest have been made for a minimum 6-month probation period in accordance with the modified payment schedule and there are no overdue days exceeding 7 days.

Derecognition of financial assets and liabilities

Write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Taxation. The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Property and equipment. Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Following initial recognition at cost, land, buildings and motor vehicles are carried at a revalued amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.
Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	46
Equipment	7-20
Motor vehicles	8
Other	7-15

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

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Repossessed assets. Repossessed assets are measured at the lower of cost and net releasable value.

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 share premium.

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

Fiduciary assets. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting. The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Agriculture, Trading and Investment banking and Finance lease.

Interest and similar income and expense. The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The calculation takes into account all contractual

terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Interest revenue on advances given for finance lease and interest revenue recognised on finance lease is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Interest revenue from penalties on loans to customers presented in "Interest revenue calculated using effective interest rate" in the consolidated statement of profit or loss.

Fee and commission income. The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses − are recognised on completion of the underlying transaction.

Customer loyalty programs

The Group offers a number of customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income
Income is recognised when the Group's right to receive the payment is established.

Foreign currency translation. The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank's and its subsidiary's functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as Net gain/(loss) from foreign exchange translation differences.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in Net gain/(loss) from foreign exchange trading activities. The official CBA exchange rates at 30 June 2024 and

31 December 2023, were 388.16 Drams and 404.79 Drams to 1 USD and 415.72 Drams and 447.90 Drams to 1 EUR, respectively.

Share-based payments. Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Bank.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 25.

That cost is recognised in personnel expenses together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include revaluation of land, buildings and motor vehicles

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group assesses market changes for significant changes each year and engages independent experts for valuation of its premises and vehicles, whenever relevant and appropriate (note 34).

Fair value measurement. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 32.

Impairment losses on financial assets.The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding

the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for loan and finance lease impairment recognized in consolidated statement of financial position at 31 December 2023 was AMD 6,048,341 thousand (2022: AMD 5,982,161 thousand). More details are provided in Notes 12 and 13.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 36.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers are now recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity is recognising the loss immediately. The Group applied the standard to certain performance guarantees that it issues and that do not meet the definition of a loan commitment. The adoption of the standard did not have a material impact on these consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendment did not have a material impact on these consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income

Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendment did not have a material impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2025.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

7 Cash and cash equivalents

Cash and cash equivalents comprise:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Cash on hand	22,336,499	22,665,289
Current accounts with the Central Bank, including obligatory reserves (not restricted part, see Note 10)	24,406,886	38,560,913
Current accounts with other banks		
- rated BBB-(Baa3) and over	3,759,470	10,847,364
- rated lower than BBB-(Baa3) and without rating	1,938,803	1,429,994
Short-term deposits in other banks		
- rated BBB-(BAA3) and over	8,939,915	4,663,224
Impairment	(2,118)	(6,935)
Cash and cash equivalents	**61,379,455**	**78,159,849**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality.

As of 30 June 2024, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 26,085,728 thousand (2023: AMD 26,139,452 thousand).

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

From the amounts attracted in foreign currency the banks are required to maintain 6% (2023: 6%) of the amounts in local currency as cash deposit with CBA, and 12% (2023: 12%) − in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted, so the Group classifies obligatory reserves deposited in foreign currency as loans and advances to banks (Note 9).

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
ECL allowance as at 1 January	53,194	53,194
Changes in ECL	(4,817)	(46,259)
At 31 December	**2,118**	**6,935**

Information about credit quality of cash and cash equivalents is presented in Note 32 "Risk management".

8 Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

In thousands of Armenian Drams	**30/06/2024**		**31/12/2023**	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
Assets				
Derivative financial instruments				
Interest rate swap	4,189,455	128,409	4,189,455	190,192
Currency swap	2,087,520	8,920	8,577,752	9,765
	6,276,975	**137,329**	**12,767,207**	**199,957**
Liabilities				
Derivative financial instruments				
Currency swap/Liabilities			-	58,552

9 Loans and advances to banks

Loans and advances to banks comprise:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Due from the CBA		
Credit card settlement deposit with the CBA	4,215,000	6,005,000
Mandatory reserves in CBA (in foreign currency) (Note 8)	26,245,204	26,827,740
Total	**30,460,204**	**32,832,740**
Loans and advances to other banks		
Armenian banks		
-rated from Ba1 to Ba3	-	-
Foreign banks		
-rated from AA1 to AA3	19,408	20,240
-rated from A1 to A3	776,888	4,167,101
Correspondent accounts and overnight placements of other banks	41,572	163,157
Total loans and deposits to other banks	**837,868**	**4,350,498**
Other receivables		
Unsettled transactions	1,445,016	208,919
Amounts receivable from money transfer systems	1,570,704	1,914,392
Amounts receivable from transactions with plastic cards	294,607	125,360
Amounts receivable under reverse repurchase agreements		
Amounts receivable from Armenian banks	31,650,557	60,035,070
Loans and advances to banks before impairment	**66,258,956**	99,466,979
Impairment	(49,682)	(56,465)
Total loans and advances to banks	**66,209,274**	**99,410,514**

As of 30 June 2024, mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 26,245,204 thousand (2023: AMD 26,827,740 thousand) (See Note 7).

Unsettled transactions include amount was not settled as of June 30 in Group's CBA account. This amount was settled first working day of January as cash to Group's current account.

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 30 June 2024 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Total**
ECL allowance as at 1 January 2024	**(56,465)**	**(56,465)**
New assets originated or purchased	(49,682)	**(49,682)**
Assets repaid	56,465	**56,465**
At 30 June 2024	**(49,682)**	**(49,682)**

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 31 December 2023 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Total**
ECL allowance as at 1 January 2023	**(111,174)**	**(111,174)**
New assets originated or purchased	(56,465)	**(56,465)**
Assets repaid	111,174	**111,174**
At 31 December 2023	**(56,465)**	**(56,465)**

Information about credit quality of loans and advances to banks is presented in Note 32 “Risk management”.

10 Investment securities

Investment securities as at 30 June 2024 and 31 December 2023 comprise:

Debt securities at amortised cost	**30/06/2023**	**31/12/2023**
In thousands of Armenian Drams		
Held by the Bank		
Government bonds	36,010,088	-
Bonds of Armenian companies	1,108,131	-
Total securities at amortised cost held by the Bank	**37,118,219**	**-**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2024	**-**	**-**	**-**	**-**
New assets originated or purchased	37,118,219	-	-	**37,118,219**
Assets repaid	-	-	-	**-**
Amounts written off	-	-	-	**-**
At 30 June 2024	37,118,219	-	-	**37,118,219**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2024	**-**	**-**	**-**	**-**
New assets originated or purchased	62,889	-	-	**62,889**
Assets repaid	-	-	-	**-**
Changes to models and inputs used for ECL calculations	-	-	-	**-**
Amounts written off	-	-	-	**-**
At 30 June 2024	62,889	-	-	**62,889**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**-**	**169,536**		**169,536**
Assets repaid	-	(118,675)		**(118,675)**
Amounts written off	-	(50,861)	-	**(50,861)**
At 31 December 2023	**-**	**-**	**-**	**-**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**-**	**79,196**	**-**	**79,196**
Assets repaid	-	(55,437)	-	**(55,437)**
Changes to models and inputs used for ECL calculations	-	27,102	-	**27,102**
Amounts written off	-	(50,861)	-	**(50,861)**
At 31 December 2023	**-**	**-**	**-**	**-**

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

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2024	**18,534,900**	**-**	**-**	**18,534,900**
New assets originated or purchased				
Assets repaid				
Net change in fair value	437,078	-	-	**437,078**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(356,683)	-	-	**(356,683)**
At 30 June 2024	**18,615,295**	**-**	**-**	**18,615,295**

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2024	**35,929**	**-**	**-**	**35,929**
New assets originated or purchased				
Assets repaid				
Impact on period end ECL of exposures transferred between stages during the period				
Changes to models and inputs used for ECL calculations*	(13,890)	-	-	**(13,890)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(526)	-	-	**(526)**
At 30 June 2024	**21,514**	**-**	**-**	**21,514**

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**18,403,647**	**2,882,144**	**-**	**21,285,791**
New assets originated or purchased	8,621,672	-	-	**8,621,672**
Assets repaid	(8,486,954)	(2,029,145)	-	**(10,516,099)**
Net change in fair value	(246,041)	-	-	**(246,041)**
Amounts written off	-	(852,999)	-	**(852,999)**
Foreign exchange adjustments	242,576	-		**242,576**
At 31 December 2023	**18,534,900**	**-**	**-**	**18,534,900**

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**190,505**	**581,344**	**-**	**771,849**
New assets originated or purchased	13,944			**13,944**
Assets repaid	(46,385)	-	-	**(46,385)**
Impact on period end ECL of exposures transferred between stages during the period	-	-		**-**
Changes to models and inputs used for ECL calculations*	(122,674)	271,655	-	**148,981**
Amounts written off		(852,999)	-	**(852,999)**
Foreign exchange adjustments	539	-		**539**
At 31 December 2023	**35,929**	**-**	**-**	**35,929**

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

Debt and other equity instruments at FVOCI *In thousands of Armenian Drams*	**30 June 2024**	**31 December 2023**
Held by the Bank		
Government bonds		
Government securities of the Republic of Armenia	18,328,408	18,238,634
Corporate bonds		
Bonds of Armenian companies	286,887	296,266
Equity instruments		
Unquoted equity securities	397,953	112,983
Total debt and other equity instruments at FVOCI held by the Bank	**19,013,248**	**18,647,883**

Dept instruments held by the Bank at FVTPL *In thousands of Armenian Drams*	**30 June 2024**	**31 December 2023**
Quoted debt securities – shares Visa Series C	2,682,714	2,775,053
Total debt and other equity instruments at FVTPL held by the Bank	**2,682,714**	**2,775,053**

In thousands of Armenian Drams	**30 June 2024**	**31 December 2023**
Pledged instruments under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	-
Total pledged instruments under sale and repurchase agreements at FVOCI	**-**	**-**

As at 30 June 2024 and 2023 unquoted equity securities at FVOCI primarily include mandatory shares in exchanges and clearing houses.

In 2023, the Group received dividends of AMD 2,174 thousand (2023: AMD 3,185 thousand) from its equities which was recorded in the consolidated statement as other income.

At 30 June 2024 and 2023 no securities were past due or impaired and there were no renegotiated balances of investment securities that would otherwise be past due.

Information about credit quality of debt instruments is presented in Note 32 “Risk management”.

11 Loans to customers

Loans to customers as of 30 June 2024 and 31 December 2023 comprise:

In thousands of Armenian Drams	**30 June 2024**	**31 December 2023**
Loans to corporate customers		
Loans to small and medium size companies	115,336,242	114,864,473
Loans to large corporate customers	87,757,897	76,932,670
Total loans to corporate customers	**203,094,139**	**191,797,143**
Loans to retail customers (other than agricultural and corporate loans)		
Consumer loans	119,511,619	114,304,150
Mortgage loans	62,200,231	54,259,632
Credit cards	13,599,404	12,522,907
Gold-secured loans	-	-
Total loans to retail customers	**195,311,255**	**181,086,689**
Agricultural loans to retail customers	74,533,579	71,047,964
Agricultural loans to corporate customers	17,071,300	16,539,537
Total agricultural loans to customers	**91,604,879**	**87,587,501**
Gross loans to customers	490,010,272	460,471,333
Credit loss allowance	(5,861,970)	(5,271,996)
Net loans to customers at amortised cost	**484,148,301**	**455,199,337**

Allowance for impairment of loans to customers at amortised cost. An analysis of changes in the gross carrying value and corresponding ECL in relation to lending at the end of 30 June 2024 is as follows:

Total portfolio *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2024	**440,146,214**	**7,191,302**	**13,104,136**	**29,681**	**460,471,333**
New assets originated or purchased	129,350,714	-	-	-	**129,350,714**
Assets repaid	(88,331,538)	(1,890,831)	(4,381,505)	(2,680)	**(94,606,554)**
Transfers to Stage 1	163,596	(163,267)	(329)	-	**-**
Transfers to Stage 2	(2,960,328)	2,960,328	-	-	**-**
Transfers to Stage 3	(3,235,345)	(1,335,236)	4,570,582	-	**-**
Amounts written off	-	-	(224,926)	-	**(224,926)**
Foreign exchange adjustments	(4,778,514)	(83,943)	(117,072)	(768)	**(4,980,296)**
At 30 June 2024	**470,354,800**	**6,678,352**	**12,950,886**	**26,234**	**490,010,272**

Loans to large corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2024	**1,421,424**	**258,630**	**3,591,942**	**-**	**5,271,996**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	804,688	-	-	-	**804,688**
Assets repaid	(152,898)	(11,228)	(376,832)	-	**(540,958)**
Transfers to Stage 1	12,916	(12,916)	-	-	**-**
Transfers to Stage 2	(80,259)	80,259	-	-	**-**
Transfers to Stage 3	(344,997)	(164,743)	509,739	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	(10,701)	171,371	1,351,779	-	**1,512,449**
Changes to models and inputs used for ECL calculations	289,822	(19,445)	(1,485,778)	-	**(1,215,401)**
Total movements with impact on credit loss allowance charge for the period	**518,571**	**43,299**	**(1,092)**	**-**	**560,778**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	302,381	-	**302,381**
Amounts written off	-	-	(224,926)	-	**(224,926)**
Foreign exchange adjustments	(23,975)	(1,514)	(22,770)	-	**(48,259)**
At 30 June 2024	**1,916,020**	**300,415**	**3,645,535**	**-**	**5,861,970**

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

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Individuals	269,844,832	252,134,658
Food and beverage	53,278,836	52,728,234
Trade	41,576,562	40,633,968
Construction	49,124,287	40,810,661
Manufacturing	11,053,244	9,913,225
Agriculture	20,341,215	19,497,697
Transportation	5,630,765	5,281,665
Financial sector	8,129,310	8,271,891
Energy	8,677,559	8,936,603
Other	22,353,662	22,262,731
Impairment allowance	(5,861,970)	(5,271,996)
Net loans to customers at amortised cost	**484,148,301**	**455,199,337**

12 Receivables from finance leases

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Finance leases to corporate customers	81,109,783	78,235,588
Finance leases to retail customers	5,777,923	5,947,183
Net investments in finance leases	86,887,706	84,182,771
Impairment allowance	(876,579)	(776,345)
Net investments in finance leases, less impairment allowance	**86,011,127**	**83,406,426**

The Group provided leases to individuals, small and medium-sized enterprises, farms operating in various sectors of the economy in acquiring equipment and production resources.

An analysis of changes in the gross carrying value and corresponding ECL in relation to receivables from finance lease at the end of 30 June 2024 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2024	**83,119,652**	**212,056**	**851,063**	**84,182,771**
New assets originated or purchased	18,138,161	-	-	**18,138,161**
Assets repaid	(13,918,006)	(90,010)	(191,098)	**(14,199,114)**
Transfers to Stage 1	60,038	(60,038)	-	**-**
Transfers to Stage 2	(410,531)	410,531	-	**-**
Transfers to Stage 3	(216,301)	(81,415)	297,716	**-**
Foreign exchange adjustments	(1,215,931)	(5,453)	(11,309)	**(1,232,693)**
Write-off	-	-	(1,419)	**(1,419)**
At 30 June 2024	**85,557,082**	**385,671**	**944,953**	**86,887,706**

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2024	**350,131**	**5,793**	**420,421**	**776,345**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	74,905	-	-	**74,905**
Assets repaid	(7,801)	(498)	(4,482)	**(12,780)**
Transfers to Stage 1	1,230	(1,230)	-	**-**
Transfers to Stage 2	(3,572)	3,572	-	**-**
Transfers to Stage 3	(872)	(2,859)	3,731	**-**
Impact on period end ECL of exposures transferred between stages during the period	(1,051)	14,356	118,569	**131,874**
Changes to models and inputs used for ECL calculations	(45,961)	(256)	(60,601)	**(106,818)**
Total movements with impact on credit loss allowance charge for the period	**16,879**	**13,085**	**57,217**	**87,181**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (recognised in interest revenue)	-	-	26,709	**26,709**
Write-off	-	-	(1,419)	**(1,419)**
Foreign exchange adjustments	(4,979)	(444)	(6,814)	**(12,238)**
At 30 June 2024	**362,031**	**18,434**	**496,113**	**876,579**

Repossessed assets. The carrying value of the assets repossessed during the period and held as at 30 June 2024 is AMD 23,800 thousand (2023: AMD 24,770 thousand).

Industry and geographical analysis of the finance lease portfolio. Finance lease to corporate customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Construction	22,533,559	23,114,134
Food and beverages production	15,678,643	16,050,263
Agriculture	8,595,524	8,468,466
Finance leases to retail customers	5,777,923	5,879,346
Trade	8,915,003	8,672,738
Services	9,592,711	7,429,747
Manufacturing	10,869,953	9,416,904
Transportation	4,389,055	4,479,002
Hydropower plants	91,003	106,293
Manufacture of leather goods	87,712	104,377
Air transportation	-	-
Other	356,621	461,501
Impairment allowance	(876,579)	(776,345)
Net investments in finance leases	**86,011,127**	**83,406,426**

13 Property, equipment and intangible assets

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

In thousands of Armenian Drams	**Land and Buildings**	**Leasehold improvements**	**Equipment**	**Fixtures and fittings**	**Motor vehicles**	**Goodwill**	**Software and licenses**	**Right-of-use assets**	**Total**
Cost/revalued amount									
31 December 2023	**11,617,195**	**1,360,402**	**11,360,055**	**3,592,459**	**638,257**	**-**	**8,554,236**	**5,074,711**	**42,197,315**
Additions	376,420	150,527	2,009,204	330,299	-	-	524,403	1,127,863	**4,518,716**
Disposals and write-offs	(236,588)	(37,062)	(7,337)	(65,357)	(27,600)	-	(63,253)	(128,226)	**(565,424)**
Effect of revaluation in profit or loss*	-	-	-	-	-	-	-	-	**-**
Effect of revaluation in OCI*	-	-	-	-	-	-	-	-	**-**
Modification	-	-	-	-	-	-	-	-	**-**
Impairment charge to profit or loss	-	-	-	-	-	-	-	-	**-**
30 June 204	**11,757,027**	**1,473,867**	**13,361,922**	**3,857,400**	**610,657**	**-**	**9,015,386**	**6,074,349**	**46,150,608**
Accumulated depreciation, amortisation and impairment									
31 December 2023	**251,885**	**540,802**	**5,864,914**	**2,300,030**	**74,428**	**-**	**3,761,520**	**2,292,758**	**15,086,337**
Depreciation charge	109,389	46,141	531,550	135,241	39,027	-	467,754	466,869	1,795,971
Disposals and write-offs	-	-	(8,250)	(34,786)	(4,251)	-	(56,542)	(95,305)	(199,134)
Effect of revaluation in OCI									
Modification	-	-	-	-	-	-	-	-	**-**
30 June 2024	**361,274**	**586,943**	**6,388,214**	**2,400,485**	**109,204**	**-**	**4,172,732**	**2,664,322**	**16,683,174**
Net book value									
30 June 2024	**11,395,753**	**886,924**	**6,973,708**	**1,456,915**	**501,453**	**-**	**4,842,654**	**3,410,027**	**29,467,434**

In thousands of Armenian Drams	Land	Buildings	Leasehold improvements	Equipment	Fixtures and fittings	Motor vehicles	Goodwill	Software and licenses	Right-of-use assets	Total
Cost/revalued amount										
31 December 2022	1,893,965	10,426,493	812,734	9,522,712	3,284,619	529,300	18,132	7,957,317	3,846,303	**38,291,575**
Additions	-	448,737	547,668	2,177,770	506,440	134,807		780,735	1,340,678	**5,936,835**
Disposals and write-offs	(362,800)	(789,200)	-	(340,428)	(198,599)	(25,850)	(18,132)	(187,034)	(629,922)	**(2,551,965)**
Effect of revaluation in profit or loss*	-	-	-	-	-	-	-	-	-	**-**
Effect of revaluation in OCI*	-	-	-	-	-	-	-	-	-	**-**
Modification	-	-	-	-	-	-	-	-	517,653	**517,653**
Impairment charge to profit or loss	-	-	-	-	-	-	-	3,217	-	**3,217**
31 December 2023	**1,531,165**	**10,086,030**	**1,360,402**	**11,360,054**	**3,592,460**	**638,257**	**-**	**8,554,235**	**5,074,712**	**42,197,315**
Accumulated depreciation, amortisation and impairment 31 December 2022	-	20,444	418,759	5,196,118	2,155,279	5,176	-	3,018,609	2,116,745	**12,931,130**
Depreciation charge	-	246,289	122,043	985,827	317,979	71,992	-	831,651	737,007	**3,312,788**
Disposals and write-offs	-	(14,848)	-	(317,030)	(173,228)	(2,740)	-	(88,741)	(560,994)	**(1,157,581)**
Effect of revaluation in OCI Modification	-	-	-	-	-	-	-	-	-	**-**
31 December 2023	**-**	**251,885**	**540,802**	**5,864,915**	**2,300,030**	**74,428**	**-**	**3,761,519**	**2,292,758**	**15,086,337**
Net book value										
31 December 2023	**1,531,165**	**9,834,145**	**819,600**	**5,495,139**	**1,292,430**	**563,829**	**-**	**4,792,716**	**2,781,954**	**27,110,978**

* In 2022 the Group engaged an independent valuer to determine the fair value of its land and buildings and motor vehicles. Fair value is determined by reference to market-based evidence.

As of 31 December 2023 the Group recognised Impairment charge to profit or loss in amount of AMD 3,217 thousand, (2022: AMD 591,800 thousand) (Note 32) for group's non-exploited Software. Impairment losses were recognised as a result of the impairment test.

14 Taxation

The corporate income tax expense comprises:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Current tax charge	3,685,950	2,837,780
Deferred tax credit	(612,493)	176,447
Income tax expense	**3,073,457**	**3,014,227**

In 2024 the applicable tax rate for current and deferred tax is 18% (2023: 18%). The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Profit before income tax	**16,014,122**	**14,628,531**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**2,882,542**	**2,633,136**
Non-deductible expenses, net	190,915	381,091
Income tax expense	**3,073,457**	**3,014,227**

Non-deductible expenses/income mainly relate to the gains/losses from revaluation of assets and liabilities, other benefits to employees, some representation expenses, some membership fees, reserve for contingent liabilities. etc. Deferred tax assets and liabilities as at 30 June and their movements for the respective years comprise:

		Origination and reversal of temporary differences			**Origination and reversal of temporary differences**		
In thousands of Armenian Drams	**Balance 1 January 2023**	**In the statement of profit or loss**	**In other compre-hensive income**	**Balance 31 December 2023**	**In the statement of profit or loss**	**In other compre-hensive income**	**Balance 30 June 2024**
Deferred tax assets/ (liabilities)							
Cash and cash equivalents	9,575	(8,327)	-	1,248	(867)	-	381
Derivative financial assets	(52,883)	24,105	-	(28,778)	9,139	-	(19,639)
Loans and advances to banks	5,332	(32,306)	-	(26,974)	8,992	-	(17,982)
Investment securities	(444,826)	(240,815)	176,753	(508,888)	7,930	(36,975)	(537,933)
Loans to customers	(465,378)	(44,017)	-	(509,395)	422,247	-	(87,148)
Finance lease receivable	8,569	29,435	-	38,004	(11,238)	-	26,766
Investments in associates	(174,640)	(74,263)	(17,310)	(266,213)	94,639	(6,264)	(177,839)
Property, equipment, intangible and right-of-use assets	(1,298,022)	674,084	(127)	(624,065)	(29,640)	-	(653,705)
Other assets	83,535	(95,216)	-	(11,681)	43,599	-	31,918
Other borrowed funds	283,985	239,523	-	523,508	127,647	-	651,154
Other liabilities	1,063,977	(325,907)	-	738,070	(59,956)	-	678,114
Other financial instruments at amortised cost and provisions	(35,754)	(21,231)	-	(56,985)	-	-	(56,985)
Deferred tax liabilities, net	**(1,016,530)**	**125,065**	**159,316**	**(732,149)**	**612,493**	**(43,239)**	**(162,896)**

As recognized on the consolidated statement of financial position of the Group:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Deferred tax assets	-	-
Deferred tax liabilities	(162,896)	(732,149)

15 Reversal of credit loss expense

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss as at 30 June 2024:

In thousands of Armenian Drams	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	4,817	-	-	-	**4,817**
Loans and advances to banks	9	(6,783)	-	-	-	**(6,783)**
Debt securities at amortised cost	10	(62,889)	-	-	-	**(62,889)**
Debt securities measured at FVOCI	10	13,890	-	-	-	**13,890**
Loans to customers at amortised cost	11	(518,571)	(43,299)	(319,203)	-	**(881,073)**
Receivables from finance leases	12	(16,879)	(13,085)	(57,217)	-	**(87,181)**
Other financial assets	16	13,146	-	-	-	**13,146**
Guarantees and letters of credit	25	7,452	9	(8)	-	**7,452**
Loan, credit line and credit card commitments	25	(5,692)	(356)	(1,267)	-	**(7,314)**
Total reversal of credit loss expense		**(571,509)**	**(56,731)**	**(377,695)**	**-**	**(1,005,934)**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss as at 30 June 2023:

In thousands of Armenian Drams	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	44,971	-	-	-	**44,971**
Loans and advances to banks	8	72,005	-	-	-	**72,005**
Debt securities at amortised cost	9	(9,359)	-	-	-	**(9,359)**
Debt securities measured at FVOCI	9	(8,296)	85,826	-	-	**77,530**
Loans to customers at amortised cost	10	(114,982)	(165,411)	500,532	9,552	**229,691**
Receivables from finance leases	11	(164,999)	13,677	(117,533)	-	**(268,855)**
Other financial assets	15	(31,209)	-	-	-	**(31,209)**
Guarantees and letters of credit	25	(10,569)		-	-	**(10,569)**
Loan, credit line and credit card commitments	25	12,797	171	(618)	-	**12,350**
Total reversal of credit loss expense		**(209,641)**	**(65,737)**	**382,381**	**9,552**	**116,555**

16 Other assets

Other assets comprise:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Other receivables	1,672,748	2,811,989
Impairment allowance	(17,290)	(30,436)
Total other financial assets	**1,655,458**	**2,781,553**
Advances paid to leased property suppliers	7,968,018	7,372,935
Differed employee compensation - staff loans	2,740,987	2,603,822
Property to be leased	121,120	1,423,473
Repossessed assets	1,701,576	1,468,026
Prepayments to suppliers	430,584	1,200,198
VAT recoverable	468,676	381,630
Inventories	374,997	333,836
Returned lease property	23,800	24,770
Other	328,120	174,851
Total other non-financial assets	**14,157,877**	**14,983,541**
Less impairment allowance	(656,841)	(656,841)
Total other assets	**15,156,495**	**17,108,253**

An analysis of changes in the ECLs for other financial assets as at 30 June 2024 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Stage 3**	**Total**
ECL at 1 January 2024	30,436	-	**30,436**
New assets originated or redeemed (net)	(13,146)	-	**(13,146)**
Transfers to Stage 3	-		**-**
Write-off	-	-	**-**
At 30 June 2024	**17,290**	-	**17,290**

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

In thousands of Armenian Drams	**Stage 1**	**Stage 3**	**Total**
ECL at 1 January 2023	**27,831**	**-**	**27,831**
New assets originated or redeemed (net)	6,167	-	**6,167**
Transfers to Stage 3	(3,562)	3,562	**-**
Write-off	-	(3,562)	**(3,562)**
At 31 December 2023	30,436	-	**30,436**

17 Deposits and balances from banks

Deposits and balances from banks include the following:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Loans from International banks	26,288	492,851
Correspondent accounts and overnight placements of other banks	455,798	590,422
Short-term placements of banks	33,894	69,621
Sale and repurchase agreements with other banks	-	-
Loans from other banks of Armenia	-	-
Total deposits and balances from banks	**515,980**	**1,152,894**

18 Current accounts and deposits from customers

Current accounts and deposits from customers include the following:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Current accounts and demand deposits		
Retail	82,169,281	81,657,650
Corporate	126,406,710	107,755,633
Unsettled transactions	3,063,726	1,791,580
Term deposits		
Retail	247,408,747	226,657,523
Corporate	65,371,291	85,369,264
Total	**524,419,755**	**503,231,650**

Unsettled transactions include amounts that were not settled as of the reporting date in Group's customers' accounts. This amount was settled in the following working days after the reporting date.

In accordance with the Armenian legislation, the Group is obliged to repay deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

19 Debt securities issued

Debt securities issued consisted of the following:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Domestic bonds issued	22,270,810	21,087,118
Promissory notes	-	-
Debt securities issued	**22,270,810**	**21,087,118**

From 2024 May 2 to June 30, the Group issued AMD and USD denominated bonds with nominal amount of AMD 718,400 thousand AMD and USD 1,780,400 accordingly.

From 2023 March 1 to June 30, the Group issued AMD and USD denominated bonds with nominal amount of AMD 12,178,400 thousand AMD and USD 8,932,100 accordingly.

Carrying value of the domestic bonds issued consisted:

	2023	**2022**
AMD denominated bonds	15,399,023	3,192,719
USD denominated bonds	5,688,095	2,205,355
Total domestic bonds issued	21,087,118	5,398,074

Annual coupon interest rate and maturity dates for placed bonds are the following:

	AMD	**USD**	**Maturity date**
Bonds issued in 2024	9.5%	4.5%	2026
Bonds issued in 2023	11.5%	5.0%	2026

20 Other borrowed funds

Other borrowed funds consisted of the following:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Borrowings from international financial institutions	48,649,967	56,235,736
Borrowings from Government of Armenia	34,690,804	33,097,468
Borrowings from local financial institutions	2,758,143	2,895,519
Lease liabilities	3,605,523	2,896,371
Other borrowed funds	**89,704,437**	**95,125,094**

Borrowings from international financial institutions include AMD, USD and EUR denominated borrowings under several financing programs maturing from 2024 till 2041.

Borrowings from Government of Armenia mainly include AMD denominated borrowings provided under Central Bank of Armenia refinancing programs, maturing from 2024 to 2033.

Borrowings from local financial institutions comprise of AMD borrowings under mortgage refinancing programs, maturing from 2024 to 2035.

Breach of covenants. As at 30 June 2024 the Group was in compliance with all covenants.

21 Subordinated loans

As at 30 June 2024 the Group has subordinated loans with gross amount of AMD 11,885,102 thousand (2023: AMD 12,661,577 thousand). Subordinated loans include USD and EUR denominated loans with maturity from 2027 till 2030 and with interest rate from 5.8% to 8.8%.

22 Other liabilities

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Accounts payable	4,222,672	3,592,632
Payables to employees	3,255,719	5,182,620
Provision for liabilities	-	-
Liabilities for pension payables	72	-
Provisions for guarantees and letters of credit	1,261	8,764
Provisions for credit-related commitments	72,669	65,987
Total other financial liabilities	**7,552,393**	**8,850,003**
Prepayments from lessees	2,536,606	2,876,064
Taxes payable other than on income	751,039	818,158
Payables to Deposit Guarantee fund	196,763	186,327
Other non-financial liabilities	124,404	149,915
Total other non-financial liabilities	**3,608,812**	**4,030,464**
Total other liabilities	**11,161,204**	**12,880,468**

23 Equity

Issued capital. As of 30 June 2024 the Group's share capital was AMD 55,000,000 thousand (2023: AMD 55,000,000 thousand). The authorized, issued and outstanding share capital comprises 5,500 thousand ordinary shares (2023: 5,500 thousand ordinary shares) with a par value of AMD 10,000 (2023: AMD 10,000) each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

Nature and purpose of reserves

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

Replenishment of reserve fund from share premium. On 12 April 2022 Board of the Bank decided to transfer AMD 750,000 thousand from the share premium to the reserve fund of the Bank, which presented in this report under Retained earnings. As of 30 June 2024, the Group's reserve fund was AMD 8,250,000 thousand (2023: AMD 8,250,000 thousand).

The reserve fund has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books. Reserve fund is non-distributable reserve, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

Dividends. At the Shareholders' Meeting in 14 May 2024, the Bank declared dividends in respect of the year ended 31 December 2023, totalling AMD 5,500,000 thousand (2023: AMD 4,400,000 thousand) on ordinary shares: AMD 1,000 per share (2023: AMD 800 per share). The dividends were paid in May 2024.

Earnings per share (EPS). Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The bank intends to issue 485,000 paperless common stock shares with a total nominal value of AMD 4,850,000,000.The newly acquired capital will enable the Bank to direct a larger volume of funds to the lending of the RA economy in the SME, agricultural and retail sectors.

In thousands of Armenian Drams	**30/06/2024**	**30/06/2023**
Profit attributable to ordinary equity holders of the parent	**12,940,665**	**11,614,304**
Weighted average number of ordinary share for basic EPS	5,500,000	5,500,000
Earnings per share, Basic and diluted, attributable to equity holders of the parent, AMD	**2,352.85**	**2,111.69**

24 Share-based payments

The ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program

In 2021 ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC announced the commencement of ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program (hereinafter referred to as the "Program") as an integral part of the remuneration, rewards and promotion, human resources and talent management systems of the ACBA FEDERATION Closed Joint-Stock Company's, ACBA BANK Open Joint-Stock Company's and ACBA LEASING CO Closed Joint-Stock Company's key and loyal employees.

Under the Program ACBA Federation CJSC will give up to 300,000 (three hundred thousand) ordinary shares of the shares of the Bank, each with a nominal value of AMD 10,000), to the employees of ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC.

In June 2021 the Group's employees received 145,980 ordinary shares of the Bank from ACBA Federation CJSC, and in June 2023 133,380 ordinary shares with a fair value of AMD 12,591 per share at grant date, with no consideration and conditions attached.

As of 30 June 2023, as a result of two phases of the project total fair value of shares granted to Group's employees in amount of AMD 3,517,422 thousand, from which 440,927 thousand AMD was recognized as personnel expense in the consolidated statement in 2023 (2022: AMD 624,238 thousand) and as shared-based payment reserve in the consolidated statement of changes in equity.

The Bank hired independent consultants for fair value estimation of its shares. Dividend discount approach was applied for valuation of the shares which included the following steps:

- Determination of general assumptions and structure of the financial model;
- Forecast of the balance sheet of the Bank and its subsidiaries;
- Forecast of the financial result of the Bank and its subsidiaries;
- Forecast of dividends with consideration of capital adequacy and liquidity requirements;
- Determination of discount rate;
- Determination of the Bank's terminal value;
- Analysis of assets and liabilities not included in forecast of the financial results;
- Calculation of 100% of the Bank's equity.

Discount rate was determined based on a peer bank's required rate of return on equity.

25 Commitments and contingencies

Operating environment. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation. The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. 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 the Republic of Armenia that are substantially 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 the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Credit related commitments. As at 30 June 2024 and 31 December 2023 the Group's commitments and contingencies comprised the following:

In thousands of Armenian Drams	***30/06/2024***	***31/12/2023***
Credit related commitments		
Loan and credit line commitments, credit card commitments	28,096,318	29,184,533
Loan commitments and financial guarantees	34,242,434	32,123,416
Commitments and contingencies	**62,338,752**	**61,307,949**

An analysis of changes in the ECLs as at 30 June 2024 is as follows:

Loans and credit lines and credit card commitments *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2024	**60,857**	**928**	**4,202**	**65,987**
New exposures	15,164	-	-	**15,164**
Expired exposures	(11,419)	(118)	(1,405)	**(12,942)**
Transfers to Stage 1	81	(81)	-	**-**
Transfers to Stage 2	(173)	173	-	**-**
Transfers to Stage 3	(592)	(185)	777	**-**
Impact on period end ECL of exposures transferred between stages during the period	(68)	577	1,404	**1,913**
Changes to models and inputs used for ECL calculations	2,698	(10)	491	**3,179**
Foreign exchange adjustments	(586)	(7)	(39)	**(632)**
At 30 June 2024	**65,963**	**1,277**	**5,429**	**72,669**

An analysis of changes in the ECLs during the year ended 31 December 2023 is as follows:

Loans and credit lines and credit card commitments *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**89,281**	**(905)**	**4,483**	**92,859**
New exposures	22,733			**22,733**
Expired exposures	(25,789)	(416)	(1,912)	**(28,117)**
Transfers to Stage 1	186	(186)	-	**-**
Transfers to Stage 2	(282)	282	-	**-**
Transfers to Stage 3	(845)	(67)	912	**-**
Impact on period end ECL of exposures transferred between stages during the period	(146)	190	1,346	**1,390**
Changes to models and inputs used for ECL calculations	(22,187)	(477)	(651)	**(23,315)**
Foreign exchange adjustments	406	6	25	**437**
At 31 December 2023	**63,357**	**(1,573)**	**4,203**	**65,987**

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit as at 30 June 2024 is as follows:

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2024	**31,257,294**	**573,493**	**292,629**	**32,123,416**
New assets originated or purchased	22,036,532	-	-	**22,036,532**
Assets repaid	(19,688,704)	(10,275)	(165,798)	**(19,864,777)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(68,010)	68,010	-	**-**
Transfers to Stage 3	(361,174)	(563,218)	924,392	**-**
Foreign exchange adjustments	(52,736)	-	-	**(52,736)**
At 30 June 2024	**33,123,201**	**68,010**	**1,051,223**	**34,242,434**

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2024	**8,750**	**9**	**5**	**8,764**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	397			**397**
Assets repaid	(399)	-	(2)	**(401)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(1)	1	-	**-**
Transfers to Stage 3	(4)	(9)	14	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	-	(3)	**(3)**
Changes to models and inputs used for ECL calculations	(7,444)	-	(1)	**(7,445)**
Foreign exchange adjustments	(54)	-	-	**(54)**
Total movements with impact on credit loss allowance charge for the period	**1,247**	**1**	**13**	**1,261**

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit during the year ended 31 December 2023 is as follows:

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**23,551,514**	**8,800**	**326,847**	**23,887,161**
New assets originated or purchased	27,997,976	-	-	**27,997,976**
Assets repaid	(19,444,488)	(8,800)	(308,433)	**(19,761,721)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(573,493)	573,493	-	**-**
Transfers to Stage 3	(274,215)	-	274,215	**-**
Foreign exchange adjustments	-	-	-	**-**
At 31 December 2023	**31,257,294**	**573,493**	**292,629**	**32,123,416**

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**1,896**	**-**	**8**	**1,904**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	9,558			**9,558**
Assets repaid	(2,637)	-	(8)	**(2,645)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(13)	13	-	**-**
Transfers to Stage 3	(5)	-	5	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	(4)	-	**(4)**
Changes to models and inputs used for ECL calculations	(49)	-	-	**(49)**
Foreign exchange adjustments	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**8,750**	**9**	**5**	**8,764**

26 Net interest income

Net interest income comprises:

In thousands of Armenian Drams	**01/01/24-30/06/24**	**01/01/23-30/06/23**
Financial assets measured at amortized cost		
Loans to legal entities and individuals	33,507,919	29,944,191
Amounts receivable under reverse repurchase agreements	2,455,635	337,959
Loans and advances to banks	632,996	437,564
Other	42,298	182,996
	36,638,848	**30,902,710**
Financial assets measured at fair value through other comprehensive income		
Debt instruments	1,582,362	639,921
Interest revenue calculated using effective rate	**38,221,210**	**31,542,631**
Receivables from finance leases	5,915,082	3,730,356
Other interest income	102,630	679,052
Other interest revenue	**6,017,712**	**4,409,408**
Total interest revenue	**44,238,922**	**35,952,039**
Interest expense		
Current accounts and deposits from customers	13,415,073	10,251,302
Other borrowed funds and subordinated loans except lease liabilities	4,063,791	3,475,012
Debt securities issued	1,005,140	431,754
Amounts payable under repurchase agreements	-	196,087
Other	23,455	22,025
Interest expense calculated using effective interest rate	**18,507,459**	**14,376,180**
Lease liabilities	228,707	82,178
Interest expense	**18,736,166**	**14,458,358**
Net interest income	**25,502,757**	**21,493,681**

27 Net fee and commission income

Net fee and commission income comprise:

In thousands of Armenian Drams	**01/01/24-30/06/24**	**01/01/23-30/06/23**
Plastic card maintenance	5,046,084	4,192,945
Money transfers	492,347	610,732
Banking account servicing fees	281,510	274,080
Guarantee and letter of credit issuance	654,554	532,930
Cash withdrawal services	210,634	277,488
Commissions from lease equipment suppliers	81,190	85,024
Commissions for acting as an insurance agent	160,386	161,210
Other	365,016	152,239
Fee and commission income	**7,291,721**	**6,286,648**
Plastic card maintenance	2,566,869	2,049,438
Money transfers	89,585	51,581
Other	192,666	109,685
Fee and commission expense	**2,849,120**	**2,210,704**
Net fee and commission income	**4,442,601**	**4,075,944**

28 Other income

In thousands of Armenian Drams	**01/01/24-30/06/24**	**01/01/23-30/06/23**
Fines and penalties received	-	462
Dividends	2,174	3,185
Other	313,837	368,630
Total other income	**316,011**	**372,277**

29 Other operating expenses

Other operating expenses comprise:

In thousands of Armenian Drams	**01/01/24-30/06/24**	**01/01/23-30/06/23**
Guarantee fees on deposit insurance fund	400,920	325,599
Loss on disposal of property, plant and equipment	50,019	38,560
Encashment expenses	92,983	90,472
Taxes other than on income	115,800	145,659
Fines and penalties paid	996	1,261
Other	736,594	680,093
Other operating expenses	**1,397,312**	**1,281,644**

30 Other general administrative expenses

In thousands of Armenian Drams	**01/01/24-30/06/24**	**01/01/23-30/06/23**
Advertising and marketing	451,824	382,572
Repairs and maintenance	714,566	788,845
Communications	238,318	176,402
Security	150,963	157,604
Utilities and office supplies	216,216	124,419
Insurance	105,672	107,664
Representative expenses	29,431	156,870
Operating lease expense	21,269	20,500
Other	837,581	416,999
Other general administrative expenses	**2,765,840**	**2,331,875**

31 Reversal/(Charge for) of other impairment and provisions

In thousands of Armenian Drams	01/01/24-30/06/24	01/01/23-30/06/23
Provision reversal/(charge) for liabilities	-	56,148
Release on disposal of repossessed assets	-	(87,622)
Charge for other impairment and provisions	-	**(31,474)**

32 Risk management

Introduction. Risk is inherent in the Group's activities, but it is managed through an ongoing process of identification, measurement, and monitoring, overseen by dedicated roles and departments within the organization. This process is subject to defined risk limits and reinforced by permanent controls. Accountability for managing risk exposures is distributed across the Group, with each individual responsible for risks within their purview.

The major risks that the Group faces include credit risk, liquidity risk, market risk (which encompasses trading and non-trading risks), and operational risk. Additionally, the Group remains vigilant regarding emerging risks, such as cybersecurity threats, and ensures compliance with regulatory standards governing risk management practices. Quantitative assessments of these risks are regularly conducted to inform decision-making and safeguard the Group's profitability and stability.

Risk management structure. The Board holds ultimate responsibility for identifying and controlling risks within the organization. Nevertheless, distinct independent bodies are designated with the specific duties of managing and monitoring these risks.

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

Risk Management Committee to the Board. Revises and approves the Standards and other documents governing the credit risk management. Sets appropriate limits for credit risk exposure, including limits that shall apply in crisis situations, in accordance with the organization's size, complexity and financial position, and designs appropriate approval procedures governing cases where the limit is exceeded.

Chief Executive Officer. The Chief Executive Officer has the responsibility to monitor and manage the overall risk process.

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

Risk Management and Compliance Department. The Risk Management and Compliance Department is primarily responsible for the identification, measurement, monitoring, and management of major risks within the organization, followed by comprehensive reporting after each step to ensure an independent control process.

Assets and Liabilities Management Division. The Assets and Liabilities Management Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

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

Risk measurement and reporting systems. The Group takes individual approach when analyzing and assessing different types of risks through applying statistical models, sensitivity analysis, as well as analyzing the dynamics of various risk indicators and taking appropriate actions in case of

necessity. The models are further back tested for checking the validity. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Credit risk information related to all the business lines is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Chief Executive Officer, the Risk Management Committee, and the head of each business division. The report to Risk Management Committee includes aggregate credit exposure analysis, credit concentration limits monitoring results, GAP analysis, VaR estimations, liquidity ratios and benchmark analysis, stress test analysis, overall risk appetite control and risk profile changes. On a quarterly basis detailed reporting of industry, customer and business line risks takes place.

The Risk Management Committee convenes to discuss critical risk issues and endorses actions to mitigate and control them. The Board receives a comprehensive risk report on a quarterly basis, providing essential information to evaluate and make decisions regarding the Group's risks.

Tailored risk reports are meticulously prepared and disseminated throughout all levels of the organization, ensuring that every business division has access to relevant, current information.

Periodical alerts are issued in the event of breaches of risk limits, varying based on the type of breach and its urgency. These alerts are communicated to the relevant business divisions of the Group, as well as to the Chief Executive Officer, for discussion and implementation of corresponding actions.

Risk mitigation. As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

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 Group’s performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

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

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

Credit-related commitments risks. The Group makes available to its customers financial guarantees and letters of credit which may require that the Group make payments on their behalf. Such payments are collected from customers based on the contractual terms. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 12 and 13.

Impairment assessment. The Group computes Expected Credit Loss (ECL) through the evaluation of three probability-weighted scenarios to measure anticipated cash shortfalls, discounted at the Effective Interest Rate (EIR) at origination. A cash shortfall is defined as the variance between the contractual cash flows owed to an entity and the anticipated cash flows the entity expects to receive, factoring in potential credit risk. The mechanics of the ECL calculations are detailed below, with key elements including:

PD — The Probability of Default (PD) represents an estimation of the likelihood of default occurring within a defined time horizon. Default may occur at any point within the assessed period if the facility remains in the portfolio and has not been derecognized previously.

EAD — The Exposure at Default (EAD) is an estimation of the exposure at a future default date, considering anticipated changes in exposure post-reporting date. This includes scheduled or unscheduled repayments of principal and interest, expected drawdowns on committed facilities, and accrued interest resulting from missed payments.

LGD — The Loss Given Default (LGD) represents an estimation of the loss arising in the event of default at a specific time. It is determined by comparing the contractual cash flows due with those expected to be received by the lender, considering any collateral realization or future expected recoveries. Typically, LGD is expressed as a percentage of the Exposure at Default (EAD).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LT ECL). In case there has been no significant increase in credit risk since financial instrument origination the allowance is based on the 12 months' expected credit loss. The 12m ECL is the part of the LT ECL that represents the ECLs that could arise from financial instrument default events within a year of the reporting date. LT ECL and 12m ECL are computed either individually or collectively, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to assess, 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. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LT ECL. 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.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are

credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure. The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when:

- the borrower becomes 91 days past due on its contractual payments;
- all liabilities of the given borrower, if at least one of them has more than 90 overdue days in the Bank and/or other financial organizations (also includes the affiliation of a natural person and an individual entrepreneur);
- all the liabilities of the given borrower, if at least one of the liabilities of the affiliated persons is more than 90 days overdue in the Bank;
- refinanced or revised assets due to borrower's poor financial condition, for which there are more than 30 overdue days with the Bank.

The Group considers amounts due from banks defaulted and takes immediate action if counterparty at the end of reporting date fails to do payment of the accrued interest (coupon) and/or principal amount more than 15 business days.

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

- the quality of credits due to affiliated parties;
- the state of being rescheduled;
- the outcome of financial monitoring, which are approved by the management;
- reduction of loan security - as a result of total or partial loss of collateral by the mortgagor, physical damage or illegal sale, or decrease in the loan security ratio due to a decrease in the market value
- concentration of loans to other persons, including concentration to family members. Refusal to repay loans by the borrower and presence of more than 30 overdue days. This criterion is assigned to all loans to which the monitoring conclusion applies;
- force majeure: death of the borrower or the sole owner, disability, serious illnesses. This criterion is applied to all loans of the customer, and
- natural disasters or epidemics. This criterion is assigned to all loans to which the monitoring conclusion applies.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Group 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.

It is the Group'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 six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the debt service by the borrower and existence of other non-primary SICR criteria as of date of the assessment.

PD estimation process

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

Loans to customers

Bucketing. For stage 1 and stage 2 loans to customers, as well as for stage 3 exposures, which are not subject for individually impairment, the Group calculates ECL on portfolio level. The following

portfolios are segregated by the Bank, which, in order to evaluate the PD PIT matrices, are further sub-bucketed into smaller target groups.

- Corporate loans;
- Consumer loans;
- Agricultural loans;
- Mortgages loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters. Time series regression analysis are assessed by the following sectors: agriculture, business, consuming and mortgage, the outcome of which are then cascaded down to the predefined sub-buckets of loans to arrive to the PD PIT transition matrices.

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

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

Loss given default. The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. For the purposes of LGD rate calculation the initial bucketing used for PD PIT estimation is further sub-bucketed based on the type of collateral. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties;
- Significant difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- The outcome of the financial monitoring of the borrower's activity.

Forward-looking information and multiple economic scenarios

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

2023

- Exchange rate USD/AMD, monthly average;
- Export, %;
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Service annual growth;
- Industrial production annual growth;
- Exchange rate USD/AMD, end-period;
- GDP growth,%;

2022

- Industrial production annual growth;
- Consumer price inflation;
- Import annual growth;
- Service annual growth;
- Exchange rate USD/AMD, end-period
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Stock of money M2 growth;.

The Group obtains the forward-looking information from third party sources (Economic Intelligence Unit, Central Bank of Republic of Armenia and RA MINFIN). 15%, 70% and 15% probabilities are attributed to each of the corresponding scenarios: best case, base and the worst-case scenarios.

Liquidity risk and funding management. Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Based on its own liquidity risk model, the bank employs a variety of tools to monitor and manage liquidity risks. The stress scenario within the Bank that underlies the model and is relevant for management purposes, takes into consideration of both a bank specific stress event and a broader market crisis.

To limit this risk, management has arranged diversified funding sources in addition to its core deposit base. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets (highly liquid assets) that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Group, based on certain liquidity ratios established by the CBA. For this purpose, high liquid assets include cash, nostro accounts, debt securities issued by Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or use of which is not restricted in any way. Liabilities payable on demand include currents accounts and demand deposits of customers, as well as any other liability that is payable on demand.

Market risk. Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations.

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 following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

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

The table below shows the structure of financial assets and liabilities by currency.

30 June 2024	AMD	I group currency*	II group currency**	Total
Assets				
Cash and cash equivalents	34,518,176	23,951,684	2,909,595	**61,379,455**
Derivative financial assets	115,127	22,202	-	**137,329**
Loans and advances to banks	31,880,712	34,328,539	23	**66,209,274**
Investment securities	40,851,073	17,963,108	-	**58,814,181**
Loans to customers	354,451,385	128,885,594	811,322	**484,148,301**
Receivables from finance leases	61,829,320	24,181,807	-	**86,011,127**
Other financial assets	9,924,111	5,213,219	19,165	**15,156,495**
Total	**533,569,903**	**234,546,153**	**3,740,105**	**771,856,161**
Liabilities				
Deposits and balances from banks	82,446	433,534	-	**515,980**
Current accounts and deposits from customers	331,808,077	189,298,974	3,312,704	**524,419,755**
Debt securities issued	16,121,189	6,149,621	-	**22,270,810**
Other borrowed funds	48,570,755	41,133,682	**-**	**89,704,437**
Other liabilities	6,907,820	608,120	36,452	**7,552,392**
Subordinated loans	**-**	11,885,102	**-**	**11,885,102**
Total	**403,490,286**	**249,509,033**	**3,349,156**	**656,348,475**
Net position	**130,079,617**	**(14,962,880)**	**390,949**	**115,507,686**

31 December 2023	AMD	I group currency*	II group currency**	Total
Assets				
Cash and cash equivalents	36,362,803	38,301,635	3,495,411	**78,159,849**
Derivative financial assets	165,287	34,670	-	**199,957**
Loans and advances to banks	67,791,957	31,497,660	120,897	**99,410,514**
Investment securities	9,896,342	11,526,594	-	**21,422,936**
Loans to customers	326,708,595	128,456,944	33,798	**455,199,337**
Receivables from finance leases	58,108,518	25,297,908	-	**83,406,426**
Other financial assets	12,221,628	4,877,898	8,727	**17,108,253**
Total	**511,255,130**	**239,993,309**	**3,658,833**	**754,907,272**
Liabilities				
Deposits and balances from banks	725,257	427,637	-	**1,152,894**
Current accounts and deposits from customers	314,592,394	184,263,957	4,375,299	**503,231,650**
Debt securities issued	15,399,023	5,688,095	-	**21,087,118**
Other borrowed funds	45,988,742	49,136,352	**-**	**95,125,094**
Other liabilities	8,235,439	580,632	33,932	**8,850,003**
Subordinated loans	**-**	12,661,577	**-**	**12,661,577**
Total	**384,940,854**	**252,758,250**	**4,409,231**	**642,108,335**
Net position	**126,314,276**	**(12,764,941)**	**(750,398)**	**112,798,937**

Operational risk. Operational risk is the risk of loss arising from systems failure, inadequate or failed internal processes, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. The Group has adopted the three lines of defence in the scope of the operational risk management; the first line of defence provided by the front line staff and operational management, the second line of defence provided by the risk management and compliance functions and the third line of defence provided by the internal audit function.

The operational risk management system includes the following key aspects: risk mapping, incident analysis and permanent controlling function. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. The Management Board has also set risk appetite limit on operational risk.

33 Fair value measurements

Fair value measurement procedures. The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and securities at FVPL and at FVOCI, derivatives, investment property and buildings, vehicles and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as land and buildings, vehicles. Involvement of external valuers is decided by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value hierarchy. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In thousands of Armenian Drams	**Fair value measurement using**			
At 30 June 2024	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	137,329	-	**137,329**
Equity instruments	2,682,714	-	-	**2,682,714**
Financial assets at fair value through other comprehensive income				
Debt instruments	-	18,615,295	-	**18,615,295**
Equity instruments	10,528	-	-	**10,528**
Unquoted equity securities – local companies	-	-	387,425	**387,425**
Non-financial assets				
Property and equipment −land and buildings, motor vehicles	-	-	11,897,206	**11,897,206**
Assets for which fair values are disclosed				
Cash and cash equivalents	22,336,499	39,042,956	-	**61,379,455**
Loans and advances to banks	-	30,460,204	35,749,070	**66,209,274**
Debt securities at amortised cost	-	37,118,219	-	**37,118,219**
Receivables from finance leases	-	-	86,011,127	**86,011,127**
Other financial assets	-	-	1,655,458	**1,655,458**
Loans to customers	-	-	484,148,300	**484,148,300**
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	208,575,991	315,843,764	**524,419,755**
Debt securities issued	-	22,270,810	-	**22,270,810**
Deposits and balances from banks	-	410,279	105,701	**515,980**
Subordinated loans	-	-	11,885,102	**11,885,102**
Other borrowed funds	-	-	89,704,437	**89,704,437**
Other financial liabilities	-	-	7,552,393	**7,552,393**

In thousands of Armenian Drams	Fair value measurement using			
At 31 December 2023	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	199,957	-	**199,957**
Equity instruments	2,775,053	-	-	**2,775,053**
Financial assets at fair value through other comprehensive income				
Debt instruments	-	18,534,900	-	**18,534,900**
Equity instruments	11,343	-	-	**11,343**
Unquoted equity securities – local companies	-	-	101,640	**101,640**
Non-financial assets				**-**
Property and equipment −land and buildings, motor vehicles	-	-	11,929,139	**11,929,139**
Assets for which fair values are disclosed				
Cash and cash equivalents	22,665,289	55,494,560	-	**78,159,849**
Loans and advances to banks	-	32,832,740	66,577,774	**99,410,514**
Receivables from finance leases	-	-	83,406,426	**83,406,426**
Other financial assets	-	-	2,781,553	**2,781,553**
Loans to customers	-	-	455,199,337	**455,199,337**
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	189,413,283	313,818,367	**503,231,650**
Debt securities issued	-	21,087,118	-	**21,087,118**
Deposits and balances from banks	-	428,504	724,390	**1,152,894**
Subordinated loans	-	-	12,661,577	**12,661,577**
Other borrowed funds	-	-	95,125,094	**95,125,094**
Other financial liabilities	-	-	8,850,003	**8,850,003**

As at 30 June 2024 and 31 December 2023 the estimated fair values of all financial instruments approximate their carrying values.

Valuation techniques and assumptions. The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fair value measurement of non-financial assets

Fair value of the properties was determined by using market comparable method. The estimated fair values of the land and buildings are categorized within Level 3 of the fair value hierarchy. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Land and Buildings

The fair values of the office Land and buildings are estimated using income and market approaches. The income approach has been applied capitalizing the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into

account current occupancy level, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property, including size, location, constructional-engineering features of the building, technical (physical) condition, encumbrances, and purpose of use.

The significant unobservable input is the adjustment for factors specific to the property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The fair value of buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. According to the accounting policy of the Bank, properties subject to evaluation are revaluated once in 3 years if there are no significant deviations in the market. A study was conducted for 2023 and no significant deviations were recorded according to the estimates The weighted average deviation is 13.8% in the AMD 1,225,965 thousand total amount.

Derivatives. Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through other comprehensive income. Investment securities measured at fair value through other comprehensive income are valued using a valuation technique or pricing models primarily consist of Armenian Government debt securities. These securities are valued using yield curves which incorporate data observable in the market and published by CBA.

34 Maturity analysis of assets and liabilities

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

30 June 2024 *In thousands of Armenian Drams*	**Non-performing/ overdue**	**time**	**demand and up to 1 month**	**from 1 to 3 months**	**from 3 to 12 months**	**from 1 to 5 years**	**more than 5 years**	**No term**	**Total**
Financial assets									
Cash and cash equivalents			61,379,455						**61,379,455**
Derivative financial assets			137,329						**137,329**
Loans and advances to banks			33,466,186		-	-	-	32,743,088	**66,209,274**
Investment securities			7,777	7,775,470	22,463,122	16,779,395	9,264,899	2,523,518	**58,814,181**
Loans to customers	844,085	13,988,222	16,214,442	26,640,826	100,657,238	199,589,721	126,213,766	-	**484,148,301**
Receivables from finance leases	89,086	597,613	4,358,847	4,808,979	16,822,581	53,645,726	5,688,297	-	**86,011,128**
Other assets	-	-	1,655,458	-	-	2,740,987	-	10,760,049	**15,156,495**
Total	**933,171**	**14,585,835**	**117,219,494**	**39,225,274**	**139,942,941**	**272,755,828**	**141,166,962**	**46,026,656**	**771,856,162**
Financial liabilities									
Deposits and balances from banks			489,692	26,288		-	-	-	**515,980**
Current accounts and deposits from customers			209,269,922	39,557,122	195,034,829	75,837,862	4,720,020		**524,419,754**
Debt securities issued − domestic bonds issued				173,583	101,463	21,995,764			**22,270,810**
Other borrowed funds			2,280,778	4,502,647	18,764,208	54,137,211	10,019,593	-	**89,704,437**
Other financial liabilities			4,224,004		3,328,388				**7,552,393**
Subordinated loans				76,299	30,315	1,662,880	10,115,607	-	**11,885,102**
Total	**-**	**-**	**216,264,397**	**44,335,939**	**217,259,204**	**153,633,717**	**24,855,220**	-	**656,348,476**
Net Liquidity GAP	**933,171**	**14,585,835**	**(99,044,903)**	**(5,110,665)**	**(77,316,263)**	**119,122,111**	**116,311,743**	**46,026,656**	**115,507,686**
Cumulative Liquidity GAP			**(83,525,897)**	**(88,636,561)**	**(165,952,824)**	**(46,830,713)**	**69,481,030**	**115,507,686**	

31 December 2023 *In thousands of Armenian Drams*	**Non-performing/ overdue**	**time**	**demand and up to 1 month**	**from 1 to 3 months**	**from 3 to 12 months**	**from 1 to 5 years**	**more than 5 years**	**No term**	**Total**
Financial assets									
Cash and cash equivalents			78,159,849						**78,159,849**
Derivative financial assets			199,957						**199,957**
Loans and advances to banks			62,018,357	-	-	-	-	37,392,157	**99,410,514**
Investment securities			8,070	154,501	5,697,695	10,886,221	1,788,413	2,888,036	**21,422,936**
Loans to customers	644,010	8,250,895	15,114,543	21,631,499	97,814,329	190,109,274	121,634,787	-	**455,199,337**
Receivables from finance leases	18,284	903,685	3,530,502	4,218,431	14,243,689	54,803,538	5,688,297	-	**83,406,426**
Other assets	-	-	2,781,553	-	-	2,603,823	-	11,722,877	**17,108,253**
Total	**662,294**	**9,154,580**	**161,812,831**	**26,004,431**	**117,755,713**	**258,402,856**	**129,111,497**	**52,003,070**	**754,907,272**
Financial liabilities									
Deposits and balances from banks			851,071	-	301,823	-	-	-	**1,152,894**
Current accounts and deposits from customers			205,366,218	48,932,110	166,593,956	77,765,752	4,573,614	-	**503,231,650**
Debt securities issued − domestic bonds issued			-	150,042	119,101	20,817,975	-	-	**21,087,118**
Other borrowed funds			1,377,464	4,462,755	18,573,495	58,809,216	11,902,164	-	**95,125,094**
Other financial liabilities			3,601,395	-	5,248,608	-	-	-	**8,850,003**
Subordinated loans			-	-	105,126	1,791,600	10,764,851	-	**12,661,577**
Total	**-**	**-**	**211,196,148**	**53,544,907**	**190,942,109**	**159,184,543**	**27,240,629**	**-**	**642,108,336**
Net Liquidity GAP	**662,294**	**9,154,580**	**(49,383,317)**	**(27,540,476)**	**(73,186,396)**	**99,218,313**	**101,870,868**	**52,003,070**	**112,798,936**
Cumulative Liquidity GAP			**(39,566,443)**	**(67,106,919)**	**(140,293,315)**	**(41,075,002)**	**60,795,866**	**112,798,936**	

35 Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

In thousands of Armenian Drams	30/06/2024			31/12/2023		
	Parent company	**Key management personnel and their close family members**	**Associates**	**Parent company**	**Key management personnel and their close family members**	**Associates**
Loans outstanding at 1 January, gross	2,275,152	1,164,526	-	2,127,184	971,585	-
Loans issued during the year	190,946	547,581	-	638,672	941,667	-
Loan repayments during the year	(278,627)	(462,187)	-	(583,349)	(752,215)	-
Other movements	85,032	10,478	-	92,645	3,490	-
Loans outstanding at 31 December, gross	2,272,503	1,260,398	-	2,275,152	1,164,527	-
Less: allowance for impairment at 31 December	(6,746)	(3,447)	-	(6,754)	(3,185)	-
Loans outstanding at 31 December, net	2,265,757	1,256,951	-	2,268,398	1,161,342	-
Weighted average effective interest rate for loans	8.5%	6.9%	-	8.5%	6.6%	-
Current accounts and deposits at 1 January	562,363	1,660,409	2,152,010	159	1,547,505	1,656,557
Current accounts and deposits received during the year	3,311,010	2,721,144	376,524	4,640,042	4,450,085	1,484,712
Current accounts and deposits repaid during the year	(570,969)	(1,526,955)	(1,441,504)	(4,080,144)	(4,400,884)	(991,300)
Other movements	1,375	(84,074)	3,727	2,307	63,703	2,041
Current accounts and deposits at 31 December	**3,303,780**	**2,770,524**	**1,090,757**	**562,364**	**1,660,409**	**2,152,010**

36 Investments in associates

The Group has an interest in Amundi-Acba Asset management CJSC where the Group owns 49% of shares (31 December 2023: 49%). The associate of the Group was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia. The principal activity of the associate is the management of mandatory pension funds. The associate's activities are supervised by the Central Bank of Armenia. As at 30 June 2024 the carrying value of the investment comprised AMD 1,345,194 thousand (2023: AMD 1,775,530 thousand).

The summarised financial information of material associates is presented below

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Total assets	3,361,683	4,313,928
Total liabilities	616,389	690,395
Net assets	**2,745,294**	**3,623,533**
Group's share in net assets	**1,345,194**	**1,775,530**

The Group's share of profit or loss and other comprehensive income of the associate is as follows:

In thousands of Armenian Drams	**30/06/2024**	**31/12/2023**
Profit for the year	**557,105**	**1,019,338**
Other comprehensive income/(loss)	28,534	92,546
Total comprehensive income for the year	**585,639**	**1,111,884**

The Group received dividends in amount of AMD 1,021,505 thousand for the year ended 31 December 2023 (2023: AMD 698,577 thousand).

37 Capital adequacy

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 30 June 2024 this minimum level was 11% (31 December 2023: 11%). The Group is in compliance with the statutory capital ratio as at 30 June 2024 and 31 December 2023.

The following table shows the composition of the capital position calculated in accordance with regulation of Central Bank of Armenia, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

In thousands of Armenian Drams	**30/06/2024 (unaudited)**	**31/12/2023 (unaudited)**
Tier 1 Capital	120,694,090	122,505,579
Tier 2 Capital	19,305,944	15,241,604
Total capital	**140,000,034**	**137,747,183**
Total risk weighted assets	**674,607,850**	**698 734 440**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**20.75%**	**19.71%**

Risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

38 Events after the reporting date

The bank intends to issue 485,000 paperless common stock shares with a total nominal value of AMD 4,850,000,000.The newly acquired capital will enable the Bank to direct a larger volume of funds to the lending of the RA economy in the SME, agricultural and retail sectors.

There are no other significant events that occurred after the reporting period or as of the report's date that should be mentioned in this document.

Interim consolidated financial statements

Compliance with the mandatory ratios set by the central bank of the RA
01/04/24-30/06/24

"ACBA BANK" OJSC, 82-84 Aram Street, Yerevan, Armenia

Ratios	The value of ratios calculated for Bank	The value of ratios calculated for Consolidated Reports Of Bank	The allowed value of ratios determined by CBA of RA	The number of breaches for according interim
1	*2*	*3*	*4*	*5*
Share capital	55,000,000	55,000,000	1,000,000	No Breach
Total capital	123,160,252	140,000,034	30,000,000	No Breach
Tier 1 core capital/ Risk weighted assets	16.22%	17.89%	6.2%	No Breach
Tier 1 capital/ Risk weighted assets	16.22%	17.89%	8.3%	No Breach
Total capital/ Risk weighted assets	18.97%	20.75%	11%	No Breach
High liquid assets/ Total assets	24.62%	23.65%	15%	No Breach
High liquid assets / Demand liabilities	105.46%	103.57%	60%	No Breach
Liquidity Coverage Ratio (All currencies)	318.89%	318.89%	100%	No Breach
Liquidity Coverage Ratio (Significant currencies from first group)	538.88%	538.88%	100%	No Breach
Liquidity Coverage Ratio (Significant currencies from second group)	-	-	100%	No Breach
Net Stable Funding Ratio (All currencies)	129.54%	129.54%	100%	No Breach
Net Stable Funding Ratio (Significant currencies from first group)	157.19%	157.19%	100%	No Breach
Net Stable Funding Ratio (Significant currencies from second group)	-	-		No Breach
Maximum deviation of loan to value ratio (AMD)	7.13%	7.13%	10%	No Breach
Maximum deviation of loan to value ratio (Foreign currency)	0.00%	0.00%	5%	No Breach
Exposure to the biggest borrower /Total capital	9.70%	8.54%	20%	No Breach
Exposure to the biggest borrowers /Total capital	39.26%	34.54%	500%	No Breach
Exposure to the biggest borrower related with bank /Total capital	1.83%	1.61%	5%	No Breach
Exposure to the biggest borrowers related with bank /Total capital	6.82%	6.00%	20%	No Breach
Compulsory store in AMD, Compulsory store in USD, EUR			2% 18%	No Breach
Currency position/Total capital	0.05%	0.05%	10%	No Breach
By separate currency each currency position /Total capital				
USD			7%	No Breach
EUR	0.01%	0.01%	7%	
RUB				
Other	x	x	x	

The number of employees as of 30/06/24 is 1,789

Chief Executive Officer **Hakob Andreasyan**

Chief Accountant **Armen Hakobyan**

Interim consolidated statement of profit or loss

30/06/24

(Thousands of Armenian Drams)	Notes	01/04/24-30/06/24	01/01/24-30/06/24	01/04/23-30/06/23	01/01/23-30/06/23
Interest revenue calculated using effective interest rate	26	19,910,870	38,221,210	16,169,513	31,542,631
Other interest revenue	26	3,012,274	6,017,712	2,411,229	4,409,408
Interest expense	26	(9,400,641)	(18,736,166)	(7,486,411)	(14,458,358)
Net interest income		**13,522,503**	**25,502,757**	**11,094,331**	**21,493,681**
Reversal of credit loss expense / (credit loss expense)	15	(834,772)	(1,005,934)	505,064	116,555
Net interest income after credit loss expense		**12,687,731**	**24,496,822**	**11,599,395**	**21,610,236**
Fee and commission income	27	3,746,868	7,291,721	3,314,324	6,286,648
Fee and commission expense	27	(1,488,488)	(2,849,120)	(1,164,330)	(2,210,704)
Net gain/(loss) on financial instruments at fair value through profit and loss		(140,310)	119,282	283,705	89,064
Net gain from foreign exchange trading activities		1,310,929	2,355,310	1,285,818	2,669,590
Net loss/gain from foreign exchange translation		7,808	(24,939)	(61,879)	56,483
Share of profit of associates	36	309,560	557,105	247,002	462,657
(Charge for) / reversal of other impairment and provisions	31	-	-	(14,243)	31,474
Other income	28	51,081	316,011	118,763	372,277
Non-interest income		**3,797,448**	**7,765,370**	**4,009,160**	**7,757,509**
Personnel expenses		(4,824,564)	(10,295,557)	(4,583,711)	(9,626,540)
Depreciation and amortisation	13	(897,027)	(1,789,361)	(792,612)	(1,499,155)
Other operating expenses	29	(696,682)	(1,397,312)	(648,751)	(1,281,644)
Other general administrative expenses	30	(1,440,886)	(2,765,840)	(1,120,038)	(2,331,875)
Non-interest expense		**(7,859,159)**	**(16,248,071)**	**(7,145,112)**	**(14,739,214)**
Profit before income tax expense		**8,626,021**	**16,014,122**	**8,463,443**	**14,628,531**
Income tax expense	14	(1,489,344)	(3,073,457)	(1,755,766)	(3,014,227)
Profit for the year		**7,136,677**	**12,940,665**	**6,707,677**	**11,614,304**
Earnings per share					
Basic and diluted, attributable to equity holders of the parent, AMD	23	1,297.58	2,352.85	1,219.58	2,111.69
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net change in fair value of debt instruments at fair value through other comprehensive income		29,415	157,644	120,997	305,923
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		(66,917)	48,589	(89,863)	(89,863)
Income tax relating to components of other comprehensive income	14	6,750	(37,122)	(9,378)	(38,891)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(30,752)**	**169,111**	**21,756**	**177,169**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Revaluation of buildings and motor vehicles		-	-	-	-
(Losses)/gains on equity instruments at fair value through other comprehensive income		(213)	(815)	(28)	(28)
Income tax relating to components of other comprehensive income	14	39	147	5	5
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(174)**	**(668)**	**(23)**	**(23)**
Share of the other comprehensive income of associates					
Not to be reclassified to profit or loss in subsequent periods		11,519	34,798	25,374	46,341
Income tax relating to components of other comprehensive income	14	(2,074)	(6,264)	(4,567)	(8,341)
Total share of the other comprehensive income of associates		**9,445**	**28,534**	**20,807**	**38,000**
Other comprehensive income for the year, net of tax		**(21,481)**	**196,977**	**42,540**	**215,146**
Total comprehensive income for the year		**7,115,195**	**13,137,642**	**6,750,217**	**11,829,450**

Signed and authorized for release on behalf of the Management of the Bank at 15/07/2024

Chief Executive Officer Hakob Andreasyan

Chief Accountant Armen Hakobyan

Interim consolidated financial statements of financial position

30-Jun-2024

"ACBA-BANK" OJSC, 82-84 Aram Street, Yerevan, Armenia

(Thousands of Armenian Drams)	*Notes*	30/06/24 (not audited)	31/12/23 (audited)
Assets			
Cash and cash equivalents	7	61,379,455	78,159,849
Derivative financial assets	8	137,329	199,957
Loans and advances to banks	9	66,209,274	99,410,514
Investment securities	10		
- Held by the Bank		58,814,181	21,422,936
-Pledged under sale and repurchase agreements		-	-
Loans to customers	11	484,148,301	455,199,337
Receivables from finance leases	12	86,011,127	83,406,426
Investments in associates	36	1,345,194	1,775,530
Property, equipment and intangible assets	13	29,467,434	27,110,978
Other assets	16	15,156,495	17,108,253
Total assets		**802,668,790**	**783,793,780**
Liabilities			
Deposits and balances from banks	17	515,980	1,152,894
Current accounts and deposits from customers	18	524,419,755	503,231,650
Debt securities issued	19	22,270,810	21,087,118
Other borrowed funds	20	89,704,437	95,125,094
Current income tax liabilities	14	1,800,925	3,812,792
Deferred tax liabilities	14	162,896	732,149
Other liabilities	22	11,161,204	12,880,467
Subordinated loans	21	11,885,102	12,661,577
Total liabilities		**661,921,109**	**650,683,741**
Equity			
Share capital	23	55,000,000	55,000,000
Share premium	23	1,750,000	1,750,000
Share-based payment reserve	24	3,517,422	3,517,422
Revaluation reserve for property and equipment		3,891,400	3,909,911
Revaluation reserve for investment securities		348,502	151,526
Retained earnings		76,240,357	68,781,180
Total equity		**140,747,681**	**133,110,039**
Total equity and liabilities		**802,668,790**	**783,793,780**

Signed and authorized for release on behalf of the Management of the Bank at 15/07/2024

Chief Executive Officer — Hakob Andreasyan

Chief Accountant — Armen Hakobyan

Interim consolidated statement of changes in equity

30-Jun-24

(Thousands of Armenian Drams)	*Share capital*	*Share premium*	*Share-based payment reserve*	*Revaluation surplus for property and equipment*	*Revaluation reserve for financial assets at fair value through other comprehensive income*	*Retained earnings*	*Total equity*
Balance as at 1 January 2024	**55,000,000**	**1,750,000**	**3,517,422**	**3,909,911**	**151,526**	**68,781,180**	**133,110,039**
Total comprehensive income							
Profit for the year						12,940,665	**12,940,665**
Other comprehensive income					196,977		**196,977**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**196,977**	**12,940,665**	**13,137,642**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(18,511)	-	18,511	-
Transactions with owners, recorded directly in equity							
Issue of share capital	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(5,500,000)	**(5,500,000)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	(5,500,000)	**(5,500,000)**
Share-based payments (Note 24)			-				-
Balance as at 30 June 2024	**55,000,000**	**1,750,000**	**3,517,422**	**3,891,400**	**348,502**	**76,240,356**	**140,747,681**

(Thousands of Armenian Drams)	*Share capital*	*Share premium*	*Share-based payment reserve*	*Revaluation surplus for property and equipment*	*Revaluation reserve for financial assets at fair value through other comprehensive income*	*Retained earnings*	*Total equity*
Balance as at 1 January 2023	**55,000,000**	**1,750,000**	**3,076,495**	**4,985,941**	**877,300**	**43,712,388**	**109,402,124**
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,614,304	**11,614,304**
Other comprehensive income	-	-	-	-	215,146	-	**215,146**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**215,146**	**11,614,304**	**11,829,450**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Replenishment of Reserve fund from share premium	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	**(4,400,000)**	**(4,400,000)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,400,000)**	**(4,400,000)**
Share-based payments (Note 24)	-	-	440,927	-	-	-	**440,927**
Balance as at 30 June 2023	**55,000,000**	**1,750,000**	**3,517,422**	**4,985,941**	**1,092,446**	**50,926,692**	**117,272,501**

Signed and authorized for release on behalf of the Management of the Bank at 15/07/2024

Chief Executive Officer — Hakob Andreasyan

Chief Accountant — Armen Hakobyan

Interim consolidated statement of cash flows

30-Jun-2024

In thousands of Armenian Drams	Note	01/01/2024-30/06/2024	01/01/2023-30/06/2023
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		35,630,424	29,126,694
Other interest received		6,017,712	4,409,408
Interest paid		(17,764,478)	(13,996,068)
Fees and commissions received		7,291,721	6,286,648
Fees and commissions paid		(2,849,120)	(2,210,704)
Net (payment)/receipt from derivative financial instruments at fair value through profit or loss		10,178	(161,541)
Net receipts from foreign exchange		2,355,310	2,669,590
Other operating expenses paid		(3,251,482)	(1,410,630)
Other income received		316,642	429,056
Salaries and other payments to employees		(12,222,458)	(10,229,020)
Other general administrative expenses paid		(2,747,329)	(2,331,635)
Cash flows from operating activities before changes in operating assets and liabilities		**12,787,120**	**12,581,798**
Net (increase)/decrease in operating assets		169,568	293,332
Derivative financial assets		32,511,144	5,671,095
Loans and advances to banks		(33,770,474)	(47,773,729)
Loans to customers		(2,661,577)	(17,989,498)
Receivables from finance lease		(5,633,246)	(3,836,497)
Other assets			
Net increase/(decrease) in operating liabilities			
Deposits and balances from banks		(518,468)	(2,693,985)
Current accounts and deposits from customers		29,091,206	32,268,462
Other liabilities		7,933,514	3,276,030
Net cash (used in)/from operating activities before income tax		**39,908,787**	**(18,202,992)**
Income tax paid		(5,508,797)	(5,974,647)
Net cash (used in)/from operating activities		**34,399,990**	**(24,177,639)**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(3,666,321)	(2,374,292)
Proceeds from sale of property, equipment		13,465	850
Purchases of investment securities		(37,118,219)	-
Sale of investment securities		(378,475)	1,902,157
Dividends received	36	1,021,608	701,762
Net cash from/(used in) investing activities		**(40,127,942)**	**230,477**
Cash flows from financing activities			
Proceeds from debt securities issued (redemption)		1,430,569	8,268,134
Proceeds from other borrowed funds(redemption)		(6,550,409)	(5,774,565)
Subordinated loans received		-	-
Dividends paid	23	(5,500,000)	(4,400,000)
Net cash from/(used in) financing activities		**(10,619,840)**	**(1,906,431)**
Effect of exchange rates changes on cash and cash equivalents		(470,096)	(1,718,283)
Effect of changes in impairment allowance		37,494	44,971
Net decrease in cash and cash equivalents		(16,780,394)	(27,526,905)
Cash and cash equivalents, beginning		78,159,849	88,369,285
Cash and cash equivalents, ending	7	**61,379,455**	**60,842,380**

Signed and authorized for release on behalf of the Management of the Bank at 15/07/2024

Chief Executive Officer — Hakob Andreasyan

Chief Accountant — Armen Hakobyan

ACBA Bank OJSC

IFRS Consolidated Financial Statements and Independent Auditor's Report

31 December 2023

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Independent Auditor's Report

To the Shareholders and Board of ACBA Bank OJSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ACBA Bank OJSC (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence that are relevant to our audit of the consolidated financial statements in the Republic of Armenia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Overview

- Overall Group materiality: AMD 1,738,000 thousand, which represents approximately 5% of the Group's profit before income tax expense (PBT) for the year 2023.
- We conducted full scope audit work on two significant components of the Group. The third component was assessed as insignificant with no material transactions for the audit of the consolidated financial statements. Our audit scope addressed approximately 100% of the Group's interest and commission income and approximately 100% of the Group's profit before income tax expense.
- Audit matter which was of most significance in the audit of consolidated financial statements is: Expected Credit Loss allowance for loans to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	AMD 1,738,000 thousand
How we determined it	5% of annual PBT
Rationale for the materiality benchmark applied	We chose PBT as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in the financial services sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for loans to customers Refer to Note 4 - Material accounting policy information, Note 5 - Critical accounting estimates and judgments in applying accounting policies, and to Note 12 Loans to customers. We focused on this area as the management estimates and assumptions regarding the expected credit losses ("ECL") allowance for loans to customers are complex and require a significant degree of judgment. In terms of IFRS 9, Financial instruments, management is required to estimate an ECL allowance corresponding to the losses that are expected to occur over the next 12 months for stage 1 loans, or over the life of the financial asset for stage 2 and 3 loans. The management also considers the impact of different future macroeconomic conditions in determination of ECL. Management has designed and implemented a number of models to achieve compliance with the requirements of IFRS 9 and with management policies. Among others, management has applied judgement to the models in situations where past experience was not considered to be reflective of future outcomes due to limited or incomplete data. We have considered the following areas to be of most significance for determination of ECL. • The appropriateness of model methodologies and critical judgements and assumptions applied by the management to estimation of parameters used to determine the ECL; • Judgemental criteria applied to identification of significant increase in credit risk ("SICR"), including qualitative assessment of borrowers' creditworthiness relevant to the Group portfolios; • Critical assumptions applied in the determination of loss given default ("LGD") and probability of default ("PD"); and • Assessment of the key assumptions related to forward-looking information ("FLI") including the appropriateness of scenario weightings and macroeconomic variables.	We obtained an understanding of and evaluated the design of the key controls over the determination of ECL allowance and tested their operating effectiveness. These controls included among others: • Controls over model performance monitoring, including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes, including controls over key parameters calculations by the calculation engine; • Controls over ECL calculation and analysis of results; and • Controls over transfer of data for ECL calculations. In addition, we performed the substantive procedures described below. We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate, engaging our credit risk modelling experts and our industry knowledge. This included an evaluation of the judgemental criteria set by management for determining whether there had been a SICR (applicable to corporate, SME and retail portfolios), and the critical judgements and assumptions applied in determination of LGDs and PDs. We independently verified the calculation of ECL and assessed whether the ECL calculations were consistent with the approved model methodologies. We challenged management in respect of the appropriateness of the macroeconomic models as well as weightings applied to each macroeconomic scenario. We have also separately assessed impaired loans which are accounted for as individually impaired stage 3 loans. We have critically assessed the reasonableness of the methodology, judgments and assumptions applied by the management for estimation of parameters and assessed the accuracy of the input data and correctness of the calculations. We have also assessed accuracy and completeness of disclosures.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's activities are carried out primarily in Armenia. The Group's main operations relate to the banking and leasing businesses. The banking activities that make up the largest component of the Group represent approximately 88% of the Group's total assets and 86% of the Group's profit before tax. The remaining 12-14% of the Group's activities are mainly attributable to the leasing business. The Group audit team undertook the necessary audit procedures on both the banking and leasing components.

Our audit approach and team was designed to reflect the structure of the Group. Based on the procedures we performed over the two significant reporting units, our audit scoping and coverage accounted for approximately 100% of revenue and 100% of total assets of the Group.

Other information

Management is responsible for the other information. The other information comprises the Annual Report, which is expected to be made available to us after the date of this auditor's report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report , if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The Responsible Auditor on the audit resulting in this independent auditor's report is Levan Kankava.

Levan Kankava
Responsible Auditor

Nino Kadagishvili
Director

29 April 2024
Yerevan, Republic of Armenia

PricewaterhouseCoopers Armenia LLC

In thousands of Armenian Drams	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	8	78,159,849	88,369,285
Derivative financial assets	9	199,957	363,284
Loans and advances to banks	10	99,410,514	50,806,230
Investment securities	*11*		
-Held by the Bank		21,422,936	17,622,138
-Pledged under sale and repurchase agreements		-	6,019,389
Loans to customers	12	455,199,337	408,439,245
Receivables from finance leases	13	83,406,426	53,423,221
Investments in associates	37	1,775,530	1,362,224
Property, equipment and intangible assets	14	27,110,978	25,360,445
Other assets	17	17,108,253	13,173,420
TOTAL ASSETS		**783,793,780**	**664,938,881**
LIABILITIES			
Deposits and balances from banks	18	1,152,894	9,937,634
Current accounts and deposits from customers	19	503,231,650	424,168,945
Debt securities issued	20	21,087,118	6,206,060
Other borrowed funds	21	95,125,094	84,323,152
Current income tax liabilities	15	3,812,792	4,698,987
Deferred tax liabilities	15	732,149	1,016,530
Other liabilities	23	12,880,467	17,380,413
Subordinated loans	22	12,661,577	7,805,036
TOTAL LIABILITIES		**650,683,741**	**555,536,757**
EQUITY			
Share capital	24	55,000,000	55,000,000
Share premium	24	1,750,000	1,750,000
Share-based payment reserve	25	3,517,422	3,076,495
Revaluation reserve for property and equipment		3,909,911	4,985,941
Revaluation reserve for investment securities		151,526	877,300
Retained earnings		68,781,180	43,712,388
Total equity		**133,110,039**	**109,402,124**
TOTAL EQUITY AND LIABILITIES		**783,793,780**	**664,938,881**

Signed and authorized for release on behalf of the Management of the Bank on 29 April 2024.

Hakob Andreasyan
Chief Executive Officer

Armen Hakobyan
Chief Accountant

In thousands of Armenian Drams	Note	2023	2022
Interest revenue calculated using effective interest rate	27	68,851,092	52,264,734
Other interest revenue	27	10,445,440	5,852,766
Interest expense	27	(32,040,310)	(24,304,560)
Net interest income		**47,256,222**	**33,812,940**
Reversal of credit loss expense	16	565,530	2,286,215
Net interest income after credit loss expense		**47,821,752**	**36,099,155**
Fee and commission income	28	13,097,686	9,659,855
Fee and commission expense	28	(5,014,623)	(3,623,931)
Net gain/(loss) on financial instruments at fair value through profit and loss		400,019	(115,359)
Net gain from foreign exchange trading activities		5,333,764	13,516,463
Net loss from foreign exchange translation		(27,845)	(433,735)
Share of profit of associates	37	1,019,338	736,475
Reversal of /(Charge for) other impairment and provisions	32	2,783,748	(3,283,385)
Other income	29	853,917	1,448,285
Non-interest income		**18,446,004**	**17,904,668**
Personnel expenses		(20,325,827)	(16,716,813)
Depreciation and amortization	14	(3,312,788)	(2,606,948)
Other operating expenses	30	(3,032,516)	(2,437,261)
Other general administrative expenses	31	(4,831,447)	(3,925,140)
Non-interest expense		**(31,502,578)**	**(25,686,162)**
Profit before income tax expense		34,765,178	28,317,661
Income tax expense	15	(6,372,416)	(5,747,221)
Profit for the year		**28,392,762**	**22,570,440**
Earnings per share			
Basic and diluted, attributable to equity holders of the parent, AMD	24	5,162.32	4,103.72

In thousands of Armenian Drams	Note	2023	2022
Profit for the year		**28,392,762**	**22,570,440**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Change in fair value of investment securities at fair value through other comprehensive income		(981,961)	(318,240)
Included changes in allowance for expected credit losses		(735,920)	158,454
Income tax relating to components of other comprehensive income	15	176,753	57,283
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(805,208)**	**(260,957)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings and motor vehicles	14	-	1,977,001
Gain/(loss) on equity instruments at fair value through other comprehensive income		705	(3,104)
Income tax relating to components of other comprehensive income	15	(127)	(355,301)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**578**	**1,618,596**
Not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive income of associates		96,166	(53,122)
Income tax relating to components of other comprehensive income	15	(17,310)	9,562
Total share of the other comprehensive income of associates		**78,856**	**(43,560)**
Other comprehensive loss for the year, net of tax		**(725,774)**	**1,314,079**
Total comprehensive income for the year		**27,666,988**	**23,884,519**

In thousands of Armenian Drams	Share capital	Share premium	Share-based payment reserve	Revaluation surplus for property and equipment	Revaluation reserve for financial assets at fair value through other comprehensive income	Retained* earnings	Total equity
Balance as at 1 January 2022	**55,000,000**	**2,500,000**	**2,452,257**	**3,479,525**	**1,184,362**	**23,577,223**	**88,193,367**
Total comprehensive income							
Profit for the year	-	-	-	-	-	22,570,440	22,570,440
Other comprehensive income	-	-	-	1,621,141	(307,062)	-	1,314,079
Total comprehensive income for the year	**-**	**-**	**-**	**1,621,141**	**(307,062)**	**22,570,440**	**23,884,519**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(114,725)	-	114,725	-
Transactions with owners, recorded directly in equity							
Replenishment of reserve fund from share premium	-	(750,000)	-	-	-	750,000	-
Dividends declared	-	-	-	-	-	(3,300,000)	(3,300,000)
Total transactions with owners	**-**	**(750,000)**	**-**	**-**	**-**	**(2,550,000)**	**(3,300,000)**
Share-based payments (Note 25)	-	-	624,238	-	-	-	624,238
Balance as at 31 December 2022	**55,000,000**	**1,750,000**	**3,076,495**	**4,985,941**	**877,300**	**43,712,388**	**109,402,124**
Total comprehensive income							
Profit for the year	-	-	-	-	-	28,392,762	28,392,762
Other comprehensive loss	-	-	-	-	(725,774)	-	(725,774)
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(1,076,030)	-	1,076,030	-
Transactions with owners, recorded directly in equity							
Dividends declared	-	-	-	-	-	(4,400,000)	(4,400,000)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,400,000)**	**(4,400,000)**
Share-based payments (Note 25)	-	-	440,927	-	-	-	440,927
Balance as at 31 December 2023	**55,000,000**	**1,750,000**	**3,517,422**	**3,909,911**	**151,526**	**68,781,180**	**133,110,039**

* Retained earnings include statutory general reserve of the Bank in the amount of AMD 8,250,000 thousand.

In thousands of Armenian Drams	Note	2023	2022
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		65,435,119	49,369,597
Other interest received		10,445,440	6,102,070
Interest paid		(29,840,347)	(23,532,053)
Fees and commissions received		13,097,686	9,659,855
Fees and commissions paid		(5,014,623)	(3,623,931)
Net (payment)/receipt from derivative financial instruments at fair value through profit or loss		(663,718)	196,755
Net receipts from foreign exchange		5,333,764	13,516,463
Other operating expenses paid		(2,985,401)	(2,318,819)
Other income received		854,113	235,468
Salaries and other payments to employees		(18,700,666)	(14,460,895)
Other general administrative expenses paid		(3,755,177)	(3,925,140)
Cash flows from operating activities before changes in operating assets and liabilities		**34,206,190**	**31,219,370**
Net (increase)/decrease in operating assets			
Derivative financial assets		317,095	396,989
Loans and advances to banks		(48,347,859)	(32,847,258)
Loans to customers		(40,369,750)	(84,018,496)
Receivables from finance lease		(30,196,753)	(22,270,275)
Other assets		(1,262,502)	(2,693,895)
Net increase/(decrease) in operating liabilities			
Deposits and balances from banks		(8,637,177)	8,738,065
Current accounts and deposits from customers		71,747,907	116,891,930
Other liabilities		(5,658,758)	3,453,298
Net cash (used in)/from operating activities before income tax		**(28,201,607)**	**18,869,729**
Income tax paid		(7,383,676)	(2,687,672)
Net cash (used in)/from operating activities		**(35,585,283)**	**16,182,057**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(2,444,064)	(3,466,341)
Proceeds from sale of property, equipment		1,217,572	53,404
Purchases of investment securities		(13,364,866)	(6,195,291)
Sale of investment securities		16,049,251	2,944,680
Dividends received	37	701,763	539,806
Net cash from/(used in) investing activities		**2,159,656**	**(6,123,742)**
Cash flows from financing activities			
Proceeds from debt securities issued	38	18,339,013	2,191,500
Redemption of debt securities issued	38	(3,684,744)	(789,212)
Proceeds from other borrowed funds	38	34,345,599	34,288,004
Repayment of other borrowed funds	38	(27,032,928)	(37,932,197)
Subordinated loans received		4,479,000	-
Dividends paid	24	(4,400,000)	(3,300,000)
Net cash from/(used in) financing activities		**22,045,940**	**(5,541,905)**
Effect of exchange rates changes on cash and cash equivalents		1,123,990	(12,664,004)
Effect of changes in impairment allowance		46,259	68,891
Net decrease in cash and cash equivalents		(10,209,436)	(8,078,703)
Cash and cash equivalents, beginning		88,369,285	96,447,988
Cash and cash equivalents, ending	**8**	**78,159,849**	**88,369,285**

Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards") for the year ended 31 December 2023 for ACBA Bank OJSC (the "Bank") and its subsidiaries (the "Group").

ACBA Bank OJSC is the parent company in the Group, which is comprised of the Bank and its subsidiaries ACBA Leasing Credit Organization CJSC and ACBA Technolab LLC. It was formed in 1995 as a cooperative bank with collective ownership under the laws of the Republic of Armenia and reorganized into a closed joint stock company in 2006. The Bank was further reorganized into an open joint stock company and went public with an initial public offering in 2021 and after it got equity shares listing in the Armenian Stock Exchange (AMX). The Bank operates under a general banking license issued by the Central Bank of Armenia and is a member of the state deposit insurance system in the Republic of Armenia.

Principal activity. The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan, and it has 65 branches (including Head office) in Yerevan and other regions of Armenia.

Registered address and place of business. The Bank's registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.

ACBA Leasing Credit Organization, a subsidiary of ACBA Bank OJSC was formed on 30 March 2003 as a closed joint-stock company under the laws of the Republic of Armenia. The company's principal activities are finance lease operations with corporate and individual customers. The company possesses a credit organization license from the Central Bank of Armenia. The company is consolidated in these financial statements. The Bank owns 100% of the shares of ACBA Leasing Credit Organization CJSC.

On 23 December 2021 the Bank founded ACBA TECHNOLAB LLC educational center and owns 100% of its shares. The purpose of the center is to implement educational programs and attract qualified specialists.

As of 31 December, the shareholders of the Bank are:

Shareholder	2023, %	2022, %
ACBA Federation CJSC	81.61	83.80
Sacam International SAS	4.55	4.55
Other	13.84	11.65
Total	**100.0**	**100.0**

ACBA Federation CJSC is the parent of the Group and has no single controlling party. ACBA Federation CJSC was founded on 6 May 2017 by 10 Rural Mutual Assistance Associations, former shareholders of the Bank which are currently shareholders of ACBA Federation CJSC. The Rural Mutual Assistance Associations (the "Associations") are Non-Governmental Organisations working in the 10 regions of the Republic of Armenia which were founded to develop agriculture in the regions. The 10 Associations together have 72,850 members. The Bank's shares shown under other line are listed on Armenian Stock Exchange.

Presentation currency. These consolidated financial statements are presented in thousands of Armenian Drams ("AMD"), unless otherwise stated.

1 Operating Environment of Group

General

Environmental, Social and Governance (ESG) matters. In 2023 the Group carried out an assessment of the impact of climate change on the quality indicators of the Bank's agricultural portfolio, according to the results of which, until 2030, the quantities predicted by the official data of the climate change of the Republic of Armenia will have no significant impact on the variables characterizing the quality of agricultural loan portfolio. At the same time, the analysis carried out by the Group may be re-evaluated later.

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

Since the outbreak of the Russia-Ukraine war, EU export flows have been increasingly reoriented towards other economies in Eastern Europe and Central Asia. This reorientation has boosted associated trade and transport services, cut competition for native exports to Russia, and awakened previously dormant investment in the region.

Since March 2022, EU trade sanctions have nearly halved the bloc's goods exports to Russia and Belarus.

The likelihood of a negotiated settlement to the Russia-Ukraine war remains low over the short term, pointing to a prolonged conflict and trade sanctions. The trade diversion and influx of economic activity will have a longer-lasting impact beyond the current war. Previously dormant investment in infrastructure, IT, and production is awakening. Any improvements in infrastructure and/or local production boost longer-term growth potential. The governments must walk a thin line between reaping the added economic benefits of maintaining connections with Russia and the rest of the world while avoiding secondary sanctions.
In Armenia, growth is projected to hold steady at 4.5 percent a year over 2024-2025. While further unwinding in money transfer inflows from Russia is expected, re-exports and tourism will continue to support economic activity. However, long-term growth will remain hampered by commodity dependence, weaknesses in connectivity and logistics, and possible continuing geopolitical tensions between Armenia and Azerbaijan (World Bank January 2024 forecast).

When preparing its PD forecasts and ECL calculations the Group considered the above-mentioned observations and expectations.

Armenia has experienced significant socio-political and economic shocks in recent years. These events have included the 2020 twin shocks of the COVID-19 pandemic and the conflict with Azerbaijan, and more than 100,000 ethnic Armenians fleeing into the territory of Armenia in 2023.

Despite these challenges, the economy has continued to demonstrate resilience, which can be attributed to prudent macroeconomic policies, including active inflation targeting, adherence to fiscal responsibility, and effective oversight of the financial sector. Armenia’s growth accelerated in 2022 (12.6% increase in GDP) and remained strong in 2023 (8.7% increase in GDP), boosted by an inflow of foreign exchange, migrants, and businesses, mainly from Russia. Inflation, which peaked in the wake of the war in Ukraine, has quickly subsided. However, the regional security situation worsened significantly in September 2023, after Azerbaijan’s government took full control of Nagorno-Karabakh, which triggered the exodus of about 100,000 ethnic Armenians into Armenia. The government has responded with prompt policy measures to support their immediate needs.

S&P Global Ratings affirmed its 'BB-/B' long- and short-term foreign- and local- currency sovereign credit ratings in Armenia on 23 February 2024. The outlook on the long-term ratings is stable. Fitch Ratings has affirmed Armenia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook dated 26 January 2024.

The long-term effects of the current and future economic situation are difficult to assess and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 4 contains more information of how the Group incorporated forward-looking information in the ECL models.

2 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

These consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment (land, building and vehicle), financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI") and fair value of ordinary shares for employee stock ownership programme. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements are directed to primary users, being investors who lend or provide equity capital to the reporting entity. These consolidated financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena reported in these consolidated financial statements.

These consolidated financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these consolidated financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

3 Material accounting policy information

Investments in associates. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill.

The future changes in the carrying amount reflect the changes in the Group's share in the net assets of the associated organization after the consolidation. The Group's share in profit or loss of the associated organization is recognized in the consolidated statement of comprehensive income, and the changes in provisions are recognized in other comprehensive financial results.

Fair value measurement. The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair value is measured in accordance with the requirements of IFRS 13. Fair values of financial instruments measured at amortised cost are disclosed in Note 34.

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

Initial measurement. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and which is adjusted with the amount of commission fees and expenses, directly attributable to the transaction, in case of instruments, which are not revalued at fair value through profit or loss.

At the initial recognition, the best evidence of the fair value of a financial instrument is the transaction price. If the Group finds that the fair value at initial recognition differs from the transaction price, and if that fair value is based on the quoted price for a similar asset or liability in the market, or is based on the valuation technique, that uses the data of only observable markets, then at the initial recognition, the Group recognizes the difference between the fair value and the transaction price in profit or loss; in all other cases, the initial measurement of a financial instrument is adjusted so that the difference between the fair value and transaction price at initial recognition is transferred to the future periods. After initial recognition, the Group recognizes the deferred difference as a gain or loss, only when the input data become observable or if the instrument is derecognized.

Measurement categories of financial assets and liabilities. The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
Amortised cost; FVOCI; FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group classifies Visa C shares as dept instruments measured at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and guarantees, are measured at amortized cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Loans and advances to banks, loans to customers, investment securities at amortized cost

The Group only measures loans and advances to banks, loans to customers and investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined under note 4.

Debt instruments at FVOCI. The Group measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

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

Advances given for finance leases. The Group treats advances received from lessees and advances given to suppliers as monetary items and recognises financial liabilities and financial assets for them.

Reclassification of financial assets and liabilities. The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, Nostro accounts in banks and amounts due from the CBA, including obligatory reserves in AMD free from contractual encumbrances. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Mandatory cash balances with the CBA. Mandatory cash balances with the CBA are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repurchase and reverse repurchase agreements and securities lending. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings. Borrowing include amounts due to the Central bank, amounts due to banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Subordinated loans. Subordinated debt is carried at AC.

Debt securities issued. Debt securities in issue include promissory notes, bonds issued by the Group. Debt securities are stated at AC.

Leases

Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 2,500 thousand).

Operating − Group as a lessor. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Finance − Group as a lessor. The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term.

Recognition of financial income is based on schedule that provides a fixed periodic rate of return on the lessor's net investment under the lease. Finance income from leases is recorded within "Other interest revenue" in profit or loss. Initial direct costs are included in the initial estimate of finance lease receivables.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC. Interest income is recognised on gross carrying amount, except for impaired loans in stage 3, for which interest income is recognised on net carrying amount.

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

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

- Change in currency of the loan;
- Change in counterparty;

If the modification is such that the instrument would no longer meet the SPPI criterion.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3. In order for the restructured loan to be reclassified out of Stage 3 the below mentioned conditions should be met:

- Loans with monthly payment schedules, overdue amounts have been fully paid for, 3 consecutive payments of principal and interest in accordance with the modified payment schedule have been made and there are no overdue days exceeding 7 days;
- Loans with flexible payment schedules, overdue amounts have been fully paid, afterwards, regular payments of principal and interest have been made for a minimum 6-month probation period in accordance with the modified payment schedule and there are no overdue days exceeding 7 days.

Derecognition of financial assets and liabilities

Write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Taxation. The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Property and equipment. Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Following initial recognition at cost, land, buildings and motor vehicles are carried at a revalued amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.
Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	46
Equipment	5-10
Motor vehicles	7-10
Other	7-10

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

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Repossessed assets. Repossessed assets are measured at the lower of cost and net releasable value.

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 share premium.

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

Fiduciary assets. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting. The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Agriculture, Trading and Investment banking and Finance lease.

Interest and similar income and expense. The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is

calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Interest revenue on advances given for finance lease and interest revenue recognised on finance lease is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Interest revenue from penalties on loans to customers presented in "Interest revenue calculated using effective interest rate" in the consolidated statement of profit or loss.

Fee and commission income. The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses − are recognised on completion of the underlying transaction.

Customer loyalty programs

The Group offers a number of customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income
Income is recognised when the Group's right to receive the payment is established.

Foreign currency translation. The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank's and its subsidiary's functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as Net gain/(loss) from foreign exchange translation differences.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in Net gain/(loss) from foreign exchange trading activities. The official CBA exchange rates at 31 December 2023 and 31 December 2022, were 404.79 Drams and 393.57 Drams to 1 USD and 447.90 Drams and 420.06 Drams to 1 EUR, respectively.

Share-based payments. Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Bank.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 25.

That cost is recognised in personnel expenses together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include revaluation of land, buildings and motor vehicles

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group assesses market changes for significant changes each year and engages independent experts for valuation of its premises and vehicles, whenever relevant and appropriate (note 34).

Fair value measurement. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 32.

Impairment losses on financial assets.The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;

- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for loan and finance lease impairment recognized in consolidated statement of financial position at 31 December 2023 was AMD 6,048,341 thousand (2022: AMD 5,982,161 thousand). More details are provided in Notes 12 and 13.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 36.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers are now recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity is recognising the loss immediately. The Group applied the standard to certain performance guarantees that it issues and that do not meet the definition of a loan commitment. The adoption of the standard did not have a material impact on these consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendment did not have a material impact on these consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendment did not have a material impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2025.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

7 Segment information

For management purposes, the Group is organised into five operating segments based on products and services as follows:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Agriculture	Principally handling loans and other credit facilities and deposit and current accounts for customers in agriculture industry.
Trading and Investment banking (IB)	Treasury and finance, investment banking and other central functions.
Finance lease	Principally providing finance lease services to corporate and individual customers.

Chief Operating Decision Maker of the Group is the Chief Executive Officer.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group has a separate measurement for net-interest income and non- interest income per Retail banking, Corporate banking, Agriculture and Trading & IB segments. For allocation of non-interest expenses the Group approximates the proportion of net-interest income and non - interest income per each segment. For the leasing segment (ACBA Leasing subsidiary) the Group has fully separate measurement. Income taxes are managed on a group basis and are allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Interest earning assets include loans to customers, derivative financial assets, investment securities, loans and advances to other banks and receivables from finance leases.
Interest bearing financial liabilities include deposits, borrowed funds, correspondent accounts of other banks and debt securities issued.

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

2023 *In thousands of Armenian Drams*	**Retail banking**	**Corporate banking**	**Agriculture**	**Trading and IB**	**Finance Lease**	**Total**
Interest revenue calculated using effective interest rate	28,000,085	20,492,082	17,208,308	3,150,617	-	**68,851,092**
Other interest revenue	-	-	-	254,916	10,190,524	**10,445,440**
Interest expense	(9,701,551)	(8,977,050)	(7,464,598)	(1,217,267)	(4,679,844)	**(32,040,310)**
Net Interest income	**18,298,534**	**11,515,032**	**9,743,710**	**2,188,266**	**5,510,680**	**47,256,222**
Reversal of credit loss expense / (credit loss expense)	(829,185)	249,674	95,114	1,182,871	(132,944)	**565,530**
Net interest income after credit loss expense	**17,469,349**	**11,764,706**	**9,838,824**	**3,371,137**	**5,377,736**	**47,821,752**
Fee and commission income	6,231,889	3,526,644	3,179,472	-	159,681	**13,097,686**
Fee and commission expense	(2,309,226)	(1,453,166)	(1,229,631)		(22,600)	**(5,014,623)**
Net loss on financial instruments at fair value through profit and loss	-	-	-	400,019	-	**400,019**
Net gain/(loss) from foreign exchange trading activities	2,555,306	1,562,598	1,344,690		(128,830)	**5,333,764**
Net loss/gain from foreign exchange translation	(33,833)	(20,689)	(17,804)		44,481	**(27,845)**
Share of profit of associates	-	-	-	1,019,338	-	**1,019,338**
Reversal /(Charge for) of other impairment and provisions	1,302,189	796,303	685,256	-	-	**2,783,748**
Other income	343,133	210,265	180,568	-	119,951	**853,917**
Non-interest income	**8,089,458**	**4,621,955**	**4,142,551**	**1,419,357**	**172,683**	**18,446,004**
Personnel expenses	(8,317,880)	(5,332,747)	(4,550,111)	(1,559,164)	(565,925)	**(20,325,827)**
Depreciation and amortization	(1,526,309)	(933,355)	(803,196)	-	(49,928)	**(3,312,788)**
Other operating expenses	(1,363,374)	(833,718)	(717,454)	-	(117,970)	**(3,032,516)**
Other general administrative expenses	(2,172,071)	(1,328,246)	(1,143,017)	-	(188,113)	**(4,831,447)**
Non-interest expense	**(13,379,634)**	**(8,428,066)**	**(7,213,778)**	**(1,559,164)**	**(921,936)**	**(31,502,578)**
Profit before income tax expense	**12,179,173**	**7,958,595**	**6,767,597**	**3,231,330**	**4,628,483**	**34,765,178**
Income tax expense	(2,600,411)	(1,590,180)	(1,368,425)	-	(813,400)	**(6,372,416)**
Profit for the year	**9,578,762**	**6,368,415**	**5,399,172**	**3,231,330**	**3,815,083**	**28,392,762**
Segment interest earning assets	**154,976,483**	**202,038,959**	**98,183,895**	**25,973,391**	**83,406,426**	**564,579,154**
Segment interest bearing liabilities	**234,329,339**	**30,947,988**	**27,613,614**	**59,720,467**	**76,548,946**	**429,160,354**

2022 *In thousands of Armenian Drams*	**Retail banking**	**Corporate banking**	**Agriculture**	**Trading and IB**	**Finance Lease**	**Total**
Interest revenue calculated using effective interest rate	19,587,306	13,938,461	15,880,325	2,858,642	-	**52,264,734**
Other interest revenue	-	-	-	130,202	5,722,564	**5,852,766**
Interest expense	(6,669,927)	(6,567,713)	(7,431,082)	(1,137,339)	(2,498,499)	**(24,304,560)**
Net Interest income	**12,917,379**	**7,370,748**	**8,449,243**	**1,851,505**	**3,224,065**	**33,812,940**
Reversal of credit loss expense / (credit loss expense)	1,173,104	350,093	797,322	(108,012)	73,708	**2,286,215**
Net interest income after credit loss expense	**14,090,483**	**7,720,841**	**9,246,565**	**1,743,493**	**3,297,773**	**36,099,155**
Fee and commission income	5,142,169	1,990,132	2,378,905	-	148,649	**9,659,855**
Fee and commission expense	(1,627,073)	(928,419)	(1,064,267)	-	(4,172)	**(3,623,931)**
Net gain on financial instruments at fair value through profit and loss	-	-	-	(115,359)	-	**(115,359)**
Net gain from foreign exchange trading activities	6,484,007	3,327,322	3,852,680	-	(147,546)	**13,516,463**
Net loss/gain from foreign exchange translation	(223,357)	(114,617)	(132,715)	-	36,954	**(433,735)**
Share of profit of associates	-	-	-	736,475	-	**736,475**
Other income	656,459	336,866	390,057	-	64,903	**1,448,285**
Non-interest income	**10,432,205**	**4,611,284**	**5,424,660**	**621,116**	**98,788**	**21,188,053**
Personnel expenses	(7,425,992)	(3,734,430)	(4,442,759)	(716,054)	(397,578)	**(16,716,813)**
Depreciation and amortization	(1,222,831)	(627,506)	(726,584)	-	(30,027)	**(2,606,948)**
Other operating expenses	(1,104,020)	(566,537)	(655,989)	-	(110,715)	**(2,437,261)**
Other general administrative expenses	(1,795,437)	(921,343)	(1,066,817)	-	(141,543)	**(3,925,140)**
Charge for other impairment and provisions	(1,558,071)	(799,537)	(925,777)	-	-	**(3,283,385)**
Non-interest expense	**(13,106,350)**	**(6,649,353)**	**(7,817,927)**	**(716,054)**	**(679,863)**	**(28,969,547)**
Profit/(loss) before income tax expense	**11,416,337**	**5,682,772**	**6,853,299**	**1,648,555**	**2,716,698**	**28,317,661**
Income tax expense	(2,468,973)	(1,266,974)	(1,467,020)	-	(544,254)	**(5,747,221)**
Profit/(loss) for the year	**8,947,364**	**4,415,798**	**5,386,279**	**1,648,555**	**2,172,444**	**22,570,440**
Segment interest earning assets	**159,718,236**	**117,732,694**	**130,988,315**	**25,358,661**	**53,423,221**	**487,221,127**
Segment interest bearing liabilities	**185,737,575**	**21,898,804**	**24,474,199**	**99,752,380**	**51,229,395**	**383,092,353**

The Group's operations are primarily concentrated in Armenia. The Group has no non-current assets outside Armenia other than financial instrument presented in note 10. The Group does not have customers with the revenues exceeding 10% of the total revenue of the Group

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. In total, credit risk exposure to financial institutions is estimated to have amounted to AMD 177,770,320 thousand (2022: AMD 139,538,799 thousand) comprising cash and cash equivalents, deposits and other amounts due from banks, repurchase receivables and financial derivatives.

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the year ended 31 December 2023 and 2022 is as follows:

2023 *In thousands of Armenian Drams*	**Retail banking, other than agriculture**	**Corporate banking**	**Agriculture**	**Finance lease**	**Total**
Commission income					
Plastic card maintenance	4,374,095	2,475,313	2,231,636	-	**9,081,044**
Money transfers	570,138	322,643	290,881	-	**1,183,662**
Banking account servicing fees	286,993	162,410	146,422	-	**595,825**
Guarantee and letter of credit issuance	-	-	1,004,237	-	**1,004,237**
Cash withdrawal services	230,348	130,355	117,523	-	**478,226**
Other	286,601	162,188	146,222	159,681	**754,692**
Total revenue from contracts with customers	**5,748,175**	**3,252,909**	**3,936,921**	**159,681**	**13,097,686**

2022 *In thousands of Armenian Drams*	**Retail banking, other than agriculture**	**Corporate banking**	**Agriculture**	**Finance lease**	**Total**
Commission income					
Plastic card maintenance	3,260,740	1,261,978	1,508,506	-	**6,031,224**
Money transfers	759,127	293,799	351,193	-	**1,404,119**
Banking account servicing fees	152,003	58,828	70,321	-	**281,152**
Guarantee and letter of credit issuance	-	-	568,406	-	**568,406**
Cash withdrawal services	395,570	153,094	183,001	-	**731,665**
Other	267,424	103,499	123,717	148,649	**643,289**
Total revenue from contracts with customers	**4,834,864**	**1,871,198**	**2,805,144**	**148,649**	**9,659,855**

8 Cash and cash equivalents

Cash and cash equivalents comprise:

In thousands of Armenian Drams	**2023**	**2022**
Cash on hand	22,665,289	21,703,944
Current accounts with the Central Bank, including obligatory reserves (not restricted part, see Note 10)	38,560,913	58,759,074
Current accounts with other banks		
- rated BBB-(Baa3) and over	10,847,364	1,243,082
- rated lower than BBB-(Baa3) and without rating	1,429,994	6,716,379
Short-term deposits in other banks		
- rated BBB-(BAA3) and over	4,663,224	-
Impairment	(6,935)	(53,194)
Cash and cash equivalents	**78,159,849**	**88,369,285**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality.

As of 31 December 2023, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 26,139,452 thousand (2022: AMD 19,602,439 thousand).

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2022: 4%) of the amounts attracted in Armenian drams and 18% (2022: 18%) of the amounts attracted in foreign currencies.

As of 31 December 2023, 78% of AMD 9,530,941 thousand from Current accounts with other banks are balances in correspondent account in one foreign bank (2022: 67% of AMD 5,322,574 thousand one foreign bank).

From the amounts attracted in foreign currency the banks are required to maintain 6% (2022: 6%) of the amounts in local currency as cash deposit with CBA, and 12% (2022: 12%) − in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted, so the Group classifies obligatory reserves deposited in foreign currency as loans and advances to banks (Note 10).

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

In thousands of Armenian Drams	**2023**	**2022**
ECL allowance as at 1 January	53,194	133,293
Changes in ECL	(46,192)	(68,891)
Foreign exchange adjustments	(67)	(11,208)
At 31 December	**6,935**	**53,194**

Information about credit quality of cash and cash equivalents is presented in Note 33 "Risk management".

9 Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

In thousands of Armenian Drams	**2023**		**2022**	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
Assets				
Derivative financial instruments				
Interest rate swap	4,189,455	190,192	5,673,542	327,011
Currency swap	8,577,752	9,765	2,136,573	36,273
	12,767,207	199,957	7,810,115	363,284
Liabilities				
Derivative financial instruments				
Currency swap/Liabilities	-	58,552	-	-

10 Loans and advances to banks

Loans and advances to banks comprise:

In thousands of Armenian Drams	**2023**	**2022**
Due from the CBA		
Credit card settlement deposit with the CBA	6,005,000	2,777,500
Mandatory reserves in CBA (in foreign currency) (Note 8)	26,827,740	21,675,649
Total	**32,832,740**	**24,453,149**
Loans and advances to other banks		
Armenian banks		
-rated from Ba1 to Ba3	-	199,889
Foreign banks		
-rated from AA1 to AA3	20,240	950,933
-rated from A1 to A3	4,167,101	203,028
Correspondent accounts and overnight placements of other banks	163,157	-
Total loans and deposits to other banks	**4,350,498**	**1,353,850**
Other receivables		
Unsettled transactions	208,919	22,273,672
Amounts receivable from money transfer systems	1,914,392	1,852,078
Amounts receivable from transactions with plastic cards	125,360	425,196
Amounts receivable under reverse repurchase agreements		
Amounts receivable from Armenian banks	60,035,070	559,459
Loans and advances to banks before impairment	99,466,979	50,917,404
Impairment	(56,465)	(111,174)
Total loans and advances to banks	**99,410,514**	**50,806,230**

As of 31 December 2023, mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 26,827,740 thousand (2022: AMD 21,675,649 thousand) (See Note 8).

Unsettled transactions include amount was not settled as of December 31 in Group's CBA account. This amount was settled first working day of January as cash to Group's current account.

As at 31 December 2023, AMD 4,187,341 thousand (2022: AMD 1,134,283 thousand) were placed as deposited amounts with three (2022: three) internationally recognized OECD banks, who are the main counterparties of the Group in performing international settlements.

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 31 December 2023 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Total**
ECL allowance as at 1 January 2023	**(111,174)**	**(111,174)**
New assets originated or purchased	(56,465)	**(56,465)**
Assets repaid	111,174	**111,174**
At 31 December 2023	**(56,465)**	**(56,465)**

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 31 December 2022 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Total**
ECL allowance as at 1 January 2022	**56,016**	**56,016**
New assets originated or purchased	111,174	**111,174**
Assets repaid	(56,016)	**(56,016)**
At 31 December 2022	**111,174**	**111,174**

In thousands of Armenian Drams	2023	2022
	Stage 1	**Stage 1**
Due from the CBA	32,832,740	24,453,149
Expected credit loss allowance	(50,770)	(33,803)
Carrying amount	**32,781,970**	**24,419,346**
Loans and advances to other banks	4,350,498	1,353,850
Expected credit loss allowance	(1,155)	(5,989)
Carrying amount	**4,349,343**	**1,347,861**
Amounts receivable under reverse repurchase agreements	60,035,070	559,459
Expected credit loss allowance	-	-
Carrying amount	**60,035,070**	**559,459**
Other receivables	2,248,671	24,550,946
Expected credit loss allowance	(4,540)	(71,382)
Carrying amount	**2,244,131**	**24,479,564**
Total due from other banks (gross carrying amount)	**99,466,979**	**50,917,404**
Expected credit loss allowance	(56,465)	(111,174)
Net loans to customers at amortised cost (carrying amount)	**99,410,514**	**50,806,230**

Information about credit quality of loans and advances to banks is presented in Note 33 “Risk management”.

11 Investment securities

Investment securities as at 31 December 2023 and 31 December 2022 comprise:

Debt securities at amortised cost	2023	2022
In thousands of Armenian Drams		
Held by the Bank		
Bonds of Armenian companies	-	169,536
Less: allowance for impairment	-	(79,196)
Total securities at amortised cost held by the Bank	**-**	**90,340**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**-**	**169,536**		**169,536**
Assets repaid	-	(118,675)		**(118,675)**
Amounts written off	-	(50,861)	-	**(50,861)**
At 31 December 2023	**-**	**-**	**-**	**-**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**-**	**79,196**	**-**	**79,196**
Assets repaid	-	(55,437)	-	**(55,437)**
Changes to models and inputs used for ECL calculations	-	27,102	-	**27,102**
Amounts written off	-	(50,861)	-	**(50,861)**
At 31 December 2023	**-**	**-**	**-**	**-**

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

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**18,403,647**	**2,882,144**	**-**	**21,285,791**
New assets originated or purchased	8,621,672	-	-	**8,621,672**
Assets repaid	(8,486,954)	(2,029,145)	-	**(10,516,099)**
Net change in fair value	(246,041)	-	-	**(246,041)**
Amounts written off	-	(852,999)	-	**(852,999)**
Foreign exchange adjustments	242,576	-		**242,576**
At 31 December 2023	**18,534,900**	**-**	**-**	**18,534,900**

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**190,505**	**581,344**	**-**	**771,849**
New assets originated or purchased	13,944			**13,944**
Assets repaid	(46,385)	-	-	**(46,385)**
Impact on period end ECL of exposures transferred between stages during the period	-	-		**-**
Changes to models and inputs used for ECL calculations*	(122,674)	271,655	-	**148,981**
Amounts written off		(852,999)	-	**(852,999)**
Foreign exchange adjustments	539	-		**539**
At 31 December 2023	**35,929**	**-**	**-**	**35,929**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Total**
Gross carrying value as at 1 January 2022	**180,897**	**-**	**180,897**
Assets repaid	-	(11,361)	**(11,361)**
Transfers to Stage 2	(180,897)	180,897	-
At 31 December 2022	**-**	**169,536**	**169,536**

Debt securities at amortised cost *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Total**
ECLs as at 1 January 2022	**62,680**	**-**	**62,680**
Transfers to Stage 2	(62,680)	62,680	-
Impact on period end ECL of exposures transferred between stages during the period	-	16,516	**16,516**
At 31 December 2022	**-**	**79,196**	**79,196**

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

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Total**
Gross carrying value as at 1 January 2022	**21,002,200**	**-**	**21,002,200**
New assets originated or purchased	6,722,661	-	**6,722,661**
Assets repaid	(4,147,786)	(15,909)	**(4,163,695)**
Transfers to Stage 2	(3,429,525)	3,429,525	**-**
Net change in fair value	(410,670)	(66,024)	**(476,694)**
Foreign exchange adjustments	(1,333,233)	(465,448)	**(1,798,681)**
At 31 December 2022	**18,403,647**	**2,882,144**	**21,285,791**

Debt securities at FVOCI *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Total**
ECLs as at 1 January 2022	**613,395**	**-**	**613,395**
New assets originated or purchased	318,675	-	**318,675**
Assets repaid	(14,793)	-	**(14,793)**
Transfers to Stage 2	(649,216)	649,216	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	2,245	**2,245**
Changes to models and inputs used for ECL calculations	(61,564)	-	**(61,564)**
Foreign exchange adjustments	(15,992)	(70,117)	**(86,109)**
At 31 December 2022	**190,505**	**581,344**	**771,849**

Debt and other equity instruments at FVOCI *In thousands of Armenian Drams*	**31 December 2023**	**31 December 2022**
Held by the Bank		
Government bonds		
Government securities of the Republic of Armenia	18,238,634	12,033,575
Corporate bonds		
Bonds of Armenian companies	296,266	3,232,827
Equity instruments		
Unquoted equity securities	112,983	112,278
Total debt and other equity instruments at FVOCI held by the Bank	**18,647,883**	**15,378,680**

Dept instruments held by the Bank at FVTPL *In thousands of Armenian Drams*	**31 December 2023**	**31 December 2022**
Quoted debt securities – shares Visa Series C	2,775,053	2,153,118
Total debt and other equity instruments at FVTPL held by the Bank	**2,775,053**	**2,153,118**

In thousands of Armenian Drams	**2023**	**2022**
Pledged instruments under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	6,019,389
Total pledged instruments under sale and repurchase agreements at FVOCI	**-**	**6,019,389**

As at 31 December 2023 and 2022 unquoted equity securities at FVOCI primarily include mandatory shares in exchanges and clearing houses.

In 2023, the Group received dividends of AMD 3,185 thousand (2022: AMD 9,199 thousand) from its equities which was recorded in the consolidated statement as other income.

At 31 December 2023 98.4% (2022: 84.5%) of debt instruments are presented by government bonds of the republic of Armenia.

At 31 December 2023 and 2022 no securities were past due or impaired and there were no renegotiated balances of investment securities that would otherwise be past due.

Information about credit quality of debt instruments is presented in Note 33 “Risk management”.

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

12 Loans to customers

Loans to customers as of 31 December 2023 and 31 December 2022 comprise:

In thousands of Armenian Drams	2023	2022
Loans to corporate customers		
Loans to small and medium size companies	114,864,473	92,434,438
Loans to large corporate customers	76,932,670	56,033,369
Total loans to corporate customers	**191,797,143**	**148,467,807**
Loans to retail customers (other than agricultural and corporate loans)		
Consumer loans	114,304,150	101,971,629
Mortgage loans	54,259,632	42,553,868
Credit cards	12,522,907	12,102,219
Gold-secured loans	-	135
Total loans to retail customers	**181,086,689**	**156,627,851**
Agricultural loans to retail customers	71,047,964	94,712,827
Agricultural loans to corporate customers	16,539,537	14,069,596
Total agricultural loans to customers	**87,587,501**	**108,782,423**
Gross loans to customers	460,471,333	413,878,081
Credit loss allowance	(5,271,996)	(5,438,836)
Net loans to customers at amortised cost	**455,199,337**	**408,439,245**

Allowance for impairment of loans to customers at amortised cost. An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2023 is as follows:

Loans to large corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2023	**52,929,911**	**155,344**	**2,918,912**	**29,202**	**56,033,369**
New assets originated or purchased	36,961,446	-	-	-	**36,961,446**
Assets repaid	(15,697,022)	(91,321)	(1,283,205)	(29,202)	**(17,100,750)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	(179,416)	179,416	-	-	**-**
Transfers to Stage 3	(1,965,943)	(54,573)	2,020,516	-	**-**
Amounts written off	-	-	-	-	**-**
Foreign exchange adjustments	994,225	-	44,380	-	**1,038,605**
At 31 December 2023	**73,043,201**	**188,866**	**3,700,603**	**-**	**76,932,670**

Loans to large corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2023	**156,136**	**673**	**644,511**	**7,891**	**809,211**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	83,509	-	-	-	**83,509**
Assets repaid	(36,696)	(271)	(197,930)	(7,891)	**(242,788)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	(698)	698	-	-	**-**
Transfers to Stage 3	(5,624)	(402)	6,026	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	(47)	36,924	-	**36,877**
Changes to models and inputs used for ECL calculations	(36,328)	-	(349,338)	-	**(385,666)**
Total movements with impact on credit loss allowance charge for the period	**4,163**	**(22)**	**(504,318)**	**(7,891)**	**(508,068)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	88,804		**88,804**
Amounts written off	-	-	-		**-**
Foreign exchange adjustments	2,224	-	4,862		**7,086**
At 31 December 2023	**162,523**	**651**	**233,859**	**-**	**397,033**

Loans to small and medium size companies *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**86,512,033**	**4,334,618**	**1,587,787**	**92,434,438**
New assets originated or purchased	59,949,852	-	-	**59,949,852**
Assets repaid	(36,053,058)	(1,222,082)	(1,078,436)	**(38,353,576)**
Transfers to Stage 1	350,640	(350,640)	-	**-**
Transfers to Stage 2	(901,651)	901,651	-	**-**
Transfers to Stage 3	(1,168,250)	(119,849)	1,288,099	**-**
Amounts written off	-	-	(17,873)	**(17,873)**
Foreign exchange adjustments	761,154	69,731	20,747	**851,632**
At 31 December 2023	**109,450,720**	**3,613,429**	**1,800,324**	**114,864,473**

Loans to small and medium size companies *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**261,861**	**62,434**	**466,584**	**790,879**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	272,068	-	-	**272,068**
Assets repaid	(75,743)	(3,719)	(78,096)	**(157,558)**
Transfers to Stage 1	4,811	(4,811)	-	**-**
Transfers to Stage 2	(9,387)	9,387	-	**-**
Transfers to Stage 3	(134,110)	(5,373)	139,483	**-**
Impact on period end ECL of exposures transferred between stages during the period	(4,000)	11,315	163,104	**170,419**
Changes to models and inputs used for ECL calculations	(76,752)	(18,520)	(196,022)	**(291,294)**
Total movements with impact on credit loss allowance charge for the period	**(23,113)**	**(11,721)**	**28,469**	**(6,365)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	43,577	**43,577**
Amounts written off	-	-	(17,873)	**(17,873)**
Foreign exchange adjustments	1,758	864	7,356	**9,978**
At 31 December 2023	**240,506**	**51,577**	**528,113**	**820,196**

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2023 is as follows:

Agricultural loans to retail customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**90,849,150**	**1,390,543**	**2,473,133**	**94,712,826**
New assets originated or purchased	19,894,758	-	-	**19,894,758**
Assets repaid	(41,133,575)	(692,598)	(1,696,725)	**(43,522,898)**
Transfers to Stage 1	77,985	(77,985)	-	**-**
Transfers to Stage 2	(472,761)	472,761	-	**-**
Transfers to Stage 3	(1,323,933)	(156,023)	1,479,956	**-**
Amounts written off	-	-	(83,959)	**(83,959)**
Foreign exchange adjustments	40,539	1,564	5,134	**47,237**
At 31 December 2023	**67,932,163**	**938,262**	**2,177,539**	**71,047,964**

Agricultural loans to retail customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**294,178**	**22,374**	**641,182**	**957,734**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	170,230	-	-	**170,230**
Assets repaid	(50,610)	(4,597)	(157,576)	**(212,783)**
Transfers to Stage 1	1,757	(1,757)	-	**-**
Transfers to Stage 2	(4,058)	4,058	-	**-**
Transfers to Stage 3	(133,369)	(7,619)	140,988	**-**
Impact on period end ECL of exposures transferred between stages during the period	(1,548)	4,819	203,866	**207,137**
Changes to models and inputs used for ECL calculations	(139,812)	(5,413)	(222,117)	**(367,342)**
Total movements with impact on credit loss allowance charge for the period	**(157,410)**	**(10,509)**	**(34,839)**	**(202,758)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	66,877	**66,877**
Amounts written off	-	-	(83,959)	**(83,959)**
Foreign exchange adjustments	209	28	1,161	**1,398**
At 31 December 2023	**136,977**	**11,893**	**590,422**	**739,292**

Agricultural loans to corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**13,996,827**	**-**	**72,770**	**14,069,597**
New assets originated or purchased	3,514,055	-	-	**3,514,055**
Assets repaid	(1,042,224)	(4,478)	(33,722)	**(1,080,424)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(29,270)	29,270	-	**-**
Transfers to Stage 3	(11,827)	-	11,827	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	35,602	707	-	**36,309**
At 31 December 2023	**16,463,163**	**25,499**	**50,875**	**16,539,537**

Agricultural loans to corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**35,086**	**-**	**23,754**	**58,840**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	4,291	-	-	**4,291**
Assets repaid	(510)	-	-	**(510)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(76)	76	-	**-**
Transfers to Stage 3	(30)	-	30	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	2,544	2,799	**5,343**
Changes to models and inputs used for ECL calculations	(18,949)	-	(18,229)	**(37,178)**
Total movements with impact on credit loss allowance charge for the period	**(15,274)**	**2,620**	**(15,400)**	**(28,054)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	973	**973**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	44	75	-	**119**
At 31 December 2023	**19,856**	**2,695**	**9,327**	**31,878**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2023 is as follows:

Consumer loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**96,146,392**	**2,112,350**	**3,712,887**	**101,971,629**
New assets originated or purchased	66,457,323	-	-	**66,457,323**
Assets repaid	(49,727,837)	(912,069)	(3,391,648)	**(54,031,554)**
Transfers to Stage 1	177,728	(177,728)	-	**-**
Transfers to Stage 2	(1,184,956)	1,184,956	-	**-**
Transfers to Stage 3	(2,976,199)	(544,688)	3,520,887	**-**
Amounts written off	-	-	(97,428)	**(97,428)**
Foreign exchange adjustments	3,717	182	281	**4,180**
At 31 December 2023	**108,896,168**	**1,663,003**	**3,744,979**	**114,304,150**

Consumer loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**668,819**	**116,532**	**1,405,801**	**2,191,152**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	1,069,269	-	-	**1,069,269**
Assets repaid	(189,023)	(13,910)	(278,265)	**(481,198)**
Transfers to Stage 1	7,311	(7,311)	-	**-**
Transfers to Stage 2	(108,129)	108,129	-	**-**
Transfers to Stage 3	(586,922)	(71,776)	658,698	**-**
Impact on period end ECL of exposures transferred between stages during the period	(5,479)	52,600	605,028	**652,149**
Changes to models and inputs used for ECL calculations	(164,416)	(11,458)	(752,748)	**(928,622)**
Total movements with impact on credit loss allowance charge for the period	**22,611**	**56,274**	**232,713**	**311,598**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	182,475	**182,475**
Amounts written off	-	-	(97,428)	**(97,428)**
Foreign exchange adjustments	6	1	153	**160**
At 31 December 2023	**691,436**	**172,807**	**1,723,714**	**2,587,957**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2023 is as follows:

Mortgage loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2023	**40,938,397**	**665,750**	**910,662**	**39,059**	**42,553,868**
New assets originated or purchased	16,927,531	-	-	-	**16,927,531**
Assets repaid	(4,884,864)	(82,071)	(340,706)	(9,988)	**(5,317,629)**
Transfers to Stage 1	47,970	(47,970)	-	-	**-**
Transfers to Stage 2	(77,227)	77,227	-	-	**-**
Transfers to Stage 3	(481,467)	(30,660)	512,127	-	**-**
Amounts written off	-	-	(11,089)	-	**(11,089)**
Foreign exchange adjustments	92,204	5,819	8,318	610	**106,951**
At 31 December 2023	**52,562,544**	**588,095**	**1,079,312**	**29,681**	**54,259,632**

Mortgage loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2023	**40,524**	**11,385**	**288,395**	**6,756**	**347,060**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	58,757	-	-	-	**58,757**
Assets repaid	(2,237)	(408)	(93,366)	-	**(96,011)**
Transfers to Stage 1	1,307	(1,307)	-	-	**-**
Transfers to Stage 2	(1,124)	1,124	-	-	**-**
Transfers to Stage 3	(18,883)	(1,108)	19,991	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	(1,212)	26	99,665	-	**98,479**
Changes to models and inputs used for ECL calculations	43,734	665	(25,491)	(6,756)	**12,152**
Total movements with impact on credit loss allowance charge for the period	**80,342**	**(1,008)**	**799**	**(6,756)**	**73,377**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	29,458	-	**29,458**
Amounts written off	-	-	(11,089)	-	**(11,089)**
Foreign exchange adjustments	200	108	2,946	-	**3,254**
At 31 December 2023	**121,066**	**10,485**	**310,509**	**-**	**442,060**

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2023 is as follows:

Credit cards and gold-secured loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**11,233,718**	**227,146**	**641,490**	**12,102,354**
New assets originated or purchased	4,693,486	-	-	**4,693,486**
Assets repaid	(3,801,984)	(92,578)	(407,030)	**(4,301,592)**
Transfers to Stage 1	20,226	(20,226)	-	**-**
Transfers to Stage 2	(100,764)	100,764	-	**-**
Transfers to Stage 3	(299,860)	(42,138)	341,998	**-**
Amounts written off	-	-	(28,659)	**(28,659)**
Foreign exchange adjustments	53,435	1,177	2,706	**57,318**
At 31 December 2023	**11,798,257**	**174,145**	**550,505**	**12,522,907**

Credit cards and gold-secured loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**62,781**	**8,911**	**212,268**	**283,960**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	63,605	-	-	**63,605**
Assets repaid	(18,501)	(2,783)	(70,410)	**(91,694)**
Transfers to Stage 1	746	(746)	-	**-**
Transfers to Stage 2	(2,867)	2,867	-	**-**
Transfers to Stage 3	(46,659)	(3,341)	50,000	**-**
Impact on period end ECL of exposures transferred between stages during the period	(524)	4,378	56,012	**59,866**
Changes to models and inputs used for ECL calculations	(9,664)	(793)	(48,184)	**(58,641)**
Total movements with impact on credit loss allowance charge for the period	**(13,864)**	**(418)**	**(12,582)**	**(26,864)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	24,240	**24,240**
Amounts written off	-	-	(28,659)	**(28,659)**
Foreign exchange adjustments	147	28	728	**903**
At 31 December 2023	**49,064**	**8,521**	**195,995**	**253,580**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2022 is as follows:

Loans to large corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2022	**41,189,924**	**2,454,179**	**4,074,640**	**131,513**	**47,850,256**
New assets originated or purchased	29,279,047				**29,279,047**
Assets repaid	(12,700,365)	(2,298,468)	(1,536,263)	(102,311)	**(16,637,407)**
Transfers to Stage 1	89,134	(89,134)	-	-	**-**
Transfers to Stage 2	(100,771)	100,771	-	-	**-**
Transfers to Stage 3	(741,916)	-	741,916	-	**-**
Recoveries	-	-	9,199	-	**9,199**
Amounts written off	-	-	-	-	**-**
Foreign exchange adjustments	(4,085,142)	(12,004)	(370,580)	-	**(4,467,726)**
At 31 December 2022	**52,929,911**	**155,344**	**2,918,912**	**29,202**	**56,033,369**

Loans to large corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2022	**108,633**	**89,083**	**749,116**	**31,224**	**978,056**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	251,890	-	-	-	**251,890**
Assets repaid	(17,492)	(86,491)	(191,062)	(9,430)	**(304,475)**
Transfers to Stage 1	1,274	(1,274)	-	-	**-**
Transfers to Stage 2	(271)	271	-	-	**-**
Transfers to Stage 3	(167,863)	-	167,863	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	(1,091)	-	26,859	-	**25,768**
Changes to models and inputs used for ECL calculations	(6,816)	(828)	(62,777)	(13,903)	**(84,324)**
Total movements with impact on credit loss allowance charge for the period	**59,631**	**(88,322)**	**(59,117)**	**(23,333)**	**(111,141)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	-	-	**-**
Recoveries	-	-	9,199	-	**9,199**
Amounts written off	-	-	-	-	**-**
Foreign exchange adjustments	(12,128)	(88)	(54,687)	-	**(66,903)**
At 31 December 2022	**156,136**	**673**	**644,511**	**7,891**	**809,211**

Loans to small and medium size companies *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**63,512,207**	**7,219,745**	**2,073,215**	**72,805,167**
New assets originated or purchased	57,895,283	-	-	**57,895,283**
Assets repaid	(29,677,194)	(3,837,866)	(1,300,365)	**(34,815,425)**
Transfers to Stage 1	499,754	(499,754)	-	**-**
Transfers to Stage 2	(2,218,485)	2,218,485	-	**-**
Transfers to Stage 3	(575,615)	(403,030)	978,645	**-**
Recoveries	-	-	5,799	**5,799**
Amounts written off	-	-	(9,845)	**(9,845)**
Foreign exchange adjustments	(2,923,917)	(362,962)	(159,662)	**(3,446,541)**
At 31 December 2022	**86,512,033**	**4,334,618**	**1,587,787**	**92,434,438**

Loans to small and medium size companies *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**169,499**	**157,262**	**728,020**	**1,054,781**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	226,101	-	-	**226,101**
Assets repaid	(53,472)	(49,988)	(98,761)	**(202,221)**
Transfers to Stage 1	12,189	(12,189)	-	**-**
Transfers to Stage 2	(32,332)	32,332	-	**-**
Transfers to Stage 3	(30,040)	(28,057)	58,097	**-**
Impact on period end ECL of exposures transferred between stages during the period	(11,175)	4,089	206,994	**199,908**
Changes to models and inputs used for ECL calculations	(8,654)	(36,452)	(417,634)	**1,054,781**
Total movements with impact on credit loss allowance charge for the period	**102,617**	**(90,265)**	**(251,304)**	**(238,952)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	44,699	**44,699**
Recoveries	-	-	5,799	**5,799**
Amounts written off	-	-	(9,845)	**(9,845)**
Foreign exchange adjustments	(10,255)	(4,563)	(50,785)	**(65,603)**
At 31 December 2022	**261,861**	**62,434**	**466,584**	**790,879**

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2022 is as follows:

Agricultural loans to corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**7,887,716**	**7,797**	**7,224**	**7,902,737**
New assets originated or purchased	7,266,001	-	-	**7,266,001**
Assets repaid	(882,573)	(7,797)	(13,841)	**(904,211)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(67,438)	-	67,438	**-**
Recoveries	-	-	11,949	**11,949**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(206,879)	-	-	**(206,879)**
At 31 December 2022	**13,996,827**	**-**	**72,770**	**14,069,597**

Agricultural loans to corporate customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**49,530**	**47**	**-**	**49,577**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	22,907	-	-	**22,907**
Assets repaid	(707)	(47)	(11,949)	**(12,703)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(4,920)	-	4,920	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	-	18,834	**18,834**
Changes to models and inputs used for ECL calculations	(31,180)	-	(620)	**(31,800)**
Total movements with impact on credit loss allowance charge for the period	**(13,900)**	**(47)**	**11,185**	**(2,762)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	620	**620**
Recoveries	-	-	11,949	**11,949**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(544)	-	-	**(544)**
At 31 December 2022	**35,086**	**-**	**23,754**	**58,840**

Agricultural loans to retail customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**93,368,674**	**2,519,454**	**3,863,659**	**99,751,787**
New assets originated or purchased	44,354,819	-	-	**44,354,819**
Assets repaid	(44,655,598)	(1,390,695)	(2,781,463)	**(48,827,756)**
Transfers to Stage 1	382,211	(378,352)	(3,859)	**-**
Transfers to Stage 2	(882,117)	889,767	(7,650)	**-**
Transfers to Stage 3	(1,295,526)	(232,567)	1,528,093	**-**
Recoveries	-	-	80,438	**80,438**
Amounts written off	-	-	(140,281)	**(140,281)**
Foreign exchange adjustments	(423,313)	(17,064)	(65,804)	**(506,181)**
At 31 December 2022	**90,849,150**	**1,390,543**	**2,473,133**	**94,712,826**

Agricultural loans to retail customers *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**604,437**	**65,152**	**1,090,828**	**1,760,417**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	331,407	-	-	**331,407**
Assets repaid	(111,671)	(16,002)	(423,855)	**(551,528)**
Transfers to Stage 1	12,387	(10,757)	(1,630)	**-**
Transfers to Stage 2	(8,842)	11,777	(2,935)	**-**
Transfers to Stage 3	(193,719)	(15,385)	209,103	**-**
Impact on period end ECL of exposures transferred between stages during the period	(11,412)	5,403	154,582	**148,573**
Changes to models and inputs used for ECL calculations	(325,095)	(17,386)	(380,531)	**(723,012)**
Total movements with impact on credit loss allowance charge for the period	**(306,945)**	**(42,350)**	**(445,265)**	**(794,560)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	70,199	**70,199**
Recoveries	-	-	80,438	**80,438**
Amounts written off	-	-	(140,281)	**(140,281)**
Foreign exchange adjustments	(3,315)	(428)	(14,736)	**(18,479)**
At 31 December 2022	**294,178**	**22,374**	**641,182**	**957,734**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2022 is as follows:

Consumer loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**68,940,006**	**2,933,787**	**4,597,308**	**76,471,101**
New assets originated or purchased	66,732,347	-	-	**66,732,347**
Assets repaid	(36,019,696)	(1,371,953)	(3,788,823)	**(41,180,472)**
Transfers to Stage 1	175,193	(165,274)	(9,919)	**-**
Transfers to Stage 2	(1,333,937)	1,333,937	-	**-**
Transfers to Stage 3	(2,319,065)	(616,144)	2,935,209	**-**
Recoveries	-	-	28,024	**28,024**
Amounts written off	-	-	(46,160)	**(46,160)**
Foreign exchange adjustments	(28,456)	(2,003)	(2,752)	**(33,211)**
At 31 December 2022	**96,146,392**	**2,112,350**	**3,712,887**	**101,971,629**

Consumer loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**1,062,623**	**250,576**	**1,657,763**	**2,970,962**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	869,057	-	-	**869,057**
Assets repaid	(307,188)	(36,286)	(400,751)	**(744,225)**
Transfers to Stage 1	15,878	(12,522)	(3,356)	**-**
Transfers to Stage 2	(65,054)	65,054	-	**-**
Transfers to Stage 3	(403,523)	(98,320)	501,843	**-**
Impact on period end ECL of exposures transferred between stages during the period	(15,074)	29,818	385,951	**400,695**
Changes to models and inputs used for ECL calculations	(487,827)	(81,773)	(879,865)	**(1,449,465)**
Total movements with impact on credit loss allowance charge for the period	**(393,731)**	**(134,029)**	**(396,178)**	**(923,938)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	163,945	**163,945**
Recoveries	-	-	28,024	**28,024**
Amounts written off	-	-	(46,160)	**(46,160)**
Foreign exchange adjustments	(73)	(15)	(1,593)	**(1,681)**
At 31 December 2022	**668,819**	**116,532**	**1,405,801**	**2,191,152**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2022 is as follows:

Mortgage loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2022	**31,006,708**	**1,044,399**	**778,854**	**55,130**	**32,885,091**
New assets originated or purchased	16,406,575	-	-	-	**16,406,575**
Assets repaid	(5,528,704)	(244,243)	(270,257)	(10,031)	**(6,053,235)**
Transfers to Stage 1	138,782	(138,782)	-	-	**-**
Transfers to Stage 2	(181,428)	181,428	-	-	**-**
Transfers to Stage 3	(329,336)	(121,771)	451,107	-	**-**
Recoveries	-	-	5,795	-	**5,795**
Amounts written off	-	-	(4,385)	-	**(4,385)**
Foreign exchange adjustments	(574,200)	(55,281)	(50,452)	(6,040)	**(685,973)**
At 31 December 2022	**40,938,397**	**665,750**	**910,662**	**39,059**	**42,553,868**

Mortgage loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2022	**122,484**	**43,678**	**241,802**	**21,986**	**429,950**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	18,967	-	-	-	**18,967**
Assets repaid	(10,359)	(2,536)	(33,178)	(1,045)	**(47,118)**
Transfers to Stage 1	5,767	(5,767)	-	-	**-**
Transfers to Stage 2	(1,997)	1,997	-	-	**-**
Transfers to Stage 3	(13,324)	(9,331)	22,655	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	(5,643)	2,194	86,202	-	**82,753**
Changes to models and inputs used for ECL calculations	(74,805)	(17,876)	(45,171)	(14,185)	**(152,037)**
Total movements with impact on credit loss allowance charge for the period	**(81,394)**	**(31,319)**	**30,508**	**(15,230)**	**(97,435)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	31,751	-	**31,751**
Recoveries	-	-	5,795	-	**5,795**
Amounts written off	-	-	(4,385)	-	**(4,385)**
Foreign exchange adjustments	(566)	(974)	(17,076)	-	**(18,616)**
At 31 December 2022	**40,524**	**11,385**	**288,395**	**6,756**	**347,060**

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2022 is as follows:

Credit cards and gold-secured loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**10,044,163**	**372,724**	**876,666**	**11,293,553**
New assets originated or purchased	5,153,806	-	-	**5,153,806**
Assets repaid	(3,285,537)	(152,195)	(575,200)	**(4,012,932)**
Transfers to Stage 1	41,803	(41,803)	-	**-**
Transfers to Stage 2	(122,226)	122,226	-	**-**
Transfers to Stage 3	(310,792)	(63,168)	373,960	**-**
Recoveries	-	-	12,238	**12,238**
Amounts written off	-	-	(13,728)	**(13,728)**
Foreign exchange adjustments	(287,499)	(10,638)	(32,446)	**(330,583)**
At 31 December 2022	**11,233,718**	**227,146**	**641,490**	**12,102,354**

Credit cards and gold-secured loans *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**136,674**	**15,786**	**268,411**	**420,871**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	71,879	-	-	**71,879**
Assets repaid	(39,186)	(3,044)	(102,797)	**(145,027)**
Transfers to Stage 1	1,226	(1,226)	-	**-**
Transfers to Stage 2	(3,762)	3,762	-	**-**
Transfers to Stage 3	(51,169)	(6,591)	57,760	**-**
Impact on period end ECL of exposures transferred between stages during the period	(993)	3,471	57,052	**59,530**
Changes to models and inputs used for ECL calculations	(50,578)	(2,935)	(84,600)	**(138,113)**
Total movements with impact on credit loss allowance charge for the period	(72,583)	(6,563)	(72,585)	**(151,731)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	24,718	**24,718**
Recoveries	-	-	12,238	**12,238**
Amounts written off	-	-	(13,728)	**(13,728)**
Foreign exchange adjustments	(1,310)	(312)	(6,786)	**(8,408)**
At 31 December 2022	**62,781**	**8,911**	**212,268**	**283,960**

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

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**
Loans to small and medium size companies			
not overdue	109,343,429	3,495,095	906,295
overdue less than 30 days	107,291	31,380	136,449
overdue 30-90 days	-	86,954	157,900
overdue more than 90 days	-	-	599,680
Total gross loans to small and medium size companies	**109,450,720**	**3,613,429**	**1,800,324**
Expected credit loss allowance	(240,506)	(51,577)	(528,113)
Total net loans to small and medium size companies	**109,210,214**	**3,561,852**	**1,272,211**
Loans to large corporate customers			
not overdue	73,043,201	188,866	2,965,700
overdue less than 30 days	-	-	37,180
overdue 30-90 days	-	-	375,896
overdue more than 90 days	-	-	321,827
Total gross loans to large corporate customers	**73,043,201**	**188,866**	**3,700,603**
Expected credit loss allowance	(162,523)	(651)	(233,859)
Total net loans to large corporate customers	**72,880,678**	**188,215**	**3,466,744**
Total loans to corporate customers	**182,090,892**	**3,750,067**	**4,738,955**
Consumer loans			
not overdue	108,366,139	1,156,708	1,879,019
overdue less than 30 days	530,029	116,828	176,946
overdue 30-90 days	-	389,467	135,392
overdue more than 90 days	-	-	1,553,622
Total gross consumer loans	**108,896,168**	**1,663,003**	**3,744,979**
Expected credit loss allowance	(691,436)	(172,807)	(1,723,714)
Total net consumer loans	**108,204,732**	**1,490,196**	**2,021,265**
Mortgage loans			
not overdue	52,483,231	588,095	877,112
overdue less than 30 days	79,313	-	105,610
overdue 30-90 days	-	-	-
overdue more than 90 days	-	-	126,271
Total gross mortgage loans	**52,562,544**	**588,095**	**1,108,993**
Expected credit loss allowance	(121,066)	(10,485)	(310,509)
Total net mortgage loans	**52,441,478**	**577,610**	**798,484**

Credit cards and gold-secured loans			
not overdue	11,751,898	143,169	370,445
overdue less than 30 days	46,358	1,396	27,160
overdue 30-90 days	-	29,580	15,817
overdue more than 90 days	1	-	137,083
Total gross credit cards and gold-secured loans	**11,798,257**	**174,145**	**550,505**
Expected credit loss allowance	(49,064)	(8,521)	(195,995)
Total net credit cards and gold-secured loans	**11,749,193**	**165,624**	**354,510**
Agricultural loans to retail customers			
not overdue	67,835,869	886,518	1,466,699
overdue less than 30 days	96,294	8,946	50,956
overdue 30-90 days	-	42,798	141,834
overdue more than 90 days	-	-	518,050
Total gross agricultural loans to retail customers	**67,932,163**	**938,262**	**2,177,539**
Expected credit loss allowance	(136,977)	(11,893)	(590,422)
Total net agricultural loans to retail customers	**67,795,186**	**926,369**	**1,587,117**
Agricultural loans to corporate customers			
not overdue	16,463,163	-	22,101
overdue less than 30 days	-	-	-
overdue 30-90 days	-	25,499	-
overdue more than 90 days	-	-	28,774
Total gross agricultural loans to corporate customers	**16,463,163**	**25,499**	**50,875**
Expected credit loss allowance	(19,856)	(2,695)	(9,327)
Total net agricultural loans to corporate customers	16,443,307	22,804	41,548
Total agricultural loans to customers	**84,238,493**	**949,173**	**1,628,665**
Gross loans to customers	**440,146,216**	**7,191,299**	**13,133,818**
Expected credit loss allowance	(1,421,428)	(258,629)	(3,591,939)
Net loans to customers at amortised cost	**438,724,788**	**6,932,670**	**9,541,879**

The following table provides information on the credit quality of loans to as at 31 December 2022.

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**
Loans to small and medium size companies			
not overdue	86,384,925	4,287,001	900,106
overdue less than 30 days	127,108	4,366	114,599
overdue 30-90 days	-	43,251	23,145
overdue more than 90 days	-	-	549,937
Total gross loans to small and medium size companies	**86,512,033**	**4,334,618**	**1,587,787**
Expected credit loss allowance	(261,861)	(62,434)	(466,584)
Total net loans to small and medium size companies	**86,250,172**	**4,272,184**	**1,121,203**
Loans to large corporate customers			
not overdue	52,929,911	155,344	1,313,954
overdue less than 30 days	-	-	91,520
overdue 30-90 days	-	-	524,666
overdue more than 90 days	-	-	1,017,974
Total gross loans to large corporate customers	**52,929,911**	**155,344**	**2,948,114**
Expected credit loss allowance	(156,136)	(673)	(652,402)
Total net loans to large corporate customers	**52,773,775**	**154,671**	**2,295,712**
Total loans to corporate customers	**139,023,947**	**4,426,855**	**3,416,915**
Consumer loans			
not overdue	95,941,375	1,828,803	2,234,252
overdue less than 30 days	205,000	91,851	175,562
overdue 30-90 days	17	191,696	143,136
overdue more than 90 days	-	-	1,159,937
Total gross consumer loans	**96,146,392**	**2,112,350**	**3,712,887**
Expected credit loss allowance	(668,819)	(116,532)	(1,405,801)
Total net consumer loans	**95,477,573**	**1,995,818**	**2,307,086**

Mortgage loans			
not overdue	40,930,506	638,755	794,063
overdue less than 30 days	7,891	26,995	84,059
overdue 30-90 days	-	-	-
overdue more than 90 days	-	-	71,599
Total gross mortgage loans	**40,938,397**	**665,750**	**949,721**
Expected credit loss allowance	(40,524)	(11,385)	(295,151)
Total net mortgage loans	**40,897,873**	**654,365**	**654,570**
Credit cards and gold-secured loans			
not overdue	11,187,148	202,203	416,734
overdue less than 30 days	46,002	5,413	48,510
overdue 30-90 days	103	19,530	15,119
overdue more than 90 days	465	-	161,127
Total gross credit cards and gold-secured loans	**11,233,718**	**227,146**	**641,490**
Expected credit loss allowance	(62,781)	(8,911)	(212,268)
Total net credit cards and gold-secured loans	**11,170,937**	**218,235**	**429,222**
Agricultural loans to retail customers			
not overdue	90,782,869	1,305,924	1,663,449
overdue less than 30 days	66,281	29,924	41,770
overdue 30-90 days	-	54,695	87,738
overdue more than 90 days	-	-	680,176
Total gross agricultural loans to retail customers	**90,849,150**	**1,390,543**	**2,473,133**
Expected credit loss allowance	(294,178)	(22,374)	(641,182)
Total net agricultural loans to retail customers	**90,554,972**	**1,368,169**	**1,831,951**
Agricultural loans to corporate customers			
not overdue	13,996,827	-	22,101
overdue less than 30 days	-	-	-
overdue 30-90 days	-	-	30,793
overdue more than 90 days	-	-	19,876
Total gross agricultural loans to corporate customers	**13,996,827**	**-**	**72,770**
Expected credit loss allowance	(35,086)	-	(23,754)
Total net agricultural loans to corporate	**13,961,741**	**-**	**49,016**
Total agricultural loans to customers	**104,516,713**	**1,368,169**	**1,880,967**
Gross loans to customers	**392,606,428**	**8,885,751**	**12,385,902**
Expected credit loss allowance	(1,519,385)	(222,309)	(3,697,142)
Net loans to customers at amortised cost	**391,087,043**	**8,663,442**	**8,688,760**

Collateral and other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

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, inventory and trade receivables;
- For retail lending, mortgages over residential properties, gold and guarantees;
- For credit card lines, cash, real estate and movable property, hard collateral, guarantee.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Description of collateral held for loans to customers is as follows as at 31 December 2023 and 31 December 2022:

In thousands of Armenian Drams	2023	2022
Real Estate	254,471,987	200,464,112
Guarantees	90,965,548	111,231,203
Working capital/Goods (finished products, goods in circulation, agricultural animals)	21,903,407	19,300,717
Cash	4,992,854	18,091,929
Movables	7,763,250	7,776,606
Securities	5,676,969	1,956,613
Agricultural equipment	421,842	588,924
Movables (personal property, equipment)	133,413	173,013
Other	311	201
Gold pledge	-	120
Without Collateral	74,141,752	54,294,643
Total gross loan portfolio	**460,471,333**	**413,878,081**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2023 and 31 December 2022 is as follows.

2023	**Over-collateralised Assets**		**Under-collateralised Assets**	
In thousands of Armenian Drams	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	1,565,682	6,372,084	234,642	-
Loans to large corporate customers	3,648,932	10,145,940	51,671	11,600
Loans to retail customers (other than agricultural and corporate loans)				
Consumer loans	653,739	4,031,713	3,091,240	94,959
Mortgage loans	1,107,463	2,486,306	1,530	-
Credit cards, Gold-secured loans	66,637	341,365	483,868	-
Agricultural loans to customers				
Agricultural loans retail	890,529	7,347,419	1,287,009	-
Agricultural loans corporate	50,404	94,977	471	-
Total	**7,983,386**	**30,819,804**	**5,150,431**	**106,559**

2022	**Over-collateralised Assets**		**Under-collateralised Assets**	
In thousands of Armenian Drams	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	3,080,802	23,275,603	334,822	12,473
Loans to large corporate	1,120,277	4,854,609	-	-
Loans to retail customers (other than agricultural and corporate loans)				
Consumer loans	713,516	4,039,165	2,999,372	48,927
Mortgage loans	949,721	2,072,983	-	-
Credit cards, Gold-secured loans	126,792	4,852,881	514,698	-
Agricultural loans to customers				
Agricultural loans retail	383,307	2,172,272	1,468,835	-
Agricultural loans corporate	501,145	3,416,198	192,615	-
Total	**6,875,560**	**44,683,711**	**5,510,342**	**61,400**

In absence of collateral or other credit enhancements, ECL for individually impairment in respect of Stage 3 loans to customers as at 31 December 2023 and 2022 would have been higher by:

In thousands of Armenian Drams	**2023**	**2022**
Corporate lending	3,378,154	2,985,445
Mortgage loans	29,681	70,262
Total	**3,407,835**	**3,055,707**

Assets under lien. As at 31 December 2023, loans to customers with a gross value of AMD 18,522,556 thousand (2022: AMD 20,083,903 thousand) serve as collateral for other borrowed funds (see Note 21).

Repossessed collateral. During the year, the Group took possession of collateral with an estimated value of AMD 228,766 thousand (2022: AMD 225,706 thousand), which the Group is in the process of selling. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Concentration of loans to customers. As at 31 December 2023, the Group had a concentration of loans represented by AMD 50,311,281 thousand due from the ten largest third-party borrowers (10.9% of gross loan portfolio) (2022: AMD 29,825,465 thousand or 7.2%). An allowance of AMD 109,034 thousand (2022: AMD 87,213 thousand) was recognised against these loans.

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

In thousands of Armenian Drams	**2023**	**2022**
Individuals	252,134,658	251,340,679
Food and beverage	52,728,234	43,802,720
Trade	40,633,968	38,320,765
Construction	40,810,661	31,050,322
Manufacturing	9,913,225	10,227,201
Agriculture	19,497,697	16,815,193
Transportation	5,281,665	4,939,521
Financial sector	8,271,891	4,519,114
Energy	8,936,603	3,763,173
Other	22,262,731	9,099,393
Impairment allowance	(5,271,996)	(5,438,836)
Net loans to customers at amortised cost	**455,199,337**	**408,439,245**

13 Receivables from finance leases

In thousands of Armenian Drams	**2023**	**2022**
Finance leases to corporate customers	78,235,588	47,807,779
Finance leases to retail customers	5,947,183	6,158,767
Net investments in finance leases	84,182,771	53,966,546
Impairment allowance	(776,345)	(543,325)
Net investments in finance leases, less impairment allowance	**83,406,426**	**53,423,221**

The Group provided leases to individuals, small and medium-sized enterprises, farms operating in various sectors of the economy in acquiring equipment and production resources.

In the amount of finance lease receivables as at 31 December 2023 the amount of equipment on the way, purchased in the scope of finance lease agreements is nil, (2022: AMD 601,995 thousand).

An analysis of changes in the gross carrying value and corresponding ECL in relation to receivables from finance lease during the year ended 31 December 2023 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**52,594,052**	**790,565**	**581,929**	**53,966,546**
New assets originated or purchased	48,149,469	-	-	**48,149,469**
Assets repaid	(17,860,091)	206,038	(562,070)	**(18,216,123)**
Transfers to Stage 1	884,135	(860,958)	(23,177)	**-**
Transfers to Stage 2	(223,237)	230,976	(7,739)	**-**
Transfers to Stage 3	(702,073)	(156,894)	858,967	**-**
Foreign exchange adjustments	277,397	2,329	4,672	**284,398**
Write-off	-	-	(1,519)	**(1,519)**
At 31 December 2023	**83,119,652**	**212,056**	**851,063**	**84,182,771**

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**240,619**	**27,711**	**274,995**	**543,325**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	307,095	-	-	**307,095**
Assets repaid	(20,805)	(1,609)	84,706	**62,292**
Transfers to Stage 1	25,789	(18,085)	(7,704)	**-**
Transfers to Stage 2	(2,997)	7,694	(4,697)	**-**
Transfers to Stage 3	(29,999)	(6,810)	36,809	**-**
Impact on period end ECL of exposures transferred between stages during the period	(23,584)	(2,892)	207,139	**180,663**
Changes to models and inputs used for ECL calculations	(147,115)	(255)	(93,950)	**(241,320)**
Total movements with impact on credit loss allowance charge for the period	**108,384**	**(21,957)**	**222,303**	**308,730**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (recognised in interest revenue)	-	-	(78,209)	**(78,209)**
Write-off	-	-	(1,519)	**(1,519)**
Foreign exchange adjustments	1,128	39	2,851	**4,018**
At 31 December 2023	**350,131**	**5,793**	**420,421**	**776,345**

An analysis of changes in the gross carrying value and corresponding ECL in relation to receivables from finance lease during the year ended 31 December 2022 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	**29,985,478**	**1,278,736**	**624,131**	**31,888,345**
New assets originated or purchased	35,908,638			**35,908,638**
Assets repaid	(11,604,537)	(543,588)	(493,109)	**(12,641,234)**
Transfers to Stage 1	651,401	(651,401)	-	**-**
Transfers to Stage 2	(1,064,355)	1,098,742	(34,387)	**-**
Transfers to Stage 3	(154,357)	(340,380)	494,737	**-**
Foreign exchange adjustments	(1,128,216)	(51,544)	(8,648)	**(1,188,408)**
Recovery	-	-	-	**-**
Write-off	-	-	(795)	**(795)**
At 31 December 2022	**52,594,052**	**790,565**	**581,929**	**53,966,546**

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**213,741**	**32,171**	**409,366**	**655,278**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	73,514	-	-	**73,514**
Assets repaid	(17,962)	(2,663)	(70,504)	**(91,129)**
Transfers to Stage 1	13,758	(13,758)	-	**-**
Transfers to Stage 2	(16,282)	40,655	(24,373)	**-**
Transfers to Stage 3	(6,453)	(7,375)	13,828	**-**
Impact on period end ECL of exposures transferred between stages during the period	(11,064)	(17,878)	123,885	**94,943**
Changes to models and inputs used for ECL calculations	(1,894)	(2,343)	(190,726)	**(194,963)**
Total movements with impact on credit loss allowance charge for the period	**33,617**	**(3,362)**	**(147,890)**	**(117,635)**

Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (recognised in interest revenue)	-	-	21,070	**21,070**
Write-off	-	-	(794)	**(794)**
Foreign exchange adjustments	(6,739)	(1,098)	(6,757)	**(14,594)**
At 31 December 2022	**240,619**	**27,711**	**274,995**	**543,325**

Quality of finance lease receivables. The following table provides information on the credit quality of finance lease receivables at 31 December 2023.

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**
Finance lease to retail customers			
not overdue	5,618,360	42,912	268,124
overdue less than 30 days	-	4,169	-
overdue 30-90 days	-	5,547	8,072
overdue more than 90 days	-	-	-
Total gross leases to retail customers	**5,618,360**	**52,628**	**276,196**
Expected credit loss allowance	(23,407)	(2,202)	(125,115)
Total net leases to retail customers	**5,594,953**	**50,426**	**151,081**
Finance lease to corporate customers			
not overdue	77,501,292	157,509	388,175
overdue less than 30 days	-	1,919	137,854
overdue 30-90 days	-	-	7,271
overdue more than 90 days	-	-	41,567
Total gross leases to large corporate customers	**77,501,292**	**159,428**	**574,867**
Expected credit loss allowance	(326,724)	(3,591)	(295,306)
Total net leases to large corporate customers	**77,174,568**	**155,837**	**279,561**
Total lease portfolio	**82,769,521**	**206,263**	**430,642**

The following table provides information on the credit quality of finance lease receivables at 31 December 2022.

In thousands of Armenian Drams	**Stage 1**	**Stage 2**	**Stage 3**
Finance lease to retail customers			
not overdue	6,042,716	40,180	70,495
overdue less than 30 days	944	162	1,236
overdue 30-90 days	-	728	774
overdue more than 90 days	-	-	1,532
Total gross leases to retail customers	**6,043,660**	**41,070**	**74,037**
Expected credit loss allowance	(36,345)	(1,164)	(41,200)
Total net leases to retail customers	**6,007,315**	**39,906**	**32,837**
Finance lease to corporate customers			
not overdue	46,550,157	734,802	366,679
overdue less than 30 days	235	-	106,788
overdue 30-90 days	-	14,693	33,076
overdue more than 90 days	-	-	1,349
Total gross leases to large corporate customers	**46,550,392**	**749,495**	**507,892**
Expected credit loss allowance	(204,274)	(26,547)	(233,795)
Total net leases to large corporate customers	**46,346,118**	**722,948**	**274,097**
Total lease portfolio	**52,353,433**	**762,854**	**306,934**

Assets under lien. As at 31 December 2023, finance lease receivables with a gross value of AMD 15,101,748 thousand (2022: AMD 15,888,376 thousand) serve as collateral for other borrowed funds (see Note 21).

Repossessed assets. The carrying value of the assets repossessed during the period and held as at 31 December 2023 is AMD 24,770 thousand (2022: AMD 30,795 thousand).

Industry and geographical analysis of the finance lease portfolio. Finance lease to corporate customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

In thousands of Armenian Drams	**2023**	**2022**
Construction	23,114,134	12,799,029
Food and beverages production	16,050,263	8,441,952
Agriculture	8,468,466	7,585,991
Finance leases to retail customers	5,879,346	6,158,767
Trade	8,672,738	6,404,628
Services	7,429,747	5,123,983
Manufacturing	9,416,904	4,623,227
Transportation	4,479,002	2,027,441
Hydropower plants	106,293	142,381
Manufacture of leather goods	104,377	173,284
Air transportation	-	149,466
Other	461,501	336,397
Impairment allowance	(776,345)	(543,325)
Net investments in finance leases	**83,406,426**	**53,423,221**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2023:

In thousands of Armenian Drams	**Not later than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Later than 5 years**
Gross investment in finance leases	30,857,800	32,401,135	24,789,274	11,804,592	3,549,203	440,669
Unearned future finance income on finance leases	(8,697,907)	(6,341,551)	(3,235,181)	(1,130,625)	(229,132)	(25,506)
Net investment in finance leases before allowance	**22,159,893**	**26,059,584**	**21,554,093**	**10,673,967**	**3,320,071**	**415,163**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2022:

In thousands of Armenian Drams	**Not later than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Later than 5 years**
Gross investment in finance leases	18,688,857	18,279,144	14,662,938	10,057,619	4,857,855	1,230,283
Unearned future finance income on finance leases	(5,362,090)	(4,172,926)	(2,558,453)	(1,237,650)	(379,336)	(99,695)
Net investment in finance leases before allowance	**13,326,767**	**14,106,218**	**12,104,485**	**8,819,969**	**4,478,519**	**1,130,588**

14 Property, equipment and intangible assets

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

In thousands of Armenian Drams	Land	Buildings	Leasehold improvements	Equipment	Fixtures and fittings	Motor vehicles	Goodwill	Software and licenses	Right-of-use assets	Total
Cost/revalued amount										
31 December 2022	1,893,965	10,426,493	812,734	9,522,712	3,284,619	529,300	18,132	7,957,317	3,846,303	**38,291,575**
Additions	-	448,737	547,668	2,177,770	506,440	134,807		780,735	1,340,678	**5,936,835**
Disposals and write-offs	(362,800)	(789,200)	-	(340,428)	(198,599)	(25,850)	(18,132)	(187,034)	(629,922)	**(2,551,965)**
Effect of revaluation in profit or loss*	-	-	-	-	-	-	-	-	-	**-**
Effect of revaluation in OCI*	-	-	-	-	-	-	-	-	-	**-**
Modification	-	-	-	-	-	-	-	-	517,653	**517,653**
Impairment charge to profit or loss	-	-	-	-	-	-	-	3,217	-	**3,217**
31 December 2023	**1,531,165**	**10,086,030**	**1,360,402**	**11,360,054**	**3,592,460**	**638,257**	**-**	**8,554,235**	**5,074,712**	**42,197,315**
Accumulated depreciation, amortisation and impairment 31 December 2022	-	20,444	418,759	5,196,118	2,155,279	5,176	-	3,018,609	2,116,745	**12,931,130**
Depreciation charge	-	246,289	122,043	985,827	317,979	71,992	-	831,651	737,007	**3,312,788**
Disposals and write-offs	-	(14,848)	-	(317,030)	(173,228)	(2,740)	-	(88,741)	(560,994)	**(1,157,581)**
Effect of revaluation in OCI Modification	-	-	-	-	-	-	-	-	-	**-**
31 December 2023	**-**	**251,885**	**540,802**	**5,864,915**	**2,300,030**	**74,428**	**-**	**3,761,519**	**2,292,758**	**15,086,337**
Net book value										
31 December 2023	**1,531,165**	**9,834,145**	**819,600**	**5,495,139**	**1,292,430**	**563,829**	**-**	**4,792,716**	**2,781,954**	**27,110,978**

In thousands of Armenian Drams	Land	Buildings	Leasehold improvements	Equipment	Fixtures and fittings	Motor vehicles	Goodwill	Software and licenses	Right-of-use assets	Total
Cost/revalued amount										
31 December 2021 (restated)	565,600	8,713,978	768,481	8,493,992	3,108,681	494,559	18,132	7,030,974	3,719,303	**32,913,700**
Additions	23,230	218,180	44,253	1,208,873	325,285	32,699	-	1,613,821	239,085	**3,705,426**
Disposals and write-offs	(33,530)	(37,470)	-	(180,153)	(149,347)	(3,325)	-	(95,678)	(102,221)	**(601,724)**
Effect of revaluation in profit or loss*	84,206	1,114,493	-	-	-	14,118	-	-	-	**1,212,817**
Effect of revaluation in OCI*	1,254,459	417,312	-	-	-	(8,751)	-	-	-	**1,663,020**
Modification	-	-	-	-	-	-	-	-	(9,864)	**(9,864)**
Impairment charge to profit or loss	-	-	-	-	-	-	-	(591,800)	-	**(591,800)**
31 December 2022	**1,893,965**	**10,426,493**	**812,734**	**9,522,712**	**3,284,619**	**529,300**	**18,132**	**7,957,317**	**3,846,303**	**38,291,575**
Accumulated depreciation, amortisation and impairment										
31 December 2021 (restated)	-	23,746	327,764	4,514,149	2,059,352	25,000	-	2,463,777	1,643,046	**11,056,834**
Depreciation charge	-	208,009	90,995	794,627	212,653	60,259	-	650,510	589,895	**2,606,948**
Disposals and write-offs	-	-	-	(112,658)	(116,726)	-	-	(95,678)	(102,221)	**(427,283)**
Effect of revaluation in OCI	-	(211,311)	-	-	-	(80,083)	-	-	-	**(291,394)**
Modification	-	-	-	-	-	-	-	-	(13,975)	**(13,975)**
31 December 2022	**-**	**20,444**	**418,759**	**5,196,118**	**2,155,279**	**5,176**	**-**	**3,018,609**	**2,116,745**	**12,931,130**
Net book value										
31 December 2022	**1,893,965**	**10,406,049**	**393,975**	**4,326,594**	**1,129,340**	**524,124**	**18,132**	**4,938,708**	**1,729,558**	**25,360,445**

* The main reason for the positive revaluation is the significant increase in fair values of real estate. For the items which had revaluation losses from previous and are revaluated upward, only the amounts equal to the previously accumulated losses go to the statement of profit and losses.

In 2022 the Group engaged an independent valuer to determine the fair value of its land and buildings and motor vehicles. Fair value is determined by reference to market-based evidence.

As of 31 December 2023 the Group recognised Impairment charge to profit or loss in amount of AMD 3,217 thousand, (2022: AMD 591,800 thousand) (Note 32) for group's non-exploited Software. Impairment losses were recognised as a result of the impairment test.

If the land, buildings and motor vehicles were measured using the cost model, the carrying amounts would be as follows:

In thousands of Armenian Drams	**2023**	**2022**
Cost	10,180,214	11,319,042
Accumulated depreciation and impairment	(2,898,869)	(3,062,320)
Net carrying amount	**7,281,345**	**8,256,721**

15 Taxation

The corporate income tax expense comprises:

In thousands of Armenian Drams	**2023**	**2022**
Current tax charge	6,497,481	6,198,921
Deferred tax credit	(125,065)	(451,700)
Income tax expense	**6,372,416**	**5,747,221**

In 2023 the applicable tax rate for current and deferred tax is 18% (2022: 18%). The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

In thousands of Armenian Drams	**2023**	**2022**
Profit before income tax	**34,765,178**	**28,317,661**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**6,257,732**	**5,097,179**
Non-deductible expenses, net	114,684	650,042
Income tax expense	**6,372,416**	**5,747,221**

Non-deductible expenses, net consist of non - deductible expenses difference with the tax base in the amount of AMD 664,484 thousand (2022: AMD 808,649 thousand) and non-taxable income differences with the tax base in the amount of AMD 549,800 thousand (2022:AMD158,607 thousand). Non-deductible expenses/income mainly relate to the gains/losses from revaluation of assets and liabilities, other benefits to employees, some representation expenses, some membership fees, reserve for contingent liabilities. etc. Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

		Origination and reversal of temporary differences			**Origination and reversal of temporary differences**		
In thousands of Armenian Drams	**Balance 1 January 2022**	**In the statement of profit or loss**	**In other compre-hensive income**	**Balance 31 December 2022**	**In the statement of profit or loss**	**In other compre-hensive income**	**Balance 31 December 2023**
Deferred tax assets/ (liabilities)							
Cash and cash equivalents	-	9,575	-	9,575	(8,327)	-	1,248
Derivative financial assets	-	(52,883)	-	(52,883)	24,105	-	(28,778)
Loans and advances to banks	(9,358)	14,690	-	5,332	(32,306)	-	(26,974)
Investment securities	(713,292)	210,624	57,842	(444,826)	(240,815)	176,753	(508,888)
Loans to customers	(104,343)	(361,035)	-	(465,378)	(44,017)	-	(509,395)
Finance lease receivable	61,522	(52,953)	-	8,569	29,435	-	38,004
Investments in associates	(150,497)	(33,705)	9,562	(174,640)	(74,263)	(17,310)	(266,213)
Property, equipment, intangible and right-of-use assets	(736,103)	(231,241)	(330,678)	(1,298,022)	674,084	(127)	(624,065)
Other assets	49,532	34,003	-	83,535	(95,216)	-	(11,681)
Other borrowed funds	(30,374)	314,359	-	283,985	239,523	-	523,508
Other liabilities	369,671	694,306	-	1,063,977	(325,907)	-	738,070
Other financial instruments at amortised cost and provisions	58,286	(94,040)	-	(35,754)	(21,231)	-	(56,985)
Deferred tax liabilities, net	**(1,204,95)**	**451,700**	**(263,274)**	**(1,016,530)**	**125,065**	**159,316**	**(732,149)**

As recognized on the consolidated statement of financial position of the Group:

In thousands of Armenian Drams	2023	2022
Deferred tax assets	-	-
Deferred tax liabilities	(732,149)	(1,016,530)

16 Reversal of credit loss expense

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

In thousands of Armenian Drams	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	8	46,192				**46,192**
Loans and advances to banks	10	54,709				**54,709**
Debt securities at amortised cost	11	-	28,335	-		**28,335**
Debt securities measured at FVOCI	11	155,115	(271,655)	-		**(116,540)**
Loans to customers at amortised cost	12	102,545	(35,216)	305,158	14,647	**387,134**
Receivables from finance leases	13	(108,384)	21,957	(222,303)		**(308,730)**
Other financial assets	17	(6,167)				**(6,167)**
Guarantees and letters of credit	26	(6,860)		-	-	**(6,860)**
Loan, credit line and credit card commitments	26	26,330	674	305		**27,309**
Recovery from written off loans				460,148		**460,148**
Total reversal of credit loss expense		**263,695**	**(255,905)**	**543,093**	**14,647**	**565,530**

Reversal of credit loss expense for the year ended 31 December 2023 mostly resulted by positive macroeconomic expectations.

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022:

In thousands of Armenian Drams	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	8	68,891	-	-	-	**68,891**
Loans and advances to banks	10	(55,158)	-	-	-	**(55,158)**
Debt securities at amortised cost	11	62,680	(79,196)	-	-	**(16,516)**
Debt securities measured at FVOCI	11	406,898	(651,461)	-	-	**(244,563)**
Loans to customers at amortised cost	12	706,305	392,895	1,182,756	38,563	**2,320,519**
Receivables from finance leases	13	(33,617)	3,362	147,890	-	**117,635**
Other financial assets	17	(5,983)	-	(11,005)	-	**(16,988)**
Guarantees and letters of credit	26	(744)	-	-	-	**(744)**
Loan, credit line and credit card commitments	26	109,355	2,224	1,560	-	**113,139**
Total reversal of credit loss expense		**1,258,627**	**(332,176)**	**1,321,201**	**38,563**	**2,286,215**

17 Other assets

Other assets comprise:

In thousands of Armenian Drams	**2023**	**2022**
Other receivables	2,811,989	1,556,817
Impairment allowance	(30,436)	(27,831)
Total other financial assets	**2,781,553**	**1,528,986**
Advances paid to leased property suppliers	7,372,935	8,062,460
Differed employee compensation - staff loans	2,603,822	-
Property to be leased	1,423,473	464,625
Repossessed assets	1,468,026	1,542,858
Prepayments to suppliers	1,200,198	910,537
VAT recoverable	381,630	941,521
Inventories	333,836	267,630
Returned lease property	24,770	30,795
Other	174,851	204,152
Total other non-financial assets	**14,983,541**	**12,424,578**
Less impairment allowance	(656,841)	(780,144)
Total other assets	**17,108,253**	**13,173,420**

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

In thousands of Armenian Drams	**Stage 1**	**Stage 3**	**Total**
ECL at 1 January 2023	**27,831**	**-**	**27,831**
New assets originated or redeemed (net)	6,167	-	**6,167**
Transfers to Stage 3	(3,562)	3,562	**-**
Write-off	-	(3,562)	**(3,562)**
At 31 December 2023	30,436	-	**30,436**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

In thousands of Armenian Drams	**Stage 1**	**Stage 3**	**Total**
ECL at 1 January 2022	**21,848**	**–**	**21,848**
New assets originated or redeemed (net)	16,988	-	**16,988**
Transfers to Stage 3	(11,005)	11,005	**-**
Write-off		(11,005)	**(11,005)**
At 31 December 2022	**27,831**	**-**	**27,831**

An analysis of Impairment allowance for non-financial assets as follows:

In thousands of Armenian Drams	**2023**	**2022**
Balance at the beginning of the year	**780,144**	**755,150**
Net charge	(123,303)	24,994
Balance at the end of the year	**656,841**	**780,144**

18 Deposits and balances from banks

Deposits and balances from banks include the following:

In thousands of Armenian Drams	**2023**	**2022**
Loans from International banks	492,851	469,764
Correspondent accounts and overnight placements of other banks	590,422	417,662
Short-term placements of banks	69,621	19,951
Sale and repurchase agreements with other banks	-	6,026,642
Loans from other banks of Armenia	-	3,003,615
Total deposits and balances from banks	**1,152,894**	**9,937,634**

19 Current accounts and deposits from customers

Current accounts and deposits from customers include the following:

In thousands of Armenian Drams	2023	2022
Current accounts and demand deposits		
Retail	81,657,650	65,375,020
Corporate	107,755,633	113,935,368
Unsettled transactions	1,791,580	6,278,586
Term deposits		
Retail	226,657,523	175,670,130
Corporate	85,369,264	62,909,841
Total	**503,231,650**	**424,168,945**
Held as security against guarantees	2,887,611	1,574,261

At 31 December 2023, current accounts and deposits from customers of AMD 98,508,356 thousand (20%) were due to the ten largest customers (2022: AMD 80,478,569 thousand (19%)).

As at 31 December 2023, the Group has two customers (31 December 2022: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2023 is AMD 59,546,811 thousand (31 December 2022: AMD 49,815,645 thousand).

Unsettled transactions include amounts that were not settled as of 31 December 2023 in Group's customers' accounts. This amount was settled in first working days of January 2024.

In accordance with the Armenian legislation, the Group is obliged to repay deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

20 Debt securities issued

Debt securities issued consisted of the following:

In thousands of Armenian Drams	2023	2022
Domestic bonds issued	21,087,118	5,398,074
Promissory notes	-	807,986
Debt securities issued	21,087,118	6,206,060

From 2023 March 1 to June 30, the Group issued AMD and USD denominated bonds with nominal amount of AMD 12,178,400 thousand (2022: AMD 3,000,000 thousand) AMD and USD 8,932,100(2022: USD 5,000,000) accordingly.

Carrying value of the domestic bonds issued consisted:

	2023	2022
AMD denominated bonds	15,399,023	3,192,719
USD denominated bonds	5,688,095	2,205,355
Total domestic bonds issued	21,087,118	5,398,074

Annual coupon interest rate and maturity dates for placed bonds are the following:

	AMD	USD	Maturity date
Bonds issued in 2023	11.5%	5.0%	2026
Bonds issued in 2022	11.0%	5.0%	2025

21 Other borrowed funds

Other borrowed funds consisted of the following:

In thousands of Armenian Drams	2023	2022
Borrowings from international financial institutions	56,235,736	44,636,290
Borrowings from Government of Armenia	33,097,468	35,187,132
Borrowings from local financial institutions	2,895,519	2,926,091
Lease liabilities	2,896,371	1,573,639
Other borrowed funds	**95,125,094**	**84,323,152**

Borrowings from international financial institutions include AMD, USD and EUR denominated borrowings under several financing programs maturing from 2024 till 2041.

Borrowings from Government of Armenia mainly include AMD denominated borrowings provided under Central Bank of Armenia refinancing programs, maturing from 2024 to 2033.

Borrowings from local financial institutions comprise of AMD borrowings under mortgage refinancing programs, maturing from 2024 to 2035.

As at 31 December 2023, loans to customers and finance lease receivables with a gross value of AMD 33,624,305 thousand (2022: AMD 35,972,279 thousand) serve as collateral for secured borrowings from RA Government and Armenian financial institutions (see Notes 12 and 13).

As at 31 December 2023 the Group has other borrowed funds from two lenders (2022: five lenders), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is AMD 53,903,170 thousand (2022: AMD 77,167,285 thousand).

Breach of covenants. As at 31 December 2023 the Group was in compliance with all covenants.

Lease liabilities. Set out below are the carrying amounts of lease liabilities and the movements during the period:

In thousands of Armenian Drams	2023	2022
As at 1 January	1,573,639	2,091,196
Additions	1,340,678	239,085
Modification	517,653	156,815
Accretion of interest	234,652	107,690
Payments	(886,401)	(658,362)
Forex loss/gain	159,491	(260,564)
Termination of contract	(43,341)	(102,221)
As at 31 December	**2,896,371**	**1,573,639**

The Group had total cash outflows for leases of AMD 909,847 thousand in 2023 (2022: AMD 717,033 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AMD 1,340,678 thousand in 2023 (2022: AMD 239,085 thousand).

22 Subordinated loans

As at 31 December 2023 the Group has subordinated loans with gross amount of AMD 12,661,577 thousand (2022: AMD 7,805,036 thousand). Subordinated loans include USD and EUR denominated loans with maturity from 2027 till 2030 and with interest rate from 5.8% to 8.8%.

23 Other liabilities

In thousands of Armenian Drams	2023	2022
Accounts payable	3,592,632	3,273,592
Payables to employees	5,182,620	3,998,386
Provision for liabilities	-	2,666,591
Liabilities for pension payables	-	3,307,766
Provisions for guarantees and letters of credit	8,764	2,152
Provisions for credit-related commitments	65,987	92,611
Total other financial liabilities	**8,850,003**	**13,341,098**
Prepayments from lessees	2,876,064	2,982,241
Taxes payable other than on income	818,158	811,643
Payables to Deposit Guarantee fund	186,327	131,143
Other non-financial liabilities	149,915	114,288
Total other non-financial liabilities	**4,030,464**	**4,039,315**
Total other liabilities	**12,880,468**	**17,380,413**

As of 31 December 2022 provision for liabilities includes provision for certain legal claims brought against the Group in amount AMD 2,666,591 thousand. The bank's appeal was satisfied and is final. The amount is presented in Reversal/ (Charge for) of other impairment and provisions (see note 32). Movements in provisions for liabilities are as follows:

In thousands of Armenian Drams	Note	Total
Provision for legal claim		
Carrying amount at 1 January 2022		-
Additions charged to profit or loss	32	**2,666,591**
Carrying amount at 31 December 2022		**2,666,591**
Reversal		**(2,666,591)**
Carrying amount at 31 December 2023		**-**

24 Equity

Issued capital. As of 31 December 2023 the Group's share capital was AMD 55,000,000 thousand (2022: AMD 55,000,000 thousand). The authorized, issued and outstanding share capital comprises 5,500 thousand ordinary shares (2022: 5,500 thousand ordinary shares) with a par value of AMD 10,000 (2022: AMD 10,000) each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

Nature and purpose of reserves

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

Replenishment of reserve fund from share premium. On 12 April 2022 Board of the Bank decided to transfer AMD 750,000 thousand from the share premium to the reserve fund of the Bank, which presented in this report under Retained earnings. As of 31 December 2023, the Group's reserve fund was AMD 8,250,000 thousand (2022: AMD 8,250,000 thousand).

The reserve fund has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books. Reserve fund is non-distributable reserve, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

Dividends. At the Shareholders' Meeting in 25 May 2023, the Bank declared dividends in respect of the year ended 31 December 2022, totalling AMD 4,400,000 thousand (2022: AMD 3,300,000 thousand) on ordinary shares: AMD 800 per share (2022: AMD 600 per share). The dividends were paid in June 2023.

Earnings per share (EPS). Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As of December 31, 2023 and 2022 the Group doesn't have arrangements for dilutive potential ordinary shares.

In thousands of Armenian Drams	2023	2022
Profit attributable to ordinary equity holders of the parent	**28,392,762**	**22,570,440**
Weighted average number of ordinary share for basic EPS	5,500,000	5,500,000
Earnings per share, Basic and diluted, attributable to equity holders of the parent, AMD	**5,162.32**	**4,103.72**

25 Share-based payments

The ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program

In 2021 ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC announced the commencement of ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program (hereinafter referred to as the "Program") as an integral part of the remuneration, rewards and promotion, human resources and talent management systems of the ACBA FEDERATION Closed Joint-Stock Company's, ACBA BANK Open Joint-Stock Company's and ACBA LEASING CO Closed Joint-Stock Company's key and loyal employees.

Under the Program ACBA Federation CJSC will give up to 300,000 (three hundred thousand) ordinary shares of the shares of the Bank, each with a nominal value of AMD 10,000), to the employees of ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC.

In June 2021 the Group's employees received 145,980 ordinary shares of the Bank from ACBA Federation CJSC, and in June 2023 133,380 ordinary shares with a fair value of AMD 12,591 per share at grant date, with no consideration and conditions attached.

As of 30 June 2023, as a result of two phases of the project total fair value of shares granted to Group's employees in amount of AMD 3,517,422 thousand, from which 440,927 thousand AMD was recognized as personnel expense in the consolidated statement in 2023 (2022: AMD 624,238 thousand) and as shared-based payment reserve in the consolidated statement of changes in equity.

The Bank hired independent consultants for fair value estimation of its shares. Dividend discount approach was applied for valuation of the shares which included the following steps:

- Determination of general assumptions and structure of the financial model;
- Forecast of the balance sheet of the Bank and its subsidiaries;
- Forecast of the financial result of the Bank and its subsidiaries;
- Forecast of dividends with consideration of capital adequacy and liquidity requirements;
- Determination of discount rate;
- Determination of the Bank's terminal value;
- Analysis of assets and liabilities not included in forecast of the financial results;
- Calculation of 100% of the Bank's equity.

Discount rate was determined based on a peer bank's required rate of return on equity.

26 Commitments and contingencies

Operating environment. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation. The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. 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 the Republic of Armenia that are substantially 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 the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Credit related commitments. As at 31 December the Group's commitments and contingencies comprised the following:

In thousands of Armenian Drams	2023	2022
Credit related commitments		
Loan and credit line commitments, credit card commitments	29,184,533	30,658,218
Letters of credit	3,786,483	760,942
Loan commitments	23,660,835	23,004,352
Financial guarantees	4,676,098	121,867
Commitments and contingencies	**61,307,949**	**54,545,379**

An analysis of changes in the ECLs during the year ended 31 December 2023 is as follows:

Loans and credit lines and credit card commitments *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2023	**89,281**	**(905)**	**4,483**	**92,859**
New exposures	22,733			**22,733**
Expired exposures	(25,789)	(416)	(1,912)	**(28,117)**
Transfers to Stage 1	186	(186)	-	**-**
Transfers to Stage 2	(282)	282	-	**-**
Transfers to Stage 3	(845)	(67)	912	**-**
Impact on period end ECL of exposures transferred between stages during the period	(146)	190	1,346	**1,390**
Changes to models and inputs used for ECL calculations	(22,187)	(477)	(651)	**(23,315)**
Foreign exchange adjustments	406	6	25	**437**
At 31 December 2023	**63,357**	**(1,573)**	**4,203**	**65,987**

An analysis of changes in the ECLs during the year ended 31 December 2022 is as follows:

Loans and credit lines and credit card commitments *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at 1 January 2022	**202,626**	**1,407**	**6,212**	**210,245**
New exposures	43,757	-	-	**43,757**
Expired exposures	(78,279)	(2,056)	(3,759)	**(84,094)**
Transfers to Stage 1	692	(692)	-	**-**
Transfers to Stage 2	(789)	789	-	**-**
Transfers to Stage 3	(1,185)	(43)	1,228	**-**
Impact on period end ECL of exposures transferred between stages during the period	(599)	256	1,085	**742**
Changes to models and inputs used for ECL calculations	(72,952)	(478)	(114)	**(73,544)**
Foreign exchange adjustments	(3,990)	(88)	(169)	**(4,247)**
At 31 December 2022	**89,281**	**(905)**	**4,483**	**92,859**

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit during the year ended 31 December 2023 is as follows:

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2023	**23,551,514**	**8,800**	**326,847**	**23,887,161**
New assets originated or purchased	27,997,976	-	-	**27,997,976**
Assets repaid	(19,444,488)	(8,800)	(308,433)	**(19,761,721)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(573,493)	573,493	-	**-**
Transfers to Stage 3	(274,215)	-	274,215	**-**
Foreign exchange adjustments	-	-	-	**-**
At 31 December 2023	**31,257,294**	**573,493**	**292,629**	**32,123,416**

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	1,896	-	8	**1,904**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	9,558			**9,558**
Assets repaid	(2,637)	-	(8)	**(2,645)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(13)	13	-	**-**
Transfers to Stage 3	(5)	-	5	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	(4)	-	**(4)**
Changes to models and inputs used for ECL calculations	(49)	-	-	**(49)**
Foreign exchange adjustments	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**8,750**	**9**	**5**	**8,764**

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit during the year ended 31 December 2022 is as follows:

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2022	13,888,264	5,000	237,458	**14,130,722**
New assets originated or purchased	20,904,641	-	-	**20,904,641**
Assets repaid	(10,871,975)	(5,000)	(154,983)	**(11,031,958)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(8,800)	8,800	-	**-**
Transfers to Stage 3	(244,372)	-	244,372	**-**
Foreign exchange adjustments	(116,246)	-	-	**(116,246)**
At 31 December 2022	**23,551,512**	**8,800**	**326,847**	**23,887,159**

Guarantees and letters of credit *In thousands of Armenian Drams*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**1,608**	**-**	**9**	**1,618**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	1,833	-	-	**1,833**
Assets repaid	(1,476)	-	(6)	**(1,482)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(6)	-	6	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	**-**
Changes to models and inputs used for ECL calculations	(61)	-	-	**(61)**
Foreign exchange adjustments	(3)	-	-	**(3)**
Total movements with impact on credit loss allowance charge for the period	**1,896**	**-**	**8**	**1,904**

27 Net interest income

Net interest income comprises:

In thousands of Armenian Drams	**2023**	**2022**
Financial assets measured at amortized cost		
Loans to legal entities and individuals	63,387,477	50,498,995
Amounts receivable under reverse repurchase agreements	2,345,126	281,069
Loans and advances to banks	861,244	165,688
Other	190,862	1,460
	66,784,709	**50,947,212**
Financial assets measured at fair value through other comprehensive income		
Debt instruments	2,066,383	1,317,522
Interest revenue calculated using effective rate	**68,851,092**	**52,264,734**
Receivables from finance leases	10,190,524	5,722,526
Other interest income	254,916	130,240
Other interest revenue	**10,445,440**	**5,852,766**
Total interest revenue	**79,296,532**	**58,117,500**
Interest expense		
Current accounts and deposits from customers	22,561,711	15,689,446
Other borrowed funds and subordinated loans except lease liabilities	7,651,536	7,105,788
Debt securities issued	1,351,543	252,100
Amounts payable under repurchase agreements	199,908	475,780
Other	40,960	673,756
Interest expense calculated using effective interest rate	**31,805,658**	**24,196,870**
Lease liabilities	234,652	107,690
Interest expense	**32,040,310**	**24,304,560**
Net interest income	**47,256,222**	**33,812,940**

28 Net fee and commission income

Net fee and commission income comprise:

In thousands of Armenian Drams	**2023**	**2022**
Plastic card maintenance and transactions fees	9,081,044	6,031,224
Money transfers	1,183,662	1,404,119
Guarantee and letter of credit issuance	1,004,237	568,406
Current account fees	595,825	281,152
Cash withdrawal services	478,226	731,665
Commissions for acting as an insurance agent	368,697	225,424
Other	226,314	269,216
Commissions from lease equipment suppliers	159,681	148,649
Fee and commission income	**13,097,686**	**9,659,855**
Plastic card maintenance	4,629,582	3,093,747
Other	238,148	213,371
Money transfers	146,893	316,813
Fee and commission expense	**5,014,623**	**3,623,931**
Net fee and commission income	**8,083,063**	**6,035,924**

29 Other income

In thousands of Armenian Drams	**2023**	**2022**
Net proceeds from sale of other assets	134,566	55,708
Net income from card transactions	117,195	1,937
Income from write-off payables	95,566	33,326
Compensation received	27,841	-
Dividends	3,185	9,199
Fines and penalties received	1,394	1,077
Gain from sale of land and buildings	-	1,212,817
Other	474,170	134,221
Total other income	**853,917**	**1,448,285**

30 Other operating expenses

Other operating expenses comprise:

In thousands of Armenian Drams	2023	2022
Guarantee fees on deposit insurance fund	693,668	485,210
Loan collection expenses	265,840	367,100
Loss on disposal of property, plant and equipment	209,150	150,469
Encashment expenses	205,715	232,930
Taxes other than on income	173,077	342,734
Financial system mediator payments	112,250	78,848
Membership fees	402,060	45,480
Securities registry maintenance fee	17,576	13,288
Fines and penalties paid	2,317	8,433
Other	950,863	712,769
Other operating expenses	**3,032,516**	**2,437,261**

31 Other general administrative expenses

In thousands of Armenian Drams	2023	2022
Advertising and marketing	879,396	851,345
Repairs and maintenance	1,279,709	854,401
Software maintenance expense	430,600	484,258
Communications	414,612	358,370
Security	324,206	303,442
Other managerial expenses	280,121	110,150
Utilities and office supplies	266,559	254,504
Insurance	221,366	190,012
Representative expenses	248,736	172,932
Operating lease expense	23,446	58,671
Other	462,696	287,055
Other general administrative expenses	**4,831,447**	**3,925,140**

The Group recognised rent expense from short-term leases of AMD 5,048 thousand and leases of low-value assets of AMD 18,398 thousand for the year ended 31 December 2023 (2022 − rent expense from short-term leases of AMD 6,381 thousand and leases of low-value assets of AMD 52,290 thousand).

“Other” line includes audit services provided to the Group for the financial year ending 31 December 2023 in the amount of AMD 77,880 thousand (2022: AMD 90,128 thousand), non-audit assurance services in the amount of AMD 7,200 thousand (2022: none) and non-audit other services in the amount of AMD 1,172 thousand (2022: none). All amounts are VAT inclusive.

32 Reversal/(Charge for) of other impairment and provisions

In thousands of Armenian Drams	2023	2022
Provision reversal/(charge) for liabilities (note 23)	2,663,662	(2,666,591)
Impairment charge for intangible assets	(3,217)	(591,800)
Release on disposal of repossessed assets	123,303	(24,994)
Charge for other impairment and provisions	**2,783,748**	**(3,283,385)**

33 Risk management

Introduction. Risk is inherent in the Group’s activities, but it is managed through an ongoing process of identification, measurement, and monitoring, overseen by dedicated roles and departments within the organization. This process is subject to defined risk limits and reinforced by permanent controls. Accountability for managing risk exposures is distributed across the Group, with each individual responsible for risks within their purview.

The major risks that the Group faces include credit risk, liquidity risk, market risk (which encompasses trading and non-trading risks), and operational risk. Additionally, the Group remains vigilant regarding emerging risks, such as cybersecurity threats, and ensures compliance with regulatory standards

governing risk management practices. Quantitative assessments of these risks are regularly conducted to inform decision-making and safeguard the Group's profitability and stability.

Risk management structure. The Board holds ultimate responsibility for identifying and controlling risks within the organization. Nevertheless, distinct independent bodies are designated with the specific duties of managing and monitoring these risks.

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

Risk Management Committee to the Board. Revises and approves the Standards and other documents governing the credit risk management. Sets appropriate limits for credit risk exposure, including limits that shall apply in crisis situations, in accordance with the organization's size, complexity and financial position, and designs appropriate approval procedures governing cases where the limit is exceeded.

Chief Executive Officer. The Chief Executive Officer has the responsibility to monitor and manage the overall risk process.

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

Risk Management and Compliance Department. The Risk Management and Compliance Department is primarily responsible for the identification, measurement, monitoring, and management of major risks within the organization, followed by comprehensive reporting after each step to ensure an independent control process.

Assets and Liabilities Management Division. The Assets and Liabilities Management Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

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

Risk measurement and reporting systems. The Group takes individual approach when analyzing and assessing different types of risks through applying statistical models, sensitivity analysis, as well as analyzing the dynamics of various risk indicators and taking appropriate actions in case of necessity. The models are further back tested for checking the validity. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Credit risk information related to all the business lines is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Chief Executive Officer, the Risk Management Committee, and the head of each business division. The report to Risk Management Committee includes aggregate credit exposure analysis, credit concentration limits monitoring results, GAP analysis, VaR estimations, liquidity ratios and benchmark analysis, stress test analysis, overall risk appetite control and risk profile changes. On a quarterly basis detailed reporting of industry, customer and business line risks takes place.

The Risk Management Committee convenes to discuss critical risk issues and endorses actions to mitigate and control them. The Board receives a comprehensive risk report on a quarterly basis, providing essential information to evaluate and make decisions regarding the Group's risks.

Tailored risk reports are meticulously prepared and disseminated throughout all levels of the organization, ensuring that every business division has access to relevant, current information.

Periodical alerts are issued in the event of breaches of risk limits, varying based on the type of breach and its urgency. These alerts are communicated to the relevant business divisions of the Group, as well as to the Chief Executive Officer, for discussion and implementation of corresponding actions.

Risk mitigation. As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

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 Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

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

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

Credit-related commitments risks. The Group makes available to its customers financial guarantees and letters of credit which may require that the Group make payments on their behalf. Such payments are collected from customers based on the contractual terms. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 12 and 13.

Impairment assessment. The Group computes Expected Credit Loss (ECL) through the evaluation of three probability-weighted scenarios to measure anticipated cash shortfalls, discounted at the Effective Interest Rate (EIR) at origination. A cash shortfall is defined as the variance between the contractual cash flows owed to an entity and the anticipated cash flows the entity expects to receive, factoring in potential credit risk. The mechanics of the ECL calculations are detailed below, with key elements including:

PD	The Probability of Default (PD) represents an estimation of the likelihood of default occurring within a defined time horizon. Default may occur at any point within the assessed period if the facility remains in the portfolio and has not been derecognized previously.
EAD	The Exposure at Default (EAD) is an estimation of the exposure at a future default date, considering anticipated changes in exposure post-reporting date. This includes scheduled or unscheduled repayments of principal and interest, expected drawdowns on committed facilities, and accrued interest resulting from missed payments.
LGD	The Loss Given Default (LGD) represents an estimation of the loss arising in the event of default at a specific time. It is determined by comparing the contractual cash flows due with those expected to be received by the lender, considering any collateral realization or future expected recoveries. Typically, LGD is expressed as a percentage of the Exposure at Default (EAD).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LT ECL). In case there has been no significant increase in credit risk since financial instrument origination the allowance is based on the 12 months' expected credit loss. The 12m ECL is the part of the LT ECL that represents the ECLs that could arise from financial instrument default events within a year of the reporting date. LT ECL and 12m ECL are computed either individually or collectively, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to assess, 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. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

Definition of default and cure. The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when:

- the borrower becomes 91 days past due on its contractual payments;
- all liabilities of the given borrower, if at least one of them has more than 90 overdue days in the Bank and/or other financial organizations (also includes the affiliation of a natural person and an individual entrepreneur);
- all the liabilities of the given borrower, if at least one of the liabilities of the affiliated persons is more than 90 days overdue in the Bank;
- refinanced or revised assets due to borrower's poor financial condition, for which there are more than 30 overdue days with the Bank.

The Group considers amounts due from banks defaulted and takes immediate action if counterparty at the end of reporting date fails to do payment of the accrued interest (coupon) and/or principal amount more than 15 business days.

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

- the quality of credits due to affiliated parties;
- the state of being rescheduled;
- the outcome of financial monitoring, which are approved by the management;
- reduction of loan security - as a result of total or partial loss of collateral by the mortgagor, physical damage or illegal sale, or decrease in the loan security ratio due to a decrease in the market value
- concentration of loans to other persons, including concentration to family members. Refusal to repay loans by the borrower and presence of more than 30 overdue days. This criterion is assigned to all loans to which the monitoring conclusion applies;
- force majeure: death of the borrower or the sole owner, disability, serious illnesses. This criterion is applied to all loans of the customer, and
- natural disasters or epidemics. This criterion is assigned to all loans to which the monitoring conclusion applies.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Group 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.

It is the Group'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 six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the debt service by the borrower and existence of other non-primary SICR criteria as of date of the assessment.

PD estimation process

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

Loans to customers

Bucketing. For stage 1 and stage 2 loans to customers, as well as for stage 3 exposures, which are not subject for individually impairment, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Bank, which, in order to evaluate the PD PIT matrices, are further sub-bucketed into smaller target groups.

- Corporate loans;
- Consumer loans;
- Agricultural loans;
- Mortgages loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters. Time series regression analysis are assessed by the following sectors: agriculture, business, consuming and mortgage, the outcome of which are then cascaded down to the predefined sub-buckets of loans to arrive to the PD PIT transition matrices.

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

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

Loss given default. The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. For the purposes of LGD rate calculation the initial bucketing used for PD PIT estimation is further sub-bucketed based on the type of collateral. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties;
- Significant difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- The outcome of the financial monitoring of the borrower's activity.

Forward-looking information and multiple economic scenarios

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

2023

- Exchange rate USD/AMD, monthly average;
- Export, %;
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Service annual growth;
- Industrial production annual growth;
- Exchange rate USD/AMD, end-period;
- GDP growth,%;

2022

- Industrial production annual growth;
- Consumer price inflation;
- Import annual growth;
- Service annual growth;
- Exchange rate USD/AMD, end-period
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Stock of money M2 growth;.

The Group obtains the forward-looking information from third party sources (Economic Intelligence Unit, Central Bank of Republic of Armenia and RA MINFIN). 15%, 70% and 15% probabilities are attributed to each of the corresponding scenarios: best case, base and the worst-case scenarios.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations as at 31 December 2023. Macro Variables Selected by Backward selection method, and every parameter is selected based on its statistically significance. The reversal of ECL is attributed to favourable macroeconomic conditions and recoveries.

Key drivers	ECL scenario	Assigned probabilities, %	2024	2025	2026
Exchange rate USD/AMD, monthly average	Upside	15%	368.46	353.87	383.03
	Base case	70%	389.24	394.94	448.73
	Downside	15%	410.02	438.27	521.53
Export, %	Upside	15%	-5.76%	6.77%	8.44%
	Base case	70%	-9.50%	2.60%	4.00%
	Downside	15%	-13.24%	-1.57%	-0.44%
Agricultural production annual growth, %	Upside	15%	6.24%	7.07%	7.34%
	Base case	70%	2.50%	2.90%	2.90%
	Downside	15%	-1.24%	-1.27%	-1.54%
State budget of RA, deficit/ surplus, million AMD	Upside	15%	(115,920)	(131,975)	(146,097)
	Base case	70%	(302,500)	(319,700)	(334,500)
	Downside	15%	(489,080)	(507,425)	(522,903)
Service annual growth, %	Upside	15%	9.44%	9.67%	9.54%
	Base case	70%	5.70%	5.50%	5.10%
	Downside	15%	1.96%	1.33%	0.66%
Industrial production annual growth, %	Upside	15%	9.72%	9.10%	8.18%
	Base case	70%	6.20%	6.10%	5.50%
	Downside	15%	2.68%	3.10%	2.82%
Exchange rate USD/AMD, end-period	Upside	15%	368.52	353.92	383.09
	Base case	70%	389.30	395.00	448.80
	Downside	15%	410.08	438.34	521.61
GDP growth,%	Upside	15%	9.84%	9.87%	9.84%
	Base case	70%	6.10%	5.70%	5.40%
	Downside	15%	2.36%	1.53%	0.96%

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations 31 December 2022.

Key drivers	ECL scenario	Assigned probabilities, %	2023	2024	2025
Industrial production annual growth, %	Upside	15%	9.92%	9.01%	7.81%
	Base case	70%	5.70%	5.90%	5.20%
	Downside	15%	1.48%	2.79%	2.59%
Consumer price inflation, % (cum)	Upside	15%	1.60%	1.29%	1.02%
	Base case	70%	3.90%	4.00%	4.00%
	Downside	15%	6.20%	6.71%	6.98%
Import annual growth, %	Upside	15%	5.56%	7.51%	8.40%
	Base case	70%	1.80%	3.30%	3.90%
	Downside	15%	-1.96%	-0.91%	-0.60%
Service annual growth, %	Upside	15%	7.76%	8.11%	8.50%
	Base case	70%	4.00%	3.90%	4.00%
	Downside	15%	0.24%	-0.31%	-0.50%
Exchange rate USD/AMD, end-period	Upside	15%	427.12	407.58	383.29
	Base case	70%	446.30	447.60	443.70
	Downside	15%	465.48	489.49	510.13
Agricultural production annual growth, %	Upside	15%	8.36%	8.61%	8.70%
	Base case	70%	1.40%	1.80%	2.70%
	Downside	15%	0.84%	0.19%	-0.30%
State budget of RA, deficit (-) / surplus (+), mln. AMD	Upside	15%	(116,679)	(78,440)	(17,090)
	Base case	70%	(292,200)	(273,300)	(225,567)
	Downside	15%	(467,721)	(468,160)	(434,043)
Stock of money M2 growth, %	Upside	15%	18.73%	13.28%	13.43%
	Base case	70%	14.90%	9.20%	9.20%
	Downside	15%	11.07%	5.12%	4.97%

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by AMD 15,471 thousand at 31 December 2023 (2022: by AMD 30,973). A corresponding change towards the upside assumptions would result in a decrease in ECL by AMD 13,793 thousand at 31 December 2023 (2022: by AMD 25,785 thousand).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of AMD 168,005 thousand at 31 December 2023 (2022: AMD 174,216 thousand). A 10% decrease in PD estimates would result in a decrease in total expected credit loss allowances of AMD 168,005 thousand at 31 December 2023 (2022: AMD 471,191 thousand). A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of AMD 497,460 thousand at 31 December 2023 (2022: AMD 376,340 thousand). A 10% decrease in LGD estimates would result in a decrease in total expected credit loss allowances of AMD 499,140 thousand at 31 December 2023 (2022: AMD 376,220 thousand).

Credit quality per class of financial assets. The following table provides information on the credit quality of net loans to legal entities and individuals and receivables from finance lease as at 31 December 2023 and 31 December 2022:

2023 *In thousands of Armenian Drams*	**Note**		**High grade**	**Standard Grade**	**Sub-standard Grade**	**Impaired**	**Total**
Loans to customers at amortized cost	**12**						
Corporate lending		Stage 1	171,666	181,919,226	-	-	**182,090,892**
		Stage 2	-	-	3,750,067	-	**3,750,067**
		Stage 3	-	-	-	4,738,955	**4,738,955**
		POCI	-	-	-	-	**-**
Agricultural loans		Stage 1	701,738	83,536,755	-	-	**84,238,493**
		Stage 2	-	-	949,173	-	**949,173**
		Stage 3	-	-	-	1,628,665	**1,628,665**
Consumer loans		Stage 1	3,212,308	104,992,424	-	-	**108,204,732**
		Stage 2	16,197	-	1,473,999	-	**1,490,196**
		Stage 3	19,006	-	-	2,002,259	**2,021,265**
Credit cards		Stage 1	863,206	10,885,987	-	-	**11,749,193**
		Stage 2	2,544	-	163,080	-	**165,624**
		Stage 3	6,188	-	-	348,322	**354,510**
Mortgage loans		Stage 1	-	52,441,478	-	-	**52,441,478**
		Stage 2	-	-	577,610	-	**577,610**
		Stage 3	-	-	-	768,803	**768,803**
		POCI	-	-	-	29,681	**29,681**
Gold-secured loans		Stage 3	-	-	-	-	**-**
	12	Stage 1	-	82,769,521	-	-	**82,769,521**
Receivables from		Stage 2	-	-	206,263	-	**206,263**
finance lease		Stage 3	-	-	-	430,642	**430,642**
Total			**4,992,853**	**516,545,391**	**7,120,192**	**9,947,327**	**538,605,763**

2022 *In thousands of Armenian Drams*	**Note**		**High grade**	**Standard Grade**	**Sub-standard Grade**	**Impaired**	**Total**
Loans to customers at amortized cost	**12**						
Corporate lending		Stage 1	-	139,023,947	-	-	**139,023,947**
		Stage 2	-	-	4,426,855	-	**4,426,855**
		Stage 3	-	-	-	3,395,604	**3,395,604**
		POCI	-	-	-	21,311	**21,311**
Agricultural loans		Stage 1	-	104,516,713	-	-	**104,516,713**
		Stage 2	-	-	1,368,169	-	**1,368,169**
		Stage 3	-	-	-	1,880,967	**1,880,967**
Consumer loans		Stage 1	2,114,998	93,362,575	-	-	**95,477,573**
		Stage 2	-	-	1,995,818	-	**1,995,818**
		Stage 3	-	-	-	2,307,086	**2,307,086**
Credit cards		Stage 1	712,319	10,458,618	-	-	**11,170,937**
		Stage 2	-	-	218,235	-	**218,235**
		Stage 3	-	-	-	429,087	**429,087**
Mortgage loans		Stage 1	-	40,897,873	-	-	**40,897,873**
		Stage 2	-	-	654,365	-	**654,365**
		Stage 3	-	-	-	622,267	**622,267**
		POCI	-	-	-	32,303	**32,303**
Gold-secured loans		Stage 3	-	-	-	135	**135**
	12	Stage 1	-	52,353,433	-	-	**52,353,433**
Receivables from finance lease		Stage 2	-	-	762,854	-	**762,854**
		Stage 3	-	-	-	306,934	**306,934**
Total			**2,827,317**	**440,613,159**	**9,426,296**	**8,995,694**	**461,862,466**

The tables below present average PDs per grades for loans to customers and receivables from finance lease under baseline scenario as of 31 December 2023 and 31 December 2022:

2023	Grade	Average PD
Corporate lending	Standard	1.0%
	Sub−standard	6.1%
	Impaired	100.0%
Agricultural loans	Standard	0.8%
	Sub−standard	4.6%
	Impaired	100.0%
Consumer loans	Standard	1.4%
	Sub−standard	17.7%
	Impaired	100.0%
Credit cards	Standard	1.1%
	Sub−standard	15.5%
	Impaired	100.0%
Mortgage loans	Standard	0.8%
	Sub−standard	9.1%
	Impaired	100.0%
Gold−secured loans	Standard	-
	Sub−standard	-
	Impaired	100.0%
Receivables from finance lease	Standard	1.1%
	Sub−standard	9.1%
	Impaired	100.0%

2022	Grade	Average PD
Corporate lending	Standard	1.2%
	Sub−standard	5.2%
	Impaired	100.0%
Agricultural loans	Standard	1.2%
	Sub−standard	5.5%
	Impaired	100.0%
Consumer loans	Standard	1.8%
	Sub−standard	12.9%
	Impaired	100.0%
Credit cards	Standard	1.4%
	Sub−standard	10.1%
	Impaired	100.0%
Mortgage loans	Standard	0.3%
	Sub−standard	8.4%
	Impaired	100.0%
Gold−secured loans	Standard	-
	Sub−standard	-
	Impaired	100.0%
Receivables from finance lease	Standard	1.3%
	Sub−standard	6.7%
	Impaired	100.0%

* High-grade loans, backed by cash collateral, do not carry Probability of Default (PD) as no Expected Credit Loss (ECL) calculation is necessary for them. The exposure of high grade loans as of 31 December 2023 is AMD 4,992,853 thousand (agreement amount: AMD 9,750,506 thousand, the cash collateral for this loans is AMD 11,079,765 thousand).

Credit quality per class of financial assets. The credit quality of financial assets below is managed by the Group based on external credit ratings. Not rated exposures are classified in Standard Grade, unless they are impaired.

As at 31 December 2023:

In thousands of Armenian Drams	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	8	Stage 1	9,530,941	45,280,966	689,588	**55,501,495**
Loans and advances to banks	10	Stage 1	4,187,341	95,279,638	-	**99,466,979**
Debt securities at FVOCI	11	Stage 1	-	18,534,900	-	**18,534,900**
Total			**13,718,282**	**159,095,504**	**689,588**	**173,503,374**

As at 31 December 2022:

In thousands of Armenian Drams	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	8	Stage 1	897,726	65,820,809	-	**66,718,535**
Loans and advances to banks	10	Stage 1	-	50,917,404	-	**50,917,404**
Debt securities at amortised cost	11	Stage 2	-	-	169,536	**169,536**
Debt securities at FVOCI	11	Stage 1	-	21,285,791	-	**21,285,791**
Total			**897,726**	**138,024,004**	**169,536**	**139,091,266**

The table below shows the mapping of the Group's grading system and external ratings of the counterparties as at 31 December 2023 and 31 December 2022.

2023:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.17% -3.22%
Caa1 to Ca	Sub-standard grade	9.09%
C	Impaired	100%

2022:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.2-3.2%
Caa1 to Ca	Sub-standard grade	9.6%
C	Impaired	100%

Liquidity risk and funding management. Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Based on its own liquidity risk model, the bank employs a variety of tools to monitor and manage liquidity risks. The stress scenario within the Bank that underlies the model and is relevant for management purposes, takes into consideration of both a bank specific stress event and a broader market crisis.

To limit this risk, management has arranged diversified funding sources in addition to its core deposit base. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets (highly liquid assets) that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Group, based on certain liquidity ratios established by the CBA. For this purpose, high liquid assets include cash, nostro accounts, debt

securities issued by Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or use of which is not restricted in any way. Liabilities payable on demand include currents accounts and demand deposits of customers, as well as any other liability that is payable on demand.

As at 31 December, these ratios of were as follows:

	Threshold	2023, %	2022, %
N2.1 "General Liquidity Ratio" (highly liquid assets / total assets)	min 15%	23.97%	20.51%
N2.2 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	min 60%	102.95%	72.5%

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

As at 31 December 2023 *In thousands of Armenian Drams*	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities					
Deposits and balances from banks	1,153,556	-	3,278	16,432	**1,173,266**
Current accounts and deposits from customers	259,169,479	173,990,944	81,680,292	14,019,859	**528,860,574**
Debt securities issued	150,974	119,102	20,817,043	-	**21,087,119**
Subordinated loans	162,275	599,589	10,212,355	5,223,430	**16,197,649**
Other borrowed funds except lease liabilities	4,609,294	20,471,538	65,204,618	16,425,210	**106,710,660**
Other financial liabilities	8,850,003	-	-	-	**8,850,003**
Total undiscounted financial liabilities	274,095,581	195,181,173	177,917,586	35,684,931	**682,879,271**
Loan and credit line commitments	29,184,533	-	-	-	**29,184,533**
Guarantees and letters of credit	32,123,416	-	-	-	**32,123,416**

As at 31 December 2022 *In thousands of Armenian Drams*	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities					
Deposits and balances from banks	9,663,807	199,387	78,254	-	**9,941,448**
Current accounts and deposits from customers	218,766,167	135,280,953	74,824,334	6,709,127	**435,580,581**
Debt securities issued	-	912,878	-	-	**912,878**
Subordinated loans	25,998	3,793,384	9,500,314	-	**13,319,695**
Other borrowed funds except lease liabilities	3,772,330	22,689,277	69,664,264	3,503,205	**99,629,075**
Other financial liabilities	13,341,098	-	-	-	**13,341,098**
Total undiscounted financial liabilities	245,569,399	162,875,878	154,067,166	10,212,332	**572,724,775**
Loan and credit line commitments	30,658,218	-	-	-	**30,658,218**
Guarantees and letters of credit	23,887,159	-	-	-	**23,887,159**

The analysis of lease liabilities at 31 December 2023 is as follows:

In thousands of Armenian Drams	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years	Total
Lease liabilities	684,290	622,763	415,345	351,449	263,791	558,733	**2,896,371**

The analysis of lease liabilities at 31 December 2022 is as follows:

In thousands of Armenian Drams	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years	Total
Lease liabilities	141,021	163,982	76,090	668,774	2,252	521,520	**1,573,639**

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in due to customers in the table above are time deposits of individuals. In accordance with Armenia's legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. These deposits are classified in the table above in accordance with their stated maturity dates.

Market risk. Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations.

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 following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	**2023**		
	Increase in basis points	**Sensitivity of net interest income**	**Sensitivity of equity**
AMD	1.50%	53,509	53,509
USD	1.25%	(213,754)	(213,754)
EUR	1.25%	(97,248)	(97,248)

Currency	**2023**		
	Decrease in basis points	**Sensitivity of net interest income**	**Sensitivity of equity**
AMD	1.50%	(53,509)	(53,509)
USD	1.25%	213,754	213,754
EUR	1.25%	97,248	97,248

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

The tables below indicate the currencies to which the Group had significant exposure at 31 December. The analysis calculates the effect of a reasonably possible movement of the currency rate against AMD,

with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in statement of profit or loss or equity, while a positive amount reflects a net potential increase. The Management Board has set risk appetite limits on the currency and interest rate risk. The bank's Board also approved risk appetite, risk tolerance and risk capacity limits for different IRR and FX limits.

	2023		2022	
Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	20.00%	(2,130,690)	20.00%	(681,457)
USD	(20.00%)	2,130,690	(20.00%)	681,457
EUR	20.00%	568,966	8.50%	151,054
EUR	(20.00%)	(568,966)	(8.50%)	(151,054)

Prior to the date of the event that the LIBOR stopped operating, the Group signed amendment agreements with all lenders to replace it with the alternative benchmark rate, all agreements have been updated. Floating-rate loans have been linked to 6-month term SOFR rates published by CME for USD loans and EURIBOR for EUR loans. The same benchmark rates are applied to the floating rate sub-loans provided by the Bank to the clients.

The table below shows the Group's exposure at the year ended 31 December 2023.

31 December 2023 *In thousands of Armenian Drams*	Non-derivative financial assets − carrying value	Non-derivative financial liabilities carrying value	Derivatives Nominal amount
EURLIBOR	1,166,833	8,946,688	946,688
SOFR USD (6 months)	11,157,803	28,258,147	9,829,575
AMD T-Bill	12,009,079	8,441,784	-

Operational risk. Operational risk is the risk of loss arising from systems failure, inadequate or failed internal processes, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. The Group has adopted the three lines of defence in the scope of the operational risk management; the first line of defence provided by the front line staff and operational management, the second line of defence provided by the risk management and compliance functions and the third line of defence provided by the internal audit function.

The operational risk management system includes the following key aspects: risk mapping, incident analysis and permanent controlling function. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. The Management Board has also set risk appetite limit on operational risk.

34 Fair value measurements

Fair value measurement procedures. The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and securities at FVPL and at FVOCI, derivatives, investment property and buildings, vehicles and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as land and buildings, vehicles. Involvement of external valuers is decided by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value hierarchy. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In thousands of Armenian Drams	Fair value measurement using			
At 31 December 2023	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	199,957	-	**199,957**
Equity instruments	2,775,053	-	-	**2,775,053**
Financial assets at fair value through other comprehensive income				
Debt instruments	-	18,534,900	-	**18,534,900**
Equity instruments	11,343	-	-	**11,343**
Unquoted equity securities – local companies	-	-	101,640	**101,640**
Non-financial assets				
Property and equipment −land and buildings, motor vehicles	-	-	11,929,139	**11,929,139**
Assets for which fair values are disclosed				
Cash and cash equivalents	22,665,289	55,494,560	-	**78,159,849**
Loans and advances to banks	-	32,832,740	66,577,774	**99,410,514**
Receivables from finance leases	-	-	83,406,426	**83,406,426**
Other financial assets	-	-	2,781,553	**2,781,553**
Loans to customers	-	-	455,199,337	**455,199,337**
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	189,413,283	313,818,367	**503,231,650**
Debt securities issued	-	21,087,118	-	**21,087,118**
Deposits and balances from banks	-	428,504	724,390	**1,152,894**
Subordinated loans	-	-	12,661,577	**12,661,577**
Other borrowed funds	-	-	95,125,094	**95,125,094**
Other financial liabilities	-	-	8,850,003	**8,850,003**

In thousands of Armenian Drams	Fair value measurement using			
At 31 December 2022	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	363,284	-	**363,284**
Equity instruments	2,153,118	-	-	**2,153,118**
Financial assets at fair value through other comprehensive income				
Debt instruments	-	21,285,791	-	**21,285,791**
Equity instruments	10,638	-	-	**10,638**
Unquoted equity securities – local companies	-	-	101,640	**101,640**
Non-financial assets				**-**
Property and equipment −land and buildings, motor vehicles	-	-	12,824,138	**12,824,138**
Assets for which fair values are disclosed				
Cash and cash equivalents	21,703,944	66,665,341	-	**88,369,285**
Loans and advances to banks	-	24,453,149	26,353,081	**50,806,230**
Debt securities at amortised cost	-	-	90,340	**90,340**
Receivables from finance leases	-	-	53,423,221	**53,423,221**
Other financial assets	-	-	1,528,986	**1,528,986**
Loans to customers	-	-	408,439,245	**408,439,245**
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	179,310,388	244,858,557	**424,168,945**
Debt securities issued	-	6,206,060	-	**6,206,060**
Deposits and balances from banks	-	6,444,304	3,493,330	**9,937,634**
Subordinated loans	-	-	7,805,036	**7,805,036**
Other borrowed funds	-	-	84,323,152	**84,323,152**
Other financial liabilities	-	-	13,341,098	**13,341,098**

Fair value of financial assets and liabilities not carried at fair value. Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

In thousands of Armenian Drams	2023			2022		
	Carrying value	**Fair value**	**Unrecog-nised gain/(loss)**	**Carrying value**	**Fair value**	**Unrecog-nised gain/(loss)**
Financial assets						
Cash and cash equivalents	78,159,849	78,159,849	-	88,369,285	88,369,285	-
Loans and advances to banks	99,410,514	99,410,514	-	50,806,230	50,806,230	-
Investment securities − debt securities at amortised cost	-	-	-	90,340	90,340	-
Loans to customers	455,199,337	455,199,337	-	408,439,245	407,495,077	(944,168)
Receivables from finance leases	83,406,426	83,406,426	-	53,423,221	53,423,221	-
Other financial assets	2,781,553	2,781,553	-	1,528,986	1,528,986	-
Financial liabilities		**-**	**-**			
Current accounts and deposits from customers	503,231,650	503,231,650	-	424,168,945	424,168,945	-
Debt securities issued −	21,087,118	21,087,118	-	6,206,060	6,206,060	-
Deposits and balances from banks	1,152,894	1,152,894	-	9,937,634	9,937,634	-
Subordinated loans	12,661,577	12,661,577	-	7,805,036	7,805,036	-
Other borrowed funds	95,125,094	95,125,094	-	84,323,152	84,323,152	-
Other financial liabilities	8,850,003	8,850,003	-	13,341,098	13,341,098	-
Total unrecognised change in fair value			**-**			**(944,168)**

As at 31 December 2023 the estimated fair values of all financial instruments approximate their carrying values.

Valuation techniques and assumptions. The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fair value measurement of non-financial assets

Fair value of the properties was determined by using market comparable method. The estimated fair values of the land and buildings are categorized within Level 3 of the fair value hierarchy. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Land and Buildings

The fair values of the office Land and buildings are estimated using income and market approaches. The income approach has been applied capitalizing the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property, including size, location, constructional-engineering features of the building, technical (physical) condition, encumbrances, and purpose of use.

The significant unobservable input is the adjustment for factors specific to the property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The fair value of buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. According to the accounting policy of the Bank, properties subject to evaluation are revaluated once in 3 years if there are no significant deviations in the market. A study was conducted for 2023 and no significant deviations were recorded according to the estimates The weighted average deviation is 13.8% in the AMD 1,225,965 thousand total amount.

Derivatives. Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through other comprehensive income. Investment securities measured at fair value through other comprehensive income are valued using a valuation technique or pricing models primarily consist of Armenian Government debt securities. These securities are valued using yield curves which incorporate data observable in the market and published by CBA.

35 Maturity analysis of assets and liabilities

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

See Note 33 Risk management for the Group's contractual undiscounted repayment obligations.

In thousands of Armenian Drams	2023			2022		
	Within one year	**More than one year**	**Total**	**Within one year**	**More than one year**	**Total**
Cash and cash equivalents	78,159,849	-	78,159,849	88,369,285	-	**88,369,285**
Derivative financial assets	199,957	-	199,957	36,273	327,011	**363,284**
Loans and advances to banks	62,018,357	37,392,157	99,410,514	25,255,153	25,551,077	**50,806,230**
Investment securities	5,860,266	15,562,670	21,422,936	6,472,071	17,169,456	**23,641,527**
Loans to customers	143,455,276	311,744,061	455,199,337	125,673,430	282,765,815	**408,439,245**
Receivables from finance leases	22,914,591	60,491,835	83,406,426	13,192,596	40,230,625	**53,423,221**
Investments in associates	-	1,775,530	1,775,530	-	1,362,224	**1,362,224**
Property, equipment and intangible assets	-	27,110,978	27,110,978	-	25,360,445	**25,360,445**
Other assets	14,504,430	2,603,823	17,108,253	13,173,420	-	**13,173,420**
Total	**327,112,726**	**456,681,054**	**783,793,780**	**272,172,228**	**392,766,653**	**664,938,881**

In thousands of Armenian Drams	2023			2022		
	Within one year	**More than one year**	**Total**	**Within one year**	**More than one year**	**Total**
Deposits and balances from banks	1,152,894	-	1,152,894	9,863,194	74,440	**9,937,634**
Current accounts and deposits from customers	420,892,284	82,339,366	503,231,650	347,776,839	76,392,106	**424,168,945**
Debt securities issued	269,143	20,817,975	21,087,118	4,023,967	2,182,093	**6,206,060**
Other borrowed funds	24,413,714	70,711,380	95,125,094	23,311,073	61,012,079	**84,323,152**
Subordinated loans	105,126	12,556,451	12,661,577	89,389	7,715,647	**7,805,036**
Current income tax liabilities	3,812,792	-	3,812,792	4,698,987	-	**4,698,987**
Deferred tax liabilities	-	732,149	732,149	-	1,016,530	**1,016,530**
Other liabilities	12,880,467	-	12,880,467	17,380,413	-	**17,380,413**
Total	**463,526,420**	**187,157,321**	**650,683,741**	**407,143,862**	**148,392,895**	**555,536,757**
Net	**(136,413,694)**	**269,523,733**	**133,110,039**	**(134,971,634)**	**244,373,758**	**109,402,124**

The maturity analysis does not reflect the historical stability of current accounts and deposits from customers. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts within one year in the tables above.

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. Refer to Note 19.

31 December 2023 *In thousands of Armenian Drams*	Non-performing/ overdue	time	demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	No term	Total
Financial assets									
Cash and cash equivalents			78,159,849						**78,159,849**
Derivative financial assets			199,957						**199,957**
Loans and advances to banks			62,018,357	-	-	-	-	37,392,157	**99,410,514**
Investment securities			8,070	154,501	5,697,695	10,886,221	1,788,413	2,888,036	**21,422,936**
Loans to customers	644,010	8,250,895	15,114,543	21,631,499	97,814,329	190,109,274	121,634,787	-	**455,199,337**
Receivables from finance leases	18,284	903,685	3,530,502	4,218,431	14,243,689	54,803,538	5,688,297	-	**83,406,426**
Other assets	-	-	2,781,553	-	-	2,603,823	-	11,722,877	**17,108,253**
Total	**662,294**	**9,154,580**	**161,812,831**	**26,004,431**	**117,755,713**	**258,402,856**	**129,111,497**	**52,003,070**	**754,907,272**
Financial liabilities									
Deposits and balances from banks			851,071	-	301,823	-	-	-	**1,152,894**
Current accounts and deposits from customers			205,366,218	48,932,110	166,593,956	77,765,752	4,573,614	-	**503,231,650**
Debt securities issued − domestic bonds issued			-	150,042	119,101	20,817,975	-	-	**21,087,118**
Other borrowed funds			1,377,464	4,462,755	18,573,495	58,809,216	11,902,164	-	**95,125,094**
Other financial liabilities			3,601,395	-	5,248,608	-	-	-	**8,850,003**
Subordinated loans			-	-	105,126	1,791,600	10,764,851	-	**12,661,577**
Total	**-**	**-**	**211,196,148**	**53,544,907**	**190,942,109**	**159,184,543**	**27,240,629**	**-**	**642,108,336**
Net Liquidity GAP	**662,294**	**9,154,580**	**(49,383,317)**	**(27,540,476)**	**(73,186,396)**	**99,218,313**	**101,870,868**	**52,003,070**	**112,798,936**
Cumulative Liquidity GAP			**(39,566,443)**	**(67,106,919)**	**(140,293,315)**	**(41,075,002)**	**60,795,866**	**112,798,936**	

31 December 2022 *In thousands of Armenian Drams*	Non-performing/ overdue	time	demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	No term	Total
Financial assets									
Cash and cash equivalents			88,369,285						**88,369,285**
Derivative financial assets			36,273			327,011			**363,284**
Loans and advances to banks			25,255,153			1,097,928		24,453,149	**50,806,230**
Investment securities			8,033	4,799,078	1,664,959	14,208,066	695,994	2,265,396	**23,641,527**
Loans to customers	436,221	11,686,759	9,192,960	19,252,386	96,791,863	212,841,439	57,528,223	709,394	**408,439,245**
Receivables from finance leases	10,020	218,607	1,819,257	2,525,913	8,618,799	40,230,625	-	-	**53,423,221**
Other assets	-	-	2,781,553	-	-	-	-	-	**2,781,553**
Total	**446,241**	**11,905,366**	**127,462,515**	**26,577,377**	**107,075,621**	**268,705,069**	**58,224,217**	**27,427,939**	**627,824,345**
Financial liabilities									
Current accounts and deposits from customers				9,863,194	-	-	74,440	-	**9,937,634**
Debt securities issued − domestic bonds issued				194,380,096	22,903,718	130,493,026	71,613,816	4,778,290	**424,168,945**
Deposits and balances from banks			-	-	4,023,967	2,182,093	-	-	**6,206,060**
Subordinated loans			846,791	3,751,451	18,712,831	55,716,333	5,295,746	-	**84,323,152**
Other borrowed funds			6,676,121	3,998,386	2,761,354	-	-	-	**13,435,861**
Other financial liabilities			-	77,345	12,044	7,715,647	-	-	**7,805,036**
Total	**-**	**-**	**211,766,202**	**30,730,900**	**156,003,222**	**137,302,329**	**10,074,036**	**-**	**545,876,688**
Net Liquidity GAP	**446,241**	**11,905,366**	**(84,303,687)**	**(4,153,523)**	**(48,927,601)**	**131,402,740**	**48,150,181**	**27,427,939**	**81,947,657**
Cumulative Liquidity GAP			**(71,952,080)**	**76,105,603)**	**(125,033,204)**	**6,369,536**	**54,519,717**	**81,947,656**	

36 Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

In thousands of Armenian Drams	2023			2022		
	Parent company	**Key management personnel and their close family members**	**Associates**	**Parent company**	**Key management personnel and their close family members**	**Associates**
Loans outstanding at 1 January, gross	2,127,184	971,585	-	768,800	346,064	-
Loans issued during the year	638,672	941,667	-	2,123,658	1,283,469	-
Loan repayments during the year	(583,349)	(752,215)	-	(768,800)	(658,991)	-
Other movements	92,645	3,490	-	3,526	1,043	-
Loans outstanding at 31 December, gross	2,275,152	1,164,527	-	2,127,184	971,585	-
Less: allowance for impairment at 31 December	(6,754)	(3,185)	-	(6,315)	(2,657)	-
Loans outstanding at 31 December, net	2,268,398	1,161,342	-	2,120,869	968,928	-
Weighted average effective interest rate for loans	8.5%	6.6%	-	8.5%	5.1%	-
Current accounts and deposits at 1 January	159	1,547,505	1,656,557	937,666	894,529	282,320
Current accounts and deposits received during the year	4,640,042	4,450,085	1,484,712	3,519,277	4,389,706	2,218,059
Current accounts and deposits repaid during the year	(4,080,144)	(4,400,884)	(991,300)	(4,435,395)	(3,750,199)	(849,483)
Other movements	2,307	63,703	2,041	(21,389)	13,469	5,661
Current accounts and deposits at 31 December	**562,364**	**1,660,409**	**2,152,010**	**159**	**1,547,505**	**1,656,557**

The balances from transactions with related parties include loans with maturity from 2024 till 2039 and with interest rate from 2% to 22%, the weighted average effective rate is 7,2%.

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

In thousands of Armenian Drams	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Parent company	**Key management personnel and their close family members**	**Associates**	**Parent company**	**Key management personnel and their close family members**	**Associates**
Interest income on loans	181,451	49,049	-	1,980	46,223	-
Interest expense on deposits	76,885	121,975	153,363	106,577	117,999	76,854

Compensation of key management personnel was comprised of the following:

In thousands of Armenian Drams	**2023**	**2022**
Salaries and other short-term benefits	2,893,964	2,560,687
Share-based payments	274,738	1,140,099
Total key management personnel compensation	**3,168,702**	**3,700,786**

37 Investments in associates

The Group has an interest in Amundi-Acba Asset management CJSC where the Group owns 49% of shares (31 December 2022: 49%). The associate of the Group was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia. The principal activity of the associate is the management of mandatory pension funds. The associate's activities are supervised by the Central Bank of Armenia. As at 31 December 2023 the carrying value of the investment comprised AMD 1,775,530 thousand (2022: AMD 1,362,224 thousand).

The summarised financial information of material associates is presented below

In thousands of Armenian Drams	**2023**	**2022**
Assets		
Cash and cash equivalents	94,346	24,649
Amounts due from financial institutions	2,052,954	1,624,416
Financial assets at fair value through other comprehensive income	1,520,541	1,321,606
Property, equipment and intangible assets	150,710	26,363
Right-of-use assets	63,499	108,778
Deferred tax asset	11,589	9,086
Other assets	420,289	301,408
Total assets	**4,313,928**	**3,416,306**
Liabilities		
Lease liability	78,505	117,236
Income tax payables	423,786	296,100
Payables and accrued expenses	188,104	222,921
Total liabilities	**690,395**	**636,257**
Net assets	**3,623,533**	**2,780,049**
Group's share in net assets	**1,775,530**	**1,362,224**

In thousands of Armenian Drams	**2023**	**2022**
Income from management fees	3,858,149	2,906,850
Interest income	121,328	92,664
Income from financial advisory	24,890	20,246
Other income	1,539	1,707
Net loss from foreign currency transactions	(2,053)	(12,990)
Interest expense on lease liabilities	(12,453)	(16,068)
Staff costs	(289,911)	(187,793)
Fees and commission expenses	(580,633)	(499,171)
Administrative and other expenses	(546,794)	(451,239)
Profit before income tax	**2,574,062**	**1,854,206**
Income tax expense	(493,781)	(353,503)
Profit for the year	**2,080,281**	**1,500,703**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Unrealised gain/(loss)s on investments measured at FVOCI	188,871	(108,401)
Other comprehensive income/(loss) for the year, net of tax	**188,871**	**(108,401)**
Profit and total comprehensive income for the year	**2,269,152**	**1,392,302**

The Group's share of profit or loss and other comprehensive income of the associate is as follows:

In thousands of Armenian Drams	**2023**	**2022**
Profit for the year	**1,019,338**	**736,475**
Other comprehensive income/(loss)	92,546	(53,122)
Total comprehensive income for the year	**1,111,884**	**683,353**

The Group received dividends in amount of AMD 698,577 thousand for the year ended 31 December 2023 (2022: AMD 539,806 thousand).

38 Changes in liabilities arising from financing activities

In thousands of Armenian Drams	Note	Debt securities issued	Other borrowed funds	Subordinated loans	Total liabilities from financing activities
Carrying amount at 31 December 2021	**20, 21,22**	**5,068,908**	**92,331,761**	**9,794,000**	**107,194,669**
Proceeds from issue		2,191,500	34,288,004	-	**36,479,504**
Redemption		(789,212)	(37,932,197)	-	**(38,721,409)**
Interest paid		(251,934)	(4,881,936)	(2,059,282)	**(7,193,152)**
Non-cash transactions					
Foreign currency translation		(265,302)	(5,052,890)	(1,968,650)	**(7,286,842)**
Lease liabilities (IFRS 16)		-	503,590	-	**503,590**
Interest accrued		252,100	5,066,820	2,038,968	**7,357,888**
Carrying amount at 31 December 2022	**20, 21,22**	**6,206,060**	**84,323,152**	**7,805,036**	**98,334,248**
Proceeds from issue		18,339,013	34,345,599	-	**52,684,612**
Redemption		(3,684,744)	(27,032,928)	4,479,000	**(26,238,672)**
Interest paid		(1,351,193)	(5,832,291)	(1,852,532)	**(9,036,016)**
Non-cash transactions					
Foreign currency translation		226,439	1,445,312	361,804	**2,033,555**
Lease liabilities (IFRS 16)		-	2,092,983	-	**2,092,983**
Interest expense		1,351,543	5,783,267	1,868,269	**9,003,079**
Carrying amount at 31 December 2023	**20,21,22**	**21,087,118**	**95,125,094**	**12,661,577**	**128,873,789**

The “Other” line includes the effect of accrued but not yet paid interest on debt securities issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

39 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

Types of financial assets/liabilities	**Gross amounts before offsetting in the statement of financial position**	**Gross amounts set off in the statement of financial position**	**Net amount after offsetting in the statement of financial position**	**Amounts subject to master netting and similar arrangements not set off in the statement of financial position**		**Net amount of exposure**
In thousands of Armenian Drams				*Financial instruments*	*Cash collateral received*	
ASSETS						
Derivative financial assets						
Interest rate swap	194,548	(4,356)	190,192	190,192	-	-
Currency swap	9,765	-	9,765	9,765	-	-
Investment securities						
Pledged under sale and repurchase agreements	-	-	-	-	-	-
Loans and advances to banks						
Reverse sale and repurchase agreements with other banks	60,035,070	-	60,035,070	60,035,070	-	-
Loans to customers						
Reverse sale and repurchase agreements	5,676,969	-	5,676,969	5,676,969	-	-
Total assets subject to offsetting, master netting and similar arrangement	**65,916,352**	**(4,356)**	**65,911,996**	**65,911,996**	**-**	**-**
LIABILITIES						
Deposits and balances from banks						
Sale and repurchase agreements with other banks	-	-	-	-	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**-**	**-**	**-**	**-**	**-**	**-**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

Types of financial assets/liabilities *In thousands of Armenian Drams*	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	*Cash collateral received*	
ASSETS						
Derivative financial assets						
Interest rate swap	333,748	(6,737)	327,011	327,011	-	-
Currency swap	36,273	-	36,273	36,273	-	-
Investment securities						
Pledged under sale and repurchase agreements	6,019,389	-	6,019,389	6,019,389	-	-
Loans and advances to banks						
Reverse sale and repurchase agreements with other banks	559,459	-	559,459	559,459	-	-
Loans to customers						
Reverse sale and repurchase agreements	1,956,613	-	1,956,613	1,956,613	-	-
Total assets subject to offsetting, master netting and similar arrangement	**8,905,482**	**(6,737)**	**8,898,745**	**8,898,745**	**-**	**-**
LIABILITIES						
Deposits and balances from banks						
Sale and repurchase agreements with other banks	(6,026,642)	-	(6,026,642)	(6,026,642)	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**(6,026,642)**	**-**	**(6,026,642)**	**(6,026,642)**	**-**	**-**

40 Capital adequacy

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2023 this minimum level was 11% (31 December 2022: 12%). The Group is in compliance with the statutory capital ratio as at 31 December 2023 and 31 December 2022.

The following table shows the composition of the capital position calculated in accordance with regulation of Central Bank of Armenia, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

In thousands of Armenian Drams	2023 (unaudited)	2022 (unaudited)
Tier 1 Capital	122,505,579	91,866,748
Tier 2 Capital	15,241,604	11,744,252
Total capital	**137,747,183**	**103,611,000**
Total risk weighted assets	**698,734,440**	**610,690,247**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**19.71%**	**16.97%**

Risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

41 Events after the reporting date

The Program Prospectus of "ACBA BANK" OJSC bonds was registered on 10 April 2024 with a maximum of thirty million US dollars and thirty billion AMD. The first allocations will be 5,000,000 USD and 3,000,000,000 AMD with respectively 4.5% and 9.5% coupon interest rates, with 30-month circulation periods.

There are no other significant events that occurred after the reporting period or as of the report's date that should be mentioned in this document.

ACBA Bank OJSC

Consolidated financial statements

Year ended 31 December 2022
together with independent auditor's report

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Independent Auditor's Report

To the Board and Shareholders of ACBA Bank OJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ACBA Bank OJSC (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Overview

- Overall Group materiality: AMD 1,017,000 thousand, which represents 5% of the Group's average profit before tax (PBT) for the years 2021 and 2022. The average of two years PBT was chosen due to the high volatility of profits in recent years.
- We conducted audit work for 2 significant components of the Group. The third component was assessed as insignificant with no material transactions for the audit of the consolidated financial statements. Our audit scope addressed approximately 100% of the Group's interest income and approximately 100% of the Group's profit before tax.
- Audit matter which was of most significance in the audit of consolidated financial statements is: Expected Credit Loss allowance for loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group Materilaity	• AMD 1,017,000 thousand
How we determined it	• 5% of the 2-year average annual PBT
Rationale for the materiality benchmark applied	• We chose PBT as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose to use the 2 year average PBT to normalise profit level as business performance demonstrated a significant upward trend in PBT as compared to the prior year, due to the volatile economic environment. We took the average of the last 2 years as the previous years were not representative of normalised PBT either, due to the impact of the COVID-19 pandemic and related consequences. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in the financial services sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for loans and advances to customers. Refer to the Significant Accounting Policies, to the Critical accounting estimates and judgments in applying accounting policies, and to the Loans and advances to customers notes. We focused on this area as the management estimates and assumptions regarding the expected credit losses ("ECL") allowance for loans and advances to customers are complex and require a significant degree of judgment. Under IFRS 9 management is required to estimate an expected credit loss allowance corresponding to the losses that are expected to occur over the next 12 months for stage 1, or over the life of the financial asset otherwise. It is also necessary to consider the impact of different future macroeconomic conditions in the determination of ECLs.	We obtained understanding and evaluated the design of the key controls over the determination of ECL allowance and tested their operating effectiveness. These controls included among others: • Controls over model performance monitoring, including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes, including controls over key parameters calculations by the calculation engine; • Controls over ECL calculation and analysis of results; and • Controls over transfer of information for ECL calculations. In addition, we performed the substantive procedures described below.

Key audit matter	How our audit addressed the key audit matter
Management has designed and implemented a number of models to achieve compliance with the requirements of IFRS 9 and effectively manage credit risk. Among others, management has applied judgement to the models in situations where past experience was not considered to be reflective of future outcomes due to limited or incomplete data. Management has also considered the need for incorporating post-model adjustments which would cover the aspects not fully captured by existing models. We have considered the following to be significant for the determination of ECL. • The appropriateness of model methodologies and critical judgements and estimates used to determine the expected credit losses; • Judgemental criteria applied for identification of SICR, including qualitative assessment of borrowers' creditworthiness relevant to the Group portfolios ; • Critical assumptions applied in the determination of loss given default ('LGD') and probability of default ('PD'); • Assessment of the key assumptions related to forward-looking information ('FLI') including the appropriateness of scenario weightings and macroeconomic variables.	We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate, engaging our credit risk modelling specialists and our industry knowledge. This included an evaluation of the judgemental criteria set by management for determining whether there had been a SICR (applicable to corporate, SME and retail portfolios), and the critical judgements and assumptions applied in determination of LGDs and PDs. We independently verified the calculation of ECL and assessed whether the ECL calculations were consistent with the approved model methodologies. We challenged management in respect of the appropriateness of the macroeconomic models as well as weightings applied to each macroeconomic scenario. We have also performed accuracy and completeness check for expected credit loss Disclosures.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's activities are carried out in Armenia. The Group's main operations relate to the banking and leasing businesses. The banking activities make up the largest component of the Group represent approximately 90% of the Group's total assets and 90% of the Group's profit before tax. The remaining 10% of Group's activities are mainly attributable to the leasing business.

Our audit approach and team was designed to reflect the structure of the Group. Based on the procedures we performed over the two significant reporting units, our audit scoping/coverage accounted for almost 100% revenue and 100% of total assets of the Group.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon) which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report , if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The Responsible Auditor on the audit resulting in this independent auditor's report is Levan Kankava.

Levan Kankava

Responsible Auditor

Alexey Rusanov

Director

PricewaterhouseCoopers Armenia LLC

02 May 2023

Consolidated statement of financial position

As of 31 December 2022

(Thousands of Armenian Drams)

	Notes	31 December 2022	31 December 2021 (restated*)	1 January 2021 (restated*)
Assets				
Cash and cash equivalents	6	88,369,285	96,447,988	66,398,135
Trading securities	7	-	433,697	319,353
Derivative financial assets	8	363,284	38,625	250,207
Loans and advances to banks	9	50,806,230	19,619,083	57,171,584
Investment securities				
- Held by the Bank	10	17,622,138	23,994,829	17,405,067
- Pledged under sale and repurchase agreements	10	6,019,389	-	-
Loans to customers	11	408,439,245	341,295,078	303,018,557
Receivables from finance leases	12	53,423,221	31,233,067	25,017,394
Investments in associates	36	1,362,224	1,218,677	984,442
Property, equipment and intangible assets and an right-of-use assets	13	25,360,445	21,856,866	20,144,910
Other assets	16	13,173,420	10,700,903	4,754,606
Deferred tax assets	14	-	91,722	167,436
Total assets		**664,938,881**	**546,930,535**	**495,631,691**
Liabilities				
Derivative financial liabilities		-	-	79,893
Deposits and balances from banks	17	9,937,634	1,070,890	45,717
Current accounts and deposits from customers	18	424,168,945	337,492,635	296,944,080
Debt securities issued	19	6,206,060	5,068,908	8,500,960
Other borrowed funds	20	84,323,152	92,331,761	101,043,374
Current income tax liabilities		4,698,987	1,187,740	126,703
Deferred tax liabilities	14	1,016,530	1,296,678	680,497
Other liabilities	22	17,380,413	10,494,556	6,570,526
Subordinated loans	21	7,805,036	9,794,000	11,130,839
Total liabilities		**555,536,757**	**458,737,168**	**425,122,589**
Equity				
Share capital	23	55,000,000	55,000,000	30,000,000
Share premium	23	1,750,000	2,500,000	-
Share-based payment reserve	24	3,076,495	2,452,257	-
Revaluation reserve for property and equipment		4,985,941	3,479,525	2,946,536
Revaluation reserve for investment securities		877,300	1,184,362	1,104,018
Retained earnings		43,712,388	23,577,223	36,458,548
Total equity		**109,402,124**	**88,193,367**	**70,509,102**
Total equity and liabilities		**664,938,881**	**546,930,535**	**495,631,691**

*See note 3 for details regarding the restatement.

Signed and authorized for release on behalf of the Management of the Bank

Hakob Andreasyan — Chief Executive Officer

Armen Hakobyan — Chief Accountant

30 Arpil 2023

The accompanying notes from pages 6 to 87 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2022

(Thousands of Armenian Drams)

	Notes	2022	2021 (restated*)
Interest revenue calculated using effective interest rate	26	52,264,734	45,156,600
Other interest revenue	26	5,852,766	3,524,713
Interest expense	26	(24,304,560)	(21,026,796)
Net interest income		**33,812,940**	**27,654,517**
Reversal of credit loss expense	15	2,286,215	232,100
Net interest income after credit loss expense		**36,099,155**	**27,886,617**
Fee and commission income	27	9,659,855	6,294,559
Fee and commission expense	27	(3,623,931)	(2,510,554)
Net gain on financial instruments at fair value through profit and loss		(115,359)	309,931
Net gain from foreign exchange trading activities		13,516,463	2,918,840
Net loss from foreign exchange translation		(433,735)	(866,891)
Share of profit of associates	36	736,475	579,024
Other income	28	1,448,285	885,075
Non-interest income		**21,188,053**	**7,609,984**
Personnel expenses		(16,716,813)	(14,567,050)
Depreciation and amortization	13	(2,606,948)	(2,493,962)
Other operating expenses	29	(2,437,261)	(2,007,166)
Other general administrative expenses	30	(3,925,140)	(3,966,843)
Charge for other impairment and provisions	31	(3,283,385)	(95,529)
Non-interest expense		**(28,969,547)**	**(23,130,550)**
Profit before income tax expense		**28,317,661**	**12,366,051**
Income tax expense	14	(5,747,221)	(2,758,290)
Profit for the year		**22,570,440**	**9,607,761**
Earnings per share			
Basic and diluted, attributable to equity holders of the parent, AMD	23	4,103.72	1,801.56

*See note 3 for details regarding the restatement.

Consolidated statement of other comprehensive income

For the year ended 31 December 2022

(Thousands of Armenian Drams)

	Note	2022	2021 (restated*)
Profit for the year		**22,570,440**	**9,607,761**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of investment securities at fair value through other comprehensive income		(476,694)	(226,739)
Changes in allowance for expected credit losses of investment securities at fair value through other comprehensive income		158,454	304,374
Income tax relating to components of other comprehensive income	14	57,283	(13,974)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(260,957)**	**63,661**
*Other comprehensive income not to be reclassified to profit or loss in subsequent perio*ds			
Revaluation of buildings and motor vehicles	13	1,977,001	660,910
Losses on equity instruments at fair value through other comprehensive income		(3,104)	(2,495)
Income tax relating to components of other comprehensive income	14	(355,301)	(118,515)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,618,596**	**539,900**
Not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive income of associates		(53,122)	20,686
Income tax relating to components of other comprehensive income	14	9,562	-
Total share of the other comprehensive income of associates		**(43,560)**	**20,686**
Other comprehensive income for the year, net of tax		**1,314,079**	**624,247**
Total comprehensive income for the year		**23,884,519**	**10,232,008**

*See note 3 for details regarding the restatement.

The accompanying notes from pages 6 to 87 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

(Thousands of Armenian Drams)

	Share capital	*Share premium*	*Share-based payment reserve*	*Revaluation surplus for property and equipment*	*Revaluation reserve for financial assets at fair value through other comprehensive income* (restated*)	*Retained earnings* (restated*)	*Total equity*
Balance as at 1 January 2021 (restated*)	**30,000,000**	**-**	**-**	**2,946,536**	**1,104,018**	**36,458,548**	**70,509,102**
Total comprehensive income							
Profit for the year	-	-	-	-	-	9,607,761	9,607,761
Other comprehensive income	-	-	-	543,903	80,344	-	**624,247**
Total comprehensive income for the year	**-**	**-**	**-**	**543,903**	**80,344**	**9,607,761**	**10,232,008**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	**-**	**-**	**-**	**(10,914)**	**-**	**10,914**	**-**
Transactions with owners, recorded directly in equity							
Replenishment of share capital from Retained earnings	20,000,000	-	-	-	-	(20,000,000)	**-**
Issue of share capital	5,000,000	2,500,000	-	-	-	-	**7,500,000**
Dividends declared	-	-	-	-	-	(2,500,000)	**(2,500,000)**
Total transactions with owners	**25,000,000**	**2,500,000**	**-**	**-**	**-**	**(22,500,000)**	**5,000,000**
Share-based payments (Note 24)	-	-	2,452,257	-	-	-	**2,452,257**
Balance as at 31 December 2021 (restated*)	**55,000,000**	**2,500,000**	**2,452,257**	**3,479,525**	**1,184,362**	**23,577,223**	**88,193,367**
Total comprehensive income							
Profit for the year	-	-	-	-	-	22,570,440	**22,570,440**
Other comprehensive income	-	-	-	1,621,141	(307,062)	-	**1,314,079**
Total comprehensive income for the year	**-**	**-**	**-**	**1,621,141**	**(307,062)**	**22,570,440**	**23,884,519**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(114,725)	-	114,725	-
Transactions with owners, recorded directly in equity							
Replenishment of Reserve fund from share premium (Note 23)	-	(750,000)	-	-	-	750,000	**-**
Dividends declared	-	-	-	-	-	(3,300,000)	**(3,300,000)**
Total transactions with owners	**-**	**(750,000)**	**-**	**-**	**-**	**(2,550,000)**	**(3,300,000)**
Share-based payments (Note 24)	-	-	624,238	-	-	-	**624,238**
Balance as at 31 December 2022	**55,000,000**	**1,750,000**	**3,076,495**	**4,985,941**	**877,300**	**43,712,388**	**109,402,124**

*See note 3 for details regarding the restatement.

The accompanying notes from pages 6 to 87 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

(Thousands of Armenian Drams)

	Notes	2022	2021 (restated*)
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		49,369,597	44,864,840
Other interest received		6,102,070	3,524,713
Interest paid		(23,532,053)	(20,677,814)
Fees and commissions received		9,659,855	6,429,127
Fees and commissions paid		(3,623,931)	(2,510,553)
Net receipt from derivative financial instruments at fair value through profit or loss		196,755	772,393
Net receipts from foreign exchange		13,516,463	2,918,840
Other operating expenses paid		(2,318,819)	(2,422,846)
Other income received		235,468	573,836
Salaries and other payments to employees		(14,460,895)	(11,535,954)
Other general administrative expenses paid		(3,925,140)	(3,888,701)
Cash flows from operating activities before changes in operating assets and liabilities		**31,219,370**	**18,047,881**
Net (increase)/decrease in operating assets			
Trading securities		428,072	(114,344)
Derivative financial assets		(31,083)	–
Loans and advances to banks		(32,847,258)	37,508,706
Loans to customers		(84,018,496)	(39,050,452)
Receivables from finance lease		(22,270,275)	(12,598,205)
Other assets		(2,693,894)	(946,313)
Net increase/(decrease) in operating liabilities			
Derivative financial liabilities		-	(79,831)
Deposits and balances from banks		8,738,065	1,019,240
Current accounts and deposits from customers		116,891,930	40,188,480
Other liabilities		3,453,298	3,513,231
Net operating activities before income tax		**18,869,729**	**47,488,393**
Income tax paid		(2,687,672)	(1,137,847)
Net cash from operating activities		**16,182,057**	**46,350,546**
Cash flows from investing activities			
Purchase of property, equipment		(1,852,520)	(931,480)
Purchase of intangible assets		(1,613,821)	(788,301)
Proceeds from sale of property, equipment		53,404	103,225
Purchases of investment securities		(6,195,291)	(11,458,482)
Sale and repayment of investment securities		2,944,680	3,824,060
Dividends received	36	539,806	-
Net cash used in investing activities		**(6,123,742)**	**(9,250,978)**
Cash flows from financing activities			
Proceeds from issue of share capital	23	-	7,500,000
Proceeds from debt securities issued	37	2,191,500	3,461,498
Redemption of debt securities issued	37	(789,212)	(6,095,477)
Proceeds from other borrowed funds	37	34,288,004	33,778,000
Repayment of other borrowed funds	37	(37,932,197)	(43,034,045)
Dividends paid	23	(3,300,000)	(2,500,000)
Net cash used in financing activities		**(5,541,905)**	**(6,890,024)**
Effect of exchange rates changes on cash and cash equivalents		(12,664,004)	(84,277)
Effect of changes in impairment allowance		68,891	(75,414)
Net increase in cash and cash equivalents		**(8,078,703)**	**30,049,853**
Cash and cash equivalents, beginning		96,447,988	66,398,135
Cash and cash equivalents, ending	6	**88,369,285**	**96,447,988**

*See note 3 for details regarding the restatement.

The accompanying notes from pages 6 to 87 are an integral part of these consolidated financial statements.

(Thousands of Armenian Drams)

1. Principal activities

ACBA Bank OJSC (the "Bank") is the parent company in the Group, which is comprised of the Bank and its subsidiaries ACBA Leasing Credit Organization CJSC and ACBA Technolab LLC (together the "Group"). It was formed in 1995 as a cooperative bank with collective ownership under the laws of the Republic of Armenia and reorganized into closed joint stock company in 2006. The Bank operates under a general banking license issued by the Central Bank of Armenia and is a member of the state deposit insurance system in the Republic of Armenia.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan and it has 63 branches (including Head office) in Yerevan and other regions of Armenia. The Bank's registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.

ACBA Leasing Credit Organization was formed on 30 March 2003 as a closed joint-stock company under the laws of the Republic of Armenia. The company's principal activities are finance lease operations with corporate and individual customers. The company possesses a credit organization license from the Central Bank of Armenia. The company is a subsidiary of the Group and was consolidated in these financial statements. The Bank owns 100% shares of ACBA Leasing CJSC.

On 23 December 2021 the Bank founded ACBA TECHNOLAB LLC educational center. The purpose of the center is to implement educational programs and attract qualified specialists.

As of 31 December, the shareholders of the Bank are:

Shareholder	***2022, %***	***2021, %***
ACBA Federation CJSC	83.80	83.68
Sacam International SAS	4.55	4.55
Other	11.65	11.77
Total	**100.0**	**100.0**

ACBA Federation CJSC is the parent of the Group and has no single controlling party. ACBA Federation CJSC was founded on 6 May 2017 by 10 Rural Mutual Assistance Associations, former shareholders of the Bank which are currently shareholders of ACBA Federation CJSC. The Rural Mutual Assistance Regional Unions are Non Governmental Organisations working in the 10 regions of RA which were founded to develop agriculture in the regions. The 10 Associations together have 73,949 members.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment (land, building and vehicle), financial instruments categorised at fair value through other comprehensive income ("FVOCI"), financial instruments, derivative instruments and trading assets at fair value through profit or loss ("FVTPL"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements are presented in thousands of Armenian Drams ("AMD"), except for per share amounts or unless otherwise indicated.

War between Russia and Ukraine

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

Due to the escalation of the Russia and Ukraine conflict, and the sanctions imposed on the Russian Federation, a 10% yearly decline in the Russian economy was predicted for 2022 at the end of the first quarter of 2022 (EIU's March 2022 forecast). As Russian Federation is the largest trade partner of the RA and the country that hires the most labour migrants from the RA, the pessimistic economic developments of Russian Federation were anticipated to have a negative influence on a number of sectors of the RA economy as well as on remittances received from the Russian Federation. On the basis of the aforementioned, it was anticipated that the RA economy's growth would decelerate.

(Thousands of Armenian Drams)

2. Basis of preparation (continued)

War between Russia and Ukraine (continued)

According to the CBA's March Forecast and the EIU's April 2022 Forecast, the yearly growth of RA economy was forecasted to be around 1%. When preparing its PD forecasts and ECL calculations at the end of the 2022 first quarter,

Group considered the above-mentioned observations and expectations. Since the first days of the Russian-Ukrainian conflict ACBA bank adjusted its limits for Russian banks (maximum limits for banks have been reduced).

Armenian economy has successfully resisted existing global turbulences and managed to register impressive macroeconomic indicators in 2022, mainly due to tourism, reallocation of number of companies into Armenia and significant increase of remittances. All the mentioned factors have resulted in 12.6% increase in GDP in 2022, which is significantly higher than it was anticipated at the beginning of the year. Per International Monetary Fund's (IMF) performance review, an economic rebound will continue. Government projects 7% growth for 2023. The government's 2021-2026 economic program seeks to advance an export-oriented and investment-driven growth model through a broad-based reform effort.

Standard & Poor's credit rating for Armenia stands at B+ with stable outlook dated 24 November 2022. Fitch credit rating for Armenia stands at B+, and was updated to positive outlook on 10 February 2023.

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

Estimation uncertainty

To the extent that information is available as at 31 December 2022, the Group has reflected revised estimates of expected future cash flows in its ECL assessment (Note 11), estimation of fair values of financial instruments, property, revaluation of plant and equipment (Note 32).

3. Significant accounting policies

Changes in accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

3. Significant accounting policies (continued)

Adoption of New or Revised Standards and Interpretations (continued)

- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Loans and advances to banks, loans to customers, investment securities at amortised cost

The Group only measures loans and advances to banks, loans to customers and investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

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

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

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

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

The SPPI test

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

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

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

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

Debt instruments at FVOCI

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

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

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

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

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

Advances given for finance leases

The Group treats advances received from lessees and advances given to suppliers as monetary items and recognises financial liabilities and financial assets for them.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Performance guarantees are measured under IFRS 4, which allows to disclose performance guarantees under IFRS 9 if they meet the definition of a financial instrument. IFRS 9 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Performance guarantees may meet this definition if they meet certain criteria, such as being legally enforceable and specifying a payment obligation.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, Nostro accounts in banks and amounts due from the CBA, including obligatory reserves in AMD free from contractual encumbrances. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Mandatory cash balances with the CBA.

Mandatory cash balances with the CBA are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

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

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts, are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss. Financial assets are classified based on the business model and SPPI assessments.

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Subordinated loans

Subordinated loans can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Debt securities issued

Debt securities in issue include promissory notes, bonds issued by the Group. Debt securities are stated at AC.

Leases

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 2,500 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Operating − Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance − Group as a lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term.
The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease by applying the rate implicit in the lease to (i) the gross book value of lease receivables in stage 1 and 2 and (ii) net carrying amount of lease receivables in stage 3 of the ECL model. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within “Other interest revenue” in profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in reverse sale and repurchase agreements, master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

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

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

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

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

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Renegotiated loans (continued)

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3. In order for the restructured loan to be reclassified out of Stage 3 the below mentioned conditions should be met:

1. Loans with monthly payment schedules, overdue amounts have been fully paid for, 3 consecutive payments of principal and interest in accordance with the modified payment schedule have been made and there are no overdue days exceeding 7 days;
2. Loans with flexible payment schedules, overdue amounts have been fully paid, afterwards, regular payments of principal and interest have been made for a minimum 6-month probation period in accordance with the modified payment schedule and there are no overdue days exceeding 7 days.

In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group first applies the practical expedient as described in Note 3, to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.
If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Financial liabilities (continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

Property and equipment

Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, land, buildings and motor vehicles are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	46
Equipment	5-10
Motor vehicles	7-10
Other	7-10

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

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. 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 over the useful economic lives of 7 to 10 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 indefinite useful lives are reviewed at least at each financial year-end.

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 net releasable value.

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Provisions

Provisions are recognised when the Group 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.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements and significant post-employment benefits.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both 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.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

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

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Agriculture, Trading and Investment banking and Finance lease.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

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

3. Summary of accounting policies (continued)

Interest and similar income and expense (continued)

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

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

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

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

Interest revenue from penalties on loans to customers presented in "Interest revenue calculated using effective interest rate" in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses − are recognised on completion of the underlying transaction.

Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Customer loyalty programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Income is recognised when the Group's right to receive the payment is established.

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank's and its subsidiary's functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBA exchange rates at 31 December 2022 and 31 December 2021, were 393.57 Drams and 480.14 Drams to 1 USD and 420.06 Drams and 522.59 Drams to 1 EUR, respectively.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Bank.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 23.

That cost is recognised in personnel expenses together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction

Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Group is currently assessing the impact of the amendments on its financial statements

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed.

(Thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

Correction of errors

During the year, the Group has made a corrections in these consolidated financial statements in relation to corresponding statements presented for the year ended 31 December 2021 and 01 January 2021.

In accordance with IAS 8, amendments have been made retrospectively, and comparative figures have been adjusted accordingly.

Corrections are as follows:

Correction 1: Investment securities

The Group has Class C Visa shares which were carried forward as equity instruments at FVTOCI. However, VISA Inc. Class C Preferred Stock shares are debt instruments that fail SPPI. During the year, the Group has made a correction in these financial statements in relation to corresponding statements presented for the year ended 31 December 2021 and 01 January 2021. In financial statements Group reclassified equity investments in Visa Series C preferred shares as equity investments at FVTPL.

Correction 2: Property and equipment

During the year, the Group has made a correction in these financial statements in relation to corresponding statements presented for the year ended 31 December 2021 and 01 January 2021. In financial statements for the year ended 31 December 2021 the Cost and Accumulated depreciation of certain written off properties and equipments was not deducted from cost and accumulated depreciation amount in disclosureof property, equipment, right-of-use assets and intangible assets (Note13).

Error had no effect on the Groups equity, statement of financial position and statement of profit or loss.

Correction 3: Income received from fines and penalties

During the year, the Group has made a correction correction in these financial statements in relation to corresponding statements presented for the year ended 31 December 2021. In financial statements for the year ended 31 December 2021 income received from fines and penalties was presented under "Other income" in statement of profit or loss. Group reclassified income from fines and penalties from "Other income" to "Interest revenue calculated using effective interest rate" for penalties received from loans to customers, "Other interest revenue" for penalties received from receivables from finance leases, and netted interest expense for penalties received from termination of term deposits.

The effect of corrections on Consolidated statement of financial position was as follows as at 01 January 2021.

	As originally presented	Correction 1	As restated for the year ended 01 January 2021
Revaluation reserve for investment securities	3,572,143	(2,468,125)	**1,104,018**
Retained earnings	33,990,423	2,468,125	**36,458,548**

(Thousands of Armenian Drams)

3. Significant accounting policies (continued)

Correction of errors (continued)

The effect of corrections on Consolidated statement of financial position was as follows as at 31 December 2021.

	As originally presented	Correction 1	As restated for the year ended 31 December 2021
Revaluation reserve for investment securities	3,446,766	(2,262,404)	**1,184,362**
Retained earnings	21,314,819	2,262,404	**23,577,223**

The effect of reclassification on Consolidated statement of profit or loss and other comprehensive income was as follows for the year ended 31 December 2021.

	Note	As originally presented	Correction 1	Correction 2	As restated for the year ended 31 December 2021
Consolidated statement of profit or loss					
Interest revenue calculated using effective interest rate	26	43,312,133	1,844,467		**45,156,600**
Other interest revenue	26	3,498,291	26,422		**3,524,713**
Interest expense	26	(21,294,891)	268,095		**(21,026,796)**
Net gain/(loss) on financial instruments at fair value through profit and loss		560,811	-	(250,880)	**309,931**
Other income	28	3,024,059	(2,138,984)		**885,075**
Income tax expense	14	(2,803,449)	-	45,159	**(2,758,290)**
Consolidated statement of other comprehensive income					
(Losses)/gains on equity instruments at fair value through other comprehensive income		(253,375)	-	250,880	**(2,495)**
Income tax relating to components of other comprehensive income		(73,356)	-	(45,159)	**(118,515)**
Basic and diluted, attributable to equity holders of the parent, AMD		1,840.03		(38.47)	1,801.56

(Thousands of Armenian Drams)

4. Critical accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Revaluation of land, buildings and motor vehicles (Note 33)

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group engages independent experts for valuation of its premises and vehicles.

Fair value measurement

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 33.

The cost of equity-settled transactions is determined by the fair value of the Bank's shares at the date when the grant is made using an acceding to discounted cash flow model as of the grant date. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values further details of which are given in Note 24.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for loan and finance lease impairment recognized in consolidated statement of financial position at 31 December 2022 was AMD 5,982,161 thousand (2021: AMD 8,319,892 thousand). More details are provided in Notes 11 and 12.

Leases − estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

(Thousands of Armenian Drams)

4. Critical accounting judgments and estimates (continued)

Leases − estimating the incremental borrowing rate (continued)

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Leases - extension options

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5. Segment information

For management purposes, the Group is organised into five operating segments based on products and services as follows:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Agriculture	Principally handling loans and other credit facilities and deposit and current accounts for customers in agriculture industry.
Trading and Investment banking (IB)	Treasury and finance, investment banking and other central functions.
Finance lease	Principally providing finance lease services to corporate and individual customers.

Chief Operating Decision Maker of the Group is Chief Executive Officer.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Thousands of Armenian Drams)

5. Segment information (continued)

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

2022	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Trading and IB*	*Finance lease*	*Total*
Interest revenue calculated using effective interest rate	19,587,306	13,938,461	15,880,325	2,858,642	-	**52,264,734**
Other interest revenue	-	-	-	130,202	5,722,564	**5,852,766**
Interest expense	(6,669,927)	(6,567,713)	(7,431,082)	(1,137,339)	(2,498,499)	**(24,304,560)**
Net Interest income	**12,917,379**	**7,370,748**	**8,449,243**	**1,851,505**	**3,224,065**	**33,812,940**
Reversal of credit loss expense / (credit loss expense)	1,173,104	350,093	797,322	(108,012)	73,708	**2,286,215**
Net interest income after credit loss expense	**14,090,483**	**7,720,841**	**9,246,565**	**1,743,493**	**3,297,773**	**36,099,155**
Fee and commission income	5,142,169	1,990,132	2,378,905	-	148,649	**9,659,855**
Fee and commission expense	(1,627,073)	(928,419)	(1,064,267)	-	(4,172)	**(3,623,931)**
Net gain on financial instruments at fair value through profit and loss	-	-	-	(115,359)	-	**(115,359)**
Net gain from foreign exchange trading activities	6,484,007	3,327,322	3,852,680	-	(147,546)	**13,516,463**
Net loss/gain from foreign exchange translation	(223,357)	(114,617)	(132,715)	-	36,954	**(433,735)**
Share of profit of associates	-	-	-	736,475	-	**736,475**
Other income	656,459	336,866	390,057	-	64,903	**1,448,285**
Non-interest income	**10,432,205**	**4,611,284**	**5,424,660**	**621,116**	**98,788**	**21,188,053**
Personnel expenses	(7,743,996)	(3,973,895)	(4,601,344)	-	(397,578)	**(16,716,813)**
Depreciation and amortisation	(1,222,831)	(627,506)	(726,584)	-	(30,027)	**(2,606,948)**
Other operating expenses	(1,104,020)	(566,537)	(655,989)	-	(110,715)	**(2,437,261)**
Other general administrative expenses	(1,795,437)	(921,343)	(1,066,817)	-	(141,543)	**(3,925,140)**
Charge for other impairment and provisions	(1,558,071)	(799,537)	(925,777)	-	-	**(3,283,385)**
Non-interest expense	**(13,424,355)**	**(6,888,818)**	**(7,976,511)**	**-**	**(679,863)**	**(28,969,547)**
Profit/(loss) before income tax expense	**11,098,333**	**5,443,306**	**6,694,715**	**2,364,609**	**2,716,698**	**28,317,661**
Income tax expense	(2,468,973)	(1,266,974)	(1,467,020)	-	(544,254)	(5,747,221)
Profit/(loss) for the year	**8,629,360**	**4,176,332**	**5,227,695**	**2,364,609**	**2,172,444**	**22,570,440**
Segment interest earning assets	159,718,236	117,732,694	130,988,315	25,358,661	53,423,221	**487,221,127**
Segment interest bearing liabilities	185,737,575	21,898,804	24,474,199	99,752,380	51,229,395	**383,092,353**

(Thousands of Armenian Drams)

5. Segment information (continued)

2021 (restated)*	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Trading and IB*	*Finance lease*	*Total*
Interest revenue calculated using effective interest rate	15,668,403	11,600,429	15,675,740	2,212,028	-	**45,156,600**
Other interest revenue	-	-	-	158,602	3,366,111	**3,524,713**
Interest expense	(5,174,333)	(4,713,009)	(6,222,872)	(3,612,471)	(1,304,111)	**(21,026,796)**
Net Interest income/(expense)	**10,494,070**	**6,887,420**	**9,452,868**	**(1,241,841)**	**2,062,000**	**27,654,517**
Reversal of credit loss expense / (credit loss expense)	(1,009,868)	1,306,525	61,537	(254,905)	128,811	**232,100**
Net interest income/(expense) after credit loss expense	**9,484,202**	**8,193,945**	**9,514,405**	**(1,496,746)**	**2,190,811**	**27,886,617**
Fee and commission income	2,161,137	1,400,965	2,368,967	–	363,490	**6,294,559**
Fee and commission expense	(925,347)	(599,859)	(824,689)	–	(160,659)	**(2,510,554)**
Net gain on financial instruments at fair value through profit and loss	–	–	–	309,931	–	**309,931**
Net gain from foreign exchange trading activities	1,185,515	769,584	1,057,205	–	(93,464)	**2,918,840**
Net loss/gain from foreign exchange translation	(340,256)	(221,642)	(303,893)	-	(1,100)	**(866,891)**
Share of profit of associates	–	–	–	579,024	–	**579,024**
Other income	330,489	211,629	292,955	–	50,002	**885,075**
Non-interest income	**2,411,538**	**1,560,677**	**2,590,545**	**888,955**	**158,269**	**7,609,984**
Personnel expenses	(5,588,327)	(3,622,652)	(4,980,433)	–	(375,638)	**(14,567,050)**
Depreciation and amortisation	(968,621)	(627,912)	(863,256)	–	(34,173)	**(2,493,962)**
Other operating expenses	(763,892)	(495,195)	(680,796)	–	(67,283)	**(2,007,166)**
Other general administrative expenses	(1,533,042)	(993,799)	(1,366,278)	–	(73,724)	**(3,966,843)**
Charge for other impairment and provisions	(37,617)	(24,386)	(33,526)	–	–	**(95,529)**
Non-interest expense	**(8,891,499)**	**(5,763,944)**	**(7,924,289)**	**–**	**(550,818)**	**(23,130,550)**
Profit/(loss) before income tax expense	**3,004,241**	**3,990,678**	**4,180,661**	**(607,791)**	**1,798,262**	**12,366,051**
Income tax expense	(953,335)	(617,946)	(849,598)	–	(337,412)	**(2,758,291)**
Profit/(loss) for the year	**2,050,906**	**3,372,732**	**3,331,064**	**(607,791)**	**1,460,850**	**9,607,761**
Segment interest earning assets	102,909,919	123,931,130	114,454,029	44,086,234	31,233,067	**416,614,379**
Segment interest bearing liabilities	73,972,127	108,981,215	80,232,006	151,339,780	31,233,067	**445,758,195**

Information in this disclosure was restated (Note 3).

The Group's operations are primarily concentrated in Armenia. The Bank has no non-current assets outside Armenia other than financial instrument presented in note 9.

(Thousands of Armenian Drams)

5. Segment information (continued)

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the year ended 31 December 2022 and 2021 is as follows:

2022	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Finance lease*	*Total*
Commission income					
Plastic card maintenance	3,260,740	1,261,978	1,508,506	-	**6,031,224**
Money transfers	759,127	293,799	351,193	-	**1,404,119**
Banking account servicing fees	152,003	58,828	70,321	-	**281,152**
Guarantee and letter of credit issuance	-	-	568,406	-	**568,406**
Cash withdrawal services	395,570	153,094	183,001	-	**731,665**
Other	267,424	103,499	123,717	148,649	**643,289**
Total revenue from contracts with customers	**4,834,864**	**1,871,198**	**2,805,144**	**148,649**	**9,659,855**

2021	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Finance lease*	*Total*
Commission income					
Plastic card maintenance	1,515,067	982,145	1,356,392	–	**3,853,604**
Money transfers	263,287	170,677	234,647	–	**668,611**
Banking account servicing fees	174,347	113,023	155,382	–	**442,752**
Guarantee and letter of credit issuance	–	–	436,782	–	**436,782**
Cash withdrawal services	103,254	66,936	92,023	–	**262,213**
Other	105,182	68,184	93,741	363,490	**630,597**
Total revenue from contracts with customers	**2,161,137**	**1,400,965**	**2,368,967**	**363,490**	**6,294,559**

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2022	*2021*
Cash on hand	21,703,944	17,723,893
Current accounts with the Central Bank, including obligatory reserves (not restricted part, see Note 9)	58,759,074	76,712,728
Current accounts with other banks		
- rated BBB-(Baa3) and over	1,243,082	1,477,055
- rated lower than BBB-(Baa3) and without rating	6,716,379	667,605
Impairment	(53,194)	(133,293)
Cash and cash equivalents	**88,369,285**	**96,447,988**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality.

As of 31 December 2022, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 19,602,439 thousand (2021: AMD 23,850,732 thousand).

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2021: 4%) of the amounts attracted in Armenian drams and 18% (2021: 18%) of the amounts attracted in foreign currencies.

As of 31 December 2022 67% AMD 5,322,574 thousand from Current accounts with other banks are balances in correspondent account in one foreign bank (2021: 60% AMD 1,278,048 thousand two foreign banks)

(Thousands of Armenian Drams)

6. Cash and cash equivalents (continued)

Starting from July 2022, the banks are required to maintain 12% (2021: 10%) of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams, and 6% (2021: 8%) − in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted, so the Group classifies obligatory reserves deposited in foreign currency as loans and advances to banks (Note 9).

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

	2022	*2021*
ECL allowance as at 1 January	**133,293**	**69,831**
Changes in ECL	(68,891)	75,414
Foreign exchange adjustments	(11,208)	(11,952)
At 31 December	**53,194**	**133,293**

Information about credit quality of cash and cash equivalents is presented in Note 32 "Risk management".

7. Trading securities

Trading securities owned comprise:

	2022	*2021*
Corporate bonds of Armenian banks	-	433,697
Trading securities	**-**	**433,697**

In May 2019 the Group purchased corporate bonds of an Armenian bank with an interest rate of 9.75% and maturity in May 2022.

8. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	2022		*2021*	
	Notional amount	***Fair value***	***Notional amount***	***Fair value***
Assets				
Derivative financial instruments				
Interest rate swap	5,673,542	327,011	9,166,309	36,221
Currency swap	2,136,573	36,273	3,415,776	2,404
	7,810,115	**363,284**	**12,582,085**	**38,625**
Liabilities				
Derivative financial instruments				
Currency swap	-	-	–	–
	-	**-**	**–**	**–**

(Thousands of Armenian Drams)

9. Loans and advances to banks

Loans and advances to banks comprise:

	2022	*2021*
Due from the CBA		
Credit card settlement deposit with the CBA	2,777,500	1,572,500
Mandatory reserves in CBA (in foreign currency) (Note 6)	21,675,649	11,585,135
Total	**24,453,149**	**13,157,635**
Loans and advances to other banks		
Armenian banks	199,889	487,894
Foreign banks	1,153,961	739,754
Total loans and deposits to other banks	**1,353,850**	**1,227,648**
Other receivables		
Unsettled transactions	22,273,672	4,119,022
Amounts receivable from money transfer systems	1,852,078	1,047,268
Amounts receivable from transactions with plastic cards	425,196	123,526
Amounts receivable under reverse repurchase agreements		
Amounts receivable from Armenian banks	559,459	–
Loans and advances to banks before impairment	**50,917,404**	**19,675,099**
Impairment	(111,174)	(56,016)
Total loans and advances to banks	**50,806,230**	**19,619,083**

As of 31 December 2022, mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 21,675,649 thousand (2021: AMD 11,585,135 thousand) (See Note 6).

Unsettled transactions includes amount was not settled as of December 31 in Group's CBA account. This amount was settled first working day of January as cash to Group's current account.

As at 31 December 2022, AMD 1,153,961 thousand (2021: AMD 739,754 thousand) were placed as deposited amounts with four (2021: three) internationally recognized OECD banks, who are the main counterparties of the Group in performing international settlements.

As at 31 December 2022, loans and advances to banks include loans in the amount of AMD 199,889 thousand (2021: AMD 487,894 thousand) placed with one Armenian bank (2021: one).

As at 31 December 2022 the Group had entered into reverse repurchase agreements with one Armenian bank. The collateral under these agreements is Armenian government bonds with a fair value of AMD 737,176 thousand.

An analysis of changes in gross carrying value and corresponding ECL allowance on loans and advances to banks during the year ended 31 December 2022 is as follows:

	Stage 1	*Total*
ECL allowance as at 1 January 2022	**56,016**	**56,016**
New assets originated or purchased	111,174	111,174
Assets repaid	(56,016)	(56,016)
At 31 December 2022	**111,174**	**111,174**

(Thousands of Armenian Drams)

9. Loans and advances to banks (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance on loans and advances to banks during the year ended 31 December 2021 is as follows:

	Stage 1	*Total*
ECL allowance as at 1 January 2021	**71,910**	**71,910**
New assets originated or purchased	56,016	**56,016**
Assets repaid	(71,910)	**(71,910)**
At 31 December 2021	**56,016**	**56,016**

Information about credit quality of loans and advances to banks is presented in Note 32 “Risk management”.

10. Investment securities

Investment securities as at 31 December 2022 and 31 December 2021 comprise:

	2022	*2021*
Debt securities at amortised cost		
Held by the Bank		
Bonds of Armenian companies	169,536	180,897
Less: allowance for impairment	(79,196)	(62,680)
Total securities at amortised cost held by the Bank	**90,340**	**118,217**

	31 December 022	*31 December 2021 (restated)*	*01 January 2021 (restated)*
Debt and other fixed income instruments at FVOCI			
Held by the Bank			
Government bonds			
Government securities of the Republic of Armenia	12,033,575	16,541,954	9,452,410
Corporate bonds			
Bonds of Armenian companies	3,232,827	4,460,248	4,824,872
Equity instruments			
Unquoted equity securities	112,278	115,381	117,876
Total debt and other fixed income instruments at FVOCI held by the Bank	**15,378,680**	**21,117,583**	**14,395,158**

	31 December 022	*31 December 2021 (restated)*	*01 January 2021 (restated)*
Equity instruments held by the Bank at FVTPL			
Quoted equity securities – shares Visa Series C	2,153,118	2,759,029	3,009,908
Total debt and other fixed income instruments at FVTPL held by the Bank	**2,153,118**	**2,759,029**	**3,009,908**

Information in this disclosure was restated (Note 3).

	2022	*2021*
Pledged instruments under sale and repurchase agreements		
Equity instruments		
Government securities of the Republic of Armenia	6,019,389	-
Total pledged instruments under sale and repurchase agreements at FVOCI	**6,019,389**	**-**

As at 31 December 2022 and 2021 unquoted equity securities at FVOCI primarily include mandatory shares in exchanges and clearing houses.

In 2022, the Group received dividends of AMD 9,199 thousand (2021: AMD 12,455 thousand) from its equities which was recorded in the consolidated statement as other income.

At 31 December 2022 84.5% (2021: 78.76%) of debt instruments are presented by government bonds of the republic of Armenia.

10. Investment securities (continued)

At 31 December 2022 and 2021 no securities were past due or impaired and there were no renegotiated balances of investment securities that would otherwise be past due.

Information about credit quality of debt instruments is presented in Note 32 “Risk management”.

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

Debt securities at amortised cost	*Stage 1*	*Stage 2*	*Total*
Gross carrying value as at 1 January 2022	**180,897**	**-**	**180,897**
Assets repaid	-	(11,361)	**(11,361)**
Transfers to Stage 2	(180,897)	180,897	-
At 31 December 2022	**-**	**169,536**	**169,536**

Debt securities at amortised cost	*Stage 1*	*Stage 2*	*Total*
ECLs as at 1 January 2022	**62,680**	**-**	**62,680**
Transfers to Stage 2	(62,680)	62,680	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	16,516	**16,516**
At 31 December 2022	**-**	**79,196**	**79,196**

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

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Total*
Gross carrying value as at 1 January 2022	**21,002,200**	**-**	**21,002,200**
New assets originated or purchased	6,722,661	-	**6,722,661**
Assets repaid	(4,147,786)	(15,909)	**(4,163,695)**
Transfers to Stage 2	(3,429,525)	3,429,525	**-**
Net change in fair value	(410,670)	(66,024)	**(476,694)**
Foreign exchange adjustments	(1,333,233)	(465,448)	**(1,798,681)**
At 31 December 2022	**18,403,647**	**2,882,144**	**21,285,791**

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Total*
ECLs as at 1 January 2022	**613,395**	-	**613,395**
New assets originated or purchased	318,675	-	**318,675**
Assets repaid	(14,793)	-	**(14,793)**
Transfers to Stage 2	(649,216)	649,216	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	2,245	**2,245**
Changes to models and inputs used for ECL calculations	(61,564)	-	**(61,564)**
Foreign exchange adjustments	(15,992)	(70,117)	**(86,109)**
At 31 December 2022	**190,505**	**581,344**	**771,849**

Debt securities at amortised cost	*Stage 1*	*Total*
Gross carrying value as at 1 January 2021	**–**	**–**
New assets originated or purchased	180,897	**180,897**
At 31 December 2021	**180,897**	**180,897**

Debt securities at amortised cost	*Stage 1*	*Total*
ECLs as at 1 January 2021	**–**	**–**
New assets originated or purchased	62,680	**62,680**
At 31 December 2021	**62,680**	**62,680**

(Thousands of Armenian Drams)

10. Investment securities (continued)

Debt securities at FVOCI	*Stage 1*	*Total*
Gross carrying value as at 1 January 2021	**14,277,282**	**14,277,282**
New assets originated or purchased	11,639,379	**11,639,379**
Assets repaid	(3,824,060)	**(3,824,060)**
Net change in fair value	(226,739)	**(226,739)**
Foreign exchange adjustments	(863,660)	**(863,660)**
At 31 December 2021	**21,002,202**	**21,002,202**

Debt securities at FVOCI	*Stage 1*	*Total*
ECLs as at 1 January 2021	**309,022**	**309,022**
New assets originated or purchased	504,687	**504,687**
Assets repaid	(149,562)	**(149,562)**
Changes to models and inputs used for ECL calculations	(41,215)	**(41,215)**
Foreign exchange adjustments	(9,537)	**(9,537)**
At 31 December 2021	**613,395**	**613,395**

11. Loans to customers

Loans to customers as at 31 December 2022 and 31 December 2021 comprise:

	2022	*2021*
Loans to corporate customers		
Loans to small and medium size companies	92,434,438	72,805,137
Loans to large corporate customers	56,033,369	47,850,286
Total loans to corporate customers	**148,467,807**	**120,655,423**
Loans to retail customers (other than agricultural loans)		
Consumer loans	101,971,629	76,471,101
Mortgage loans	42,553,868	32,885,091
Credit cards	12,102,219	11,282,532
Gold-secured loans	135	11,021
Total loans to retail customers	**156,627,851**	**120,649,745**
Agricultural loans retail	94,712,827	99,751,788
Agricultural loans corporate	14,069,596	7,902,736
Total agricultural loans to customers	**108,782,423**	**107,654,524**
Gross loans to customers	**413,878,081**	**348,959,692**
Impairment allowance	(5,438,836)	(7,664,614)
Net loans to customers at amortised cost	**408,439,245**	**341,295,078**

(Thousands of Armenian Drams)

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2022 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2022	**104,702,131**	**9,673,924**	**6,147,855**	**131,513**	**120,655,423**
New assets originated or purchased	87,174,330	-	-	-	**87,174,330**
Assets repaid	(42,377,559)	(6,136,334)	(2,836,628)	(102,311)	**(51,452,832)**
Transfers to Stage 1	588,888	(588,888)	-	-	**-**
Transfers to Stage 2	(2,319,256)	2,319,256	-	-	**-**
Transfers to Stage 3	(1,317,531)	(403,030)	1,720,561	-	**-**
Recoveries	-	-	14,998	-	**14,998**
Amounts written off	-	-	(9,845)	-	**(9,845)**
Foreign exchange adjustments	(7,009,059)	(374,966)	(530,242)	-	**(7,914,267)**
At 31 December 2022	**139,441,944**	**4,489,962**	**4,506,699**	**29,202**	**148,467,807**

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2022	**278,132**	**246,345**	**1,477,136**	**31,224**	**2,032,837**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	477,991	-	-	-	**477,991**
Assets repaid	(70,964)	(136,479)	(289,823)	(9,430)	**(506,696)**
Transfers to Stage 1	13,463	(13,463)	-	-	**-**
Transfers to Stage 2	(32,603)	32,603	-	-	**-**
Transfers to Stage 3	(197,903)	(28,057)	225,960	-	**-**
Impact on period end ECL of exposures transferred between stages during the period	(12,266)	4,089	233,853	-	**225,676**
Changes to models and inputs used for ECL calculations	(15,470)	(37,280)	(480,411)	(13,903)	**(547,064)**
Total movements with impact on credit loss allowance charge for the period	**162,248**	**(178,587)**	**(310,421)**	**(23,333)**	**(350,093)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	44,699	-	**44,699**
Recoveries	-	-	14,998	-	**14,998**
Amounts written off	-	-	(9,845)	-	**(9,845)**
Foreign exchange adjustments	(22,383)	(4,651)	(105,472)	-	**(132,506)**
At 31 December 2022	**417,997**	**63,107**	**1,111,095**	**7,891**	**1,600,090**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2022 is as follows:

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**101,256,390**	**2,527,251**	**3,870,883**	**107,654,524**
New assets originated or purchased	51,620,820	-	-	**51,620,820**
Assets repaid	(45,538,171)	(1,398,492)	(2,795,304)	**(49,731,967)**
Transfers to Stage 1	382,211	(378,352)	(3,859)	**-**
Transfers to Stage 2	(882,117)	889,767	(7,650)	**-**
Transfers to Stage 3	(1,362,964)	(232,567)	1,595,531	**-**
Recoveries	-	-	92,387	**92,387**
Amounts written off	-	-	(140,281)	**(140,281)**
Foreign exchange adjustments	(630,192)	(17,064)	(65,804)	**(713,060)**
At 31 December 2022	**104,845,977**	**1,390,543**	**2,545,903**	**108,782,423**

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**653,967**	**65,199**	**1,090,828**	**1,809,994**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	354,314	-	-	**354,314**
Assets repaid	(112,378)	(16,049)	(435,804)	**(564,231)**
Transfers to Stage 1	12,387	(10,757)	(1,630)	-
Transfers to Stage 2	(8,842)	11,777	(2,935)	-
Transfers to Stage 3	(198,639)	(15,385)	214,024	-
Impact on period end ECL of exposures transferred between stages during the period	(11,412)	5,403	173,416	**167,407**
Changes to models and inputs used for ECL calculations	(356,275)	(17,386)	(381,151)	**(754,812)**
Total movements with impact on credit loss allowance charge for the period	**(320,845)**	**(42,397)**	**(434,080)**	**(797,322)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	70,819	**70,819**
Recoveries	-	-	92,387	**92,387**
Amounts written off	-	-	(140,281)	**(140,281)**
Foreign exchange adjustments	(3,858)	(428)	(14,737)	**(19,023)**
At 31 December 2022	**329,264**	**22,374**	**664,936**	**1,016,574**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2022 is as follows:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**68,940,006**	**2,933,787**	**4,597,308**	**76,471,101**
New assets originated or purchased	66,732,347	-	-	**66,732,347**
Assets repaid	(36,019,696)	(1,371,953)	(3,788,823)	**(41,180,472)**
Transfers to Stage 1	175,193	(165,274)	(9,919)	**-**
Transfers to Stage 2	(1,333,937)	1,333,937	-	**-**
Transfers to Stage 3	(2,319,065)	(616,144)	2,935,209	**-**
Recoveries	-	-	28,024	**28,024**
Amounts written off	-	-	(46,160)	**(46,160)**
Foreign exchange adjustments	(28,456)	(2,003)	(2,752)	**(33,211)**
At 31 December 2022	**96,146,392**	**2,112,350**	**3,712,887**	**101,971,629**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**1,062,623**	**250,576**	**1,657,763**	**2,970,962**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	869,057	-	-	**869,057**
Assets repaid	(307,188)	(36,286)	(400,751)	**(744,225)**
Transfers to Stage 1	15,878	(12,522)	(3,356)	-
Transfers to Stage 2	(65,054)	65,054	-	-
Transfers to Stage 3	(403,523)	(98,320)	501,843	-
Impact on period end ECL of exposures transferred between stages during the period	(15,074)	29,818	385,951	**400,695**
Changes to models and inputs used for ECL calculations	(487,827)	(81,773)	(879,865)	**(1,449,465)**
Total movements with impact on credit loss allowance charge for the period	**(393,731)**	**(134,029)**	**(396,178)**	**(923,938)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	163,945	**163,945**
Recoveries	-	-	28,024	**28,024**
Amounts written off	-	-	(46,160)	**(46,160)**
Foreign exchange adjustments	(73)	(15)	(1,593)	**(1,681)**
At 31 December 2022	**668,819**	**116,532**	**1,405,801**	**2,191,152**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2022 is as follows:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2022	**31,006,708**	**1,044,399**	**778,854**	**55,130**	**32,885,091**
New assets originated or purchased	16,406,575	-	-	-	**16,406,575**
Assets repaid	(5,528,704)	(244,243)	(270,257)	(10,031)	**(6,053,235)**
Transfers to Stage 1	138,782	(138,782)	-	-	**-**
Transfers to Stage 2	(181,428)	181,428	-	-	**-**
Transfers to Stage 3	(329,336)	(121,771)	451,107	-	**-**
Recoveries	-	-	5,795	-	**5,795**
Amounts written off	-	-	(4,385)	-	**(4,385)**
Foreign exchange adjustments	(574,200)	(55,281)	(50,452)	(6,040)	**(685,973)**
At 31 December 2022	**40,938,397**	**665,750**	**910,662**	**39,059**	**42,553,868**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2022	**122,484**	**43,678**	**241,802**	**21,986**	**429,950**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	18,967	-	-	-	**18,967**
Assets repaid	(10,359)	(2,536)	(33,178)	(1,045)	**(47,118)**
Transfers to Stage 1	5,767	(5,767)	-	-	-
Transfers to Stage 2	(1,997)	1,997	-	-	-
Transfers to Stage 3	(13,324)	(9,331)	22,655	-	-
Impact on period end ECL of exposures transferred between stages during the period	(5,643)	2,194	86,202	-	**82,753**
Changes to models and inputs used for ECL calculations	(74,805)	(17,876)	(45,171)	(14,185)	**(152,037)**
Total movements with impact on credit loss allowance charge for the period	**(81,394)**	**(31,319)**	**30,508**	**(15,230)**	**(97,435)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	31,751	-	**31,751**
Recoveries	-	-	5,795	-	**5,795**
Amounts written off	-	-	(4,385)	-	**(4,385)**
Foreign exchange adjustments	(566)	(974)	(17,076)	-	**(18,616)**
At 31 December 2022	**40,524**	**11,385**	**288,395**	**6,756**	**347,060**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2022 is as follows:

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**10,044,163**	**372,724**	**876,666**	**11,293,553**
New assets originated or purchased	5,153,806	-	-	**5,153,806**
Assets repaid	(3,285,537)	(152,195)	(575,200)	**(4,012,932)**
Transfers to Stage 1	41,803	(41,803)	-	-
Transfers to Stage 2	(122,226)	122,226	-	-
Transfers to Stage 3	(310,792)	(63,168)	373,960	-
Recoveries	-	-	12,238	**12,238**
Amounts written off	-	-	(13,728)	**(13,728)**
Foreign exchange adjustments	(287,499)	(10,638)	(32,446)	**(330,583)**
At 31 December 2022	**11,233,718**	**227,146**	**641,490**	**12,102,354**

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**136,674**	**15,786**	**268,411**	**420,871**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	71,879	-	-	**71,879**
Assets repaid	(39,186)	(3,044)	(102,797)	**(145,027)**
Transfers to Stage 1	1,226	(1,226)	-	**-**
Transfers to Stage 2	(3,762)	3,762	-	**-**
Transfers to Stage 3	(51,169)	(6,591)	57,760	**-**
Impact on period end ECL of exposures transferred between stages during the period	(993)	3,471	57,052	**59,530**
Changes to models and inputs used for ECL calculations	(50,578)	(2,935)	(84,600)	**(138,113)**
Total movements with impact on credit loss allowance charge for the period	**(72,583)**	**(6,563)**	**(72,585)**	**(151,731)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	24,718	**24,718**
Recoveries	-	-	12,238	**12,238**
Amounts written off	-	-	(13,728)	**(13,728)**
Foreign exchange adjustments	(1,310)	(312)	(6,786)	**(8,408)**
At 31 December 2022	**62,781**	**8,911**	**212,268**	**283,960**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2021 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**88,353,402**	**14,425,978**	**6,632,360**	**244,519**	**109,656,259**
New assets originated or purchased	69,524,404	–	–	55,849	**69,580,253**
Assets repaid	(46,464,533)	(5,201,685)	(2,938,069)	(162,163)	**(54,766,450)**
Transfers to Stage 1	1,793,465	(1,610,130)	(183,335)	–	**–**
Transfers to Stage 2	(2,887,488)	5,034,918	(2,147,430)	–	**–**
Transfers to Stage 3	(2,817,503)	(2,277,724)	5,095,227	–	**–**
Recoveries	–	–	283,728	–	**283,728**
Amounts written off	–	–	(240,466)	–	**(240,466)**
Foreign exchange adjustments	(2,799,616)	(697,433)	(354,160)	(6,692)	**(3,857,901)**
At 31 December 2021	**104,702,131**	**9,673,924**	**6,147,855**	**131,513**	**120,655,423**

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**550,412**	**596,723**	**2,170,952**	**31,742**	**3,349,829**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	382,159	–	–	–	**382,159**
Assets repaid	(218,795)	(123,722)	(1,525,480)	(28,959)	**(1,896,956)**
Transfers to Stage 1	131,500	(61,991)	(69,509)	–	**–**
Transfers to Stage 2	(64,107)	653,500	(589,393)	–	**–**
Transfers to Stage 3	(167,292)	(135,968)	303,260	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(127,383)	(545,370)	531,387	–	**(141,366)**
Changes to models and inputs used for ECL calculations	(200,633)	(117,860)	639,690	28,441	**349,638**
Total movements with impact on credit loss allowance charge for the period	**(264,551)**	**(331,411)**	**(710,045)**	**(518)**	**(1,306,525)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	–	–	58,915	–	**58,915**
Recoveries	–	–	283,728	–	**283,728**
Amounts written off	–	–	(240,466)	–	**(240,466)**
Foreign exchange adjustments	(7,729)	(18,967)	(85,948)	–	**(112,644)**
At 31 December 2021	**278,132**	**246,345**	**1,477,136**	**31,224**	**2,032,837**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2021 is as follows:

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**87,691,177**	**3,584,703**	**4,072,750**	**95,348,630**
New assets originated or purchased	64,178,309	–	–	**64,178,309**
Assets repaid	(43,819,240)	(1,898,776)	(4,509,519)	**(50,227,535)**
Transfers to Stage 1	164,051	(160,239)	(3,812)	**–**
Transfers to Stage 2	(2,357,065)	2,357,065	–	**–**
Transfers to Stage 3	(4,283,892)	(1,338,829)	5,622,721	**–**
Recoveries	–	–	616,875	**616,875**
Amounts written off	–	–	(1,882,280)	**(1,882,280)**
Foreign exchange adjustments	(316,950)	(16,673)	(45,852)	**(379,475)**
At 31 December 2021	**101,256,390**	**2,527,251**	**3,870,883**	**107,654,524**

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**1,414,836**	**327,503**	**1,310,750**	**3,053,089**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	644,253	–	–	**644,253**
Assets repaid	(307,654)	(69,324)	(2,513,658)	**(2,890,636)**
Transfers to Stage 1	13,976	(12,197)	(1,779)	**–**
Transfers to Stage 2	(43,853)	43,853	–	**–**
Transfers to Stage 3	(317,405)	(186,179)	503,584	**–**
Impact on period end ECL of exposures transferred between stages during the period	(13,237)	11,115	502,159	**500,037**
Changes to models and inputs used for ECL calculations	(732,697)	(48,982)	2,466,488	**1,684,809**
Total movements with impact on credit loss allowance charge for the period	**(756,617)**	**(261,714)**	**956,794**	**(61,537)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	–	–	105,503	**105,503**
Recoveries	–	–	616,875	**616,875**
Amounts written off	–	–	(1,882,280)	**(1,882,280)**
Foreign exchange adjustments	(4,252)	(590)	(16,814)	**(21,656)**
At 31 December 2021	**653,967**	**65,199**	**1,090,828**	**1,809,994**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2021 is as follows:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**60,710,959**	**5,627,471**	**3,978,385**	**70,316,815**
New assets originated or purchased	46,930,420	–	–	**46,930,420**
Assets repaid	(31,922,617)	(2,062,812)	(3,561,081)	**(37,546,510)**
Transfers to Stage 1	25,689	(25,689)	–	**–**
Transfers to Stage 2	(1,297,015)	1,297,015	–	**–**
Transfers to Stage 3	(5,507,430)	(1,902,198)	7,409,628	**–**
Recoveries	–	–	743,454	**743,454**
Amounts written off	–	–	(3,973,078)	**(3,973,078)**
At 31 December 2021	**68,940,006**	**2,933,787**	**4,597,308**	**76,471,101**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**1,718,187**	**1,005,334**	**2,056,911**	**4,780,432**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	1,025,756	–	–	**1,025,756**
Assets repaid	(519,505)	(164,989)	(1,845,009)	**(2,529,503)**
Transfers to Stage 1	10,785	(10,785)	–	**–**
Transfers to Stage 2	(85,554)	85,554	–	**–**
Transfers to Stage 3	(477,827)	(489,066)	966,893	**–**
Impact on period end ECL of exposures transferred between stages during the period	(10,093)	33,356	829,520	**852,783**
Changes to models and inputs used for ECL calculations	(599,126)	(208,828)	2,676,956	**1,869,002**
Total movements with impact on credit loss allowance charge for the period	**(655,564)**	**(754,758)**	**2,628,360**	**1,218,038**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	–	–	202,116	**202,116**
Recoveries	–	–	743,454	**743,454**
Amounts written off	–	–	(3,973,078)	**(3,973,078)**
At 31 December 2021	**1,062,623**	**250,576**	**1,657,763**	**2,970,962**

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2021 is as follows:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**23,229,283**	**1,216,552**	**513,581**	**68,943**	**25,028,359**
New assets originated or purchased	12,401,495	–	–	–	**12,401,495**
Assets repaid	(3,432,475)	(250,964)	(204,421)	(10,273)	**(3,898,133)**
Transfers to Stage 1	19,908	(19,908)	–	–	**–**
Transfers to Stage 2	(295,548)	382,034	(86,486)	–	**–**
Transfers to Stage 3	(565,130)	(232,526)	797,656	–	**–**
Recoveries	–	–	12,253	–	**12,253**
Amounts written off	–	–	(239,158)	–	**(239,158)**
Foreign exchange adjustments	(350,825)	(50,789)	(14,571)	(3,540)	**(419,725)**
At 31 December 2021	**31,006,708**	**1,044,399**	**778,854**	**55,130**	**32,885,091**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**61,269**	**43,048**	**128,747**	**38,534**	**271,598**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	85,907	–	–	–	**85,907**
Assets repaid	(10,460)	(9,548)	(110,642)	(103)	**(130,753)**
Transfers to Stage 1	5,791	(5,791)	–	–	**–**
Transfers to Stage 2	(10,429)	35,587	(25,158)	–	**–**
Transfers to Stage 3	(25,252)	(13,193)	38,445	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(5,721)	(12,773)	144,210	–	**125,716**
Changes to models and inputs used for ECL calculations	22,828	8,139	277,883	(16,445)	**292,405**
Total movements with impact on credit loss allowance charge for the period	**62,664**	**2,421**	**324,738**	**(16,548)**	**373,275**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	–	–	21,500	–	**21,500**
Recoveries	–	–	12,253	–	**12,253**
Amounts written off	–	–	(239,158)	–	**(239,158)**
Foreign exchange adjustments	(1,449)	(1,791)	(6,278)	–	**(9,518)**
At 31 December 2021	**122,484**	**43,678**	**241,802**	**21,986**	**429,950**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2021 is as follows:

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**13,701,259**	**215,363**	**943,648**	**1,401**	**14,861,671**
New assets originated or purchased	4,330,991	–	–	–	**4,330,991**
Assets repaid	(6,486,523)	(109,910)	(1,274,987)	(1,401)	**(7,872,821)**
Transfers to Stage 1	10,388	(5,609)	(4,779)	–	**–**
Transfers to Stage 2	(378,855)	382,897	(4,042)	–	**–**
Transfers to Stage 3	(898,026)	(97,587)	995,613	–	**–**
Recoveries	–	–	903,563	–	**903,563**
Amounts written off	–	–	(659,689)	–	**(659,689)**
Foreign exchange adjustments	(235,071)	(12,430)	(22,661)	–	**(270,162)**
At 31 December 2021	**10,044,163**	**372,724**	**876,666**	**–**	**11,293,553**

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**320,191**	**44,436**	**372,809**	**793**	**738,229**
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	100,322	–	–	–	**100,322**
Assets repaid	(83,828)	(11,715)	(972,807)	–	**(1,068,350)**
Transfers to Stage 1	4,271	(1,601)	(2,670)	–	**–**
Transfers to Stage 2	(13,515)	13,556	(41)	–	**–**
Transfers to Stage 3	(75,892)	(27,700)	103,592	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(4,193)	1,738	126,047	–	**123,592**
Changes to models and inputs used for ECL calculations	(107,195)	(2,408)	373,387	(793)	**262,991**
Total movements with impact on credit loss allowance charge for the period	**(180,030)**	**(28,130)**	**(372,492)**	**(793)**	**(581,445)**
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	–	–	33,501	–	**33,501**
Recoveries	–	–	903,563	–	**903,563**
Amounts written off	–	–	(659,689)	–	**(659,689)**
Foreign exchange adjustments	(3,487)	(520)	(9,281)	–	**(13,288)**
At 31 December 2021	**136,674**	**15,786**	**268,411**	**–**	**420,871**

Modified and restructured loans

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

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, inventory and trade receivables;
- For retail lending, mortgages over residential properties, gold and guarantees.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Description of collateral held for loans to customers is as follows as at 31 December 2022:

	2022	***2021***
Real Estate	200,464,112	163,165,076
Guarantees	111,231,203	105,365,176
Working capital/Goods (finished products, goods in circulation, agricultural animals)	19,300,717	14,302,154
Cash	18,091,929	12,613,777
Movables	7,776,606	5,264,114
Security	1,956,613	3,054,526
Agro Equipment	588,924	494,237
Movables (personal property, equipment)	173,013	186,252
Other	201	-
Gold pledge	120	20761
Without Collateral	54,294,643	44,493,619
Total gross loan portfolio	**413,878,081**	**348,959,692**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”).

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The effect of collateral on credit impaired assets at 31 December 2022 and 31 December 2021 is as follows.

2022	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	3,080,802	23,275,603	334,822	12,473
Loans to large corporate	1,120,277	4,854,609	-	-
Loans to retail customers (other than agricultural loans)				
Consumer loans	713,516	4,039,165	2,999,372	48,927
Mortgage loans	949,721	2,072,983	-	-
Credit cards, Gold-secured loans	126,792	4,852,881	514,698	-
Total loans to retail customers at amortised cost				
Agricultural loans to customers				
Agricultural loans retail	383,307	2,172,272	1,468,835	-
Agricultural loans corporate	501,145	3,416,198	192,615	-
Total	**6,875,560**	**44,683,711**	**5,510,342**	**61,400**

2021	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	1,700,476	6,881,520	372,709	-
Loans to large corporate	4,071,412	24,058,956	134,771	35,820
Loans to retail customers (other than agricultural loans)				
Consumer loans	839,148	5,305,797	3,758,160	58,404
Mortgage loans	833,984	1,657,352	-	-
Credit cards, Gold-secured loans	157,766	5,219,875	718,900	1,927
Total loans to retail customers at amortised cost				
Agricultural loans to customers				
Agricultural loans retail	1,070,412	6,898,126	2,793,248	125
Agricultural loans corporate	7,076	15,100	147	-
Total	**8,680,274**	**50,036,726**	**7,777,935**	**96,276**

(Thousands of Armenian Drams)

11. Loans to customers (continued)

Collateral and other credit enhancements (continued)

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2022 and 2021 would have been higher by:

	2022	*2021*
Corporate lending	2,985,445	3,416,526
Mortgage loans	70,262	537,052
Total	**3,055,707**	**3,953,578**

Assets under lien

As at 31 December 2022, loans to customers with a gross value of AMD 20,083,903 thousand (2021: AMD 29,428,199 thousand) serve as collateral for other borrowed funds (see Note 20).

Repossessed collateral

During the year, the Group took possession of collateral with an estimated value of AMD 225,706 thousand (2021: AMD 402,802 thousand), which the Group is in the process of selling. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Concentration of loans to customers

As at 31 December 2022, the Group had a concentration of loans represented by AMD 29,825,465 thousand due from the ten largest third-party borrowers (7.2% of gross loan portfolio) (2021: AMD 24,161,333 thousand or 7%). An allowance of AMD 87,213 thousand (2021: AMD 146,733 thousand) was recognised against these loans.

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

	2022	*2021*
Individuals	251,340,679	220,401,533
Food and beverage	43,802,720	38,132,723
Trade	38,320,765	37,125,724
Construction	31,050,322	20,239,550
Manufacturing	10,227,201	6,981,224
Agriculture	16,815,193	11,206,962
Transportation	4,939,521	4,657,219
Financial sector	4,519,114	4,284,067
Energy	3,763,173	4,454,886
Other	9,099,393	1,475,804
Impairment allowance	(5,438,836)	(7,664,614)
Net loans to customers at amortised cost	**408,439,245**	**341,295,078**

12. Receivables from finance leases

	2022	*2021*
Finance leases to corporate customers	47,807,779	27,328,408
Finance leases to retail customers	6,158,767	4,559,937
Gross finance leases	**53,966,546**	**31,888,345**
Impairment allowance	(543,325)	(655,278)
Net investments in finance leases	**53,423,221**	**31,233,067**

The Group provided leases to individuals, small and medium-sized enterprises, farms operating in various sectors of the economy in acquiring equipment and production resources.

The amount of finance lease receivables as at 31 December 2022 includes equipment on the way, purchased in the scope of finance lease agreements in the amount of AMD 601,995 thousand (2021: AMD 274,249 thousand).

(Thousands of Armenian Drams)

12. Receivables from finance leases (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**29,985,478**	**1,278,736**	**624,131**	**31,888,345**
New assets originated or purchased	35,908,638			**35,908,638**
Assets repaid	(11,604,537)	(543,588)	(493,109)	**(12,641,234)**
Transfers to Stage 1	651,401	(651,401)	-	**-**
Transfers to Stage 2	(1,064,355)	1,098,742	(34,387)	**-**
Transfers to Stage 3	(154,357)	(340,380)	494,737	**-**
Foreign exchange adjustments	(1,128,216)	(51,544)	(8,648)	**(1,188,408)**
Recovery	-	-	-	**-**
Write-off	-	-	(795)	**(795)**
At 31 December 2022	**52,594,052**	**790,565**	**581,929**	**53,966,546**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**213,741**	**32,171**	**409,366**	**655,278**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	73,514	-	-	**73,514**
Assets repaid	(17,962)	(2,663)	(70,504)	**(91,129)**
Transfers to Stage 1	13,758	(13,758)	-	**-**
Transfers to Stage 2	(16,282)	40,655	(24,373)	**-**
Transfers to Stage 3	(6,453)	(7,375)	13,828	**-**
Impact on period end ECL of exposures transferred between stages during the period	(11,064)	(17,878)	123,885	**94,943**
Changes to models and inputs used for ECL calculations	(1,894)	(2,343)	(190,726)	**(194,963)**
Total movements with impact on credit loss allowance charge for the period	**33,617**	**(3,362)**	**(147,890)**	**(117,635)**
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (recognised in interest revenue)	**-**	**-**	21,070	**21,070**
Recovery	-	-	-	**-**
Write-off	-	-	(794)	**(794)**
Foreign exchange adjustments	(6,739)	(1,098)	(6,757)	**(14,594)**
At 31 December 2022	**240,619**	**27,711**	**274,995**	**543,325**

(Thousands of Armenian Drams)

12. Receivables from finance leases (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2021 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**22,486,327**	**2,654,184**	**766,369**	**25,906,880**
New assets originated or purchased	17,622,878	–	–	**17,622,878**
Assets repaid	(8,750,018)	(1,441,615)	(294,720)	**(10,486,353)**
Transfers to Stage 1	537,625	(537,625)	–	**–**
Transfers to Stage 2	(721,528)	805,601	(84,073)	**–**
Transfers to Stage 3	(189,429)	(129,685)	319,114	**–**
Foreign exchange adjustments	(1,000,377)	(72,124)	(31,826)	**(1,104,327)**
Recovery	–	–	98,678	**98,678**
Write-off	–	–	(149,411)	**(149,411)**
At 31 December 2021	**29,985,478**	**1,278,736**	**624,131**	**31,888,345**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**163,473**	**71,137**	**654,876**	**889,486**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	142,645	-	-	**142,645**
Assets repaid	(36,493)	(11,194)	(147,476)	**(195,163)**
Transfers to Stage 1	30,263	(30,263)	-	-
Transfers to Stage 2	(4,833)	119,975	(115,142)	-
Transfers to Stage 3	(18,381)	6,002	12,379	**-**
Impact on period end ECL of exposures transferred between stages during the period	(26,324)	(105,747)	238,791	**106,720**
Changes to models and inputs used for ECL calculations	(29,322)	(16,013)	(157,114)	**(202,449)**
Total movements with impact on credit loss allowance charge for the period	**57,555**	**(37,240)**	**(168,562)**	**(148,247)**
Movements without impact on credit loss allowance charge for the period:				
Recovery	-	-	98,678	**98,678**
Write-off	-	-	(149,411)	**(149,411)**
Foreign exchange adjustments	(7,287)	(1,726)	(26,215)	**(35,228)**
At 31 December 2021	**213,741**	**32,171**	**409,366**	**655,278**

Assets under lien

As at 31 December 2022, finance lease receivables with a gross value of AMD 15,888,376 thousand (2021: AMD 6,959,933 thousand) serve as collateral for other borrowed funds (see Note 19).

Repossessed assets

The carrying value of the assets repossessed during the period and held as at 31 December 2022 is AMD 30,795 thousand (2021: AMD 30,795 thousand).

(Thousands of Armenian Drams)

12. Receivables from finance leases (continued)

Industry and geographical analysis of the finance lease portfolio

Finance lease to corporate customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

	2022	2021
Construction	12,799,029	5,218,432
Food and beverages production	8,441,952	4,823,923
Agriculture	7,585,991	4,616,771
Finance leases to retail customers	6,158,767	4,559,937
Trade	6,404,628	4,198,963
Services	5,123,983	3,445,727
Manufacturing	4,623,227	2,852,638
Transportation	2,027,441	1,217,883
Hydropower plants	142,381	279,495
Manufacture of leather goods	173,284	32,321
Air transportation	149,466	350,490
Other	336,397	291,765
Impairment allowance	(543,325)	(655,278)
Net investments in finance leases	**53,423,221**	**31,233,067**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2022:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*
Gross investment in finance leases	18,688,857	18,279,144	14,662,938	10,057,619	4,857,855	1,230,283
Unearned future finance income on finance leases	(5,362,090)	(4,172,926)	(2,558,453)	(1,237,650)	(379,336)	(99,695)
Net investment in finance leases before allowance	**13,326,767**	**14,106,218**	**12,104,485**	**8,819,969**	**4,478,519**	**1,130,588**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2021:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*
Gross investment in finance leases	12,445,124	10,280,780	7,551,901	5,135,507	3,013,621	879,724
Unearned future finance income on finance leases	(2,880,320)	(2,241,545)	(1,374,308)	(664,821)	(203,766)	(53,553)
Net investment in finance leases before allowance	**9,564,804**	**8,039,235**	**6,177,593**	**4,470,686**	**2,809,855**	**826,171**

(Thousands of Armenian Drams)

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

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

	Land and buildings	*Leasehold improve-ments*	*Equipment*	*Fixtures and fittings*	*Motor vehicles*	*Sub-total Property, equipment*	*Goodwill*	*Software and licenses*	*Right-of-use assets*	*Total*
Cost/revalued amount										
31 December 2021 (restated)	**9,279,578**	**768,481**	**8,493,992**	**3,108,681**	**494,559**	***22,145,291***	**18,132**	**7,030,974**	**3,719,303**	**32,913,700**
Additions	241,410	44,253	1,208,873	325,285	32,699	***1,852,520***	-	1,613,821	239,085	**3,705,426**
Disposals and write-offs	(71,000)	-	(180,153)	(149,347)	(3,325)	***(403,825)***	-	(95,678)	(102,221)	**(601,724)**
Effect of revaluation in profit or loss*	1,198,699	-	-	-	14,118	***1,212,817***	-	-	-	**1,212,817**
Effect of revaluation in OCI*	1,671,771	-	-	-	(8,751)	***1,663,020***	-	-	-	**1,663,020**
Modification	-	-	-	-	-	**-**	-	-	(9,864)	**(9,864)**
Impairment charge to profit or loss	-	-	-	-	-	**-**	-	(591,800)	-	**(591,800)**
31 December 2022	**12,320,458**	**812,734**	**9,522,712**	**3,284,619**	**529,300**	***26,469,823***	**18,132**	**7,957,317**	**3,846,303**	**38,291,575**
Accumulated depreciation, amortisation and impairment										
31 December 2021 (restated)	**23,746**	**327,764**	**4,514,149**	**2,059,352**	**25,000**	***6,950,011***	**-**	**2,463,777**	**1,643,046**	**11,056,834**
Depreciation charge	208,009	90,995	794,627	212,653	60,259	***1,366,543***	-	650,510	589,895	**2,606,948**
Disposals and write-offs	-	-	(112,658)	(116,726)	-	***(229,384)***	-	(95,678)	(102,221)	**(427,283)**
Effect of revaluation in OCI	(211,311)	-	-	-	(80,083)	***(291,394)***	-	-	-	**(291,394)**
Modification	-	-	-	-	-	**-**	**-**	**-**	**(13,975)**	**(13,975)**
31 December 2022	**20,444**	**418,759**	**5,196,118**	**2,155,279**	**5,176**	***7,795,776***	**-**	**3,018,609**	**2,116,745**	**12,931,130**
Net book value										
31 December 2022	**12,300,014**	**393,975**	**4,326,594**	**1,129,340**	**524,124**	***18,674,047***	**18,132**	**4,938,708**	**1,729,558**	**25,360,445**

* The main reason for the positive revaluation is the significant increase in fair values of real estate.

(Thousands of Armenian Drams)

13. Property, equipment, intangible assets and right-of-use assets (continued)

	Land and buildings	*Leasehold improve-ments*	*Equipment*	*Fixtures and fittings*	*Motor vehicles*	*Sub-total Property, equipment*	*Goodwill*	*Software and licenses*	*Right-of-use assets*	*Total*
Cost/revalued amount										
01 January 2021 (restated)	**8,666,547**	**711,660**	**8,065,901**	**3,022,483**	**633,927**	***21,100,518***	**18,132**	**6,242,673**	**2,298,427**	**29,659,750**
Additions	13,522	56,821	649,426	200,786	10,925	***931,480***	–	788,301	1,420,876	**3,140,657**
Disposals and write-offs	–	–	(221,335)	(114,588)	(2,991)	***(338,914)***	–	–	–	**(338,914)**
Effect of revaluation in profit or loss	153,704	–	–	–	(47,157)	***106,547***	–	–	–	**106,547**
Effect of revaluation in OCI	445,805	–	–	–	(100,145)	***345,660***	–	–	–	**345,660**
31 December 2021 (restated)	**9,279,578**	**768,481**	**8,493,992**	**3,108,681**	**494,559**	***22,145,291***	**18,132**	**7,030,974**	**3,719,303**	**32,913,700**
Accumulated depreciation, amortisation and impairment										
01 January 2021 (restated)	**385,523**	**237,028**	**3,809,089**	**1,952,921**	**152,784**	***6,537,345***	**-**	**1,864,953**	**1,112,542**	**9,514,840**
Depreciation charge	174,671	90,736	826,973	200,081	72,175	***1,364,636***	-	598,822	530,504	**2,493,962**
Disposals and write-offs	-	-	(121,913)	(93,650)	(92)	***(215,655)***	-	2	-	**(215,653)**
Effect of revaluation in OCI	(165,000)	-	-	-	(150,250)	***(315,250)***	-	-	-	**(315,250)**
Effect of revaluation in profit or loss	(371,448)	-	-	-	(49,617)	***(421,065)***	-	-	-	**(421,065)**
31 December 2021 (restated)	**23,746**	**327,764**	**4,514,149**	**2,059,352**	**25,000**	***6,950,011***	**-**	**2,463,777**	**1,643,046**	**11,056,834**
Net book value										
31 December 2021	**9,255,832**	**440,717**	**3,979,843**	**1,049,329**	**469,559**	***15,195,280***	**18,132**	**4,567,197**	**2,076,257**	**21,856,866**

Information in this disclosure was restated (Note 3).

Right-of-use assets include only buildings.

The Group engaged an independent valuer to determine the fair value of its land and buildings and motor vehicles. Fair value is determined by reference to market-based evidence.

The date of the revaluation was 1 December 2022. More details about the fair value of buildings are disclosed in Note 33.

As of 31 December 2022 property, plant and equipment included fully depreciated assets in amount of AMD 1,114,979 thousand (2021: AMD 697,010 thousand).

As of 31 December 2022 the Group recognised Impairment charge to profit or loss in amount of AMD 591,800 (Note 31) thousand for group's non-exploited Software. Impairment losses were recognised as a result of the impairment test.

13. Property, equipment, intangible assets and right-of-use assets (continued)

If the land, buildings and motor vehicles were measured using the cost model, the carrying amounts would be as follows:

	2022	*2021*
Cost	11,319,042	10,708,596
Accumulated depreciation and impairment	(3,062,320)	(3,152,600)
Net carrying amount	**8,256,721**	**7,555,996**

14. Taxation

The corporate income tax expense comprises:

	2022	*2021 (restated)*
Current tax charge	6,198,921	2,198,884
Deferred tax credit/(expense)− origination and reversal of temporary differences	(451,700)	559,406
Income tax expense	**5,747,221**	**2,758,290**

In 2022 the applicable tax rate for current and deferred tax is 18% (2021: 18%). The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2022	*2021 (restated)*
Profit before income tax	**28,317,661**	**12,366,051**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**5,097,179**	**2,225,889**
(Non-taxable income)/Non-deductible expenses, net	650,042	532,401
Income tax expense	**5,747,221**	**2,758,290**

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	Balance 1 January 2021	*In the statement of profit or loss*	*In other compre-hensive income (restated)*	*Balance 31 December 2021 (restated)*	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 December 2022*
Deferred tax assets/ (liabilities)							
Cash and cash equivalents	-	-	-	-	9,575	-	9,575
Derivative financial assets	-	-	-	-	(52,883)	-	(52,883)
Loans and advances to banks	13,706	(23,064)	-	(9,358)	14,690	-	5,332
Investment securities	(800,326)	49,495	37,539	(713,292)	210,624	57,842	(444,826)
Loans to customers	692,498	(796,841)	-	(104,343)	(361,035)	-	(465,378)
Finance lease receivable	143,265	(81,743)	-	61,522	(52,953)	-	8,569
Investments in associates	(46,273)	(104,224)	-	(150,497)	(33,705)	9,562	(174,640)
Property, equipment, intangible and right-of-use assets	(451,635)	(114,441)	(170,027)	(736,103)	(231,241)	(330,678)	(1,298,022)
Other assets	(5,974)	55,506	-	49,532	34,003	-	83,535
Other borrowed funds	(15,027)	(15,347)	-	(30,374)	314,359	-	283,985
Other liabilities	(90,158)	459,829	-	369,671	694,306	-	1,063,977
Other financial instruments at amortised cost and provisions	46,863	11,423	−	58,286	(94,040)	-	(35,754)
Deferred tax liabilities, net	**(513,061)**	**(559,407)**	**(132,488)**	**(1,204,956)**	**451,700**	**(263,274)**	**(1,016,530)**

(Thousands of Armenian Drams)

14. Taxation (continued)

As recognized on the consolidated statement of financial position of the Group:

	2022	*2021*
Deferred tax assets	-	91,722
Deferred tax liabilities	(1,016,530)	(1,296,678)

15. Reversal of credit loss expense

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	68,891	-	-	-	**68,891**
Loans and advances to banks	9	(55,158)	-	-	-	**(55,158)**
Debt securities at amortised cost	10	62,680	(79,196)	-	-	**(16,516)**
Debt securities measured at FVOCI	10	406,898	(651,461)	-	-	**(244,563)**
Loans to customers at amortised cost	11	706,305	392,895	1,182,756	38,563	**2,320,519**
Receivables from finance leases	12	(33,617)	3,362	147,890	-	**117,635**
Other financial assets	16	(5,983)	-	(11,005)	-	**(16,988)**
Guarantees and letters of credit	25	(744)	-	-	-	**(744)**
Loan, credit line and credit card commitments	25	109,355	2,224	1,560	-	**113,139**
Total reversal of credit loss expense		**1,258,627**	**(332,176)**	**1,321,201**	**38,563**	**2,286,215**

Reversal of credit loss expense for the year ended 31 December 2022 mostly resulted by positive macroeconomic expectations.

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The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(75,414)	–	–	–	**(75,414)**
Loans and advances to banks	9	15,894	–	–	–	**15,894**
Debt securities at amortised cost	10	(62,680)	–	–	–	**(62,680)**
Debt securities measured at FVOCI	10	(313,910)	–	–	–	**(313,910)**
Loans to customers at amortised cost	11	679,295	1,261,171	(1,600,131)	17,859	**358,194**
Receivables from finance leases	12	(50,506)	132,954	65,799	–	**148,247**
Other financial assets	16	(23,520)	–	8,808	–	**(14,712)**
Guarantees and letters of credit	25	(426)	–	–	–	**(426)**
Loan, credit line and credit card commitments	25	174,690	658	1,559	–	**176,907**
Total reversal of credit loss expense		**343,423**	**1,394,783**	**(1,523,965)**	**17,859**	**232,100**

(Thousands of Armenian Drams)

16. Other assets

Other assets comprise:

	2022	*2021*
Other receivables	1,556,817	1,353,421
Impairment allowance	(27,831)	(21,848)
Total other financial assets	**1,528,986**	**1,331,573**
Advances paid to leased property suppliers	8,062,460	6,857,303
Repossessed assets	1,542,858	1,515,768
Prepayments to suppliers	910,537	722,416
VAT recoverable	941,521	409,478
Inventories	267,630	148,842
Property to be leased	464,625	99,996
Returned lease property	30,795	30,795
Other	204,152	339,882
Total other non-financial assets	**12,424,578**	**10,124,480**
Less impairment allowance	(780,144)	(755,150)
Total other assets	**13,173,420**	**10,700,903**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 3*	*Total*
ECL at 1 January 2022	**21,848**	–	**21,848**
New assets originated or redeemed (net)	16,988	-	**16,988**
Transfers to Stage 3	(11,005)	11,005	-
Write-off		(11,005)	**(11,005)**
At 31 December 2022	**27,831**	**-**	**27,831**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2021 is as follows:

	Stage 1	*Stage 3*	*Total*
ECL at 1 January 2021	**19,967**	**-**	**19,967**
New assets originated or redeemed (net)	28,244	–	**28,244**
Transfers to Stage 3	(21,639)	21,639	-
Impact on period end ECL of exposures transferred between stages during the period	–	(8,808)	**(8,808)**
Changes to models and inputs used for ECL calculations	(4,724)	–	**(4,724)**
Write-off	–	(12,831)	**(12,831)**
At 31 December 2021	**21,848**	**-**	**21,848**

An analysis of Impairment allowance for non financial assets as follows:

	2022	*2021*
Balance at the beginning of the year	**755,150**	**659,621**
Net charge	24,994	95,529
Balance at the end of the year	**780,144**	**755,150**

(Thousands of Armenian Drams)

17. Deposits and balances from banks

Deposits and balances from banks include the following:

	2022	*2021*
Sale and repurchase agreements with other banks	6,026,642	-
Loans from other banks of Armenia	3,003,615	-
Loans from International banks	469,764	690,532
Correspondent accounts and overnight placements of other banks	417,662	28,486
Short-term placements of banks	19,951	351,872
Total deposits and balances from banks	**9,937,634**	**1,070,890**

18. Current accounts and deposits from customers

Current accounts and deposits from customers include the following:

	2022	*2021*
Current accounts and demand deposits		
Retail	65,375,020	46,917,615
Corporate	113,935,368	71,056,851
Unsettled transactions	6,278,586	-
Term deposits		
Retail	175,670,130	156,966,490
Corporate	62,909,841	62,551,679
Total	**424,168,945**	**337,492,635**
Held as security against guarantees	1,574,261	1,097,872

At 31 December 2022, current accounts and deposits from customers of AMD 80,478,569 thousand (19%) were due to the ten largest customers (2021: AMD 72,646,000 thousand (21.5%).

As at 31 December 2022, the Group has two customers (31 December 2021: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2022 is AMD 49,815,645 thousand (31 December 2021: AMD 42,793,584 thousand).

Unsettled transactions includes amount was not settled as of 31 December 2022 in Group's customers accounts. This amount was settled in first working days of January 2023.

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

19. Debt securities issued

Debt securities issued consisted of the following:

	2022	*2021*
Promissory notes	807,986	1,607,410
Domestic bonds issued	5,398,074	3,461,498
Debt securities issued	**6,206,060**	**5,068,908**

Debt securities issued include promissory notes amounting AMD 807,986 thousand (2021: AMD 1,607,410 thousand), which were issued by the Group to non-resident funds for financing purposes.

During the 2022 December the Group issued AMD and USD denominated bonds with nominal amount of AMD 3,000,000 thousand (2021: AMD 2,000,000 thousand) and USD 5,000,000 (2021: USD 3,000,000) accordingly.

(Thousands of Armenian Drams)

19. Debt securities issued (continued)

Carrying value of the domestic bonds issued consisted:

	2022	*2021*
AMD denominated bonds	3,192,719	2,015,577
USD denominated bonds	2,205,355	1,445,921
Total domestic bonds issued	**5,398,074**	**3,461,498**

Bear annual interest rate and maturity dates for placed bonds are consisted of the following:

	AMD	*USD*	*Maturity date*
Bonds issued in 2021	9.5%	4.1%	2023
Bonds issued in 2022	11%	5%	2025

20. Other borrowed funds

Other borrowed funds consisted of the following:

	2022	*2021*
Borrowings from international financial institutions	44,636,290	54,300,591
Borrowings from Government of Armenia	35,187,132	33,617,057
Borrowings from local financial institutions	2,926,091	2,322,917
Lease liabilities	1,573,639	2,091,196
Other borrowed funds	**84,323,152**	**92,331,761**

Borrowings from international financial institutions include AMD, USD and EUR denominated borrowings under several financing programs maturing from 2022 till 2028.

Borrowings from Government of Armenia mainly include AMD denominated borrowings provided under Central Bank of Armenia refinancing programs, maturing from 2022 till 2041.

Borrowings from local financial institutions comprise of AMD borrowings under mortgage refinancing programs, maturing from 2022 till 2034.

As at 31 December 2022, loans to customers and finance lease receivables with a gross value of AMD 35,972,279 thousand (2021: AMD 36,388,132 thousand) serve as collateral for secured borrowings from RA Government and Armenian financial institutions (see Notes 11 and 12).

As at 31 December 2022 the Group has other borrowed funds from five lenders (2021: five lenders), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is AMD 77,167,285 thousand (2021: AMD 81,358,062 thousand).

Breach of covenants

As at 31 December 2022 the Group's subsidiary ACBA Leasing Credit Organization CJSC breached one covenant under loan agreements with financial institution. There are no any cross-default clauses for other parties of the Group in conditions of loan agreement. The amount of borrowed funds with breach of covenants AMD 1,145,153 thousand presented within one year in maturity analysis of assets and liabilities (note 34). Subsequent to the reporting date the Group obtained waiver from counterparty for exposures.

As at 31 December 2021 the Group was in compliance with all covenants.

20. Other borrowed funds (continued)

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	*2021*
As at 1 January	**2,091,196**	**1,365,804**
Additions	239,085	122,802
Modification	156,815	1,298,074
Accretion of interest	107,690	110,963
Payments	(658,362)	(692,215)
Forex loss/gain	(260,564)	(114,232)
Termination of contract	(102,221)	–
As at 31 December	**1,573,639**	**2,091,196**

The Group had total cash outflows for leases of AMD 658,362 thousand in 2022 (2021: AMD 692,215 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AMD 239,085 thousand in 2021 (2021: AMD 122,802 thousand).

21. Subordinated loans

Subordinated loans consisted of the following:

	2022	*2021*
Subordinated loan received from international financial institutions	7,805,036	9,794,000
Subordinated loans	**7,805,036**	**9,794,000**

The Group considers borrowings received as subordinated borrowings, if in case of bankruptcy, the repayment of the borrowing will be made after repayment in full of all other liabilities of the Group.

22. Other liabilities

	2022	*2021*
Payables to employees	3,998,386	2,366,706
Accounts payable	3,273,592	3,236,430
Liabilites for pensions payables	3,307,766	-
Provision for liabilities	2,666,591	-
Provisions for credit-related commitments	94,763	211,416
Total other financial liabilities	**13,341,098**	**5,814,552**
Prepayments from lessees	2,982,241	3,959,354
Taxes payable other than on income	811,643	455,009
Payables to Deposit Guarantee fund	131,143	112,948
Other non-financial liabilities	114,288	152,693
Total other non-financial liabilities	**4,039,315**	**4,680,004**
Total other liabilities	**17,380,413**	**10,494,556**

As of 31 December 2022 provision for liabilities includes provision for certain legal claims brought against the Group in amount AMD 2,666,591 thousand.The balance at 31 December 2022 is expected to be utilised by the end of 2023. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

(Thousands of Armenian Drams)

22. Other liabilities (continued)

Movements in provisions for liabilities are as follows:

	Note	Total
Provision for legal claim		
Carrying amount at 1 January 2021		-
Additions charged to profit or loss	31	2,666,591
Carrying amount at 31 December 2022		**2,666,591**

23. Equity

Issued capital

As of 31 December 2022 the Group's share capital was AMD 55,000,000 thousand (2021: AMD 55,000,000 thousand). The authorized, issued and outstanding share capital comprises 5,500 thousand ordinary shares (2021: 5,500 ordinary shares) with a par value of AMD 10,000 (2021: AMD 10,000 thousand) each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

Nature and purpose of reserves

Revaluation surplus for land, buildings and motor vehicles

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

Revaluation reserve for investment securities

The revaluation reserve for investment securities and equity investments comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

Replenishment of reserve found from share premium

On 12 April 2022 Board of the Bank decided to transfer 750,000 AMD from the share premium to the reserve found of the Bank, which presented in this report under Retained earnings. As of 31 December 2022 the Group's reserve found was AMD 8,250,000 thousand (2021: AMD 7,500,000 thousand).

The reserve found has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books. Reserve fund is non-distributable reserve, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

Replenishment of share capital from retained earnings

On 25 February 2021 the Board of the Bank decided to increase the share capital of the Bank by directing AMD 20,000,000 thousand from retained earnings to share capital. As a result, the share capital increased to AMD 50,000,000. Increase of share capital was implemented by increase of nominal value of the existing shares from AMD 6,000 to AMD 10,000.

Issue of share capital

On 30 April 2021 shareholders of the Bank approved an issue of 500,000 ordinary shares with a nominal value of AMD 10,000 and offer price of AMD 15,000 per share. The total consideration received for these shares amounted to AMD 7,500,000 thousand. The difference between the nominal value and cash consideration received was recognized as share premium in amount of AMD 2,500,000 thousand. This share issue was registered by Central Bank of Armenia.

Dividends

At the Shareholders' Meeting in 28 April 2022, the Bank declared dividends in respect of the year ended 31 December 2021, totaling AMD 3,300,000 thousand on ordinary shares (AMD 600 thousand per share). The dividends were paid in 2022.

(Thousands of Armenian Drams)

23. Equity (continued)

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As of December 31, 2022 and 2021 the Group doesn't have arrangements for dilutive potential ordinary shares.

	2022	2021 (restated)
Profit attributable to ordinary equity holders of the parent	**22,570,440**	**9,607,761**
Weighted average number of ordinary share for basic EPS	5,500,000	5,333,333
Earnings per share, Basic and diluted, attributable to equity holders of the parent, AMD	**4,103.72**	**1,801.56**

Information in this disclosure was restated (Note 3)

24. Share-based payments

Share-based payments

The ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program

In 2021 ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC announced the commencement of ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program (hereinafter referred to as the "Program") as an integral part of the remuneration, rewards and promotion, human resources and talent management systems of the ACBA FEDERATION Closed Joint-Stock Company's, ACBA BANK Open Joint-Stock Company's and ACBA LEASING CO Closed Joint-Stock Company's key and loyal employees.

Under the Program ACBA Federation CJSC will donate up to 300,000 (three hundred thousand) ordinary shares of the shares of the Bank, each with a nominal value of AMD 10,000), to the employees of ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC.

In June 2021 the Group's employees received 145,980 ordinary shares of the Bank from ACBA Federation CJSC, each with a fair value of AMD 12,591 at grant date, with no consideration and conditions attached.

Total fair value of shares granted to Group's employees in amount of AMD 624,238 thousand was recognized as personnel expense in the consolidated statement of comprehensive income and as additional capital in the consolidated statement of changes in equity for the year ended 31 December 2022 (2021: AMD 2,452,257 thousand).

The Bank hired independent consultants for fair value estimation of its shares. Dividend discount approach was applied for valuation of the shares which included the following steps:

- Determination of general assumptions and structure of the financial model;
- Forecast of the balance sheet of the Bank and its subsidiaries;
- Forecast of the financial result of the Bank and its subsidiaries;
- Forecast of dividends with consideration of capital adequacy and liquidity requirements;
- Determination of discount rate;
- Determination of the Bank's terminal value;
- Analysis of assets and liabilities not included in forecast of the financial results;
- Calculation of 100% of the Bank's equity.

Discount rate was determined based on a peer bank's required rate of return on equity.

(Thousands of Armenian Drams)

25. Commitments and contingencies

Operating environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. 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 the Republic of Armenia that are substantially 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 the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

As at 31 December the Group's commitments and contingencies comprised the following:

	2022	*2021*
Credit related commitments		
Loan and credit line commitments	14,750,201	13,916,868
Credit card commitments	15,908,017	14,984,639
Guarantees and letters of credit	23,887,159	14,130,722
Commitments and contingencies	**54,545,377**	**43,032,229**

An analysis of changes in the ECLs during the year ended 31 December 2022 is as follows:

Loan, credit line and credit card commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECLs as at 1 January 2022	**202,626**	**1,407**	**6,212**	**210,245**
New exposures	43,757	-	-	**43,757**
Expired exposures	(78,279)	(2,056)	(3,759)	**(84,094)**
Transfers to Stage 1	692	(692)	-	**-**
Transfers to Stage 2	(789)	789	-	**-**
Transfers to Stage 3	(1,185)	(43)	1,228	**-**
Impact on period end ECL of exposures transferred between stages during the period	(599)	256	1,085	**742**
Changes to models and inputs used for ECL calculations	(72,952)	(478)	(114)	**(73,544)**
Foreign exchange adjustments	(3,990)	(88)	(169)	**(4,247)**
At 31 December 2022	**89,281**	**(905)**	**4,483**	**92,859**

(Thousands of Armenian Drams)

25. Commitments and contingencies (continued)

Guarantees and letters of credit	*Stage 1*	*Total*
ECLs as at 1 January 2022	**1,171**	**1,171**
New exposures	1,846	**1,846**
Expired exposures	(1,120)	**(1,120)**
Changes to models and inputs used for	18	**18**
Foreign exchange adjustments	(11)	**(11)**
At 31 December 2022	**1,904**	**1,904**

An analysis of changes in the ECLs during the year ended 31 December 2021 is as follows:

Loan, credit line and credit card commitments	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECLs as at 1 January 2021	**389,008**	**2,590**	**5,061**	**396,659**
New exposures	67,060	–	–	**67,060**
Expired exposures	(113,009)	(1,782)	(2,787)	**(117,578)**
Transfers to Stage 1	465	(419)	(46)	**–**
Transfers to Stage 2	(273)	273	–	**–**
Transfers to Stage 3	(2,794)	(178)	2,972	**–**
Impact on period end ECL of exposures transferred between stages during the period	(391)	1,316	1,168	**2,093**
Changes to models and inputs used for ECL calculations	(128,350)	(192)	60	**(128,482)**
Foreign exchange adjustments	(9,090)	(201)	(216)	**(9,507)**
At 31 December 2021	**202,626**	**1,407**	**6,212**	**210,245**

Guarantees and letters of credit	*Stage 1*	*Total*
ECLs as at 1 January 2021	**745**	**745**
New exposures	1,154	**1,154**
Expired exposures	(728)	**(728)**
At 31 December 2021	**1,171**	**1,171**

(Thousands of Armenian Drams)

26. Net interest income

Net interest income comprises:

	2022	*2021 (restated)*
Financial assets measured at amortized cost		
Loans to legal entities and individuals	50,498,995	42,944,572
Amounts receivable under reverse repurchase agreements	281,069	598,700
Loans and advances to banks	165,688	193,600
Other	1,460	86,340
	50,947,212	**43,823,212**
Financial assets measured at fair value through other comprehensive income		
Debt instruments	1,317,522	1,333,388
Interest revenue calculated using effective rate	**52,264,734**	**45,156,600**
Receivables from finance leases	5,722,526	3,048,611
Other interest income	130,240	476,102
Other interest revenue	**5,852,766**	**3,524,713**
Total interest revenue	**58,117,500**	**48,681,313**
Interest expense		
Current accounts and deposits from customers	15,689,446	12,985,432
Other borrowed funds and subordinated loans except lease liabilities	7,105,788	7,340,858
Amounts payable under repurchase agreements	475,780	261,868
Debt securities issued	252,100	182,818
Other	673,756	144,857
Interest expense calculated using effective interest rate	**24,196,870**	**20,915,833**
Lease liabilities	107,690	110,963
Interest expense	**24,304,560**	**21,026,796**
Net interest income	**33,812,940**	**27,654,517**

Information in this disclosure was restated (Note 3).

27. Net fee and commission income

Net fee and commission income comprise:

	2022	*2021*
Plastic card maintenance	6,031,224	3,853,604
Money transfers	1,404,119	668,611
Cash withdrawal services	731,665	262,213
Guarantee and letter of credit issuance	568,406	436,782
Commissions from lease equipment suppliers	148,649	228,322
Banking account servicing fees	281,152	442,752
Commissions for acting as an insurance agent	225,424	135,167
Other	269,216	267,108
Fee and commission income	**9,659,855**	**6,294,559**
Plastic card maintenance	3,093,747	2,319,495
Money transfers	316,813	64,341
Other	213,371	126,718
Fee and commission expense	**3,623,931**	**2,510,554**
Net fee and commission income	**6,035,924**	**3,784,005**

(Thousands of Armenian Drams)

28. Other income

	2022	*2021 (restated)*
Gain from revaluation of land and buildings	1,212,817	527,612
Other	235,468	357,463
Total other income	**1,448,285**	**885,075**

Information in this disclosure was restated (Note 3).

29. Other operating expenses

Other operating expenses comprise:

	2022	*2021*
Guarantee fees on deposit insurance fund	485,210	448,438
Loan collection expenses	367,100	363,975
Taxes other than on income	342,734	297,461
Encashment expenses	232,930	173,831
Loss on disposal of property, plant and equipment	150,469	112,292
Financial system mediator payments	78,848	70,117
Membership fees	45,480	61,272
Securities registry maintenance fee	13,288	15,016
Fines and penalties paid	8,433	27,163
Other	712,769	437,601
Other operating expenses	**2,437,261**	**2,007,166**

30. Other general administrative expenses

	2022	*2021*
Advertising and marketing	851,345	1,066,975
Repairs and maintenance	854,401	678,365
Software maintenance expense	484,258	649,570
Communications	358,370	360,979
Security	303,442	279,454
Utilities and office supplies	254,504	193,069
Insurance	190,012	151,969
Representative expenses	172,932	145,517
Operating lease expense	58,671	32,240
Other	397,205	408,705
Other general administrative expenses	**3,925,140**	**3,966,843**

The Group recognised rent expense from short-term leases of AMD 6,381 thousand and leases of low-value assets of AMD 52,290 thousand for the year ended 31 December 2022 (2021 − rent expense from short-term leases of AMD 7,617 thousand and leases of low-value assets of AMD 28,442 thousand).

31. Charge for other impairment and provisions

	2022	*2021*
Provision charge for liabilities (note 22)	2,666,591	-
Impairment charge for intangible assets	591,800	-
Impairment charge for repossessed assets	24,994	95,529
Charge for other impairment and provisions	**3,283,385**	**95,529**

(Thousands of Armenian Drams)

32. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and permanent controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group 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.

Business risks such as changes in the environment, technology and industry, are also covered within the scope of the risk management function through the engagement of different divisions concerned.

Risk management structure

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

Board

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

Chief Executive Officer

The Chief Executive Officer has the responsibility to monitor and manage the overall risk process within the Group.

Risk Management Committee

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

Risk Management Department

The Risk Management Department is responsible for the identification, measurement, monitoring and management of all types of risks followed by reporting after each step to ensure an independent control process.

Assets and Liabilities Management Division

The Assets and Liabilities Management Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

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

Risk measurement and reporting systems

The Group takes individual approach when analyzing and assessing different types of risks through applying statistical models, sensitivity analysis, as well as analyzing the dynamics of various risk indicators and taking appropriate actions in case of necessity. The models are further backtested for checking the validity. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Credit risk information related to all the business lines is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Chief Executive Officer, the Risk Management Committee, and the head of each business division. The report to Risk Management Committee includes aggregate credit exposure analysis, credit concentration limits monitoring results, GAP analysis, VaR estimations, liquidity ratios and benchmark analysis, stress test analysis, overall risk appetite control and risk profile changes. On a quarterly basis detailed reporting of industry, customer and business line risks takes place.

(Thousands of Armenian Drams)

32. Risk management (continued)

Introduction (continued)

The Risk Management Committee discusses the critical risk issue and approves on actions to mitigate and control them. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

For all levels throughout the Group, 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.

Daily alerts are given in case of breaches of risk limits to the relevant business divisions of the Group, as well as to the Chief Executive Officer, and corresponding actions are discussed and applied.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

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 Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

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

Derivative financial instruments

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

Credit-related commitments risks

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

The maximum exposure to credit risk of financial instrument

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 11 and 12.

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

Impairment assessment

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

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

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

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when:

- the borrower becomes 91 days past due on its contractual payments;
- all liabilities of the given borrower, if at least one of them has more than 90 overdue days in the Bank and/or other financial organizations (also includes the affiliation of a natural person and an individual entrepreneur);
- all the liabilities of the given borrower, if at least one of the liabilities of the affiliated persons is more than 90 days overdue in the Bank;
- refinanced or revised assets due to borrower's poor financial condition, for which there are more than 30 overdue days with the Bank.
- all the liabilities of the given borrower, if at least one of them is subject to refinancing or revision in the Bank, which is overdue for more than 30 days.

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Group considers amounts due from banks defaulted and takes immediate action if counterparty at the end of reporting date fails to do payment of the accrued interest (coupon) and/or principal amount more than 15 business days.

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

- the quality of credits due to affiliated parties;
- the state of being rescheduled;
- the outcome of financial monitoring, which are approved by the management;
- reduction of loan security - as a result of total or partial loss of collateral by the mortgagor, physical damage or illegal sale, or decrease in the loan security ratio due to a decrease in the market value
- concentration of loans to other persons, including concentration to family members. Refusal to repay loans by the borrower and presence of more than 30 overdue days. This criterion is assigned to all loans to which the monitoring conclusion applies;
- force majeure: death of the borrower or the sole owner, disability, serious illnesses. This criterion is applied to all loans of the customer, and
- natural disasters or epidemics. This criterion is assigned to all loans to which the monitoring conclusion applies.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Group 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.

It is the Group'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 six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the debt service by the borrower and existence of other non-primary SICR criteria as of date of the assessment.

PD estimation process

Treasury and interbank relationships

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

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Bank, which are further sub-bucketed into smaller target groups for the purposes of PD PIT matrices evaluation.

- Corporate loans;
- Consumer loans;
- Agricultural loans;
- Mortgages loans;
- Other (credit cards and gold-secured loans).

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters. Time series regression analysis are assessed by the following sectors: agriculture, business, consuming and mortgage, the outcome of which are then cascaded down to the predefined sub-buckets of loans to arrive to the PD PIT transition matrices.

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

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

Exposure at default

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

Loss given default

The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. For the purposes of LGD rate calculation the initial bucketing used for PD PIT estimation is further sub-bucketed based on the type of collateral. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties;
- Significant difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- The outcome of the financial monitoring of the borrower's activity.

Forward-looking information and multiple economic scenarios

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

2022

- Industrial production annual growth;
- Consumer price inflation;
- Import annual growth;
- Service annual growth;
- Exchange rate USD/AMD, end-period
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Stock of money M2 growth;

32. Risk management (continued)

Credit risk (continued)

2021

- GDP annual growth;
- Industrial production annual growth;
- Consumer price inflation;
- Exports of goods volume;
- Imports of goods volume;
- Service annual growth;
- Share of total bank loans in GDP;
- Exchange rate USD/AMD, end-period.

The Group obtains the forward-looking information from third party sources (Economic Intelligence Unit and World Bank Database, as well as Government of the RA Forecasts). 15%, 70% and 15% probabilities are attributed to each of the corresponding scenarios: best case, base and worst case scenarios.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations as at 31 December 2022.

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2023*	*2024*	*2025*
Industrial production annual growth, %	Upside	15%	9.92%	9.01%	7.81%
	Base case	70%	5.70%	5.90%	5.20%
	Downside	15%	1.48%	2.79%	2.59%
Consumer price inflation, % (cum)	Upside	15%	1.60%	1.29%	1.02%
	Base case	70%	3.90%	4.00%	4.00%
	Downside	15%	6.20%	6.71%	6.98%
Import annual growth, %	Upside	15%	5.56%	7.51%	8.40%
	Base case	70%	1.80%	3.30%	3.90%
	Downside	15%	-1.96%	-0.91%	-0.60%
Service annual growth, %	Upside	15%	7.76%	8.11%	8.50%
	Base case	70%	4.00%	3.90%	4.00%
	Downside	15%	0.24%	-0.31%	-0.50%
Exchange rate USD/AMD, end-period	Upside	15%	427.12	407.58	383.29
	Base case	70%	446.30	447.60	443.70
	Downside	15%	465.48	489.49	510.13
Agricultural production annual growth, %	Upside	15%	8.36%	8.61%	8.70%
	Base case	70%	1.40%	1.80%	2.70%
	Downside	15%	0.84%	0.19%	-0.30%
State budget of RA, deficit (-) / surplus (+), mln. AMD	Upside	15%	(116,679)	(78,440)	(17,090)
	Base case	70%	(292,200)	(273,300)	(225,567)
	Downside	15%	(467,721)	(468,160)	(434,043)
Stock of money M2 growth, %	Upside	15%	18.73%	13.28%	13.43%
	Base case	70%	14.90%	9.20%	9.20%
	Downside	15%	11.07%	5.12%	4.97%

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations 31 December 2021.

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2022*	*2023*	*2024*
GDP annual growth, %					
	Upside	15%	9.20%	8.13%	8.70%
	Base case	70%	5.30%	4.00%	4.40%
	Downside	15%	1.40%	-0.13%	0.10%
Industrial production annual growth, %					
	Upside	15%	9.37%	7.50%	7.67%
	Base case	70%	5.50%	3.40%	3.40%
	Downside	15%	1.63%	-0.70%	-0.87%
Consumer price inflation, % (cum)					
	Upside	15%	2.89%	1.82%	0.90%
	Base case	70%	5.50%	4.70%	4.00%
	Downside	15%	8.11%	7.58%	7.10%
Exports of goods volume, thousand USD					
	Upside	15%	3,805,178	4,422,900	4,522,087
	Base case	70%	3,548,750	3,846,845	3,648,115
	Downside	15%	3,292,322	3,310,965	2,894,623
Imports of goods, volume thousand USD					
	Upside	15%	6,496,801	7,630,110	8,253,480
	Base case	70%	5,918,000	6,326,000	6,190,000
	Downside	15%	5,339,199	5,144,016	4,502,578
Service annual growth, %					
	Upside	15%	8.51%	10.57%	11.31%
	Base case	70%	4.90%	5.20%	5.90%
	Downside	15%	1.29%	-0.17%	0.13%
Share of total bank loans in GDP, %					
	Upside	15%	61.59%	65.70%	71.76%
	Base case	70%	60.05%	62.48%	64.55%
	Downside	15%	57.52%	56.50%	54.68%
Exchange rate USD/AMD, end-period					
	Upside	15%	457.72	441.20	424.26
	Base case	70%	476.44	479.84	483.74
	Downside	15%	495.16	520.10	548.53

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The following table provides information on the credit quality of net loans to legal entities and individuals and receivables from finance lease as at 31 December 2022 and 31 December 2021:

2022	***Note***		***High grade***	***Standard Grade***	***Sub-standard grade***	***Impaired***	***Total***
Loans to customers at amortized cost	11						
- Corporate lending		Stage 1	-	139,023,947	-	-	**139,023,947**
		Stage 2	-	-	4,426,855	-	**4,426,855**
		Stage 3	-	-	-	3,395,604	**3,395,604**
		POCI	-	-	-	21,311	**21,311**
- Agricultural loans		Stage 1	-	104,516,713	-	-	**104,516,713**
		Stage 2	-	-	1,368,169	-	**1,368,169**
		Stage 3	-	-	-	1,880,967	**1,880,967**
- Consumer loans		Stage 1	2,114,998	93,362,575	-	-	**95,477,573**
		Stage 2	-	-	1,995,818	-	**1,995,818**
		Stage 3	-	-	-	2,307,086	**2,307,086**
- Credit cards		Stage 1	712,319	10,458,618	-	-	**11,170,937**
		Stage 2	-	-	218,235	-	**218,235**
		Stage 3	-	-	-	429,087	**429,087**
- Mortgage loans		Stage 1	-	40,897,873	-	-	**40,897,873**
		Stage 2	-	-	654,365	-	**654,365**
		Stage 3	-	-	-	622,267	**622,267**
		POCI	-	-	-	32,303	**32,303**
- Gold-secured loans		Stage 3	-	-	-	135	**135**
Receivables from finance lease	12	Stage 1	-	52,353,433	-	-	**52,353,433**
		Stage 2	-	-	762,854	-	**762,854**
		Stage 3	-	-	-	306,934	**306,934**
Total			**2,827,317**	**440,613,159**	**9,426,296**	**8,995,694**	**461,862,466**

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

2021	*Note*		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Loans to customers at amortised cost	11						
- Corporate lending		Stage 1	446,110	103,966,906	–	–	**104,413,016**
		Stage 2	–	–	9,427,578	–	**9,427,578**
		Stage 3	–	–	–	4,680,896	**4,680,896**
		POCI	–	–	–	101,096	**101,096**
- Agricultural loans		Stage 1	1,166,512	99,438,028	–	–	**100,604,540**
		Stage 2	–	–	2,462,054	–	**2,462,054**
		Stage 3	–	–	–	2,777,936	**2,777,936**
- Consumer loans		Stage 1	104,915	67,768,522	–	–	**67,873,437**
		Stage 2	–	–	2,683,211	–	**2,683,211**
		Stage 3	–	–	–	2,943,491	**2,943,491**
- Credit cards		Stage 1	173,944	9,769,101	–	–	**9,943,045**
		Stage 2	–	–	356,165	–	**356,165**
		Stage 3	–	–	–	562,613	**562,613**
- Mortgage loans		Stage 1	7,797,703	23,114,459	–	–	**30,912,162**
		Stage 2	–	–	1,011,131	–	**1,011,131**
		Stage 3	–	–	–	498,705	**498,705**
		POCI	–	–	–	33,143	**33,143**
- Gold-secured loans		Stage 1	–	6,330	–	–	**6,330**
		Stage 2	–	–	771	–	**771**
		Stage 3	–	–	–	3,758	**3,758**
Receivables from finance lease	12	Stage 1	–	29,753,092	–	–	**29,753,092**
		Stage 2	–	–	1,100,284	–	**1,100,284**
		Stage 3	–	–	–	379,691	**379,691**
Total			**9,689,184**	**333,816,438**	**17,041,194**	**11,981,329**	**372,528,145**

The tables below present average PDs per grades for loans to customers and receivables from finance lease under baseline scenario as of 31 December 2022 and 31 December 2021:

2022	*Grade*	*Average PD*
Corporate lending	Standard	1.2%
	Sub−standard	5.2%
	Impaired	100.0%
Agricultural loans	Standard	1.2%
	Sub−standard	5.5%
	Impaired	100.0%
Consumer loans	Standard	1.8%
	Sub−standard	12.9%
	Impaired	100.0%
Credit cards	Standard	1.4%
	Sub−standard	10.1%
	Impaired	100.0%
Mortgage loans	Standard	0.3%
	Sub−standard	8.4%
	Impaired	100.0%
Gold−secured loans	Standard	-
	Sub−standard	-
	Impaired	100.0%
Receivables from finance lease	Standard	1.3%
	Sub−standard	6.7%
	Impaired	100.0%

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

2021	Grade	Average PD
Corporate lending	Standard	0.96%
	Sub-standard	4.68%
	Impaired	100%
Agricultural loans	Standard	1.89%
	Sub-standard	6.29%
	Impaired	100%
Consumer loans	Standard	3.88%
	Sub-standard	16.77%
	Impaired	100%
Credit cards	Standard	3.34%
	Sub-standard	10.52%
	Impaired	100%
Mortgage loans	Standard	1.42%
	Sub-standard	13.36%
	Impaired	100%
Gold-secured loans	Standard	0.64%
	Sub-standard	0.64%
	Impaired	100%
Receivables from finance lease	Standard	0.76%
	Sub-standard	4.74%
	Impaired	100%

High grade instruments include cash-covered loans to customers. No impairment allowance is created for these loans because of the collateral.

Credit quality per class of financial assets

The credit quality of financial assets below is managed by the Group based on external credit ratings. Not rated exposures are classified in Standard Grade, unless they are impaired.

As at 31 December 2022:

	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	897,726	65,820,809	-	**66,718,535**
Loans and advances to banks	9	Stage 1	-	50,917,404	-	**50,917,404**
Debt securities at amortised cost	10	Stage 2	-	-	169,536	**169,536**
Debt securities at FVOCI	10	Stage 1	-	21,285,791	-	**21,285,791**
Total			**897,726**	**138,024,004**	**169,536**	**139,091,266**

As at 31 December 2021:

	Note		High grade	Standard grade	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	1,322,505	77,534,883	**78,857,388**
Loans and advances to banks	9	Stage 1	–	19,675,099	**19,675,099**
Debt securities at amortised cost	10	Stage 1	–	180,897	**180,897**
Debt securities at FVOCI	10	Stage 1	–	21,002,202	**21,002,202**
Total			**1,322,505**	**118,393,081**	**119,715,586**

(Thousands of Armenian Drams)

32. Risk management (continued)

Credit risk (continued)

The table below shows the mapping of the Group's grading system and external ratings of the counterparties as at 31 December 2022 and 31 December 2021.

2022:

International external rating agency (Moody's) rating	*Internal rating description*	*PD*
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.2-3.2%
Caa1 to Ca	Sub-standard grade	9.6%
C	Impaired	100%

2021:

International external rating agency (Moody's) rating	*Internal rating description*	*PD*
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.2-3.2%
Caa1 to Ca	Sub-standard grade	9.7%
C	Impaired	100%

Liquidity risk and funding management

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

The Group maintains a portfolio of highly marketable and diverse assets (highly liquid assets) that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Group, based on certain liquidity ratios established by the CBA. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or use of which is not restricted in any way. Liabilities payable on demand include currents accounts and demand deposits of customers, as well as any other liability that is payable on demand.

As at 31 December, these ratios of were as follows:

	Threshold	*2022, %*	*2021, %*
N2.1 "General Liquidity Ratio" (highly liquid assets / total assets)	min 15%	20.51%	24.57%
N2.2 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	min 60%	72.5%	111.12%

Analysis of financial liabilities by remaining contractual maturities

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

(Thousands of Armenian Drams)

32. Risk management (continued)

Liquidity risk and funding management (continued)

As at 31 December 2022	*Trading derivatives*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Deposits and balances from banks	-	9,663,807	199,387	78,254	-	**9,941,448**
Current accounts and deposits from customers	-	218,766,167	135,280,953	74,824,334	6,709,127	**435,580,581**
Debt securities issued	-	-	912,878	-	-	**912,878**
Subordinated loans	-	25,998	3,793,384	9,500,314	-	**13,319,695**
Other borrowed funds except lease liabilities	-	3,772,330	22,689,277	69,664,264	3,503,205	**99,629,075**
Other financial liabilities	-	13,341,098	-	-	-	**13,341,098**
Total undiscounted financial liabilities	**-**	**245,569,399**	**162,875,878**	**154,067,166**	**10,212,332**	**572,724,775**
Credit related commitments	**-**	**54,545,377**	**-**	**-**	**-**	**54,545,377**

As at 31 December 2021	*Trading derivatives*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Deposits and balances from banks	–	56,868	2,393	1,018,511	–	**1,077,772**
Current accounts and deposits from customers	–	169,674,194	117,612,301	56,267,637	9,368,764	**352,922,896**
Debt securities issued	–	–	161,462	5,149,874	–	**5,311,336**
Subordinated loans	–	69,993	160,986	4,006,225	8,936,516	**13,173,720**
Other borrowed funds except lease liabilities	–	6,858,823	18,851,464	78,085,351	8,851,432	**112,647,070**
Other financial liabilities	–	5,814,552	–	–	–	**5,814,552**
Total undiscounted financial liabilities	**–**	**182,474,430**	**136,788,606**	**144,527,598**	**27,156,712**	**490,947,346**
Credit related commitments	**–**	**43,032,229**	**–**	**–**	**–**	**–**

The analysis of lease liabilities at 31 December 2022 is as follows:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*	*Total*
Lease liabilities	141,021	163,982	76,090	668,774	2,252	521,520	**1,573,639**

The analysis of lease liabilities at 31 December 2021 is as follows:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*	*Total*
Lease liabilities	554,767	597,767	422,961	335,081	115,908	64,712	**2,091,196**

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in due to customers in the table above are time deposits of individuals. In accordance with Armenia's legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. These deposits are classified in the table above in accordance with their stated maturity dates.

(Thousands of Armenian Drams)

32. Risk management (continued)

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, foreign exchanges, and equity prices.

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 following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	***Increase in basis points 2022***	***Sensitivity of net interest income 2022***	***Sensitivity of equity 2022***
AMD	1.50%	(26,444)	(26,444)
USD	1.25%	(93,328)	(93,328)

Currency	***Decrease in basis points 2022***	***Sensitivity of net interest income 2022***	***Sensitivity of equity 2022***
AMD	1.50%	26,444	26,444
USD	1.25%	93,328	93,328

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the CBA regulations. Positions are monitored on a daily basis.
The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against AMD, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in statement of profit or loss or equity, while a positive amount reflects a net potential increase. The Management Board has set risk appetite limits on the currency and interest rate risk.

Currency	***Change in currency rate in % 2022***	***Effect on profit before tax 2022***	***Change in currency rate in % 2021***	***Effect on profit before tax 2021***
USD	20.00%	(681,457)	20.00%	1,243,568
USD	(20.00%)	681,457	(20.00%)	(1,243,568)
EUR	8.50%	151,054	8.50%	(139,456)
EUR	(8.50%)	(151,054)	(8.50%)	139,456

(Thousands of Armenian Drams)

32. Risk management (continued)

Market risk (continued)

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Group has established a project to manage the transition for any of its contracts that could be affected.

Prior to the date of the event that the LIBOR will stop operating, the Group will sign amendment agreements with all lenders to replace it with the alternative benchmark rate. And the same rate will be applied to the floating rate sub-loans provided by the Bank to the clients.

IBOR reform exposes the Group to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

The table below shows the Group's exposure at the year end to significant IBORs or T-Bill subject to reform. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR or T-Bill that will expire before transition is required.

31 December 2022	*Non-derivative financial assets − carrying value*	*Non-derivative financial liabilities carrying value*	*Derivatives Nominal amount*
LIBOR USD (6 months)	17,518,191	24,984,429	14,413,000
T-Bill AMD	10,695,685	12,458,599	-

Operational risk

Operational risk is the risk of loss arising from systems failure, inadequate or failed internal processes, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. The Group has adopted the three lines of defense in the scope of the operational risk management; the first line of defense provided by the front line staff and operational management, the second line of defense provided by the risk management and compliance functions and the third line of defense provided by the internal audit function.

The operational risk management system includes the following key aspects: risk mapping, incident analysis and permanent controlling function. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. The Management Board has also set risk appetite limit on operational risk.

33. Fair value measurements

Fair value measurement procedures

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and securities at FVPL and at FVOCI, derivatives, investment property and buildings, vehicles and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as land and buildings, vehicles. Involvement of external valuers is decided by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management

(Thousands of Armenian Drams)

33. Fair value measurements (continued)

Fair value measurement procedures (continued)

verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
At 31 December 2022	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
- Derivative financial assets	-	363,284	-	**363,284**
- Equity instruments	2,153,118	-	-	**2,153,118**
Financial assets at fair value through other comprehensive income				
- Debt instruments	-	21,285,791	-	**21,285,791**
- Equity instruments	10,638	-	-	**10,638**
- Unquoted equity securities − local companies	-	-	101,640	**101,640**
Non-financial assets				**-**
- Property and equipment −land and buildings, motor vehicles	-	-	12,824,138	**12,824,138**
Assets for which fair values are disclosed				
- Cash and cash equivalents	21,703,944	66,665,341	-	**88,369,285**
- Loans and advances to banks	-	24,453,149	26,353,081	**50,806,230**
- Debt securities at amortised cost	-	-	90,340	**90,340**
- Receivables from finance leases	-	-	53,423,221	**53,423,221**
- Other financial assets	-	-	1,528,986	**1,528,986**
- Loans to customers	-	-	408,439,245	**408,439,245**
Liabilities for which fair values are disclosed				
- Current accounts and deposits from customers	-	179,310,388	244,858,557	**424,168,945**
- Debt securities issued − domestic bonds issued	-	6,206,060	-	**6,206,060**
- Deposits and balances from banks	-	6,444,304	3,493,330	**9,937,634**
- Subordinated loans	-	-	7,805,036	**7,805,036**
- Other borrowed funds	-	-	84,323,152	**84,323,152**
- Other financial liabilities	-	-	13,341,098	**13,341,098**

(Thousands of Armenian Drams)

33. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
At 31 December 2021	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
- Trading securities	−	433,697	−	**433,697**
- Derivative financial assets	−	38,625	−	**38,625**
- Equity instruments	2,759,029	−	−	**2,759,029**
Financial assets at fair value through other comprehensive income				
- Debt instruments	−	21,002,202	−	**21,002,202**
- Unquoted equity securities − local companies	−	−	115,381	**115,381**
Non-financial assets				
- Property and equipment −land and buildings, motor vehicles	−	−	9,725,391	**9,725,391**
Assets for which fair values are disclosed				
- Cash and cash equivalents	17,723,893	78,724,095	−	**96,447,988**
- Loans and advances to banks	−	13,157,635	6,461,448	**19,619,083**
- Debt securities at amortised cost	−	−	118,217	**118,217**
- Receivables from finance leases	−	−	31,233,067	**31,233,067**
- Other financial assets	−	−	1,331,573	**1,331,573**
- Loans to customers	−	−	341,107,411	**341,107,411**
Liabilities for which fair values are disclosed				
- Current accounts and deposits from customers	−	117,974,466	223,027,484	**341,001,950**
- Debt securities issued − domestic bonds issued	−	3,494,385	−	**3,494,385**
- Deposits and balances from banks	−	1,042,404	28,486	**1,070,890**
- Subordinated loans	−	−	9,794,000	**9,794,000**
- Other borrowed funds	−	−	93,347,410	**93,347,410**
- Other financial liabilities	−	−	5,814,552	**5,814,552**

Fair value of financial assets and liabilities not carried at fair value

(Thousands of Armenian Drams)

33. Fair value measurements (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2022	*Fair value 2022*	*Unrecognised gain/(loss) 2022*	*Carrying value 2021*	*Fair value 2021*	*Unrecognised gain/(loss) 2021*
Financial assets						
Cash and cash equivalents	88,369,285	88,369,285	-	96,447,988	96,447,988	–
Loans and advances to banks	50,806,230	50,806,230	-	19,619,083	19,619,083	–
Investment securities − debt securities at amortised cost	90,340	90,340	-	118,217	118,217	–
Loans to customers	408,439,245	407,495,077	(944,168)	341,295,078	341,107,411	(187,667)
Receivables from finance leases	53,423,221	53,423,221	-	31,233,067	31,213,390	(19,677)
Other financial assets	1,528,986	1,528,986	-	1,331,573	1,331,573	–
Financial liabilities						
Current accounts and deposits from customers	424,168,945	424,168,945	-	337,492,635	341,001,950	(3,509,315)
Debt securities issued − domestic bonds issued	6,206,060	6,206,060	-	3,461,498	3,494,385	(32,887)
Deposits and balances from banks	9,937,634	9,937,634	-	1,070,890	1,070,890	–
Subordinated loans	7,805,036	7,805,036	-	9,794,000	9,794,000	–
Other borrowed funds	84,323,152	84,323,152	-	92,331,761	93,347,410	1,015,649
Other financial liabilities	13,341,098	13,341,098	-	5,814,552	5,814,552	–
Total unrecognised change in fair value			**(944,168)**			**(2,733,897)**

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fair value measurement of non-financial assets

Fair value of the properties was determined by using market comparable method. The estimated fair values of the land and buildings are categorized within Level 3 of the fair value hierarchy. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Land and Buildings

The fair values of the office Land and buildings are estimated using income and market approaches. The income approach has been applied capitalizing the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are at 01 December 2022.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

(Thousands of Armenian Drams)

33. Fair value measurements (continued)

Land and Buildings (continued)

The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property, including size, location, constructional-engineering features of the building, technical (physical) condition, encumbrances, and purpose of use.

The significant unobservable input is the adjustment for factors specific to the property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through other comprehensive income

Investment securities measured at fair value through other comprehensive income are valued using a valuation technique or pricing models primarily consist of Armenian Government debt securities. These securities are valued using yield curves which incorporate data observable in the market and published by CBA.

34. Maturity analysis of assets and liabilities

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

See Note 32 Risk management for the Group's contractual undiscounted repayment obligations.

	2022			*2021*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	88,369,285	-	**88,369,285**	96,447,988	–	**96,447,988**
Trading securities	-	-	**-**	433,697	–	**433,697**
Derivative financial assets	36,273	327,011	**363,284**	2,404	36,221	**38,625**
Loans and advances to banks	25,255,153	25,551,077	**50,806,230**	4,941,291	14,677,792	**19,619,083**
Investment securities	6,472,071	17,169,456	**23,641,527**	3,936,354	20,058,475	**23,994,829**
Loans to customers	125,673,430	282,765,815	**408,439,245**	38,421,717	302,873,361	**341,295,078**
Receivables from finance leases	13,192,596	40,230,625	**53,423,221**	13,587,107	17,645,960	**31,233,067**
Investments in associates	-	1,362,224	**1,362,224**	–	1,218,677	**1,218,677**
Property, equipment and intangible assets	-	25,360,445	**25,360,445**	–	21,856,866	**21,856,866**
Other assets	13,173,420	-	**13,173,420**	8,927,813	1,773,090	**10,700,903**
Deferred tax assets	-	-	**-**	-	91,722	**91,722**
Total	**272,172,228**	**392,766,653**	**664,938,881**	**166,698,371**	**380,232,164**	**546,930,535**

34. Maturity analysis of assets and liabilities

	2022			2021		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Deposits and balances from banks	9,863,194	74,440	**9,937,634**	199,906	870,984	**1,070,890**
Current accounts and deposits from customers	347,776,839	76,392,106	**424,168,945**	279,073,568	58,419,067	**337,492,635**
Debt securities issued	4,023,967	2,182,093	**6,206,060**	–	5,068,908	**5,068,908**
Other borrowed funds	23,311,073	61,012,079	**84,323,152**	17,834,751	74,497,010	**92,331,761**
Subordinated loans	89,389	7,715,647	**7,805,036**	–	9,794,000	**9,794,000**
Current income tax liabilities	4,698,987	-	**4,698,987**	1,187,740	–	**1,187,740**
Deferred tax liabilities	-	1,016,530	**1,016,530**	–	1,296,678	**1,296,678**
Other liabilities	17,380,413	-	**17,380,413**	9,780,490	714,066	**10,494,556**
Total	**407,143,862**	**148,392,895**	**555,536,757**	**308,076,455**	**150,660,713**	**458,737,168**
Net	**(134,971,634)**	**244,373,758**	**109,402,124**	**(141,378,084)**	**229,571,451**	**88,193,367**

The maturity analysis does not reflect the historical stability of current accounts and deposits from customers. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts within one year in the tables above.

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. Refer to Note 18.

35. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

	2022		2021	
	Parent company	*Key management personnel and their close family members*	*Parent company*	*Key management personnel and their close family members*
Loans outstanding at 1 January, gross	**768,800**	**346,064**	**821,629**	**400,678**
Loans issued during the year	2,123,658	1,283,469	–	231,933
Loan repayments during the year	(768,800)	(658,991)	(125,000)	(284,431)
Other movements	3,526	1,043	72,171	(2,116)
Loans outstanding at 31 December, gross	**2,127,184**	**971,585**	**768,800**	**346,064**
Less: allowance for impairment at 31 December	(6,315)	(2,657)	(2,087)	(2,205)
Loans outstanding at 31 December, net	**2,120,869**	**968,928**	**766,713**	**343,859**
Weighted average effective interest rate for loans	8.5%	5.1%	9.4%	5.4%
Current accounts and deposits at 1 January	**937,666**	**894,529**	**201,340**	**1,545,556**
Current accounts and deposits received during the year	3,519,277	4,389,706	6,157,688	1,351,459
Current accounts and deposits repaid during the year	(4,435,395)	(3,750,199)	(5,482,091)	(2,002,486)
Other movements	(21,389)	13,469	60,729	–
Current accounts and deposits at 31 December	**159**	**1,547,505**	**937,666**	**894,529**

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

	For the year ended 31 December			
	2022		*2022*	
	Parent company	*Key management personnel and their close family members*	*Parent company*	*Key management personnel and their close family members*
Interest income on loans	1,980	46,223	72,171	12,467
Interest expense on deposits	106,577	117,999	60,729	99,945

Compensation of key management personnel was comprised of the following:

	2022	*2021*
Salaries and other short-term benefits	2,560,687	1,591,285
Share-based payments	1,140,099	1,377,456
Total key management personnel compensation	**3,700,786**	**2,968,741**

36. Investments in associates

The Group has an interest in Amundi-Acba Asset management CJSC where the Group owns 49% of shares (31 December 2021: 49%). The associate of the Group was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia. The principal activity of the associate is the management of mandatory pension funds. The associate's activities are supervised by the Central Bank of Armenia. As at 31 December 2022 the carrying value of the investment comprised AMD1,362,224 thousand (2021: AMD 1,218,677 thousand).

The summarised financial information of material associates is presented below

	2022	*2021*
Assets		
Cash and cash equivalents	24,649	282,054
Amounts due from financial institutions	1,624,416	872,939
Investments measured at FVOCI	1,321,606	1,430,007
Property, plant and equipment and right-of-use assets	135,141	35,506
Deferred tax asset	9,086	7,042
Other assets	301,408	245,761
Total assets	**3,416,306**	**2,873,309**
Liabilities		
Current income tax liability	296,100	221,910
Other liabilities	340,157	162,008
Total liabilities	**636,257**	**383,918**
Net assets	**2,780,049**	**2,489,391**
Group's share in net assets	**1,362,224**	**1,218,677**

(Thousands of Armenian Drams)

36. Investments in associates (continued)

	2022	*2021*
Fee and commission income	2,906,850	2,378,922
Interest and similar income	92,664	56,040
Income from financial advisory	20,246	13,023
Other income	1,707	1,515
Net loss from foreign currency transactions	(12,990)	(800)
Finance cost	(16,068)	-
Staff costs	(187,793)	(126,119)
Administrative and other expenses	(950,410)	(872,181)
Profit before income tax	**1,854,206**	**1,450,400**
Income tax expense	(353,503)	(268,718)
Profit for the year	**1,500,703**	**1,181,682**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Unrealised gains on investments measured at FVOCI	(108,401)	42,216
Other comprehensive income for the year, net of tax	**(108,401)**	**42,216**
Total comprehensive income for the year	**1,392,302**	**1,223,898**

The Group's share of profit or loss and other comprehensive income of the associate is as follows:

	2022	*2021*
Profit for the year	**736,475**	**579,024**
Other comprehensive income	(53,122)	20,686
Total comprehensive income for the year	**683,353**	**599,710**

As at 31 December 2022 and 31 December 2021, there were no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends. The Group received dividends in amount of AMD 539,806 thousand for the year ended 31 December 2022 (2021: AMD 365,475 thousand).

37. Changes in liabilities arising from financing activities

	Note	*Debt securities issued*	*Other borrowed funds*	*Subordinated loans*	*Total liabilities from financing activities*
Carrying amount at 31 December 2020	19, 20, 21	**8,500,960**	**101,043,374**	**11,130,839**	**120,675,173**
Proceeds from issue		3,461,498	33,778,000	–	**37,239,498**
Redemption		(6,095,477)	(43,034,045)	–	**(49,129,522)**
Non-cash transactions					
Foreign currency translation		(780,329)	(2,095,668)	(1,227,040)	**(4,103,037)**
Lease liabilities (IFRS 16)		–	1,531,839	–	**1,531,839**
Other		(17,744)	1,108,261	(109,799)	**980,718**
Carrying amount at 31 December 2021	19, 20, 21	**5,068,908**	**92,331,761**	**9,794,000**	**107,194,669**
Proceeds from issue		2,191,500	34,288,004	-	36,479,504
Redemption		(789,212)	(37,932,197)	-	(38,721,409)
Non-cash transactions					
Foreign currency translation		(265,302)	(5,052,890)	(1,968,650)	(7,286,842)
Lease liabilities (IFRS 16)		-	503,590	-	503,590
Other		166	184,884	(20,314)	164,736
Carrying amount at 31 December 2022	19, 20, 21	**6,206,060**	**84,323,152**	**7,805,036**	**98,334,248**

The "Other" line includes the effect of accrued but not yet paid interest on debt securities issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

(Thousands of Armenian Drams)

38. Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

Types of financial assets/liabilities *In thousands of AMD*	**Gross amounts before offsetting in the statement of financial position**	**Gross amounts set off in the statement of financial position**	**Net amount after offsetting in the statement of financial position**	**Amounts subject to master netting and similar arrangements not set off in the statement of financial position**		**Net amount of exposure**
				Financial instru-ments	**Cash collateral received**	
ASSETS						
Derivative financial assets						
Interest rate swap	333,748	(6,737)	327,011	327,011	-	-
Currency swap	36,273	-	36,273	36,273	-	-
Investment securities						
Pledged under sale and repurchase agreements	6,019,389	-	6,019,389	6,019,389	-	-
Loans and advances to banks						
Reverse sale and repurchase agreements with other banks	559,459	-	559,459	559,459	-	-
Loans to customers						
Reverse sale and repurchase agreements	1,956,613	-	1,956,613	1,956,613	-	-
Total assets subject to offsetting, master netting and similar arrangement	**8,905,482**	**(6,737)**	**8,898,745**	**8,898,745**	**-**	**-**
LIABILITIES						
Deposits and balances from banks						
Sale and repurchase agreements with other banks	(6,026,642)	-	(6,026,642)	(6,026,642)	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**(6,026,642)**	**-**	**(6,026,642)**	**(6,026,642)**	**-**	**-**

(Thousands of Armenian Drams)

38. Offsetting Financial Assets and Financial Liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2021:

Types of financial assets/liabilities *In thousands of AMD*	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instru-ments	Cash collateral received	
ASSETS						
Derivative financial assets						
Interest rate swap	36,221	-	36,221	36,221	-	-
Currency swap	3,837	(1,433)	2,404	2,404	-	-
Loans to customers						
Reverse sale and repurchase agreements	3,054,526	-	3,054,526	3,054,526	-	-
Total assets subject to offsetting, master netting and similar arrangement	**3,094,584**	**(1,433)**	**3,093,151**	**3,093,151**	**-**	**-**

39. Capital adequacy

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2022 and 31 December 2021, this minimum level was 12%. The Group is in compliance with the statutory capital ratio as at 31 December 2022 and 31 December 2021.

The following table shows the composition of the capital position calculated in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

	2022 (unaudited)	2021 (unaudited)
Tier 1 Capital	91,866,748	74,007,160
Tier 2 Capital	11,744,252	15,934,557
Total capital	**103,611,000**	**89,941,717**
Total risk weighted assets	**610,690,247**	**507,923,050**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**16.97%**	**17.71%**

Risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

(Thousands of Armenian Drams)

40. Events after reporting date

There is no significant events after the reporting period and at the date of this report to be disclosed in this report.

ACBA Bank OJSC

Consolidated financial statements

Year ended 31 December 2021
together with independent auditor's report

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Independent auditor's report

To the Shareholders and the Board of
ACBA Bank OJSC

Opinion

We have audited the consolidated financial statements of ACBA Bank OJSC (the Bank) and its subsidiaries (together, the Group), which comprise the consolidated statement of financial position as of 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed it

Allowance for impairment of loans to customers and receivables from finance leases

Allowance for impairment of loans to customers and receivables from finance leases is a key audit matter due to both the significance of loans to customers and receivables from finance leases (68.1% of total assets of the Group as at 31 December 2021) and the complexity and judgments related to the estimation of expected credit losses ("ECL") under IFRS 9 *Financial Instruments* ("IFRS 9").

The calculation of ECL on portfolio basis involves estimation techniques that use complex statistical modelling and expert judgment. These techniques are used to determine probability of default, projected exposure at default and loss arising at default, based on available historical data, which is adjusted for forward-looking information, including forecast of macroeconomic parameters. ECL on portfolio basis are highly impacted by assessment of whether a significant increase in credit risk has occurred since initial recognition. This assessment is primarily based on the following criteria – days past due (including borrower's overdue exposures in other financial institutions) and renegotiation of loan terms due to deterioration of financial position of the borrower.

The use of different modelling techniques and assumptions could produce significantly different estimates of ECL. This could have material effect on the financial results of the Group.

Information on the allowance for impairment of loans to customers and receivables from finance leases is included in Note 11"Loans to customers", Note 12 "Receivables from finance leases" and Note 31 "Risk management".

We focused our audit on the following:

- Evaluation of credit risk models and assumptions used to determine ECL on portfolio basis;
- Testing controls over the Group's process for identification of significant increase in credit risk.

To test the allowance calculated on a portfolio basis, we evaluated underlying statistical models, key inputs and assumptions used and forward-looking information incorporated in the calculation of ECL, including updated forecast of macroeconomic parameters. We tested key statistical data underlying credit risk factors calculation, such as overdue days of loans, statistics of recoveries of loans to customers and receivables from finance leases after the default date and behaviour of defaulted exposures from the initial recognition date to the default date. We also assessed the consistency of application of the criteria selected by management to identify significant increase in credit risk as of the reporting date.

We also performed procedures regarding the consolidated financial statements disclosures of the Group's exposure to credit risk.

Other information included in the Group's 2021 Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

CJSC Ernst & Young
Yerevan, Armenia

Partner (Assurance) — Marija Ignatjeva

General Director — Eric Hayrapetyan

27 April 2022

Consolidated statement of financial position

As of 31 December 2021

(thousands of Armenian Drams)

	Notes	2021	2020
Assets			
Cash and cash equivalents	6	96,447,988	66,398,135
Trading securities	7	433,697	319,353
Derivative financial assets	8	38,625	250,207
Loans and advances to banks	9	19,619,083	57,171,584
Investment securities	10	23,994,829	17,405,067
Loans to customers	11	341,295,078	303,018,557
Receivables from finance leases	12	31,233,067	25,017,394
Investments in associates	35	1,218,677	984,442
Property, equipment and intangible assets	13	21,856,866	20,144,910
Other assets	16	10,700,903	4,754,606
Deferred tax assets	14	91,722	167,436
Total assets		**546,930,535**	**495,631,691**
Liabilities			
Derivative financial liabilities	8	–	79,893
Deposits and balances from banks		1,070,890	45,717
Current accounts and deposits from customers	17	337,492,635	296,944,080
Debt securities issued	18	5,068,908	8,500,960
Other borrowed funds	19	92,331,761	101,043,374
Current income tax liabilities		1,187,740	126,703
Deferred tax liabilities	14	1,296,678	680,497
Other liabilities	21	10,494,556	6,570,526
Subordinated loans	20	9,794,000	11,130,839
Total liabilities		**458,737,168**	**425,122,589**
Equity			
Share capital	22	55,000,000	30,000,000
Share premium	22	2,500,000	–
Additional paid-in capital	23	2,452,257	–
Revaluation reserve for property and equipment		3,479,525	2,946,536
Revaluation reserve for investment securities		3,446,766	3,572,143
Retained earnings		21,314,819	33,990,423
Total equity		**88,193,367**	**70,509,102**
Total equity and liabilities		**546,930,535**	**495,631,691**

Signed and authorised for release on behalf of the Management of the Bank

Hakob Andreasyan — Chief Executive Officer

Armen Hakobyan — Chief Accountant

27 April 2022

The accompanying notes from 1 to 38 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2021

(thousands of Armenian Drams)

	Notes	2021	2020
Interest revenue calculated using effective interest rate	25	43,312,133	43,414,170
Other interest revenue	25	3,498,291	2,675,996
Interest expense	25	(21,294,891)	(20,185,734)
Net interest income		**25,515,533**	**25,904,432**
Reversal of credit loss expense / (credit loss expense)	15	232,100	(10,774,703)
Net interest income after credit loss expense		**25,747,633**	**15,129,729**
Fee and commission income	26	6,294,559	4,916,294
Fee and commission expense	26	(2,510,554)	(1,868,608)
Net gain/(loss) on financial instruments at fair value through profit and loss		560,811	(132,117)
Net foreign exchange gain	27	2,051,949	2,351,308
Share of profit of associates	35	579,024	399,958
Other income	28	3,024,059	1,569,459
Non-interest income		**9,999,848**	**7,236,294**
Personnel expenses		(14,567,050)	(10,888,617)
Depreciation and amortisation	13	(2,493,962)	(2,314,182)
Other operating expenses	29	(2,007,166)	(1,972,523)
Other general administrative expenses	30	(3,966,843)	(3,466,759)
(Charge for) / reversal of other impairment and provisions	16	(95,529)	49,975
Non-interest expense		**(23,130,550)**	**(18,592,106)**
Profit before income tax expense		**12,616,931**	**3,773,917**
Income tax expense	14	(2,803,449)	(1,049,286)
Profit for the year		**9,813,482**	**2,724,631**
Earnings per share			
Basic and diluted, attributable to equity holders of the parent, AMD	22	1,840.03	544.93

The accompanying notes from 1 to 38 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

(thousands of Armenian Drams)

	Note	2021	2020
Profit for the year		**9,813,482**	**2,724,631**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		(226,739)	258,888
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		304,374	92,348
Income tax relating to components of other comprehensive income	14	(13,974)	(63,222)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**63,661**	**288,014**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings and motor vehicles		660,910	–
(Losses)/gains on equity instruments at fair value through other comprehensive income		(253,375)	597,001
Income tax relating to components of other comprehensive income	14	(73,356)	(107,460)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**334,179**	**489,541**
Share of the other comprehensive income of associates			
Not to be reclassified to profit or loss in subsequent periods		20,686	64,352
Total share of the other comprehensive income of associates		**20,686**	**64,352**
Other comprehensive income for the year, net of tax		**418,526**	**841,907**
Total comprehensive income for the year		**10,232,008**	**3,566,538**

The accompanying notes from 1 to 38 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

(thousands of Armenian Drams)

	Share capital	*Share premium*	*Additional paid-in capital*	*Revaluation surplus for property and equipment*	*Revaluation reserve for financial assets at fair value through other comprehensive income*	*Retained earnings*	*Total equity*
Balance as at 1 January 2020	**30,000,000**	**–**	**–**	**3,009,091**	**2,730,236**	**32,903,237**	**68,642,564**
Total comprehensive income							
Profit for the year	–	–	–	–	–	2,724,631	**2,724,631**
Other comprehensive income	–	–	–	–	841,907	–	**841,907**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**841,907**	**2,724,631**	**3,566,538**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	**–**	**–**	**–**	**(62,555)**	**–**	**62,555**	**–**
Transactions with owners, recorded directly in equity							
Dividends declared	–	–	–	–	–	(1,700,000)	**(1,700,000)**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(1,700,000)**	**(1,700,000)**
Balance as at 31 December 2020	**30,000,000**	**–**	**–**	**2,946,536**	**3,572,143**	**33,990,423**	**70,509,102**
Total comprehensive income							
Profit for the year	–	–	–	–	–	9,813,482	**9,813,482**
Other comprehensive income	–	–	–	543,903	(125,377)	–	**418,526**
Total comprehensive income for the year	**–**	**–**	**–**	**543,903**	**(125,377)**	**9,813,482**	**10,232,008**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	**–**	**–**	**–**	**(10,914)**	**–**	**10,914**	**–**
Transactions with owners, recorded directly in equity							
Replenishment of share capital from Retained earnings	20,000,000	–	–	–	–	(20,000,000)	**–**
Issue of share capital	5,000,000	2,500,000	–	–	–	–	**7,500,000**
Dividends declared	–	–	–	–	–	(2,500,000)	**(2,500,000)**
Total transactions with owners	**25,000,000**	**2,500,000**	**–**	**–**	**–**	**(22,500,000)**	**5,000,000**
Share-based payments (Note 23)	–	–	2,452,257	–	–	–	**2,452,257**
Balance as at 31 December 2021	**55,000,000**	**2,500,000**	**2,452,257**	**3,479,525**	**3,446,766**	**21,314,819**	**88,193,367**

The accompanying notes from 1 to 38 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

(thousands of Armenian Drams)

	Notes	2021	2020
Cash flows from operating activities			
Interest received		46,518,664	45,644,846
Interest paid		(20,945,909)	(19,971,332)
Fees and commissions received		6,429,127	4,992,954
Fees and commissions paid		(2,510,553)	(1,868,607)
Net receipt/(payment) from financial instruments at fair value through profit or loss		772,393	(132,117)
Net receipts from foreign exchange		2,918,840	2,147,112
Other operating expenses paid		(2,422,846)	(220,306)
Other income received		2,712,820	313,619
Salaries and other payments to employees		(11,535,954)	(10,952,092)
Other general administrative expenses paid		(3,888,701)	(3,466,758)
Cash flows from operating activities before changes in operating assets and liabilities		**18,047,881**	**16,487,319**
Net (increase)/decrease in operating assets			
Trading securities		(114,344)	(68,176)
Derivative financial assets		–	(249,870)
Loans and advances to banks		37,508,706	(26,633,310)
Loans to customers		(39,050,452)	(36,695,515)
Receivables from finance leases and related assets		(12,598,205)	(4,051,999)
Other assets		(946,313)	990,943
Net increase/(decrease) in operating liabilities			
Derivative financial liabilities		(79,831)	(120,116)
Deposits and balances from banks		1,019,240	13,660
Current accounts and deposits from customers		40,188,480	42,136,691
Other liabilities		3,513,231	1,300,782
Net operating activities before income tax		**47,488,393**	**(6,889,591)**
Income tax paid		(1,137,847)	(1,226,755)
Net cash from / (used in) operating activities		**46,350,546**	**(8,116,346)**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(1,719,781)	(2,215,321)
Proceeds from sale of property, equipment and intangible assets		103,225	131,840
Purchases of investment securities		(11,458,482)	(8,724,750)
Sale and repayment of investment securities		3,824,060	15,139,588
Net cash (used in) / from investing activities		**(9,250,978)**	**4,331,357**
Cash flows from financing activities			
Proceeds from issue of share capital	22	7,500,000	–
Proceeds from debt securities issued	36	3,461,498	–
Redemption of debt securities issued	36	(6,095,477)	(3,631,337)
Proceeds from other borrowed funds	36	33,778,000	47,077,963
Repayment of other borrowed funds	36	(43,034,045)	(33,580,438)
Subordinated loans received	36	–	7,098,874
Repayment of subordinated loans	36	–	(950,933)
Dividends paid	22	(2,500,000)	(1,700,000)
Net cash (used in) / from financing activities		**(6,890,024)**	**14,314,129**
Effect of exchange rates changes on cash and cash equivalents		(84,277)	6,943
Effect of changes in impairment allowance		(75,414)	(53,199)
Net increase in cash and cash equivalents		**30,049,853**	**10,482,884**
Cash and cash equivalents, beginning		66,398,135	55,915,251
Cash and cash equivalents, ending	6	**96,447,988**	**66,398,135**

The accompanying notes from 1 to 38 are an integral part of these consolidated financial statements.

(thousands of Armenian Drams)

1. Principal activities

ACBA Bank OJSC (former ACBA-Credit Agricole Bank CJSC, the "Bank") is the parent company in the Group, which is comprised of the Bank and its subsidiaries ACBA Leasing Credit Organization CJSC and ACBA Technolab LLC (together the "Group"). It was formed in 1995 as a cooperative bank with collective ownership under the laws of the Republic of Armenia and reorganized into closed joint stock company in 2006. The Bank operates under a general banking license issued by the Central Bank of Armenia and is a member of the state deposit insurance system in the Republic of Armenia.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan and it has 62 branches (including Head office) in Yerevan and other regions of Armenia. The Bank's registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.

Bank's name and legal form has been changed from ACBA-Credit Agricole Bank CJSC to ACBA Bank OJSC based on shareholder's annual general meeting on 26 May 2020. The Central Bank of Armenia has registered the change of the Bank's name and legal form on 3 July 2020.

ACBA Leasing Credit Organization was formed on 30 March 2003 as a closed joint-stock company under the laws of the Republic of Armenia. The company's principal activities are finance lease operations with corporate and individual customers. The company possesses a credit organization license from the Central Bank of Armenia. The company is a subsidiary of the Group and was consolidated in these financial statements. The Bank owns 100% shares of ACBA Leasing CJSC.

On 23 December 2021 the Bank founded ACBA TECHNOLAB LLC educational center. The purpose of the center is to implement educational programs and attract qualified specialists.

As of 31 December, the shareholders of the Bank are:

Shareholder	***2021, %***	***2020, %***
ACBA Federation CJSC	83.68	95.00
Sacam International SAS	4.55	5.00
Other	11.77	–
Total	**100.0**	**100.0**

ACBA Federation CJSC is the parent of the Group and has no single controlling party.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, investment and trading securities, derivative financial instruments, land, buildings and motor vehicles have been measured at fair value.

These consolidated financial statements are presented in thousands of Armenian Drams ("AMD"), except for per share amounts or unless otherwise indicated.

Effect of COVID-19 pandemic

Following the rapid spread of COVID-19 pandemic in 2020, which continued in 2021, many governments, including the Government of the Republic of Armenia, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government of the Republic of Armenia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

The Group continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

(thousands of Armenian Drams)

2. Basis of preparation (continued)

Estimation uncertainty

To the extent that information is available as at 31 December 2021, the Group has reflected revised estimates of expected future cash flows in its ECL assessment (Note 11), estimation of fair values of financial instruments, property, revaluation of plant and equipment (Note 32).

Reclassifications

In 2021 the Group made reclassifications in Note 16 “Other assets” and Note 21 “Other liabilities” reclassifying Advances paid to leased property suppliers from other financial assets to other non-financial assets, and prepayments from lessees from other financial liabilities to other non-financial liabilities. Effect on comparative balances is AMD 1,956,666 thousand for Advances paid to lease property supplier and AMD 1,139,852 thousand for Prepayments from lessees.

3. Summary of accounting policies

Changes in accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group applied the practical expedients provided by the amendments. Please see details in Note 31.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Loans and advances to banks, loans to customers, investment securities at amortised cost

The Group only measures loans and advances to banks, loans to customers and investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

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

The SPPI test

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

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

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

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

Debt instruments at FVOCI

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

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

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

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

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, Nostro accounts in banks and amounts due from the CBA, including obligatory reserves in AMD free from contractual encumbrances.

Precious metals

Gold and other precious metals are recorded at CBA bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the CBA bid prices are recorded as translation differences from precious metals in other income.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements (“repos”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

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

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Derivative financial instruments (continued)

Derivatives embedded in liabilities and non-financial host contacts, are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

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

Promissory notes

Promissory notes purchased are included in trading securities, or in amounts due from banks or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Leases

i. Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 2,500 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii. Operating − Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance − Group as a lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

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

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

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

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Renegotiated loans (continued)

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3. In order for the restructured loan to be reclassified out of Stage 3 the below mentioned conditions should be met:

1. Loans with monthly payment schedules, overdue amounts have been fully paid for, 3 consecutive payments of principal and interest in accordance with the modified payment schedule have been made and there are no overdue days exceeding 7 days;
2. Loans with flexible payment schedules, overdue amounts have been fully paid, afterwards, regular payments of principal and interest have been made for a minimum 6-month probation period in accordance with the modified payment schedule and there are no overdue days exceeding 7 days.

In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group first applies the practical expedient as described in Note 3, to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Write-off

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

Financial liabilities

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

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

Property and equipment

Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, land, buildings and motor vehicles are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Equipment	5-10
Motor vehicles	7-10
Other	7-10

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

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. 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 over the useful economic lives of 7 to 10 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 indefinite useful lives are reviewed at least at each financial year-end.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

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.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Provisions

Provisions are recognised when the Group 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.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements and significant post-employment benefits.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both 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.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

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

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Agriculture, Trading and Investment banking and Finance lease.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

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

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

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

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

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest revenue” in the consolidated statement of profit or loss.

Interest revenue from penalties on loans to customers is recognised using the effective interest rate and is presented in “Other income” in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Group’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses − are recognised on completion of the underlying transaction.

Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Customer loyalty programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Revenue is recognised when the Group’s right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank’s and its subsidiary’s functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBA exchange rates at 31 December 2021 and 31 December 2020, were 480.14 Drams and 522.59 Drams to 1 USD and 542.61 Drams and 641.11 Drams to 1 EUR, respectively.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Bank.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 23.

That cost is recognised in personnel expenses together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

(thousands of Armenian Drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

4. Significant accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Revaluation of land, buildings and motor vehicles (Note 32)

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group engages independent experts for valuation of its premises.

Fair value measurement

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 32.

The cost of equity-settled transactions is determined by the fair value of the Bank's shares at the date when the grant is made using an appropriate valuation model. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values further details of which are given in Note 23.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Group's ECL measurement. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(thousands of Armenian Drams)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

The amount of allowance for loan and finance lease impairment recognized in consolidated statement of financial position at 31 December 2021 was AMD 8,319,892 thousand (2020: AMD 13,082,663 thousand). More details are provided in Notes 11 and 12.

Leases − estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). More details are provided in Note 3.

5. Segment information

For management purposes, the Group is organised into five operating segments based on products and services as follows:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Agriculture	Principally handling loans and other credit facilities and deposit and current accounts for customers in agriculture industry.
Trading and Investment banking (IB)	Treasury and finance, investment banking and other central functions.
Finance lease	Principally providing finance lease services to corporate and individual customers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020.

In 2021 the Group revised its methodology of internal fund transfer and added a new reporting segment – Agriculture which was separated from Retail banking and Corporate banking segments.

Comparative information for 2020 is restated based on the updated methodology.

(thousands of Armenian Drams)

5. Segment information (continued)

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

2021	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Trading and IB*	*Finance lease*	*Total*
Interest revenue calculated using effective interest rate	14,995,446	11,102,191	15,002,468	2,212,028	–	**43,312,133**
Other interest revenue	–	–	–	158,602	3,339,689	**3,498,291**
Interest expense	(5,260,441)	(4,791,440)	(6,326,428)	(3,612,471)	(1,304,111)	**(21,294,891)**
Net Interest income/(expense)	**9,735,005**	**6,310,751**	**8,676,040**	**(1,241,841)**	**2,035,578**	**25,515,533**
Reversal of credit loss expense / (credit loss expense)	(1,009,868)	1,306,525	61,537	(254,905)	128,811	**232,100**
Net interest income/(expense) after credit loss expense	**8,725,137**	**7,617,276**	**8,737,577**	**(1,496,746)**	**2,164,389**	**25,747,633**
Fee and commission income	2,161,137	1,400,965	2,368,967	–	363,490	**6,294,559**
Fee and commission expense	(925,347)	(599,859)	(824,689)	–	(160,659)	**(2,510,554)**
Net gain on financial instruments at fair value through profit and loss	–	–	–	560,811	–	**560,811**
Net foreign exchange gain/ (loss)	845,259	547,942	753,312	–	(94,564)	**2,051,949**
Share of profit of associates	–	–	–	579,024	–	**579,024**
Other income	1,160,726	752,445	1,034,464	–	76,424	**3,024,059**
Non-interest income	**3,241,775**	**2,101,493**	**3,332,054**	**1,139,835**	**184,691**	**9,999,848**
Personnel expenses	(5,588,327)	(3,622,652)	(4,980,433)	–	(375,638)	**(14,567,050)**
Depreciation and amortisation	(968,621)	(627,912)	(863,256)	–	(34,173)	**(2,493,962)**
Other operating expenses	(763,892)	(495,195)	(680,796)	–	(67,283)	**(2,007,166)**
Other general administrative expenses	(1,533,042)	(993,799)	(1,366,278)	–	(73,724)	**(3,966,843)**
Charge for other impairment and provisions	(37,617)	(24,386)	(33,526)	–	–	**(95,529)**
Non-interest expense	**(8,891,499)**	**(5,763,944)**	**(7,924,289)**	**–**	**(550,818)**	**(23,130,550)**
Profit/(loss) before income tax expense	**3,075,413**	**3,954,825**	**4,145,342**	**(356,911)**	**1,798,262**	**12,616,931**
Income tax expense	(971,082)	(629,507)	(865,448)	–	(337,412)	**(2,803,449)**
Profit/(loss) for the year	**2,104,331**	**3,325,318**	**3,279,894**	**(356,911)**	**1,460,850**	**9,813,482**
Segment interest earning assets	102,909,919	123,931,130	114,454,029	44,086,234	31,233,067	**416,614,379**
Segment interest bearing liabilities	73,972,127	108,981,215	80,232,006	151,339,780	31,233,067	**445,758,195**

(thousands of Armenian Drams)

5. Segment information (continued)

2020	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Trading and IB*	*Finance lease*	*Total*
Interest revenue calculated using effective interest rate	15,768,792	9,188,765	16,167,228	2,289,385	–	**43,414,170**
Other interest revenue	–	–	–	345,576	2,330,420	**2,675,996**
Interest expense	(5,762,001)	(4,129,875)	(6,330,256)	(2,938,754)	(1,024,848)	**(20,185,734)**
Net Interest income/(expense)	**10,006,791**	**5,058,890**	**9,836,972**	**(303,793)**	**1,305,572**	**25,904,432**
Credit loss expense	(6,073,845)	(2,436,800)	(916,570)	(437,569)	(909,919)	**(10,774,703)**
Net interest income/(expense) after credit loss expense	**3,932,946**	**2,622,090**	**8,920,402**	**(741,362)**	**395,653**	**15,129,729**
Fee and commission income	1,683,028	1,239,294	1,654,467	–	339,505	**4,916,294**
Fee and commission expense	(703,501)	(355,652)	(691,563)	–	(117,892)	**(1,868,608)**
Net loss on financial instruments at fair value through profit and loss	–	–	–	(132,117)	–	**(132,117)**
Net foreign exchange gain/ (loss)	965,974	488,344	949,581	–	(52,591)	**2,351,308**
Share of profit of associates	–	–	–	399,958	–	**399,958**
Other income	615,126	310,974	604,687	–	38,672	**1,569,459**
Non-interest income	**2,560,627**	**1,682,960**	**2,517,172**	**267,841**	**207,694**	**7,236,294**
Personnel expenses	(4,264,623)	(2,155,961)	(4,192,250)	–	(275,783)	**(10,888,617)**
Depreciation and amortisation	(929,923)	(470,118)	(914,141)	–	–	**(2,314,182)**
Other operating expenses	(777,740)	(393,183)	(764,542)	–	(37,058)	**(1,972,523)**
Other general administrative expenses	(1,345,492)	(680,208)	(1,322,659)	–	(118,400)	**(3,466,759)**
Reversal of other impairment and provisions	20,082	10,152	19,741	–	–	**49,975**
Non-interest expense	**(7,297,696)**	**(3,689,318)**	**(7,173,851)**	**–**	**(431,241)**	**(18,592,106)**
Profit/(loss) before income tax expense	**(804,123)**	**615,732**	**4,263,723**	**(473,521)**	**172,106**	**3,773,917**
Income tax expense	(402,227)	(203,344)	(395,401)	–	(48,314)	**(1,049,286)**
Profit/(loss) for the year	**(1,206,350)**	**412,388**	**3,868,322**	**(473,521)**	**123,792**	**2,724,631**
Segment interest earning assets	92,080,611	103,524,417	107,413,529	75,146,211	25,017,394	**403,182,162**
Segment interest bearing liabilities	72,393,692	96,232,694	87,552,836	136,548,253	25,017,394	**417,744,869**

The Group's operations are primarily concentrated in Armenia. The Bank has no non-current assets other than financial instrument outside Armenia.

(thousands of Armenian Drams)

5. Segment information (continued)

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the year ended 31 December 2021 and 2020 is as follows:

2021	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Finance lease*	*Total*
Commission income					
Plastic card maintenance	1,515,067	982,145	1,356,392	−	**3,853,604**
Money transfers	263,287	170,677	234,647	−	**668,611**
Banking account servicing fees	174,347	113,023	155,382	−	**442,752**
Guarantee and letter of credit issuance	−	−	436,782	−	**436,782**
Cash withdrawal services	103,254	66,936	92,023	−	**262,213**
Other	105,182	68,184	93,741	363,490	**630,597**
Total revenue from contracts with customers	**2,161,137**	**1,400,965**	**2,368,967**	**363,490**	**6,294,559**

2020	*Retail banking, other than agriculture*	*Corporate banking*	*Agriculture*	*Finance lease*	*Total*
Commission income					
Plastic card maintenance	1,057,624	534,677	1,039,675	−	**2,631,976**
Money transfers	290,225	146,722	285,299	−	**722,246**
Banking account servicing fees	204,673	103,471	201,199	−	**509,343**
Guarantee and letter of credit issuance	−	388,446	−	−	**388,446**
Cash withdrawal services	78,153	39,510	76,827	−	**194,490**
Other	52,353	26,468	51,467	339,505	**469,793**
Total revenue from contracts with customers	**1,683,028**	**1,239,294**	**1,654,467**	**339,505**	**4,916,294**

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	*2020*
Cash on hand	17,723,893	15,507,824
Current accounts with the Central Bank, including obligatory reserves (not restricted part, see Note 9)	76,712,728	43,875,865
Current accounts with other banks	2,144,660	7,084,277
Impairment	(133,293)	(69,831)
Cash and cash equivalents	**96,447,988**	**66,398,135**

As of 31 December 2021, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 23,850,732 thousand (2020: AMD 16,777,146 thousand).

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2020: 2%) of the amounts attracted in Armenian drams and 18% (2020: 18%) of the amounts attracted in foreign currencies.

Starting from June 2020, the banks are required to maintain 10% (2020: 10%) of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams, and 8% (2020: 8%) − in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted, so the Group classifies obligatory reserves deposited in foreign currency as loans and advances to banks (Note 9).

(thousands of Armenian Drams)

6. Cash and cash equivalents (continued)

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

	2021	*2020*
ECL allowance as at 1 January	**69,831**	**6,284**
Changes in ECL	75,414	53,199
Foreign exchange adjustments	(11,952)	10,348
At 31 December	**133,293**	**69,831**

Information about credit quality of cash and cash equivalents is presented in Note 31 “Risk management”.

7. Trading securities

Trading securities owned comprise:

	2021	*2020*
Corporate bonds of Armenian banks	433,697	319,353
Trading securities	**433,697**	**319,353**

In May 2019 the Group purchased corporate bonds of an Armenian bank with an interest rate of 9.75% and maturity in May 2022.

8. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	2021		*2020*	
	Notional amount	***Fair value***	***Notional amount***	***Fair value***
Assets				
Derivative financial instruments				
Interest rate swap	9,166,309	36,221	–	–
Currency swap	3,415,776	2,404	7,318,900	250,207
	12,582,085	**38,625**	**7,318,900**	**250,207**
Liabilities				
Derivative financial instruments				
Currency swap	–	–	15,412,670	79,893
	–	**–**	**15,412,670**	**79,893**

(thousands of Armenian Drams)

9. Loans and advances to banks

Loans and advances to banks comprise:

	2021	*2020*
Due from the CBA		
Credit card settlement deposit with the CBA	1,572,500	868,000
Mandatory reserves in CBA (in foreign currency) (Note 6)	11,585,135	11,077,718
Total	**13,157,635**	**11,945,718**
Loans and advances to other banks		
Armenian banks	487,894	6,188,910
Foreign banks	739,754	591,713
Total loans and deposits to other banks	**1,227,648**	**6,780,623**
Other receivables		
Unsettled transactions	4,119,022	99,766
Amounts receivable from money transfer systems	1,047,268	1,043,174
Amounts receivable from transactions with plastic cards	123,526	530,948
Amounts receivable under reverse repurchase agreements		
Amounts receivable from Armenian banks	–	36,843,265
Loans and advances to banks before impairment	**19,675,099**	**57,243,494**
Impairment	(56,016)	(71,910)
Total loans and advances to banks	**19,619,083**	**57,171,584**

As of 31 December 2021, mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 11,585,135 thousand (2020: AMD 11,077,718 thousand) (See Note 6).

As at 31 December 2021, AMD 739,754 thousand (2020: AMD 591,713 thousand) were placed as deposited amounts with three (2020: three) internationally recognized OECD banks, who are the main counterparties of the Group in performing international settlements.

As at 31 December 2021, loans and advances to banks include loans in the amount of AMD 487,894 thousand (2020: AMD 6,188,910 thousand) placed with one Armenian bank (2020: four).

As at 31 December 2020 the Group had entered into reverse repurchase agreements with six Armenian banks. The collateral under these agreements is Armenian government bonds with a fair value of AMD 38,913,124 thousand.

An analysis of changes in gross carrying value and corresponding ECL allowance on loans and advances to banks during the year ended 31 December 2021 is as follows:

	Stage 1	*Total*
Gross carrying value as at 1 January 2021	**57,243,494**	**57,243,494**
New assets originated or purchased	19,675,099	**19,675,099**
Assets repaid	(57,243,494)	**(57,243,494)**
At 31 December 2021	**19,675,099**	**19,675,099**

	Stage 1	*Total*
ECL allowance as at 1 January 2021	**71,910**	**71,910**
New assets originated or purchased	56,016	**56,016**
Assets repaid	(71,910)	**(71,910)**
At 31 December 2021	**56,016**	**56,016**

(thousands of Armenian Drams)

9. Loans and advances to banks (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance on loans and advances to banks during the year ended 31 December 2020 is as follows:

	Stage 1	*Total*
Gross carrying value as at 1 January 2020	**30,552,163**	**30,552,163**
New assets originated or purchased	57,243,494	**57,243,494**
Assets repaid	(30,552,163)	**(30,552,163)**
At 31 December 2020	**57,243,494**	**57,243,494**

	Stage 1	*Total*
ECL allowance as at 1 January 2020	**28,889**	**28,889**
New assets originated or purchased	71,910	**71,910**
Assets repaid	(28,889)	**(28,889)**
At 31 December 2020	**71,910**	**71,910**

Information about credit quality of loans and advances to banks is presented in Note 31 “Risk management”.

10. Investment securities

Investment securities as at 31 December 2021 and 31 December 2020 comprise:

	2021	*2020*
Debt securities at amortised cost		
Bonds of Armenian companies	180,897	–
Less: allowance for impairment	(62,680)	–
Debt securities at amortised cost	**118,217**	**–**

	2021	*2020*
Debt and other fixed income instruments at FVOCI		
Government bonds		
Government securities of the Republic of Armenia	16,541,954	9,452,410
Corporate bonds		
Bonds of Armenian companies	4,460,248	4,824,872
Equity instruments		
Quoted equity securities − international companies	2,759,029	3,009,909
Unquoted equity securities − local companies	115,381	117,876
	23,876,612	**17,405,067**

78.76% (2020: 66.21%) of debt instruments are presented by government bonds of the republic of Armenia at 31 December 2021.

At 31 December 2021 and 2020 no securities were past due or impaired and there were no renegotiated balances of investment securities that would otherwise be past due.

Information about credit quality of debt instruments is presented in Note 31 “Risk management”.

(thousands of Armenian Drams)

10. Investment securities (continued)

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

Debt securities at amortised cost	*Stage 1*	*Total*
Gross carrying value as at 1 January 2021	**–**	**–**
New assets originated or purchased	180,897	**180,897**
At 31 December 2021	**180,897**	**180,897**

Debt securities at amortised cost	*Stage 1*	*Total*
ECLs as at 1 January 2021	**–**	**–**
New assets originated or purchased	62,680	**62,680**
At 31 December 2021	**62,680**	**62,680**

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

Debt securities at FVOCI	*Stage 1*	*Total*
Gross carrying value as at 1 January 2021	**14,277,282**	**14,277,282**
New assets originated or purchased	11,639,379	**11,639,379**
Assets repaid	(3,824,060)	**(3,824,060)**
Net change in fair value	(226,739)	**(226,739)**
Foreign exchange adjustments	(863,660)	**(863,660)**
At 31 December 2021	**21,002,202**	**21,002,202**

Debt securities at FVOCI	*Stage 1*	*Total*
ECLs as at 1 January 2021	**309,022**	**309,022**
New assets originated or purchased	504,687	**504,687**
Assets repaid	(149,562)	**(149,562)**
Changes to models and inputs used for ECL calculations	(41,215)	**(41,215)**
Foreign exchange adjustments	(9,537)	**(9,537)**
At 31 December 2021	**613,395**	**613,395**

Debt securities at FVOCI	*Stage 1*	*Total*
Gross carrying value as at 1 January 2020	**20,292,178**	**20,292,178**
New assets originated or purchased	8,724,750	**8,724,750**
Assets repaid	(15,139,588)	**(15,139,588)**
Net change in fair value	258,888	**258,888**
Foreign exchange adjustments	141,054	**141,054**
At 31 December 2020	**14,277,282**	**14,277,282**

Debt securities at FVOCI	*Stage 1*	*Total*
ECLs as at 1 January 2020	**216,674**	**216,674**
New assets originated or purchased	96,593	**96,593**
Assets repaid	(31,056)	**(31,056)**
Changes to models and inputs used for ECL calculations	9,687	**9,687**
Foreign exchange adjustments	17,124	**17,124**
At 31 December 2020	**309,022**	**309,022**

The Group has designated some of its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Investments primarily include mandatory shares in exchanges and clearing houses, investments arising when the Group received equity shares in exchange for debt settlement, and strategic investments in other banks.

In 2021, the Group received dividends of AMD 12,455 thousand (2020: AMD 10,953 thousand) from its FVOCI equities which was recorded in the consolidated statement as other income.

(thousands of Armenian Drams)

11. Loans to customers

	2021	*2020*
Loans to corporate customers		
Loans to small and medium size companies	72,805,137	79,678,711
Loans to large corporates	47,850,286	29,977,548
Total loans to corporate customers	**120,655,423**	**109,656,259**
Loans to retail customers		
Agricultural loans	107,654,524	95,348,630
Consumer loans	76,471,101	70,316,815
Mortgage loans	32,885,091	25,028,359
Credit cards	11,282,532	13,367,120
Gold-secured loans	11,021	1,494,551
Total loans to retail customers at amortised cost	**228,304,269**	**205,555,475**
Gross loans to customers	**348,959,692**	**315,211,734**
Impairment allowance	(7,664,614)	(12,193,177)
Net loans to customers at amortised cost	**341,295,078**	**303,018,557**

The Bank's operations are primarily focused on financing agriculture in the country. The Bank offers agricultural loans to individuals and legal entities engaged, or planning to be engaged, in agricultural production or processing. Agricultural loans are provided for agricultural long-term investments, as well as short-term financing needs.

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2021 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**88,353,402**	**14,425,978**	**6,632,360**	**244,519**	**109,656,259**
New assets originated or purchased	69,524,404	–	–	55,849	**69,580,253**
Assets repaid	(46,464,533)	(5,201,685)	(2,938,069)	(162,163)	**(54,766,450)**
Transfers to Stage 1	1,793,465	(1,610,130)	(183,335)	–	**–**
Transfers to Stage 2	(2,887,488)	5,034,918	(2,147,430)	–	**–**
Transfers to Stage 3	(2,817,503)	(2,277,724)	5,095,227	–	**–**
Recoveries	–	–	283,728	–	**283,728**
Amounts written off	–	–	(240,466)	–	**(240,466)**
Foreign exchange adjustments	(2,799,616)	(697,433)	(354,160)	(6,692)	**(3,857,901)**
At 31 December 2021	**104,702,131**	**9,673,924**	**6,147,855**	**131,513**	**120,655,423**

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**550,412**	**596,723**	**2,170,952**	**31,742**	**3,349,829**
New assets originated or purchased	382,159	–	–	–	**382,159**
Assets repaid	(218,795)	(123,722)	(1,525,480)	(28,959)	**(1,896,956)**
Transfers to Stage 1	131,500	(61,991)	(69,509)	–	**–**
Transfers to Stage 2	(64,107)	653,500	(589,393)	–	**–**
Transfers to Stage 3	(167,292)	(135,968)	303,260	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(127,383)	(545,370)	531,387	–	**(141,366)**
Unwinding of discount (recognised in interest revenue)	–	–	58,915	–	**58,915**
Changes to models and inputs used for ECL calculations	(200,633)	(117,860)	639,690	28,441	**349,638**
Recoveries	–	–	283,728	–	**283,728**
Amounts written off	–	–	(240,466)	–	**(240,466)**
Foreign exchange adjustments	(7,729)	(18,967)	(85,948)	–	**(112,644)**
At 31 December 2021	**278,132**	**246,345**	**1,477,136**	**31,224**	**2,032,837**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2021 is as follows:

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**87,691,177**	**3,584,703**	**4,072,750**	**95,348,630**
New assets originated or purchased	64,178,309	–	–	**64,178,309**
Assets repaid	(43,819,240)	(1,898,776)	(4,509,519)	**(50,227,535)**
Transfers to Stage 1	164,051	(160,239)	(3,812)	**–**
Transfers to Stage 2	(2,357,065)	2,357,065	–	**–**
Transfers to Stage 3	(4,283,892)	(1,338,829)	5,622,721	**–**
Recoveries	–	–	616,875	**616,875**
Amounts written off	–	–	(1,882,280)	**(1,882,280)**
Foreign exchange adjustments	(316,950)	(16,673)	(45,852)	**(379,475)**
At 31 December 2021	**101,256,390**	**2,527,251**	**3,870,883**	**107,654,524**

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**1,414,836**	**327,503**	**1,310,750**	**3,053,089**
New assets originated or purchased	644,253	–	–	**644,253**
Assets repaid	(307,654)	(69,324)	(2,513,658)	**(2,890,636)**
Transfers to Stage 1	13,976	(12,197)	(1,779)	**–**
Transfers to Stage 2	(43,853)	43,853	–	**–**
Transfers to Stage 3	(317,405)	(186,179)	503,584	**–**
Impact on period end ECL of exposures transferred between stages during the period	(13,237)	11,115	502,159	**500,037**
Unwinding of discount (recognised in interest revenue)	–	–	105,503	**105,503**
Changes to models and inputs used for ECL calculations	(732,697)	(48,982)	2,466,488	**1,684,809**
Recoveries	–	–	616,875	**616,875**
Amounts written off	–	–	(1,882,280)	**(1,882,280)**
Foreign exchange adjustments	(4,252)	(590)	(16,814)	**(21,656)**
At 31 December 2021	**653,967**	**65,199**	**1,090,828**	**1,809,994**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2021 is as follows:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**60,710,959**	**5,627,471**	**3,978,385**	**70,316,815**
New assets originated or purchased	46,930,420	–	–	**46,930,420**
Assets repaid	(31,922,617)	(2,062,812)	(3,561,081)	**(37,546,510)**
Transfers to Stage 1	25,689	(25,689)	–	**–**
Transfers to Stage 2	(1,297,015)	1,297,015	–	**–**
Transfers to Stage 3	(5,507,430)	(1,902,198)	7,409,628	**–**
Recoveries	–	–	743,454	**743,454**
Amounts written off	–	–	(3,973,078)	**(3,973,078)**
At 31 December 2021	**68,940,006**	**2,933,787**	**4,597,308**	**76,471,101**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**1,718,187**	**1,005,334**	**2,056,911**	**4,780,432**
New assets originated or purchased	1,025,756	–	–	**1,025,756**
Assets repaid	(519,505)	(164,989)	(1,845,009)	**(2,529,503)**
Transfers to Stage 1	10,785	(10,785)	–	**–**
Transfers to Stage 2	(85,554)	85,554	–	**–**
Transfers to Stage 3	(477,827)	(489,066)	966,893	**–**
Impact on period end ECL of exposures transferred between stages during the period	(10,093)	33,356	829,520	**852,783**
Unwinding of discount (recognised in interest revenue)	–	–	202,116	**202,116**
Changes to models and inputs used for ECL calculations	(599,126)	(208,828)	2,676,956	**1,869,002**
Recoveries	–	–	743,454	**743,454**
Amounts written off	–	–	(3,973,078)	**(3,973,078)**
At 31 December 2021	**1,062,623**	**250,576**	**1,657,763**	**2,970,962**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2021 is as follows:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**23,229,283**	**1,216,552**	**513,581**	**68,943**	**25,028,359**
New assets originated or purchased	12,401,495	–	–	–	**12,401,495**
Assets repaid	(3,432,475)	(250,964)	(204,421)	(10,273)	**(3,898,133)**
Transfers to Stage 1	19,908	(19,908)	–	–	**–**
Transfers to Stage 2	(295,548)	382,034	(86,486)	–	**–**
Transfers to Stage 3	(565,130)	(232,526)	797,656	–	**–**
Recoveries	–	–	12,253	–	**12,253**
Amounts written off	–	–	(239,158)	–	**(239,158)**
Foreign exchange adjustments	(350,825)	(50,789)	(14,571)	(3,540)	**(419,725)**
At 31 December 2021	**31,006,708**	**1,044,399**	**778,854**	**55,130**	**32,885,091**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**61,269**	**43,048**	**128,747**	**38,534**	**271,598**
New assets originated or purchased	85,907	–	–	–	**85,907**
Assets repaid	(10,460)	(9,548)	(110,642)	(103)	**(130,753)**
Transfers to Stage 1	5,791	(5,791)	–	–	**–**
Transfers to Stage 2	(10,429)	35,587	(25,158)	–	**–**
Transfers to Stage 3	(25,252)	(13,193)	38,445	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(5,721)	(12,773)	144,210	–	**125,716**
Unwinding of discount (recognised in interest revenue)	–	–	21,500	–	**21,500**
Changes to models and inputs used for ECL calculations	22,828	8,139	277,883	(16,445)	**292,405**
Recoveries	–	–	12,253	–	**12,253**
Amounts written off	–	–	(239,158)	–	**(239,158)**
Foreign exchange adjustments	(1,449)	(1,791)	(6,278)	–	**(9,518)**
At 31 December 2021	**122,484**	**43,678**	**241,802**	**21,986**	**429,950**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2021 is as follows:

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**13,701,259**	**215,363**	**943,648**	**1,401**	**14,861,671**
New assets originated or purchased	4,330,991	–	–	–	**4,330,991**
Assets repaid	(6,486,523)	(109,910)	(1,274,987)	(1,401)	**(7,872,821)**
Transfers to Stage 1	10,388	(5,609)	(4,779)	–	**–**
Transfers to Stage 2	(378,855)	382,897	(4,042)	–	**–**
Transfers to Stage 3	(898,026)	(97,587)	995,613	–	**–**
Recoveries	–	–	903,563	–	**903,563**
Amounts written off	–	–	(659,689)	–	**(659,689)**
Foreign exchange adjustments	(235,071)	(12,430)	(22,661)	–	**(270,162)**
At 31 December 2021	**10,044,163**	**372,724**	**876,666**	**–**	**11,293,553**

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**320,191**	**44,436**	**372,809**	**793**	**738,229**
New assets originated or purchased	100,322	–	–	–	**100,322**
Assets repaid	(83,828)	(11,715)	(972,807)	–	**(1,068,350)**
Transfers to Stage 1	4,271	(1,601)	(2,670)	–	**–**
Transfers to Stage 2	(13,515)	13,556	(41)	–	**–**
Transfers to Stage 3	(75,892)	(27,700)	103,592	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(4,193)	1,738	126,047	–	**123,592**
Unwinding of discount (recognised in interest revenue)	–	–	33,501	–	**33,501**
Changes to models and inputs used for ECL calculations	(107,195)	(2,408)	373,387	(793)	**262,991**
Recoveries	–	–	903,563	–	**903,563**
Amounts written off	–	–	(659,689)	–	**(659,689)**
Foreign exchange adjustments	(3,487)	(520)	(9,281)	–	**(13,288)**
At 31 December 2021	**136,674**	**15,786**	**268,411**	**–**	**420,871**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2020 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	**82,478,850**	**498,280**	**4,954,288**	**221,203**	**88,152,621**
New assets originated or purchased	52,647,330	–	–	15,449	**52,662,779**
Assets repaid	(28,706,208)	(1,199,636)	(805,789)	(1,689)	**(30,713,322)**
Transfers to Stage 1	162,750	(162,750)	–	–	**–**
Transfers to Stage 2	(14,534,636)	14,534,636	–	–	**–**
Transfers to Stage 3	(6,086,665)	(68,671)	6,155,336	–	**–**
Recoveries	–	–	774,521	–	**774,521**
Amounts written off	–	–	(4,786,123)	–	**(4,786,123)**
Foreign exchange adjustments	2,391,981	824,119	340,127	9,556	**3,565,783**
At 31 December 2020	**88,353,402**	**14,425,978**	**6,632,360**	**244,519**	**109,656,259**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2020	**184,681**	**9,768**	**4,363,961**	**146,476**	**4,704,886**
New assets originated or purchased	1,030,470	–	–	–	**1,030,470**
Assets repaid	(49,636)	(1,342)	(574,249)	–	**(625,227)**
Transfers to Stage 1	2,218	(2,218)	–	–	**–**
Transfers to Stage 2	(196,315)	196,315	–	–	**–**
Transfers to Stage 3	(560,859)	(3,119)	563,978	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(1,034)	360,791	1,420,527	–	**1,780,284**
Unwinding of discount (recognised in interest revenue)	–	–	57,607	–	**57,607**
Changes to models and inputs used for ECL calculations	126,550	2,594	236,863	(114,734)	**251,273**
Recoveries	–	–	774,521	–	**774,521**
Amounts written off	–	–	(4,786,123)	–	**(4,786,123)**
Foreign exchange adjustments	14,337	33,934	113,867	–	**162,138**
At 31 December 2020	**550,412**	**596,723**	**2,170,952**	**31,742**	**3,349,829**

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2020 is as follows:

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**72,894,053**	**1,388,961**	**2,185,342**	**76,468,356**
New assets originated or purchased	50,838,950	–	–	**50,838,950**
Assets repaid	(30,611,624)	(770,382)	(1,876,360)	**(33,258,366)**
Transfers to Stage 1	249,061	(249,061)	–	**–**
Transfers to Stage 2	(3,753,787)	3,753,787	–	**–**
Transfers to Stage 3	(2,459,634)	(571,449)	3,031,083	**–**
Recoveries	–	–	2,662,329	**2,662,329**
Amounts written off	–	–	(1,970,139)	**(1,970,139)**
Foreign exchange adjustments	534,158	32,847	40,495	**607,500**
At 31 December 2020	**87,691,177**	**3,584,703**	**4,072,750**	**95,348,630**

Agricultural loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**417,819**	**32,288**	**854,730**	**1,304,837**
New assets originated or purchased	1,042,449	–	–	**1,042,449**
Assets repaid	(64,550)	(4,647)	(1,312,825)	**(1,382,022)**
Transfers to Stage 1	4,387	(4,387)	–	**–**
Transfers to Stage 2	(84,335)	84,335	–	**–**
Transfers to Stage 3	(225,337)	(18,674)	244,011	**–**
Impact on period end ECL of exposures transferred between stages during the period	(557)	230,768	765,140	**995,351**
Unwinding of discount (recognised in interest revenue)	–	–	99,704	**99,704**
Changes to models and inputs used for ECL calculations	312,319	4,605	(56,132)	**260,792**
Recoveries	–	–	2,662,329	**2,662,329**
Amounts written off	–	–	(1,970,139)	**(1,970,139)**
Foreign exchange adjustments	12,641	3,215	23,932	**39,788**
At 31 December 2020	**1,414,836**	**327,503**	**1,310,750**	**3,053,089**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2020 is as follows:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**78,212,234**	**1,479,242**	**2,166,717**	**81,858,193**
New assets originated or purchased	27,054,380	–	–	**27,054,380**
Assets repaid	(34,511,441)	(816,054)	(1,154,051)	**(36,481,546)**
Transfers to Stage 1	279,641	(279,641)	–	**–**
Transfers to Stage 2	(6,178,909)	6,178,909	–	**–**
Transfers to Stage 3	(4,144,946)	(934,985)	5,079,931	**–**
Recoveries	–	–	1,564,922	**1,564,922**
Amounts written off	–	–	(3,679,134)	**(3,679,134)**
At 31 December 2020	**60,710,959**	**5,627,471**	**3,978,385**	**70,316,815**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**296,891**	**51,090**	**710,609**	**1,058,590**
New assets originated or purchased	1,329,006	–	–	**1,329,006**
Assets repaid	(74,071)	(5,423)	(638,972)	**(718,466)**
Transfers to Stage 1	4,086	(4,086)	–	**–**
Transfers to Stage 2	(255,830)	255,830	–	**–**
Transfers to Stage 3	(429,157)	(40,336)	469,493	**–**
Impact on period end ECL of exposures transferred between stages during the period	2,605	736,757	1,422,258	**2,161,620**
Unwinding of discount (recognised in interest revenue)	–	–	155,193	**155,193**
Changes to models and inputs used for ECL calculations	844,657	11,502	2,052,542	**2,908,701**
Recoveries	–	–	1,564,922	**1,564,922**
Amounts written off	–	–	(3,679,134)	**(3,679,134)**
At 31 December 2020	**1,718,187**	**1,005,334**	**2,056,911**	**4,780,432**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2020 is as follows:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	**16,117,329**	**155,701**	**280,923**	**117,997**	**16,671,950**
New assets originated or purchased	10,788,456	–	–	19,050	**10,807,506**
Assets repaid	(2,632,739)	(65,175)	(249,841)	(72,199)	**(3,019,954)**
Transfers to Stage 1	46,363	(46,363)	–	–	**–**
Transfers to Stage 2	(1,211,925)	1,211,925	–	–	**–**
Transfers to Stage 3	(227,002)	(84,326)	311,328	–	**–**
Recoveries	–	–	291,135	–	**291,135**
Amounts written off	–	–	(137,913)	–	**(137,913)**
Foreign exchange adjustments	348,801	44,790	17,949	4,095	**415,635**
At 31 December 2020	**23,229,283**	**1,216,552**	**513,581**	**68,943**	**25,028,359**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2020	**29,189**	**3,773**	**113,809**	**80,531**	**227,302**
New assets originated or purchased	36,586	–	–	–	**36,586**
Assets repaid	(2,224)	(282)	(194,184)	(40,652)	**(237,342)**
Transfers to Stage 1	1,092	(1,092)	–	–	**–**
Transfers to Stage 2	(12,170)	12,170	–	–	**–**
Transfers to Stage 3	(781)	(1,988)	2,769	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(989)	28,692	78,620	–	**106,323**
Unwinding of discount (recognised in interest revenue)	–	–	9,817	–	**9,817**
Changes to models and inputs used for ECL calculations	9,443	12	(41,625)	(3,655)	**(35,825)**
Recoveries	–	–	291,135	–	**291,135**
Amounts written off	–	–	(137,913)	–	**(137,913)**
Foreign exchange adjustments	1,123	1,763	6,319	2,310	**11,515**
At 31 December 2020	**61,269**	**43,048**	**128,747**	**38,534**	**271,598**

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2020 is as follows:

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2020	**19,001,266**	**364,793**	**467,887**	**–**	**19,833,946**
New assets originated or purchased	2,871,404	–	–	1,401	**2,872,805**
Assets repaid	(7,833,329)	(124,212)	(432,861)	–	**(8,390,402)**
Transfers to Stage 1	68,834	(68,834)	–	–	**–**
Transfers to Stage 2	(191,718)	191,718	–	–	**–**
Transfers to Stage 3	(817,739)	(157,577)	975,316	–	**–**
Recoveries	–	–	593,193	–	**593,193**
Amounts written off	–	–	(686,000)	–	**(686,000)**
Foreign exchange adjustments	602,541	9,475	26,113	–	**638,129**
At 31 December 2020	**13,701,259**	**215,363**	**943,648**	**1,401**	**14,861,671**

Credit cards and gold-secured loans	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2020	**82,963**	**11,689**	**151,492**	**–**	**246,144**
New assets originated or purchased	105,501	–	–	–	**105,501**
Assets repaid	(20,340)	(4,592)	(318,524)	–	**(343,456)**
Transfers to Stage 1	989	(989)	–	–	**–**
Transfers to Stage 2	(4,627)	4,627	–	–	**–**
Transfers to Stage 3	(49,681)	(6,039)	55,720	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(584)	36,162	225,529	–	**261,107**
Unwinding of discount (recognised in interest revenue)	–	–	30,843	–	**30,843**
Changes to models and inputs used for ECL calculations	192,207	1,347	305,743	793	**500,090**
Recoveries	–	–	593,193	–	**593,193**
Amounts written off	–	–	(686,000)	–	**(686,000)**
Foreign exchange adjustments	13,763	2,231	14,813	–	**30,807**
At 31 December 2020	**320,191**	**44,436**	**372,809**	**793**	**738,229**

(thousands of Armenian Drams)

11. Loans to customers (continued)

Impact of COVID-19 on ECL assessment by the Group

As at 31 December 2021, the Group did not to apply certain post-model adjustments and additional sectoral overlays.

In 2020, the Group granted grace periods to some borrowers affected by COVID-19 pandemic according to the Central Bank of Armenia recommendations to mitigate COVID-19 impact for the companies and individuals. The Group didn't consider these renegotiations as criteria for significant increase in credit risk. However, more strict criteria for staging assessment were applied for these exposures subsequent to the grace period which resulted to additional ECL in amount of AMD 2,629,622 thousand in 2020 (as compared to ECL amount if calculated according to standard staging criteria of the Group).

Changes in ECL assessment and write-off policy

In 2020, the Group revised its policy for ECL assessment and write-off of loans to customers, increasing period after which loans are considered as irrecoverable, based on historical statistics of recoveries of the Group. Credit loss expense for 2020 recognized by the Group would be more by AMD 3,109,184 thousand if the previous write-off policy is applied.

Modified and restructured loans

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

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, inventory and trade receivables;
- For retail lending, mortgages over residential properties, gold and guarantees.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2021 and 2020 would have been higher by:

	2021	***2020***
Corporate lending	3,416,526	3,102,920
Mortgage loans	537,052	384,834
	3,953,578	**3,487,754**

Assets under lien

As at 31 December 2021, loans to customers with a gross value of AMD 29,428,199 thousand (2020: AMD 21,928,036 thousand) serve as collateral for other borrowed funds (see Note 19).

(thousands of Armenian Drams)

11. Loans to customers (continued)

Repossessed collateral

During the year, the Group took possession of collateral with an estimated value of AMD 402,802 thousand (2020: AMD 149,439 thousand), which the Group is in the process of selling. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Concentration of loans to customers

As at 31 December 2021, the Group had a concentration of loans represented by AMD 24,161,333 thousand due from the ten largest third-party borrowers (7% of gross loan portfolio) (2020: AMD 18,839,216 thousand or 6%). An allowance of AMD 146,733 thousand (2020: AMD 241,681 thousand) was recognised against these loans.

As at 31 December 2021, the Group had a concentration of loans to agriculture sector (both to individual and corporate borrowers) in amount of AMD 110,958,750 thousand or 32% of total gross portfolio (2020: AMD 101,314,717 thousand or 32% of total gross portfolio).

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

	2021	***2020***
Individuals	228,304,269	205,555,475
Food and beverage	38,132,723	32,406,379
Trade	37,125,724	35,898,839
Construction	20,239,550	14,458,523
Manufacturing	6,981,224	7,860,414
Transportation	4,657,219	3,595,471
Energy	4,454,886	3,247,464
Financial sector	4,284,067	5,019,069
Agriculture	3,304,226	5,966,087
Other	1,475,804	1,204,013
Impairment allowance	(7,664,614)	(12,193,177)
	341,295,078	**303,018,557**

12. Receivables from finance leases

	2021	***2020***
Finance leases to corporate customers	27,328,408	22,009,853
Finance leases to retail customers	4,559,937	3,897,027
Gross finance leases	**31,888,345**	**25,906,880**
Impairment allowance	(655,278)	(889,486)
Net investments in finance leases	**31,233,067**	**25,017,394**

The amount of finance lease receivables as at 31 December 2021 includes equipment on the way, purchased in the scope of finance lease agreements in the amount of AMD 274,249 thousand (2020: AMD 9,213 thousand).

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2021 is as follows:

	Stage 1	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**22,486,327**	**2,654,184**	**766,369**	**25,906,880**
New assets originated or purchased	17,622,878	–	–	**17,622,878**
Assets repaid	(8,750,018)	(1,441,615)	(294,720)	**(10,486,353)**
Transfers to Stage 1	537,625	(537,625)	–	**–**
Transfers to Stage 2	(721,528)	805,601	(84,073)	**–**
Transfers to Stage 3	(189,429)	(129,685)	319,114	**–**
Foreign exchange adjustments	(1,000,377)	(72,124)	(31,826)	**(1,104,327)**
Recovery	–	–	98,678	**98,678**
Write-off	–	–	(149,411)	**(149,411)**
At 31 December 2021	**29,985,478**	**1,278,736**	**624,131**	**31,888,345**

(thousands of Armenian Drams)

12. Receivables from finance leases (continued)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**163,473**	**71,137**	**654,876**	**889,486**
New assets originated or purchased	142,645	–	–	**142,645**
Assets repaid	(36,493)	(11,194)	(147,476)	**(195,163)**
Transfers to Stage 1	30,263	(30,263)	–	**–**
Transfers to Stage 2	(4,833)	119,975	(115,142)	**–**
Transfers to Stage 3	(18,381)	6,002	12,379	**–**
Foreign exchange adjustments	(7,287)	(1,726)	(26,215)	**(35,228)**
Impact on period end ECL of exposures transferred between stages during the period	(26,324)	(105,747)	238,791	**106,720**
Changes to models and inputs used for ECL calculations	(29,322)	(16,013)	(157,114)	**(202,449)**
Recovery	–	–	98,678	**98,678**
Write-off	–	–	(149,411)	**(149,411)**
At 31 December 2021	**213,741**	**32,171**	**409,366**	**655,278**

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2020 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**20,196,143**	**139,487**	**101,497**	**20,437,127**
New assets originated or purchased	10,863,250	–	–	**10,863,250**
Assets repaid	(6,635,441)	(54,422)	(27,711)	**(6,717,574)**
Transfers to Stage 1	26,684	(26,684)	–	**–**
Transfers to Stage 2	(2,377,060)	2,377,060	–	**–**
Transfers to Stage 3	(761,169)	(25,340)	786,509	**–**
Foreign exchange adjustments	1,173,920	244,083	4,613	**1,422,616**
Recovery	–	–	11,879	**11,879**
Write-off	–	–	(110,418)	**(110,418)**
At 31 December 2020	**22,486,327**	**2,654,184**	**766,369**	**25,906,880**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**44,718**	**5,172**	**74,386**	**124,276**
New assets originated or purchased	260,455	–	–	**260,455**
Assets repaid	(5,913)	(111)	(9,957)	**(15,981)**
Transfers to Stage 1	411	(411)	–	**–**
Transfers to Stage 2	(31,935)	31,935	–	**–**
Transfers to Stage 3	(162,522)	5,841	156,681	**–**
Foreign exchange adjustments	8,691	6,450	3,792	**18,933**
Impact on period end ECL of exposures transferred between stages during the period	(220)	22,466	531,410	**553,656**
Changes to models and inputs used for ECL calculations	49,788	(205)	(2,895)	**46,688**
Recovery	–	–	11,879	**11,879**
Write-off	–	–	(110,420)	**(110,420)**
At 31 December 2020	**163,473**	**71,137**	**654,876**	**889,486**

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December would have been higher by:

	2021 AMD'000	*2020 AMD'000*
Finance lease receivables	–	14,527
	–	**14,527**

Assets under lien

As at 31 December 2021, finance lease receivables with a gross value of AMD 6,959,933 thousand (2020: AMD 6,062,766 thousand) serve as collateral for other borrowed funds (see Note 19).

(thousands of Armenian Drams)

12. Receivables from finance leases (continued)

Repossessed collateral

The carrying value of the assets repossessed during the period and held as at 31 December 2021 is AMD 30,795 thousand (2020: AMD 25,145 thousand).

Industry and geographical analysis of the finance lease portfolio

Finance lease to corporate customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

	2021	***2020***
Construction	5,218,432	4,151,089
Food and beverages production	4,823,923	2,986,422
Agriculture	4,616,771	2,231,578
Finance leases to retail customers	4,559,937	3,897,027
Trade	4,198,963	4,870,308
Services	3,445,727	3,273,488
Manufacturing	2,852,638	1,795,821
Transportation	1,217,883	1,693,781
Air transportation	350,490	478,038
Hydropower plants	279,495	235,110
Manufacture of leather goods	32,321	62,538
Other	291,765	231,680
Impairment allowance	(655,278)	(889,486)
	31,233,067	**25,017,394**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2021:

	Not later than 1 year	***Between 1 and 2 years***	***Between 2 and 3 years***	***Between 3 and 4 years***	***Between 4 and 5 years***	***Later than 5 years***
Gross investment in finance leases	12,445,124	10,280,780	7,551,901	5,135,507	3,013,621	879,724
Unearned future finance income on finance leases	(690,916)	(1,553,565)	(1,843,295)	(1,716,125)	(1,207,623)	(406,788)
Net investment in finance leases before allowance	**11,754,208**	**8,727,215**	**5,708,606**	**3,419,382**	**1,805,998**	**472,936**

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2020:

	Not later than 1 year	***Between 1 and 2 years***	***Between 2 and 3 years***	***Between 3 and 4 years***	***Between 4 and 5 years***	***Later than 5 years***
Gross investment in finance leases	10,874,156	8,399,359	5,298,232	3,309,296	1,798,721	1,230,120
Unearned future finance income on finance leases	(537,797)	(1,112,829)	(1,175,540)	(983,963)	(669,532)	(523,343)
Net investment in finance leases before allowance	**10,336,359**	**7,286,530**	**4,122,692**	**2,325,333**	**1,129,189**	**706,777**

(thousands of Armenian Drams)

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

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

	Land and buildings	*Leasehold improve-ments*	*Equipment*	*Fixtures and fittings*	*Motor vehicles*	*Goodwill*	*Other intangible assets*	*Right-of-use assets*	*Total*
Cost/revalued amount									
31 December 2020	**8,659,334**	**850,425**	**9,079,644**	**3,349,381**	**595,453**	**18,132**	**6,160,476**	**2,298,423**	**31,011,268**
Additions	13,522	56,821	649,426	200,786	10,925	–	788,301	1,420,876	**3,140,657**
Disposals and write-offs	–	–	(142,627)	(42,593)	(2,991)	–	–	–	**(188,211)**
Effect of revaluation in profit or loss	153,704	–	–	–	(47,157)	–	–	–	**106,547**
Effect of revaluation in OCI	445,805	–	–	–	(100,145)	–	–	–	**345,660**
31 December 2021	**9,272,365**	**907,246**	**9,586,443**	**3,507,574**	**456,085**	**18,132**	**6,948,777**	**3,719,299**	**34,415,921**
Accumulated depreciation, amortisation and impairment									
31 December 2020	**384,327**	**225,471**	**4,994,144**	**2,160,057**	**152,784**	**–**	**1,837,035**	**1,112,540**	**10,866,358**
Depreciation charge	174,671	90,736	826,973	200,081	72,175	–	598,822	530,504	**2,493,962**
Disposals and write-offs	–	–	(43,205)	(21,655)	(92)	–	2	–	**(64,950)**
Effect of revaluation in OCI	(165,000)	–	–	–	(150,250)	–	–	–	**(315,250)**
Effect of revaluation in profit or loss	(371,448)	–	–	–	(49,617)	–	–	–	**(421,065)**
31 December 2021	**22,550**	**316,207**	**5,777,912**	**2,338,483**	**25,000**	**–**	**2,435,859**	**1,643,044**	**12,559,055**
Net book value									
31 December 2021	**9,249,815**	**591,039**	**3,808,531**	**1,169,091**	**431,085**	**18,132**	**4,512,918**	**2,076,255**	**21,856,866**

	Land and buildings	*Leasehold improve-ments*	*Equipment*	*Fixtures and fittings*	*Motor vehicles*	*Goodwill*	*Other intangible assets*	*Right-of-use assets*	*Total*
Cost/revalued amount									
31 December 2019	**9,810,136**	**732,070**	**8,318,520**	**3,222,440**	**529,959**	**18,132**	**5,099,887**	**2,251,165**	**29,982,309**
Additions	–	127,268	772,202	135,926	75,118	–	1,104,807	85,496	**2,300,817**
Disposals and write-offs	(1,150,802)	(8,913)	(11,078)	(8,985)	(9,624)	–	(44,218)	(38,238)	**(1,271,858)**
31 December 2020	**8,659,334**	**850,425**	**9,079,644**	**3,349,381**	**595,453**	**18,132**	**6,160,476**	**2,298,423**	**31,011,268**
Accumulated depreciation, amortization and impairment									
31 December 2019	**208,737**	**149,604**	**4,254,794**	**1,996,717**	**94,928**	**–**	**1,359,479**	**545,620**	**8,609,879**
Depreciation charge	175,590	75,867	747,150	166,787	60,279	–	519,579	568,930	**2,314,182**
Disposals and write-offs	–	–	(7,800)	(3,447)	(2,423)	–	(42,023)	(2,010)	**(57,703)**
31 December 2020	**384,327**	**225,471**	**4,994,144**	**2,160,057**	**152,784**	**–**	**1,837,035**	**1,112,540**	**10,866,358**
Net book value									
31 December 2020	**8,275,007**	**624,954**	**4,085,500**	**1,189,324**	**442,669**	**18,132**	**4,323,441**	**1,185,883**	**20,144,910**

Right-of-use assets include only buildings.

The Group engaged an independent valuer to determine the fair value of its land and buildings and motor vehicles. Fair value is determined by reference to market-based evidence. The date of the revaluation was 1 December 2021. More details about the fair value of buildings are disclosed in Note 32.

As of 31 December 2021 property, plant and equipment included fully depreciated assets in amount of AMD 697,010 thousand (2020: AMD 229,855 thousand).

If the land, buildings and motor vehicles were measured using the cost model, the carrying amounts would be as follows:

	2021	*2020*
Cost	10,708,596	10,687,140
Accumulated depreciation and impairment	(3,152,600)	(3,399,354)
Net carrying amount	**7,555,996**	**7,287,786**

(thousands of Armenian Drams)

14. Taxation

The corporate income tax expense comprises:

	2021	*2020*
Current tax charge	2,198,884	1,262,447
Adjustments of current income tax of previous years	−	(61,531)
Deferred tax credit − origination and reversal of temporary differences	604,565	(151,630)
Income tax expense	**2,803,449**	**1,049,286**

In 2021 the applicable tax rate for current and deferred tax is 18% (2020: 20%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2021	*2020*
Profit before income tax	**12,616,931**	**3,773,917**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**2,271,048**	**679,305**
Non-deductible expenses	532,401	431,512
Adjustments of current income tax of previous years	−	(61,531)
Effect of changes in income tax rates	−	−
Income tax expense	**2,803,449**	**1,049,286**

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	Balance 1 January 2020	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 December 2020*	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 December 2021*
Deferred tax assets/ (liabilities)							
Loans and advances to banks	18,357	(4,651)	−	13,706	(23,064)	−	(9,358)
Investment securities	(585,731)	(43,913)	(170,682)	(800,326)	4,337	82,697	(713,292)
Loans to customers	360,982	331,516	−	692,498	(796,841)	−	(104,343)
Finance lease receivable	9,496	133,769	−	143,265	(81,743)	−	61,522
Investments in associates	25,720	(71,993)	−	(46,273)	(104,224)	−	(150,497)
Property, plant and equipment	(391,821)	(59,814)	−	(451,635)	(114,441)	(170,027)	(736,103)
Other assets	57,083	(63,057)	−	(5,974)	55,506	−	49,532
Other borrowed funds	83,654	(98,681)	−	(15,027)	(15,347)	−	(30,374)
Other liabilities	(103,619)	13,461	−	(90,158)	459,829	−	369,671
Other financial instruments at amortised cost and provisions	31,870	14,993	−	46,863	11,423	−	58,286
Deferred tax liabilities, net	**(494,009)**	**151,630**	**(170,682)**	**(513,061)**	**(604,565)**	**(87,330)**	**(1,204,956)**

As recognized on the consolidated statement of financial position of the Group:

	2021	*2020*
Deferred tax assets	91,722	167,436
Deferred tax liabilities	(1,296,678)	(680,497)

(thousands of Armenian Drams)

15. Credit loss expense

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(75,414)	–	–	–	**(75,414)**
Loans and advances to banks	9	15,894	–	–	–	**15,894**
Debt securities at amortised cost	10	(62,680)	–	–	–	**(62,680)**
Debt securities measured at FVOCI	10	(313,910)	–	–	–	**(313,910)**
Loans to customers at amortised cost	11	679,295	1,261,171	(1,600,131)	17,859	**358,194**
Receivables from finance leases	12	(50,506)	132,954	65,799	–	**148,247**
Other financial assets	16	(23,520)	–	8,808	–	**(14,712)**
Guarantees and letters of credit	24	(426)	–	–	–	**(426)**
Loan, credit line and credit card commitments	24	174,690	658	1,559	–	**176,907**
Total credit loss expense		**343,423**	**1,394,783**	**(1,523,965)**	**17,859**	**232,100**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2020:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(53,199)	–	–	–	**(53,199)**
Loans and advances to banks	9	(43,021)	–	–	–	**(43,021)**
Debt securities measured at FVOCI	10	(75,224)	–	–	–	**(75,224)**
Loans to customers at amortised cost	11	(4,817,808)	(1,396,944)	(3,370,711)	158,248	**(9,427,215)**
Receivables from finance leases	12	(304,110)	(22,150)	(518,558)	–	**(844,818)**
Other financial assets	16	(13,746)	–	(56,152)	–	**(69,898)**
Guarantees and letters of credit	24	(461)	–	–	–	**(461)**
Loan, credit line and credit card commitments	24	(260,220)	(715)	68	–	**(260,867)**
Total credit loss expense		**(5,567,789)**	**(1,419,809)**	**(3,945,353)**	**158,248**	**(10,774,703)**

16. Other assets

Other assets comprise:

	2021	*2020*
Other receivables	1,353,421	1,002,613
Impairment allowance	(21,848)	(19,967)
Total other financial assets	**1,331,573**	**982,646**
Advances paid to leased property suppliers	6,857,303	1,956,666
Repossessed assets	1,515,768	1,236,043
Prepayments to suppliers	722,416	670,335
VAT recoverable	409,478	10
Inventories	148,842	104,132
Property to be leased	99,996	302,204
Returned lease property	30,795	25,145
Other	339,882	137,046
Total other non-financial assets	**10,124,480**	**4,431,581**
Less impairment allowance	(755,150)	(659,621)
Total other assets	**10,700,903**	**4,754,606**

(thousands of Armenian Drams)

16. Other assets (continued)

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2021 is as follows:

	Stage 1	*Stage 3*	*Total*
ECL at 1 January 2021	**19,967**	**–**	**19,967**
New assets originated or redeemed (net)	28,244	–	**28,244**
Transfers to Stage 3	(21,639)	21,639	**–**
Impact on period end ECL of exposures transferred between stages during the period	–	(8,808)	**(8,808)**
Changes to models and inputs used for ECL calculations	(4,724)	–	**(4,724)**
Write-off	–	(12,831)	**(12,831)**
At 31 December 2021	**21,848**	**–**	**21,848**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2020 is as follows:

	Stage 1	*Stage 3*	*Total*
ECL at 1 January 2020	**6,611**	**–**	**6,611**
New assets originated or redeemed (net)	8,949	–	**8,949**
Transfers to Stage 3	(390)	390	**–**
Impact on period end ECL of exposures transferred between stages during the period	–	56,152	**56,152**
Changes to models and inputs used for ECL calculations	4,797	–	**4,797**
Write-off	–	(56,542)	**(56,542)**
At 31 December 2020	**19,967**	**–**	**19,967**

The movements in other impairment allowances and provisions were as follows:

	2021	*2020*
Balance at the beginning of the year	**659,621**	**803,549**
Net charge	95,529	–
Reversal	–	(49,975)
Write-offs	–	(93,953)
Balance at the end of the year	**755,150**	**659,621**

17. Current accounts and deposits from customers

Current accounts and deposits from customers include the following:

	2021	*2020*
Current accounts and demand deposits		
Retail	46,917,615	36,369,737
Corporate	71,056,851	63,504,282
Term deposits		
Retail	156,966,490	144,090,445
Corporate	62,551,679	52,979,616
Total	**337,492,635**	**296,944,080**
Held as security against guarantees	1,097,872	1,327,270

At 31 December 2021, current accounts and deposits from customers of AMD 72,646,000 thousand (21.5%) were due to the ten largest customers (2020: AMD 64,685,367 thousand (21.8%).

As at 31 December 2021, the Group has two customers (31 December 2020: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2021 is AMD 42,793,584 thousand (31 December 2020: AMD 30,210,955 thousand).

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

(thousands of Armenian Drams)

18. Debt securities issued

Debt securities issued consisted of the following:

	2021	*2020*
Promissory notes	1,607,410	5,684,063
Domestic bonds issued	3,461,498	2,816,897
Debt securities issued	**5,068,908**	**8,500,960**

Debt securities issued include promissory notes amounting AMD 1,607,410 thousand (2020: AMD 5,684,063 thousand), which were issued by the Group to non-resident funds for financing purposes.

During the second quarter of 2021 the Group issued AMD and USD denominated bonds with nominal amount of AMD 2,000,000 thousand and USD 3,000,000 accordingly.

As at 31 December 2021 the carrying value of the placed AMD and USD denominated bonds is correspondingly AMD 2,015,577 thousand and AMD 1,445,921 thousand. Bonds, denominated in AMD, bear annual interest rate of 9.50% and USD denominated bonds, bear annual interest rate of 4.10%. Maturity dates for placed bonds are in 2023.

19. Other borrowed funds

Other borrowed funds consisted of the following:

	2021	*2020*
Borrowings from international financial institutions	54,300,591	64,925,479
Borrowings from Government of Armenia	33,617,057	33,161,366
Borrowings from local financial institutions	2,322,917	1,590,725
Lease liabilities	2,091,196	1,365,804
Other borrowed funds	**92,331,761**	**101,043,374**

Borrowings from international financial institutions include AMD, USD and EUR denominated borrowings under several financing programs maturing from 2022 till 2028.

Borrowings from Government of Armenia mainly include AMD denominated borrowings provided under Central Bank of Armenia refinancing programs, maturing from 2022 till 2033.

Borrowings from local financial institutions comprise of AMD borrowings under mortgage refinancing programs, maturing from 2022 till 2033.

As at 31 December 2021, loans to customers and finance lease receivables with a gross value of AMD 36,388,132 thousand (2020: AMD 27,990,802 thousand) serve as collateral for secured borrowings from RA Government and Armenian financial institutions (see Notes 11 and 12).

As at 31 December 2021 the Group has other borrowed funds from five lenders (2020: five lenders), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is AMD 81,358,062 thousand (2020: AMD 93,916,377 thousand).

Breach of covenants

As at 31 December 2021 the Group was in compliance with all covenants.

As at 31 December 2020 the Group breached certain covenants under the loan agreements with financial institutions. Accordingly, borrowings from international institutions amounting to AMD 14,533,161 thousand were classified as “Within one year” in maturity analysis in Note 33 and “Less than 3 months” in liquidity analysis in Note 31. Subsequent to the reporting date the Group obtained waivers from counterparties for exposures in amount of AMD 14,533,161 thousand.

(thousands of Armenian Drams)

19. Other borrowed funds (continued)

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	*2020*
As at 1 January	**1,365,804**	**1,749,482**
Additions	122,802	85,496
Modification	1,298,074	–
Accretion of interest	110,963	99,348
Payments	(692,215)	(621,778)
Forex loss/gain	(114,232)	87,472
Write-off	–	(34,216)
As at 31 December	**2,091,196**	**1,365,804**

The Group had total cash outflows for leases of AMD 692,215 thousand in 2021 (2020: AMD 621,778 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AMD 1,420,876 thousand in 2021 (2020: AMD 85,496 thousand).

20. Subordinated loans

Subordinated loans consisted of the following:

	2021	*2020*
Subordinated loan received from international financial institutions	9,794,000	11,130,839
Subordinated loans	**9,794,000**	**11,130,839**

In September 2020 the Group received a subordinated loan in amount of USD 10,000,000 maturing in September 2027. As of 31 December 2021 total carrying amount of these loans amounted to AMD 4,889,302 thousand (2020: AMD 11,130,839 thousand).

21. Other liabilities

	2021	*2020*
Accounts payable	3,236,430	2,436,215
Payables to employees	2,366,706	1,802,702
Provisions for credit-related commitments	211,416	397,404
Total other financial liabilities	**5,814,552**	**4,636,321**
Prepayments from lessees	3,959,354	1,139,852
Taxes payable other than on income	455,009	539,316
Payables to Deposit Guarantee fund	112,948	117,135
Other non-financial liabilities	152,693	137,902
Total other non-financial liabilities	**4,680,004**	**1,934,205**
Total other liabilities	**10,494,556**	**6,570,526**

22. Equity

Issued capital

As of 31 December 2021 the Group's share capital was AMD 55,000,000 thousand (2020: AMD 30,000,000 thousand). The authorized, issued and outstanding share capital comprises 5,500 thousand ordinary shares (2020: 5,000 ordinary shares) with a par value of AMD 10,000 (2020: AMD 6,000 thousand) each.

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

(thousands of Armenian Drams)

22. Equity (continued)

Nature and purpose of reserves

Revaluation surplus for land, buildings and motor vehicles

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

Revaluation reserve for investment securities

The revaluation reserve for investment securities comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

Replenishment of share capital from retained earnings

On 25 February 2021 the Board of the Bank decided to increase the share capital of the Bank by directing AMD 20,000,000 thousand from retained earnings to share capital. As a result, the share capital increased to AMD 50,000,000. Increase of share capital was implemented by increase of nominal value of the existing shares from AMD 6,000 to AMD 10,000.

Issue of share capital

On 30 April 2021 shareholders of the Bank approved an issue of 500,000 ordinary shares with a nominal value of AMD 10,000 and offer price of AMD 15,000 per share. The total consideration received for these shares amounted to AMD 7,500,000 thousand. The difference between the nominal value and cash consideration received was recognized as share premium in amount of AMD 2,500,000 thousand. This share issue was registered by Central Bank of Armenia.

Dividends

At the Shareholders' Meeting in 30 April 2021, the Bank declared dividends in respect of the year ended 31 December 2020, totaling AMD 2,500,000 thousand on ordinary shares (AMD 500 thousand per share). The dividends were paid in 2021.

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As of December 31, 2021 and 2020 the Group doesn't have arrangements for dilutive potential ordinary shares.

	2021	***2020***
Profit attributable to ordinary equity holders of the parent	9,813,482	2,724,631
Weighted average number of ordinary share for basic EPS	5,333,333	5,000,000
Earnings per share, Basic and diluted, attributable to equity holders of the parent, AMD	**1,840.03**	**544.93**

23. Share-based payments

Share-based payments

The ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program

In 2021 ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC announced the commencement of ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program (hereinafter referred to as the "Program") as an integral part of the remuneration, rewards and promotion, human resources and talent management systems of the ACBA FEDERATION Closed Joint-Stock Company's, ACBA BANK Open Joint-Stock Company's and ACBA LEASING CO Closed Joint-Stock Company's key and loyal employees.

Under the Program ACBA Federation CJSC will donate up to 300,000 (three hundred thousand) ordinary shares of the shares of the Bank, each with a nominal value of AMD 10,000), to the employees of ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC.

(thousands of Armenian Drams)

23. Share-based payments (continued)

Share-based payments (continued)

In June 2021 the Group's employees received 145,980 ordinary shares of the Bank from ACBA Federation CJSC, each with a fair value of AMD 16,798.58 at grant date, with no consideration and conditions attached. Total fair value of shares granted to Group's employees in amount of AMD 2,452,257 thousand was recognized as personnel expense in the consolidated statement of comprehensive income and as additional paid-in capital in the consolidated statement of changes in equity for the year ended 31 December 2021.

The Bank hired independent consultants for fair value estimation of its shares. Dividend discount approach was applied for valuation of the shares which included the following steps:

- Determination of general assumptions and structure of the financial model;
- Forecast of the balance sheet of the Bank and its subsidiaries;
- Forecast of the financial result of the Bank and its subsidiaries;
- Forecast of dividends with consideration of capital adequacy and liquidity requirements;
- Determination of discount rate;
- Determination of the Bank's terminal value;
- Analysis of assets and liabilities not included in forecast of the financial results;
- Calculation of 100% of the Bank's equity.

Discount rate was determined based on a peer bank's required rate of return on equity.

24. Commitments and contingencies

Operating environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

During 2021 the Group operated in an environment of a faster than expected recovery in economic activity and aggregate demand after a significant downturn of 2020. Despite the outbreaks and spread of new waves of COVID-19 pandemic during the year, due to active vaccination in the world and avoidance of strict economic restrictions the pandemic had modest implications both on world and Armenian economy. As a result, economic growth in Armenia totaled 5.7% mainly driven by the services sector. The inflationary environment has expanded significantly in the international commodity markets and Armenia's key trading partners. This has transmitted into prices of goods in Armenia. Under such circumstances, in order to curb the inflation and ensure the price stability objective, Central Bank of Armenia has gradually increased policy interest rate by totally 2.5 percentage points ending the year with 7.75%. As a result the 12-month inflation grew, reaching 7.7% by the end of 2021, compared with 3.7% in 2020.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. 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.

(thousands of Armenian Drams)

24. Commitments and contingencies (continued)

Taxation (continued)

These circumstances may create tax risks in the Republic of Armenia that are substantially 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 the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Commitments and contingencies

As at 31 December the Group's commitments and contingencies comprised the following:

	2021	*2020*
Credit related commitments		
Loan and credit line commitments	13,916,868	11,303,550
Credit card commitments	14,984,639	18,501,443
Guarantees and letters of credit	14,130,722	14,808,022
Commitments and contingencies	**43,032,229**	**44,613,015**

An analysis of changes in the ECLs during the year ended 31 December 2021 is as follows:

Loan, credit line and credit card commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECLs as at 1 January 2021	**389,008**	**2,590**	**5,061**	**396,659**
New exposures	67,060	–	–	**67,060**
Expired exposures	(113,009)	(1,782)	(2,787)	**(117,578)**
Transfers to Stage 1	465	(419)	(46)	**–**
Transfers to Stage 2	(273)	273	–	**–**
Transfers to Stage 3	(2,794)	(178)	2,972	**–**
Impact on period end ECL of exposures transferred between stages during the period	(391)	1,316	1,168	**2,093**
Changes to models and inputs used for ECL calculations	(128,350)	(192)	60	**(128,482)**
Foreign exchange adjustments	(9,090)	(201)	(216)	**(9,507)**
At 31 December 2021	**202,626**	**1,407**	**6,212**	**210,245**

Guarantees and letters of credit	***Stage 1***	***Total***
ECLs as at 1 January 2021	**745**	**745**
New exposures	1,154	**1,154**
Expired exposures	(728)	**(728)**
At 31 December 2021	**1,171**	**1,171**

An analysis of changes in the ECLs during the year ended 31 December 2020 is as follows:

Loan, credit line and credit card commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECLs as at 1 January 2020	**111,284**	**2,343**	**3,615**	**117,242**
New exposures	120,762	–	–	**120,762**
Expired exposures	(35,695)	(1,068)	(2,681)	**(39,444)**
Transfers to Stage 1	1,215	(1,215)	–	**–**
Transfers to Stage 2	(628)	628	–	**–**
Transfers to Stage 3	(1,330)	(33)	1,363	**–**
Impact on period end ECL of exposures transferred between stages during the period	(671)	1,757	1,921	**3,007**
Changes to models and inputs used for ECL calculations	175,824	26	692	**176,542**
Foreign exchange adjustments	18,247	152	151	**18,550**
At 31 December 2020	**389,008**	**2,590**	**5,061**	**396,659**

(thousands of Armenian Drams)

24. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Guarantees and letters of credit	*Stage 1*	*Total*
ECLs as at 1 January 2020	**284**	**284**
New exposures	740	**740**
Expired exposures	(279)	**(279)**
At 31 December 2020	**745**	**745**

25. Net interest income

Net interest income comprises:

	2021	*2020*
Financial assets measured at amortized cost		
Loans to legal entities and individuals	41,100,105	41,124,785
Amounts receivable under reverse repurchase agreements	598,700	852,099
Loans and advances to banks	193,600	221,875
Other	86,340	574
	41,978,745	**42,199,333**
Financial assets measured at fair value through other comprehensive income		
Debt instruments	1,333,388	1,214,837
Interest revenue calculated using effective rate	**43,312,133**	**43,414,170**
Receivables from finance leases	3,022,189	2,182,233
Other interest income	476,102	493,763
Other interest revenue	**3,498,291**	**2,675,996**
Total interest revenue	**46,810,424**	**46,090,166**
Interest expense		
Current accounts and deposits from customers	13,253,527	12,076,212
Other borrowed funds and subordinated loans except lease liabilities	7,340,858	7,432,396
Amounts payable under repurchase agreements	261,868	7,045
Debt securities issued	182,818	247,275
Other	144,857	323,458
Interest expense calculated using effective interest rate	**21,183,928**	**20,086,386**
Lease liabilities	110,963	99,348
Interest expense	**21,294,891**	**20,185,734**
Net interest income	**25,515,533**	**25,904,432**

(thousands of Armenian Drams)

26. Net fee and commission income

Net fee and commission income comprise:

	2021	*2020*
Plastic card maintenance	3,853,604	2,631,976
Money transfers	668,611	722,246
Banking account servicing fees	442,752	509,343
Guarantee and letter of credit issuance	436,782	388,446
Cash withdrawal services	262,213	194,490
Commissions from lease equipment suppliers	228,322	303,463
Commissions for acting as an insurance agent	135,167	132,980
Other	267,108	33,350
Fee and commission income	**6,294,559**	**4,916,294**
Plastic card maintenance	2,319,495	1,637,775
Money transfers	64,341	65,868
Other	126,718	164,965
Fee and commission expense	**2,510,554**	**1,868,608**
Net fee and commission income	**3,784,005**	**3,047,686**

27. Net foreign exchange gain

	2021	*2020*
Net gain from foreign exchange trading activities	2,918,840	2,147,112
Net loss/gain from foreign exchange translation	(866,891)	204,196
	2,051,949	**2,351,308**

28. Other income

	2021	*2020*
Fines and penalties received	2,139,674	1,434,887
Gain from revaluation of land and buildings	527,612	–
Other	356,773	134,572
Total other income	**3,024,059**	**1,569,459**

29. Other operating expenses

Other operating expenses comprise:

	2021	*2020*
Guarantee fees on deposit insurance fund	448,438	471,998
Loan collection expenses	363,975	183,641
Taxes other than on income	297,461	222,313
Credit card related expenses	272,006	204,128
Encashment expenses	173,831	160,708
Loss on disposal of property, plant and equipment	112,292	438,263
Fines and penalties paid	27,163	21,941
Loss on disposal of other assets	–	15,267
Other	312,000	254,264
Other operating expenses	**2,007,166**	**1,972,523**

The Group recognised rent expense from short-term leases of AMD 7,617 thousand and leases of low-value assets of AMD 28,442 thousand for the year ended 31 December 2021 (2020 − rent expense from short-term leases of AMD 8,910 thousand and leases of low-value assets of AMD 27,066 thousand).

(thousands of Armenian Drams)

30. Other general administrative expenses

	2021	*2020*
Advertising and marketing	1,066,975	702,010
Repairs and maintenance	678,365	785,847
Software maintenance expense	649,570	911,209
Communications	360,979	318,442
Security	279,454	282,348
Utilities and office supplies	193,069	183,152
Insurance	151,969	134,706
Representative expenses	145,517	29,419
Operating lease expense	32,240	30,684
Other	408,705	88,942
Other general administrative expenses	**3,966,843**	**3,466,759**

31. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and permanent controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group 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.

Business risks such as changes in the environment, technology and industry, are also covered within the scope of the risk management function through the engagement of different divisions concerned.

Risk management structure

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

Board

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

Chief Executive Officer

The Chief Executive Officer has the responsibility to monitor and manage the overall risk process within the Group.

Risk Management Committee

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

Risk Management Department

The Risk Management Department is responsible for the identification, measurement, monitoring and management of all types of risks followed by reporting after each step to ensure an independent control process.

Assets and Liabilities Management Division

The Assets and Liabilities Management Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

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

(thousands of Armenian Drams)

31. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems

The Group takes individual approach when analyzing and assessing different types of risks through applying statistical models, sensitivity analysis, as well as analyzing the dynamics of various risk indicators and taking appropriate actions in case of necessity. The models are further backtested for checking the validity. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Credit risk information related to all the business lines is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Chief Executive Officer, the Risk Management Committee, and the head of each business division. The report to Risk Management Committee includes aggregate credit exposure analysis, credit concentration limits monitoring results, GAP analysis, VaR estimations, liquidity ratios and benchmark analysis, stress test analysis, overall risk appetite control and risk profile changes. On a quarterly basis detailed reporting of industry, customer and business line risks takes place. The Risk Management Committee discusses the critical risk issue and approves on actions to mitigate and control them. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

For all levels throughout the Group, 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.

Daily alerts are given in case of breaches of risk limits to the relevant business divisions of the Group, as well as to the Chief Executive Officer, and corresponding actions are discussed and applied.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

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 Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

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

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

Derivative financial instruments

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

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

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

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 11 and 12.

Impairment assessment

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

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

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

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 91 days past due on its contractual payments. The Group considers amounts due from banks defaulted and takes immediate action if counterparty at the end of reporting date fails to do payment of the accrued interest (coupon) and/or principal amount more than 15 business days.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as the quality of credits due to affiliated parties, the state of being rescheduled, as well as the outcome of financial monitoring, which are approved by the management.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Group 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.

It is the Group'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 six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the debt service by the borrower and existence of other non-primary SICR criteria as of date of the assessment.

PD estimation process

Treasury and interbank relationships

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

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Bank, which are further sub-bucketed into smaller target groups for the purposes of PD PIT matrices evaluation.

- Corporate loans;
- Consumer loans;
- Agricultural loans;
- Mortgages loans;
- Other (credit cards and gold-secured loans).

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters. Time series regression analysis are assessed by the following sectors: agriculture, business, consuming and mortgage, the outcome of which are then cascaded down to the predefined sub-buckets of loans to arrive to the PD PIT transition matrices.

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

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

Exposure at default

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

Loss given default

The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. For the purposes of LGD rate calculation the initial bucketing used for PD PIT estimation is further sub-bucketed based on the type of collateral. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties;
- Significant difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- The outcome of the financial monitoring of the borrower's activity.

Forward-looking information and multiple economic scenarios

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

- GDP annual growth;
- Industrial production annual growth;
- Consumer price inflation;
- Exports of goods volume;
- Imports of goods volume;
- Service annual growth;
- Share of total bank loans in GDP;
- Exchange rate USD/AMD, end-period.

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

The Group obtains the forward-looking information from third party sources (Economic Intelligence Unit and World Bank Database, as well as Government of the RA Forecasts). 15%, 70% and 15% probabilities are attributed to each of the corresponding scenarios: best case, base and worst case scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations as at 31 December 2021.

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2022*	*2023*	*2024*
GDP annual growth, %					
	Upside	15%	9.20%	8.13%	8.70%
	Base case	70%	5.30%	4.00%	4.40%
	Downside	15%	1.40%	-0.13%	0.10%
Industrial production annual growth, %					
	Upside	15%	9.37%	7.50%	7.67%
	Base case	70%	5.50%	3.40%	3.40%
	Downside	15%	1.63%	-0.70%	-0.87%
Consumer price inflation, % (cum)					
	Upside	15%	2.89%	1.82%	0.90%
	Base case	70%	5.50%	4.70%	4.00%
	Downside	15%	8.11%	7.58%	7.10%
Exports of goods volume, thousand USD					
	Upside	15%	3,805,178	4,422,900	4,522,087
	Base case	70%	3,548,750	3,846,845	3,648,115
	Downside	15%	3,292,322	3,310,965	2,894,623
Imports of goods, volume thousand USD					
	Upside	15%	6,496,801	7,630,110	8,253,480
	Base case	70%	5,918,000	6,326,000	6,190,000
	Downside	15%	5,339,199	5,144,016	4,502,578
Service annual growth, %					
	Upside	15%	8.51%	10.57%	11.31%
	Base case	70%	4.90%	5.20%	5.90%
	Downside	15%	1.29%	-0.17%	0.13%
Share of total bank loans in GDP, %					
	Upside	15%	61.59%	65.70%	71.76%
	Base case	70%	60.05%	62.48%	64.55%
	Downside	15%	57.52%	56.50%	54.68%
Exchange rate USD/AMD, end-period					
	Upside	15%	457.72	441.20	424.26
	Base case	70%	476.44	479.84	483.74
	Downside	15%	495.16	520.10	548.53

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations 31 December 2020.

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2021*	*2022*	*2023*
GDP annual growth, %					
	Upside	15%	6.09%	8.51%	9.08%
	Base case	70%	3.40%	4.70%	4.40%
	Downside	15%	0.71%	0.89%	-0.28%
Industrial production annual growth, %					
	Upside	15%	5.93%	8.52%	8.33%
	Base case	70%	2.80%	3.20%	3.40%
	Downside	15%	-3.13%	1.68%	2.51%
Fiscal/Budget Deficit thousand AMD					
	Upside	15%	(162,402,853)	(37,878,094)	(60,035,085)
	Base case	70%	(341,400,000)	(228,832,136)	(258,820,471)
	Downside	15%	(520,397,147)	(419,786,179)	(457,605,856)
Consumer price inflation, % (cum)					
	Upside	15%	1.22%	1.10%	1.23%
	Base case	70%	3.30%	3.70%	4.20%
	Downside	15%	5.38%	6.30%	7.17%
Exports of goods volume, thousand AMD					
	Upside	15%	1,475,644,347	1,706,701,048	1,958,721,508
	Base case	70%	1,350,542,177	1,447,781,214	1,550,573,680
	Downside	15%	1,225,440,007	1,210,023,715	1,203,168,612
Imports of goods, volume thousand AMD					
	Upside	15%	2,747,902,737	3,281,384,516	3,876,590,198
	Base case	70%	2,444,087,071	2,622,505,427	2,800,835,796
	Downside	15%	2,140,271,404	2,037,235,668	1,944,768,432
Construction annual growth, %					
	Upside	15%	8.70%	12.46%	13.96%
	Base case	70%	1.70%	4.00%	4.50%
	Downside	15%	-5.30%	-4.46%	-4.96%
Share of total bank loans in GDP, %					
	Upside	15%	64.46%	66.86%	68.93%
	Base case	70%	66.73%	70.57%	74.20%
	Downside	15%	69.24%	74.69%	80.08%
Exchange rate USD/AMD, end-period					
	Upside	15%	515.89	501.10	480.36
	Base case	70%	533.00	538.50	539.50
	Downside	15%	550.11	577.24	603.26

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The following table provides information on the credit quality of net loans to legal entities and individuals and receivables from finance lease as at 31 December 2021 and 31 December 2020:

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Loans to customers at amortised cost	11						
- Corporate lending		Stage 1	446,110	103,966,906	–	–	**104,413,016**
		Stage 2	–	–	9,427,578	–	**9,427,578**
		Stage 3	–	–	–	4,680,896	**4,680,896**
		POCI	–	–	–	101,096	**101,096**
- Agricultural loans		Stage 1	1,166,512	99,438,028	–	–	**100,604,540**
		Stage 2	–	–	2,462,054	–	**2,462,054**
		Stage 3	–	–	–	2,777,936	**2,777,936**
- Consumer loans		Stage 1	104,915	67,768,522	–	–	**67,873,437**
		Stage 2	–	–	2,683,211	–	**2,683,211**
		Stage 3	–	–	–	2,943,491	**2,943,491**
- Credit cards		Stage 1	173,944	9,769,101	–	–	**9,943,045**
		Stage 2	–	–	356,165	–	**356,165**
		Stage 3	–	–	–	562,613	**562,613**
- Mortgage loans		Stage 1	7,797,703	23,114,459	–	–	**30,912,162**
		Stage 2	–	–	1,011,131	–	**1,011,131**
		Stage 3	–	–	–	498,705	**498,705**
		POCI	–	–	–	33,143	**33,143**
- Gold-secured loans		Stage 1	–	6,330	–	–	**6,330**
		Stage 2	–	–	771	–	**771**
		Stage 3	–	–	–	3,758	**3,758**
Receivables from finance lease	12	Stage 1	–	29,753,092	–	–	**29,753,092**
		Stage 2	–	–	1,100,284	–	**1,100,284**
		Stage 3	–	–	–	379,691	**379,691**
Total			**9,689,184**	**333,816,438**	**17,041,194**	**11,981,329**	**372,528,145**

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Loans to customers at amortised cost	11						
- Corporate lending		Stage 1	549,575	87,253,387	–	–	**87,802,962**
		Stage 2	–	–	13,829,254	–	**13,829,254**
		Stage 3	–	–	–	4,466,971	**4,466,971**
		POCI	–	–	–	212,777	**212,777**
- Agricultural loans		Stage 1	451,186	85,825,885	–	–	**86,277,071**
		Stage 2	–	–	3,257,201	–	**3,257,201**
		Stage 3	–	–	–	2,762,075	**2,762,075**
- Consumer loans		Stage 1	952,930	58,039,842	–	–	**58,992,772**
		Stage 2	–	–	4,622,137	–	**4,622,137**
		Stage 3	–	–	–	1,921,474	**1,921,474**
- Credit cards		Stage 1	1,260,534	10,719,903	–	–	**11,980,437**
		Stage 2	–	–	148,209	–	**148,209**
		Stage 3	–	–	–	516,233	**516,233**
		POCI	–	–	–	608	**608**
- Mortgage loans		Stage 1	5,033,842	18,134,172	–	–	**23,168,014**
		Stage 2	–	–	1,173,505	–	**1,173,505**
		Stage 3	–	–	–	384,834	**384,834**
		POCI	–	–	–	30,409	**30,409**
- Gold-secured loans		Stage 1	–	1,401,774	–	–	**1,401,774**
		Stage 2	–	–	22,717	–	**22,717**
		Stage 3	–	–	–	47,123	**47,123**
Receivables from finance lease	12	Stage 1	–	22,322,854	–	–	**22,322,854**
		Stage 2	–	–	2,583,047	–	**2,583,047**
		Stage 3	–	–	–	111,493	**111,493**
Total			**8,248,067**	**283,697,817**	**25,636,070**	**10,453,997**	**328,035,951**

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

The tables below present average PDs per grades for loans to customers and receivables from finance lease under baseline scenario as of 31 December 2021 and 31 December 2020:

	Grade	*Average PD*
Corporate lending	Standard	0.96%
	Sub-standard	4.68%
	Impaired	100%
Agricultural loans	Standard	1.89%
	Sub-standard	6.29%
	Impaired	100%
Consumer loans	Standard	3.88%
	Sub-standard	16.77%
	Impaired	100%
Credit cards	Standard	3.34%
	Sub-standard	10.52%
	Impaired	100%
Mortgage loans	Standard	1.42%
	Sub-standard	13.36%
	Impaired	100%
Gold-secured loans	Standard	0.64%
	Sub-standard	0.64%
	Impaired	100%
Receivables from finance lease	Standard	0.76%
	Sub-standard	4.74%
	Impaired	100%

	Grade	*Average PD*
Corporate lending	Standard	2.11%
	Sub-standard	14.54%
	Impaired	100%
Agricultural loans	Standard	4.33%
	Sub-standard	31.63%
	Impaired	100%
Consumer loans	Standard	6.16%
	Sub-standard	65.90%
	Impaired	100%
Credit cards	Standard	6.33%
	Sub-standard	48.64%
	Impaired	100.00%
Mortgage loans	Standard	1.21%
	Sub-standard	36.90%
	Impaired	100.00%
Gold-secured loans	Standard	1.85%
	Sub-standard	18.91%
	Impaired	100.00%
Receivables from finance lease	Standard	1.08%
	Sub-standard	7.47%
	Impaired	100.00%

High grade instruments include cash-covered loans to customers. No impairment allowance is created for these loans because of the collateral.

(thousands of Armenian Drams)

31. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets below is managed by the Group based on external credit ratings. Not rated exposures are classified in Standard Grade, unless they are impaired.

As at 31 December 2021:

	Note		High grade	Standard grade	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	1,322,505	77,534,883	**78,857,388**
Loans and advances to banks	9	Stage 1	−	19,675,099	**19,675,099**
Debt securities at amortised cost	10	Stage 1	−	180,897	**180,897**
Debt securities at FVOCI	10	Stage 1	−	21,002,202	**21,002,202**
Total			**1,322,505**	**118,393,081**	**119,715,586**

As at 31 December 2020:

	Note		High grade	Standard grade	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	5,989,212	44,970,930	**50,960,142**
Loans and advances to banks	9	Stage 1	−	57,243,494	**57,243,494**
Debt securities at FVOCI	10	Stage 1	−	14,277,282	**14,277,282**
Total			**5,989,212**	**116,491,706**	**122,480,918**

The table below shows the mapping of the Group's grading system and external ratings of the counterparties as at 31 December 2021 and 31 December 2020.

2021:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.02-3.2%
Caa1 to Ca	Sub-standard grade	9.7%
C	Impaired	100%

2020:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.06-3.3%
Caa1 to Ca	Sub-standard grade	9.7%
C	Impaired	100%

Liquidity risk and funding management

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

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

(thousands of Armenian Drams)

31. Risk management (continued)

Liquidity risk and funding management (continued)

The liquidity position is assessed and managed by the Group, based on certain liquidity ratios established by the CBA. As at 31 December, these ratios were as follows:

	Threshold	*2021, %*	*2020, %*
N2.1 "General Liquidity Ratio" (highly liquid assets / total assets)	min 15%	24.57%	24.74%
N2.2 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	min 60%	111.12%	125.48%

Analysis of financial liabilities by remaining contractual maturities

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

As at 31 December 2021	*Trading derivatives*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Deposits and balances from banks	–	56,868	2,393	1,018,511	–	**1,077,772**
Current accounts and deposits from customers	–	169,674,194	117,612,301	56,267,637	9,368,764	**352,922,896**
Debt securities issued	–	–	161,462	5,149,874	–	**5,311,336**
Subordinated loans	–	69,993	160,986	4,006,225	8,936,516	**13,173,720**
Other borrowed funds except lease liabilities	–	6,858,823	18,851,464	78,085,351	8,851,432	**112,647,070**
Other financial liabilities	–	5,814,552	–	–	–	**5,814,552**
Total undiscounted financial liabilities	**–**	**182,474,430**	**136,788,606**	**144,527,598**	**27,156,712**	**490,947,346**
Credit related commitments	**–**	**43,032,229**	**–**	**–**	**–**	**–**

As at 31 December 2020	*Trading derivatives*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Derivative financial liabilities	79,893	–	–	–	–	**79,893**
Deposits and balances from banks	–	45,717	–	–	–	**45,717**
Current accounts and deposits from customers	–	136,230,632	124,719,006	42,040,892	10,777,823	**313,768,353**
Debt securities issued	–	14,145,121	3,113,853	131,100	–	**17,390,074**
Subordinated loans	–	215,779	490,064	2,825,307	11,941,269	**15,472,419**
Other borrowed funds except lease liabilities	–	14,936,834	12,341,880	77,763,727	11,565,611	**116,608,052**
Other financial liabilities	–	4,636,321	–	–	–	**4,636,321**
Total undiscounted financial liabilities	**79,893**	**170,210,404**	**140,664,803**	**122,761,026**	**34,284,703**	**468,000,829**
Credit related commitments	**–**	**44,613,015**	**–**	**–**	**–**	**–**

The analysis of lease liabilities at 31 December 2021 is as follows:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*	*Total*
Lease liabilities	554,767	597,767	422,961	335,081	115,908	64,712	**2,091,196**

The analysis of lease liabilities at 31 December 2020 is as follows:

	Not later than 1 year	*Between 1 and 2 years*	*Between 2 and 3 years*	*Between 3 and 4 years*	*Between 4 and 5 years*	*Later than 5 years*	*Total*
Lease liabilities	392,504	338,668	290,547	151,415	103,551	89,119	**1,365,804**

(thousands of Armenian Drams)

31. Risk management (continued)

Liquidity risk and funding management (continued)

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in due to customers in the table above are time deposits of individuals. In accordance with Armenia's legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. These deposits are classified in the table above in accordance with their stated maturity dates.

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, foreign exchanges, and equity prices.

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 following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	***Increase in basis points 2021***	***Sensitivity of net interest income 2021***	***Sensitivity of equity 2021***
AMD	1.50%	(282,208)	(2,704)
USD	1.25%	(217,467)	(5,617)

Currency	***Decrease in basis points 2021***	***Sensitivity of net interest income 2021***	***Sensitivity of equity 2021***
AMD	1.50%	282,208	2,704
USD	0.25%	43,493	1,123

Currency	***Increase in basis points 2020***	***Sensitivity of net interest income 2020***	***Sensitivity of equity 2020***
AMD	1.10%	(360,794)	(3,339)
USD	1.00%	(156,777)	(376,375)

Currency	***Decrease in basis points 2020***	***Sensitivity of net interest income 2020***	***Sensitivity of equity 2020***
AMD	1.10%	360,794	3,339
USD	0.25%	39,194	94,094

Currency risk

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

(thousands of Armenian Drams)

31. Risk management (continued)

Market risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against AMD, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in statement of profit or loss or equity, while a positive amount reflects a net potential increase. The Management Board has set risk appetite limits on the currency and interest rate risk.

Currency	*Change in currency rate in % 2021*	*Effect on profit before tax 2021*	*Change in currency rate in % 2020*	*Effect on profit before tax 2020*
USD	5.00%	310,892	5.00%	46,043
USD	(5.00%)	(310,892)	(5.00%)	(46,043)
EUR	8.50%	(139,456)	8.50%	(77,159)
EUR	(8.50%)	139,456	(8.50%)	77,159

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Group has established a project to manage the transition for any of its contracts that could be affected.

Prior to the date of the event that the LIBOR will stop operating, the Group will sign amendment agreements with all lenders to replace it with the alternative benchmark rate. And the same rate will be applied to the floating rate sub-loans provided by the Bank to the clients.

IBOR reform exposes the Group to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

The table below shows the Group's exposure at the year end to significant IBORs subject to reform. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

31 December 2021	*Non-derivative financial assets − carrying value*	*Non-derivative financial liabilities carrying value*	*Derivatives Nominal amount*
LIBOR USD (3 months)	−	6,000,000	−
LIBOR USD (6 months)	2,656,872	29,091,000	19,091,000
Other	6,344,927	−	

Operational risk

Operational risk is the risk of loss arising from systems failure, inadequate or failed internal processes, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. The Group has adopted the three lines of defense in the scope of the operational risk management; the first line of defense provided by the front line staff and operational management, the second line of defense provided by the risk management and compliance functions and the third line of defense provided by the internal audit function.

The operational risk management system includes the following key aspects: risk mapping, incident analysis and permanent controlling function. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. The Management Board has also set risk appetite limit on operational risk.

(thousands of Armenian Drams)

32. Fair value measurements

Fair value measurement procedures

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and securities at FVPL and at FVOCI, derivatives, investment property and buildings and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as properties, securities held at FVPL or at FVOCI and derivatives. Involvement of external valuers is decided by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
At 31 December 2021	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
- Trading securities	−	433,697	−	**433,697**
- Derivative financial assets	−	38,625	−	**38,625**
Financial assets at fair value through other comprehensive income				
- Debt instruments	−	21,002,202	−	**21,002,202**
- Equity instruments	2,759,029	−	−	**2,759,029**
- Unquoted equity securities − local companies	−	−	115,381	**115,381**
Non-financial assets				
- Property and equipment −land and buildings, motor vehicles	−	−	9,680,900	**9,680,900**
Assets for which fair values are disclosed				
- Cash and cash equivalents	96,447,988	−	−	**96,447,988**
- Loans and advances to banks	−	−	19,619,083	**19,619,083**
- Debt securities at amortised cost	−	−	118,217	**118,217**
- Receivables from finance leases	−	−	31,213,390	**31,213,390**
- Other financial assets	−	−	1,331,573	**1,331,573**
- Loans to customers	−	−	341,107,411	**341,107,411**
Liabilities for which fair values are disclosed				
- Current accounts and deposits from customers	−	−	341,001,950	**341,001,950**
- Debt securities issued − domestic bonds issued	−	3,494,385	−	**3,494,385**
- Deposits and balances from banks	−	−	1,070,890	**1,070,890**
- Subordinated loans	−	−	9,794,000	**9,794,000**
- Other borrowed funds	−	−	93,347,410	**93,347,410**
- Other financial liabilities	−	−	5,814,552	**5,814,552**

(thousands of Armenian Drams)

32. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
At 31 December 2020	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
- Trading securities	–	319,353	–	**319,353**
- Derivative financial assets	–	250,207	–	**250,207**
- Derivative financial liabilities	–	(79,893)	–	**(79,893)**
Financial assets at fair value through other comprehensive income				
- Debt instruments	–	14,277,282	–	**14,277,282**
- Equity instruments	3,009,909	–	–	**3,009,909**
- Unquoted equity securities – local companies	–	–	117,876	**117,876**
Non-financial assets				
- Property and equipment –land and buildings, motor vehicles	–	–	8,717,676	**8,717,676**
Assets for which fair values are disclosed				
- Cash and cash equivalents	66,398,135	–	–	**66,398,135**
- Loans and advances to banks	–	–	57,171,584	**57,171,584**
- Receivables from finance leases	–	–	25,017,394	**25,017,394**
- Other financial assets	–	–	982,646	**982,646**
- Loans to customers	–	–	302,920,513	**302,920,513**
Liabilities for which fair values are disclosed				
- Current accounts and deposits from customers	–	–	298,655,094	**298,655,094**
- Debt securities issued – domestic bonds issued	–	2,822,713	–	**2,822,713**
- Deposits and balances from banks	–	–	45,717	**45,717**
- Subordinated loans	–	–	11,130,839	**11,130,839**
- Other borrowed funds	–	–	101,043,374	**101,043,374**
- Other financial liabilities	–	–	4,636,321	**4,636,321**

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2021	*Fair value 2021*	*Unrecognised gain/(loss) 2021*	*Carrying value 2020*	*Fair value 2020*	*Unrecognised gain/(loss) 2020*
Financial assets						
Cash and cash equivalents	96,447,988	96,447,988	–	66,398,135	66,398,135	–
Loans and advances to banks	19,619,083	19,619,083	–	57,171,584	57,171,584	–
Investment securities – debt securities at amortised cost	118,217	118,217	–	–	–	–
Receivables from finance leases	31,233,067	31,213,390	(19,677)	25,017,394	25,017,394	–
Other financial assets	1,331,573	1,331,573	–	982,646	982,646	–
Loans to customers	341,295,078	341,107,411	(187,667)	303,018,557	302,920,513	(98,044)
Financial liabilities						
Current accounts and deposits from customers	337,492,635	341,001,950	(3,509,315)	296,944,080	298,655,094	(1,711,014)
Debt securities issued – domestic bonds issued	3,461,498	3,494,385	(32,887)	2,816,897	2,822,713	(5,816)
Deposits and balances from banks	1,070,890	1,070,890	–	45,717	45,717	–
Subordinated loans	9,794,000	9,794,000	–	11,130,839	11,130,839	–
Other borrowed funds	92,331,761	93,347,410	1,015,649	101,043,374	101,043,374	–
Other financial liabilities	5,814,552	5,814,552	–	4,636,321	4,636,321	–
Total unrecognised change in fair value			**(2,733,897)**			**(1,814,874)**

(thousands of Armenian Drams)

32. Fair value measurements (continued)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through other comprehensive income

Investment securities measured at fair value through other comprehensive income are valued using a valuation technique or pricing models primarily consist of Armenian Government debt securities. These securities are valued using yield curves which incorporate data observable in the market and published by CBA.

Property and equipment − land, buildings and motor vehicles

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation, 1 December 2021, land and buildings' and motor vehicles' fair values are based on valuations performed by RVM CONSULT LLC, an independent valuer.

33. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 31 Risk management for the Group's contractual undiscounted repayment obligations.

	2021			*2020*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	96,447,988	−	**96,447,988**	66,398,135	−	**66,398,135**
Trading securities	433,697	−	**433,697**	−	319,353	**319,353**
Derivative financial assets	2,404	36,221	**38,625**	250,207	−	**250,207**
Loans and advances to banks	4,941,291	14,677,792	**19,619,083**	43,424,475	13,747,109	**57,171,584**
Investment securities	3,936,354	20,058,475	**23,994,829**	3,824,061	13,581,006	**17,405,067**
Loans to customers	38,421,717	302,873,361	**341,295,078**	45,423,135	257,595,422	**303,018,557**
Receivables from finance leases	13,587,107	17,645,960	**31,233,067**	9,366,831	15,650,563	**25,017,394**
Investments in associates	−	1,218,677	**1,218,677**	−	984,442	**984,442**
Property, equipment and intangible assets	−	21,856,866	**21,856,866**	−	20,144,910	**20,144,910**
Deferred tax assets	−	91,722	**91,722**	−	167,436	**167,436**
Other assets	8,927,813	1,773,090	**10,700,903**	3,218,124	1,536,482	**4,754,606**
Total	**166,698,371**	**380,232,164**	**546,930,535**	**171,904,968**	**323,726,723**	**495,631,691**
Derivative financial liabilities	−	−	**−**	79,893	−	**79,893**
Deposits and balances from banks	199,906	870,984	**1,070,890**	45,717	−	**45,717**
Current accounts and deposits from customers	279,073,568	58,419,067	**337,492,635**	253,327,757	43,616,323	**296,944,080**
Debt securities issued	−	5,068,908	**5,068,908**	8,500,960	−	**8,500,960**
Other borrowed funds	17,834,751	74,497,010	**92,331,761**	21,420,925	79,622,449	**101,043,374**
Subordinated loans	−	9,794,000	**9,794,000**	−	11,130,839	**11,130,839**
Current income tax liabilities	1,187,740	−	**1,187,740**	126,703	−	**126,703**
Deferred tax liabilities	−	1,296,678	**1,296,678**	−	680,497	**680,497**
Other liabilities	9,780,490	714,066	**10,494,556**	5,842,673	727,853	**6,570,526**
Total	**308,076,455**	**150,660,713**	**458,737,168**	**289,344,628**	**135,777,961**	**425,122,589**
Net	**(141,378,084)**	**229,571,451**	**88,193,367**	**(117,439,660)**	**187,948,762**	**70,509,102**

(thousands of Armenian Drams)

33. Maturity analysis of assets and liabilities (continued)

The maturity analysis does not reflect the historical stability of current accounts and deposits from customers. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts within one year in the tables above.

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. Refer to Note 17.

34. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

	2021		*2020*	
	Parent company	***Key management personnel and their close family members***	***Parent company***	***Key management personnel and their close family members***
Loans outstanding at 1 January, gross	**821,629**	**400,678**	**–**	**406,218**
Loans issued during the year	–	231,933	784,886	322,421
Loan repayments during the year	(125,000)	(284,431)	–	(325,443)
Other movements	72,171	(2,116)	36,743	(2,518)
Loans outstanding at 31 December, gross	**768,800**	**346,064**	**821,629**	**400,678**
Less: allowance for impairment at 31 December	(2,087)	(2,205)	(5,304)	(5,968)
Loans outstanding at 31 December, net	**766,713**	**343,859**	**816,325**	**394,710**
Current accounts and deposits at 1 January	**201,340**	**1,545,556**	**363,765**	**1,145,398**
Current accounts and deposits received during the year	6,157,688	1,351,459	2,227,485	2,743,951
Current accounts and deposits repaid during the year	(5,482,091)	(2,002,486)	(2,389,910)	(2,343,793)
Other movements	60,729	–	–	–
Current accounts and deposits at 31 December	**937,666**	**894,529**	**201,340**	**1,545,556**

On 25 May 2020 the Board of the Bank decided to sell land with the carrying amount of AMD 1,041,667 thousand to ACBA Federation CJSC on the condition of deferred payments. As a result of the transaction the Bank recognized loss on disposal of the land in amount of AMD 438,263 thousand.

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

	For the year ended 31 December			
	2021		*2020*	
	Parent company	***Key management personnel and their close family members***	***Parent company***	***Key management personnel and their close family members***
Interest income on loans	72,171	12,467	36,743	19,016
Interest expense on deposits	60,729	99,945	29,472	118,678

(thousands of Armenian Drams)

34. Related party disclosures (continued)

Compensation of key management personnel was comprised of the following:

	2021	*2020*
Salaries and other short-term benefits	1,591,285	1,263,401
Share-based payments	1,377,456	–
Total key management personnel compensation	**2,968,741**	**1,263,401**

35. Investments in associates

The Group has an interest in Amundi-Acba Asset management CJSC where the Group owns 49% of shares (31 December 2020: 49%). The associate of the Group was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia. The principal activity of the associate is the management of mandatory pension funds. The associate's activities are supervised by the Central Bank of Armenia. As at 31 December 2021 the carrying value of the investment comprised AMD 1,218,677 thousand (2020: AMD 984,442 thousand).

The summarised financial information of material associates is presented below

	2021	*2020*
Assets		
Cash and cash equivalents	282,054	76,471
Amounts due from financial institutions	872,939	605,281
Investments measured at FVOCI	1,430,007	1,387,790
Property, plant and equipment and right-of-use assets	35,506	58,351
Deferred tax asset	7,042	5,975
Other assets	245,761	182,110
Total assets	**2,873,309**	**2,315,978**
Liabilities		
Current income tax liability	221,910	118,001
Other liabilities	162,008	192,002
Total liabilities	**383,918**	**310,003**
Net assets	**2,489,391**	**2,005,975**
Group's share in net assets	1,218,677	984,442

	2021	*2020*
Fee and commission income	2,378,922	1,693,453
Interest and similar income	56,040	36,317
Income from financial advisory	13,023	7,535
Other income	1,515	3,254
Net loss from foreign currency transactions	(800)	(13,975)
Staff costs	(126,119)	(94,428)
Administrative and other expenses	(872,181)	(636,838)
Profit before income tax	**1,450,400**	**995,318**
Income tax expense	(268,718)	(179,078)
Profit for the year	**1,181,682**	**816,240**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Unrealised gains on investments measured at FVOCI	42,216	131,331
Other comprehensive income for the year, net of tax	**42,216**	**131,331**
Total comprehensive income for the year	**1,223,898**	**947,571**

(thousands of Armenian Drams)

35. Investments in associates (continued)

The Group's share of profit or loss and other comprehensive income of the associate is as follows:

	2021	*2020*
Profit for the year	**579,024**	**399,958**
Other comprehensive income	20,686	64,352
Total comprehensive income for the year	**599,710**	**464,310**

As at 31 December 2021 and 31 December 2020, there were no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends. The Group received dividends in amount of AMD 365,475 thousand for the year ended 31 December 2021 (2020: AMD 229,310 thousand).

36. Changes in liabilities arising from financing activities

	Note	*Debt securities issued*	*Other borrowed funds*	*Subordinated loans*	*Total liabilities from financing activities*
Carrying amount at 31 December 2019	18, 19, 20	**12,796,122**	**85,203,800**	**4,854,305**	**102,854,227**
Proceeds from issue		–	47,077,963	7,098,874	**54,176,837**
Redemption		(3,631,337)	(33,580,438)	(950,933)	**(38,162,708)**
Foreign currency translation		2,000	20,946	2,600	**25,546**
Non-cash transactions (IFRS 16)		–	172,968	–	**172,968**
Other		(665,825)	2,148,135	125,993	**1,608,303**
Carrying amount at 31 December 2020	18, 19, 20	**8,500,960**	**101,043,374**	**11,130,839**	**120,675,173**
Proceeds from issue		3,461,498	33,778,000	–	**37,239,498**
Redemption		(6,095,477)	(43,034,045)	–	**(49,129,522)**
Foreign currency translation		(780,329)	(2,095,668)	(1,227,040)	**(4,103,037)**
Non-cash transactions (IFRS 16)		–	1,531,839	–	**1,531,839**
Other		(17,744)	1,108,261	(109,799)	**980,718**
Carrying amount at 31 December 2021	18, 19, 20	**5,068,908**	**92,331,761**	**9,794,000**	**107,194,669**

The "Other" line includes the effect of accrued but not yet paid interest on debt securities issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

37. Capital adequacy

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2021 and 31 December 2020, this minimum level was 12%. The Group is in compliance with the statutory capital ratio as at 31 December 2021 and 31 December 2020.

(thousands of Armenian Drams)

37. Capital adequacy (continued)

The following table shows the composition of the capital position calculated in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

	2021	*2020*
Tier 1 Capital	74,007,160	57,650,620
Tier 2 Capital	15,934,557	17,409,390
Total capital	**89,941,717**	**75,060,010**
Total risk weighted assets	**507,923,050**	**459,110,363**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**17.71%**	**16.35%**

Risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

38. Events after reporting date

As a result of the war in Ukraine, many leading countries and economic unions have announced severe economic sanctions on Russia, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and huge economic losses in Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Armenia. It is expected that the war will have a negative impact on the Armenian economy. As the war is still waging, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general. The Group's management is monitoring the economic situation in the current environment. The Group considers the war in Ukraine to be a non-adjusting post balance sheet event.