

Byblos Bank Armenia CJSC
Interim Financial Statements
for the period ended
31 December 2024

Contents

Interim Statement of Profit or Loss and other Comprehensive Income.....2

Interim Statement of Financial Position.....3

Interim Statement of Cash Flows.....4

Interim Statement of Changes in Equity.....5

Notes to the Interim Financial Statements.....6

Byblos Bank Armenia CJSC
Interim Statement of Profit or Loss and Other Comprehensive Income for the year ended
31 December 2024

		1 October 2024	1 January 2024	1 October 2023	1 January 2023
		31 December 2024	31 December 2024	31 December 2023	31 December 2023
	Notes	AMD'000	AMD'000	AMD'000	AMD'000
Interest income calculated using the effective interest method	5	2,568,705	9,837,502	2,173,102	8,185,814
Interest expense	5	(1,482,415)	(5,346,519)	(1,056,413)	(3,954,293)
Net interest income	5	1,086,290	4,490,983	1,116,689	4,231,521
Fee and commission income	6	121,603	418,082	107,189	356,779
Fee and commission expense	6	(93,987)	(331,794)	(69,722)	(221,514)
Net fee and commission income	6	27,616	86,288	37,467	135,265
Net foreign exchange gain / (loss)		48,626	217,712	103,894	210,444
Net realised gain on investment securities		286,817	286,817	-	-
Other operating (expenses) / income, net		21,049	(206,144)	(10,494)	(160,885)
Operating income		1,470,398	4,875,656	1,247,556	4,416,345
Impairment (losses) / release on investment securities and other financial assets, loans to customers and loan commitments	7	(4,931)	(107,776)	3,734	158,877
Personnel expenses		(459,838)	(1,741,400)	(389,525)	(1,479,361)
Other general administrative expenses	8	(365,964)	(1,393,626)	(406,178)	(1,323,011)
Profit before income tax		639,665	1,632,854	455,587	1,772,850
Income tax (expense)/benefit	9	(130,174)	(319,296)	(43,342)	(273,494)
Profit for the period		509,491	1,313,558	412,245	1,499,356
Other comprehensive income for the period, net of income tax					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve for investment securities:					
- net change in fair value		44,774	649,734	(194,202)	598,364
- net amount reclassified to profit or loss		(251,577)	(251,577)	-	-
Other comprehensive income / (loss) for the period, net of income tax		(206,803)	398,157	(194,202)	598,364
Total comprehensive income /(loss) for the period		302,688	1,711,715	218,043	2,097,720

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

Byblos Bank Armenia CJSC
Interim Statement of Financial Position 31 December 2024

		31 December 2024	31 December 2023
	Notes	AMD'000	AMD'000
ASSETS			
Cash and cash equivalents	10	7,954,292	6,268,266
Amounts receivable under reverse repurchase agreements	11	3,174,870	5,441,127
Loans and deposits to banks and other placements	12	18,155,813	16,682,670
Loans to customers	13	63,145,135	50,572,585
Investment securities	14	32,501,507	31,610,283
Right-of-use assets	15	347,873	416,504
Property, equipment and intangible assets	16	2,968,887	2,849,472
Repossessed assets	13	137,114	147,727
Other assets	17	300,942	336,555
Total assets		128,686,433	114,325,189
LIABILITIES			
Loans, deposits and other balances from banks	18	5,577,125	97,523
Current accounts and deposits from customers	19	81,482,790	73,831,733
Current tax liabilities		170,724	201,863
Lease liability	15	311,156	353,279
Other liabilities	20	730,497	787,101
Other borrowed funds	21	233,328	278,949
Deferred tax liabilities	9	156,743	94,640
Subordinated loan	22	6,043,411	6,411,157
Total liabilities		94,705,774	82,056,245
EQUITY			
Share capital	23	26,249,100	26,249,100
Share premium		257,149	257,149
Fair value reserve for investment securities		315,805	(82,352)
Retained earnings		7,158,605	5,845,047
Total equity		33,980,659	32,268,944
Total liabilities and equity		128,686,433	114,325,189

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

Byblos Bank Armenia CJSC
Interim Statement of Cash Flows for the year ended
31 December 2024

	1 January 2024	1 January 2023
	31 December 2024	31 December 2023
Notes	AMD'000	AMD'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Interest receipts	9,438,290	8,093,634
Interest payments	(4,737,706)	(3,625,806)
Fee and commission receipts	418,282	356,681
Fee and commission payments	(331,312)	(221,347)
Net receipts from operations with investment securities	286,817	-
Net receipts from foreign exchange	238,412	245,581
Tax payments (other than income tax)	(32,633)	(38,666)
Salaries and other payments to employees	(1,693,860)	(1,457,083)
Other general administrative expenses payments	(1,001,423)	(1,021,186)
Other payments	(180,601)	(203,041)
(Increase)/decrease in operating assets		
Investment securities	(473,373)	(12,098,741)
Amounts receivable under reverse repurchase agreements	2,389,756	1,031,586
Loans to banks and other placements	(1,460,040)	(7,588,688)
Loans to customers	(13,282,026)	2,273,566
Other assets	22,814	115,694
Increase/(decrease) in operating liabilities		
Loans, deposits and other balances from banks	5,381,948	(3,000,957)
Current accounts and deposits from customers	7,843,207	10,641,541
Other liabilities	(50,290)	212,485
Net cash flows from operations before income tax	2,776,262	(6,284,747)
Income tax	(366,140)	(297,141)
Net cash flows from operations	2,410,122	(6,581,888)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(379,976)	(318,177)
Net cash flows used in investing activities	(379,976)	(318,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other borrowed funds	(44,970)	(31,769)
Lease payments	(42,124)	(35,918)
Net cash flows used in financing activities	(87,094)	(67,687)
Net (decrease) / increase in cash and cash equivalents	1,943,052	(6,967,752)
Effect of changes in exchange rates on cash and cash equivalents	(256,964)	219,977
Effect of changes in credit loss allowance on cash and cash equivalents	(62)	817
Cash and cash equivalents at the beginning of the year	6,268,266	13,015,224
Cash and cash equivalents at the end of the period	7,954,292	6,268,266

10

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

Byblos Bank Armenia CJSC
Interim Statement of Changes in Equity for the year ended
31 December 2024

	Share capital	Share premium	Revaluation reserve for investment securities	Retained earnings/ (accumulated losses)	Total
AMD'000					
Balance as at 1 January 2023	26,249,100	257,149	(680,716)	4,345,691	30,171,224
Total comprehensive income					
Profit for the period	-	-	-	1,499,356	1,499,356
Other comprehensive (loss)/income					
Fair value reserve for investment securities:					
- net change in fair value, net of deferred tax	-	-	598,364	-	598,364
- net amount reclassified to profit or loss, net of deferred tax	-	-	-	-	-
Total other comprehensive (loss)/income	-	-	598,364	-	598,364
Total comprehensive income for the period	-	-	598,364	1,499,356	2,097,720
Balance as at 31 December 2023	26,249,100	257,149	(82,352)	5,845,047	32,268,944
Balance as at 1 January 2024	26,249,100	257,149	(82,352)	5,845,047	32,268,944
Total comprehensive income					
Profit for the period	-	-	-	1,313,558	1,313,558
Other comprehensive (loss)/income					
Fair value reserve for investment securities:					
- net change in fair value, net of deferred tax	-	-	649,734	-	649,734
- net amount reclassified to profit or loss, net of deferred tax	-	-	(251,577)	-	(251,577)
Total other comprehensive (loss)/income	-	-	398,157	-	398,157
Total comprehensive income for the period	-	-	398,157	1,313,558	1,711,715
Balance 31 December 2024	26,249,100	257,149	315,805	7,158,605	33,980,659

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organisation and operations

Byblos Bank Armenia CJSC (the Bank) was established in 2007 under the laws of the Republic of Armenia.

The principal activities of the Bank are deposit taking and customer account maintenance, lending, cash and settlement transactions and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia.

The Bank's registered head office is 18/3 Amiryanyan Street, Yerevan, Republic of Armenia. The Bank has four branches.

The majority of the assets and liabilities are located in the Republic of Armenia.

The Bank is wholly-owned by Byblos Bank SAL. The ultimate controlling party is a single individual Francois Bassil.

Related party transactions are described in detail in Note 28.

(b) Armenian business environment

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

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

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2023 ("last annual financial statements").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value.

(c) Functional and presentation currency

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

The AMD is also the presentation currency for the purposes of these financial statements.

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

The official CBA exchange rates at 31 December 2024 and 31 December 2023 were AMD 396.56 and AMD 413.89 to 1 USD and AMD 433.34 and AMD 447.9 to 1 EUR, respectively.

(d) Use of estimates and judgments

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

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

Judgements

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

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 24(b).

Assumptions and estimations uncertainty

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

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 24(b);
- estimates of fair values of financial assets and liabilities – Note 29;
- fair value of forward and option instruments of subordinated loans from Parent – Note 22.

Climate-related matters

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

3 Changes in accounting policies and presentation

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

4 Material accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBA and other banks. The minimum reserve deposit with the CBA is not considered to be a cash equivalents, due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements (“repo”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within “Loans and deposits to banks and other placements”.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under reverse repurchase agreements. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

(d) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

The ‘gross carrying amount of a financial asset’ measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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

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

For information on when financial assets are credit-impaired, see Note 4(f)(iv).

Presentation

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

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

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- interest expense on financial liabilities measured at amortised cost;
- interest expense on lease liabilities.

(e) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 4(d)).

Other fee and commission income including account servicing fees, payment and settlement transaction fees and other service fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

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

(f) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

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

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

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

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

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

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

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

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 4(f)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

Financial liabilities

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

iii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the CBA key rate, if the loan agreement entitles the Bank to do so.

When assessing whether or not to derecognise a financial asset, amongst others, the Bank considers the following factors:

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change.

iv. Impairment

See also Note 24 (b).

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 24(b)).

The Bank does not apply the low credit risk exemption to any financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 24(b).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 4(f)(ii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 24(b)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

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

- the market's assessment of creditworthiness as reflected in the bond yields.
- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

- *financial assets measured at amortised cost* : as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts* : generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component* : the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI* : no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

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

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

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

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

(g) Loans to customers

'Loans to customers' caption in the statement of financial position include loans to customers measured at amortised cost (see Note 4(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(h) Investment securities

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

- debt securities measured at FVOCI (see Note 4(f)(i)); and
- equity investment securities designated as at FVOCI (see Note 4(f)(i)).

(i) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

(j) Financial guarantees and loan commitments

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows: at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 4(f)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For other loan commitments the Bank recognises a loss allowance (see Note 4(f)(iv)) in accordance with IFRS 9.

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

(k) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

- Buildings	50 years
- computers and communication equipment	1-8 years
- fixtures and fittings	8 years
- motor vehicles	5 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

(l) Intangible assets

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

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

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1-10 years.

(m) Repossessed assets

The Bank recognizes repossessed assets in the statement of financial position when it has the full and final settlement rights to the collateral.

At initial recognition repossessed assets are measured at cost including expenditure incurred in the process of collateral foreclosure. After 2 years of initial recognition repossessed assets, if not sold, are depreciated at 20% annually.

Subsequent to initial recognition, repossessed assets are reviewed for held for sale classification criteria and are reclassified accordingly when the criteria are met.

Gains and losses on disposal of repossessed assets are recognized net in “other operating income” in profit or loss.

(n) Impairment of non-financial assets

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

(o) Taxation

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.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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 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.

(p) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
 - variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
 - amounts expected to be payable under a residual value guarantee; and
 - the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate
- The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5 Net interest income

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Interest income calculated using the effective interest method				
Loans to customers	1,486,464	5,538,148	1,317,870	5,208,880
Investment securities	755,064	2,986,483	665,709	2,349,468
Loans and deposits to banks	270,791	1,071,316	143,889	424,013
Amounts receivable under reverse repurchase agreements	54,423	237,212	45,159	202,838
Other	1,963	4,343	475	615
	2,568,705	9,837,502	2,173,102	8,185,814
Interest expense				
Current accounts and deposits from customers	1,263,943	4,668,162	939,181	3,378,765
Subordinated loans from Parent	96,989	394,107	100,707	392,574
Loans and deposits from banks	109,484	232,743	1,974	121,894
Lease	8,332	34,807	9,427	38,772
Other borrowed funds	3,667	16,700	5,124	22,288
	1,482,415	5,346,519	1,056,413	3,954,293
	1,086,290	4,490,983	1,116,689	4,231,521

6 Net fee and commission income

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Credit card maintenance	83,391	259,962	54,021	213,858
Remittances	15,647	55,602	12,144	36,459
Account servicing	9,474	35,792	8,168	31,314
Cash entry and withdrawal	4,556	32,663	24,566	48,675
Issuance of LGs and LCs	4,987	19,510	4,040	12,074
Custodial services	1,398	5,679	1,273	5,533
Other	2,150	8,874	2,977	8,866
Fee and commission income	121,603	418,082	107,189	356,779
Plastic card services	96,541	295,775	50,513	171,840
Remittances	(6,839)	22,474	11,785	32,948
Enquiries to registers	3,434	11,286	1,640	7,798
Other	851	2,259	5,784	8,928
Fee and commission expense	93,987	331,794	69,722	221,514
Net fee income	27,616	86,288	37,467	135,265

7 Impairment recovery/(losses) on investment securities and other financial assets, loans to customers and loan commitments

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Loans to customers and loan commitments	(17,137)	(98,091)	1,717	168,852
Investment securities and other financial assets	12,206	(9,685)	2,017	(9,975)
	(4,931)	(107,776)	3,734	158,877

8 Other general administrative expenses

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Depreciation and amortization	90,085	350,529	63,932	248,323
Advertising and marketing	86,478	311,185	109,536	356,586
Maintenance of computer applications	50,025	190,576	37,786	141,692
Professional services	34,835	138,850	78,426	158,858
Repairs and maintenance	29,886	118,088	26,890	113,021
Insurance	20,606	82,450	19,659	76,654
Taxes other than on income	14,369	42,826	17,867	50,652
Communications and information services	5,734	25,499	5,631	21,950
Security	6,474	25,036	6,685	27,484
Trainings	3,409	22,483	12,779	29,538
Memberships	3,250	13,550	2,188	8,750
Legal services	4,400	9,600	8,920	22,417
Office supplies	2,324	9,537	2,571	9,234
Maintenance of cars	2,080	7,286	1,579	6,708
Travel expenses	2,523	4,598	162	3,368
Other	9,486	41,533	11,567	47,776
	365,964	1,393,626	406,178	1,323,011

9 Income taxes

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Current year tax expense	(123,482)	(335,000)	(78,530)	(318,673)
Origination and reversal of temporary differences	(6,692)	15,704	35,188	45,179
Total income tax (expense)/benefit	(130,174)	(319,296)	(43,342)	(273,494)

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

Reconciliation of effective tax rate for the year ended 31 December 2024:

	1 January 2024 31 December 2024 AMD'000	%	1 January 2023 31 December 2023 AMD'000	%
Profit before income tax	1,632,854	100.0%	1,772,850	100.0%
Tax at the applicable tax rate	(293,914)	-18.0%	(319,113)	-18%
(Non-deductible costs) / Tax exempt income	(25,382)	-1.6%	45,619	2.6%
	(319,296)	-19.6%	(273,494)	-15.4%

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2024 and 31 December 2023.

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

31 December 2024

	1 January 2024	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2024
AMD'000				
Cash and cash equivalents	(1,134)	(225)	-	(1,359)
Investment securities	30,818	749	(77,807)	(46,240)
Amounts receivable under reverse repurchase agreements	(38)	38	-	-
Loans to banks	(16,849)	9,680	-	(7,169)
Loans to customers	(103,665)	765	-	(102,900)
Property, equipment and intangible assets	(77,556)	5,888	-	(71,668)
Right of use assets	(49,743)	8,544	-	(41,199)
Other assets	22,503	303	-	22,806
Lease liabilities	63,590	(7,582)	-	56,008
Other liabilities	37,434	(2,456)	-	34,978
	(94,640)	15,704	(77,807)	(156,743)

31 December 2023

	1 January 2023	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2023
AMD'000				
Cash and cash equivalents	(4,525)	3,391	-	(1,134)
Investment securities	160,329	1,837	(131,348)	30,819
Amounts receivable under reverse repurchase agreements	-	(38)	-	(38)
Loans to banks	(4,222)	(12,627)	-	(16,849)
Loans to customers	(101,909)	(1,757)	-	(103,666)
Property, equipment and intangible assets	(67,881)	(9,674)	-	(77,556)
Right of use assets	-	(49,743)	-	(49,743)
Other assets	22,229	273	-	22,503
Lease Liability	-	63,590	-	63,590
Other liabilities	(12,493)	49,927	-	37,434
	(8,471)	45,179	(131,348)	(94,640)

(b) Income tax recognized in other comprehensive income/(loss)

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

31 December 2024			
	Amount before tax	Tax expense	Amount net-of-tax
AMD'000			
Net change in fair value of investment securities at FVOCI	782,766	(133,032)	649,734
Net change in fair value of investment securities at FVOCI transferred to profit or loss	(306,801)	55,224	(251,577)
Other comprehensive income/(loss)	475,965	(77,808)	398,157

31 December 2023			
	Amount before tax	Tax expense	Amount net-of-tax
AMD'000			
Net change in fair value of investment securities at FVOCI	729,712	(131,348)	598,364
Net change in fair value of investment securities at FVOCI transferred to profit or loss	-	-	-
Other comprehensive income/(loss)	729,712	(131,348)	598,364

10 Cash and cash equivalents

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Cash on hand	1,551,610	1,423,891
Nostro accounts with the CBA	5,613,375	4,186,141
Nostro accounts with other banks		
- Rated B to BB-	9	1,184
- Not Rated	789,644	657,334
Total nostro accounts with other banks	789,653	658,518
Total gross cash and cash equivalents	7,954,638	6,268,550
Credit loss allowance	(346)	(284)
Total net cash and cash equivalents	7,954,292	6,268,266

As at 31 December 2024 current accounts with Central Bank of Armenia include obligatory reserve with local currency in the amount of AMD 4,279,143 thousand (31 December 2023: AMD 3,270,561 thousand).

No cash and cash equivalents are past due.

The Bank uses credit ratings per Standard&Poor's rating agency in disclosing credit quality.

As at 31 December 2024 the Bank has no bank except for CBA (as at 31 December 2023: no bank except for the CBA) whose balances exceeded 10% of the equity.

Nostro accounts with the CBA

Nostro accounts with the CBA are related to settlement activity and are available for withdrawal at the end of the period.

11 Amounts receivable under reverse repurchase agreements

	31 December 2024	31 December 2023
	AMD'000	AMD'000
- Amounts receivable rated B+ to BB-	-	4,640,092
- Amounts receivable from not rated banks	3,174,870	801,035
	3,174,870	5,441,127

As at 31 December 2024 the Bank has no bank (31 December 2023: one), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2023 is AMD 4,039,315 thousand.

The Bank uses credit ratings per Standard&Poor's rating agency in disclosing credit quality.

Amounts receivable under reverse repurchase agreements are not past due.

Collateral

As at 31 December 2024 the amounts receivable under reverse repurchase agreements were collateralized by government securitites of the Republic of Armenia with the fair values of 3,631,785 thousand AMD (31 December 2023: 5,876,524 thousand).

12 Loans and deposits to banks and other placements

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Credit card settlement deposit with the CBA	695,000	845,000
Deposit and other placements in the CBA including obligatory reserve	5,432,919	4,351,618
Loans and deposits with other banks		
- Rated A+	124,662	122,815
- Rated B+ to BB-	5,993,830	9,782,638
- Not Rated	5,936,116	1,602,071
Total loans and deposits with other banks	12,054,608	11,507,524
Total gross loans to banks	18,182,527	16,704,142
Credit loss allowance	(26,714)	(21,472)
Total net loans to banks	18,155,813	16,682,670

No loans and deposits to banks are past due or impaired and are fully in Stage 1. All the loans and deposits are measured at amortised cost.

The Bank uses credit ratings per Standard&Poor's rating agency in disclosing credit quality.

As at 31 December 2024 included in loans and deposits with A+ rated banks is AMD 124,662 thousand (31 December 2023: AMD 122,815 thousand) which represents a blocked deposit in HSBC Bank Plc for membership in Europay International.

(a) Balances with the CBA

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

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 4% and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted. The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average daily amount of reserve sanctions may be applied. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 10) as these funds are readily available for withdrawal.

For the obligatory reserve maintained in foreign currencies the Bank is required to maintain a minimum balance at the end of each day. These reserves are not considered cash and cash equivalents and are included in loans and advances to banks.

As at 31 December 2024 mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 5,432,919 thousand (31 December 2023: AMD 4,351,618 thousand).

(b) Concentration of loans to banks

As at 31 December 2024 the Bank has two banks (31 December 2023: two banks), whose balances exceeded 10% of equity. The gross value of these balances 31 December 2024 AMD 9,412,031 thousand (as at 31 December 2023 is AMD 7,881,155 thousand)

13 Loans to customers

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Loans to customers at amortised cost		
Loans to corporate customers		
Loans to large corporates	21,723,862	20,234,099
Loans to small and medium sized companies	994,666	828,243
Total loans to corporate customers	22,718,528	21,062,342
Loans to retail customers		
Mortgage loans	31,410,354	24,174,202
Small business loans	3,378,436	1,680,236
Consumer loans with salary domiciliation	1,523,855	948,027
Consumer loans secured by real estate	1,425,111	797,411
Credit cards	1,245,880	1,006,627
Auto loans	765,757	375,061
Other loans	982,510	731,709
Total loans to retail customers	40,731,903	29,713,273
Gross loans to customers at amortised cost	63,450,431	50,775,615
Credit loss allowance	(305,296)	(203,030)
Net loans to customers at amortised cost	63,145,135	50,572,585

(a) Credit quality of loans to customers

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

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to corporate customers				
Loans to large corporate customers				
Loans without individual signs of impairment:				
- not overdue	21,723,862	-	-	21,723,862
Impaired loans:				
Total gross loans to large corporate customers	21,723,862	-	-	21,723,862
Credit loss allowance	(149,815)	-	-	(149,815)
Total net loans to large corporate customers	21,574,047	-	-	21,574,047
Loans to small and medium size companies				
Loans without individual signs of impairment:				
- not overdue	994,666	-	-	994,666
Total gross loans to small and medium size companies	994,666	-	-	994,666
Credit loss allowance	(5,877)	-	-	(5,877)
Total net loans to small and medium size companies	988,789	-	-	988,789
Total gross loans to corporate customers	22,718,528	-	-	22,718,528
Total credit loss allowance on corporate customers	(155,692)	-	-	(155,692)
Total net loans to corporate customers	22,562,836	-	-	22,562,836
Loans to retail customers				
Mortgage loans				
- not overdue	30,941,375	197,906	-	31,139,281
- overdue less than 30 days	61,250	91,164	-	152,414
- overdue 31-90 days	-	69,395	-	69,395
- overdue 181-270 days	-	-	6,406	6,406
- overdue more than 271 days	-	-	42,858	42,858
Total gross mortgage loans	31,002,625	358,465	49,264	31,410,354
Credit loss allowance	(49,591)	(17,558)	(11,829)	(78,978)
Total net mortgage loans	30,953,034	340,907	37,435	31,331,376
Individual entrepreneur and other small businesses loans				
- not overdue	3,374,082	4,354	-	3,378,436
Total gross individual entrepreneur and other small businesses loans	3,374,082	4,354	-	3,378,436
Credit loss allowance	(38,760)	(904)	-	(39,664)
Total net individual entrepreneur and other small businesses loans	3,335,322	3,450	-	3,338,772

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Consumer loans with salary domiciliation				
- not overdue	1,508,115	1,883	-	1,509,998
- overdue 31-90 days	-	3,099	-	3,099
- overdue 91-180 days	-	-	6,758	6,758
- overdue 181-270 days	-	-	4,000	4,000
Total gross consumer loans with salary domiciliation	1,508,115	4,982	10,758	1,523,855
Credit loss allowance	(5,848)	(819)	(4,183)	(10,850)
Total net consumer loans with salary domiciliation	1,502,267	4,163	6,575	1,513,005
Consumer loans secured by real estate				
- not overdue	1,405,238	11,304	-	1,416,542
- overdue less than 30 days	-	3,959	-	3,959
- overdue 31-90 days	-	4,610	-	4,610
Total gross consumer loans secured by real estate	1,405,238	19,873	-	1,425,111
Credit loss allowance	(3,629)	(1,967)	-	(5,596)
Total net consumer loans secured by real estate	1,401,609	17,906	-	1,419,515
Credit cards				
- not overdue	1,232,688	-	-	1,232,688
- overdue less than 30 days	5,958	956	-	6,914
- overdue 31-90 days	-	4,598	-	4,598
- overdue 91-180 days	-	-	800	800
- overdue 181-270 days	-	-	880	880
Total gross credit cards	1,238,646	5,554	1,680	1,245,880
Credit loss allowance	(12,613)	(769)	(558)	(13,940)
Total net credit cards	1,226,033	4,785	1,122	1,231,940
Auto loans				
- not overdue	765,757	-	-	765,757
Total gross auto loans	765,757	-	-	765,757
Credit loss allowance	(576)	-	-	(576)
Total net auto loans	765,181	-	-	765,181
Other retail loans				
- not overdue	982,510	-	-	982,510
Total gross other retail loans	982,510	-	-	982,510
Total net other retail loans	982,510	-	-	982,510
Gross retail loans	40,276,973	393,228	61,702	40,731,903
Total credit loss allowance on retail loans	(111,017)	(22,017)	(16,570)	(149,604)
Total net retail loans	40,165,956	371,211	45,132	40,582,299
Total gross loans to customers	62,995,501	393,228	61,702	63,450,431
Total credit loss allowance on loans to customers	(266,709)	(22,017)	(16,570)	(305,296)
Total net loans to customers	62,728,792	371,211	45,132	63,145,135

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to corporate customers				
Loans to large corporate customers				
Loans without individual signs of impairment:				
- not overdue	20,224,293	-	-	20,224,293
Impaired loans:				
- overdue more than 365 days	-	-	9,806	9,806
Total gross loans to large corporate customers	20,224,293	-	9,806	20,234,099
Credit loss allowance	(103,432)	-	(8,146)	(111,578)
Total net loans to large corporate customers	20,120,861	-	1,660	20,122,521
Loans to small and medium size companies				
Loans without individual signs of impairment:				
- not overdue	828,243	-	-	828,243
Total gross loans to small and medium size companies	828,243	-	-	828,243
Credit loss allowance	(2,741)	-	-	(2,741)
Total net loans to small and medium size companies	825,502	-	-	825,502
Total gross loans to corporate customers	21,052,536	-	9,806	21,062,342
Total credit loss allowance on corporate customers	(106,173)	-	(8,146)	(114,319)
Total net loans to corporate customers	20,946,363	-	1,660	20,948,023
Loans to retail customers				
Mortgage loans				
- not overdue	23,796,603	171,690	-	23,968,293
- overdue less than 30 days	55,794	5,621	-	61,415
- overdue 31-90 days	-	52,834	-	52,834
- overdue 91-180 days	-	-	44,183	44,183
- overdue 181-270 days	-	-	30,596	30,596
- overdue more than 271 days	-	-	16,881	16,881
Total gross mortgage loans	23,852,397	230,145	91,660	24,174,202
Credit loss allowance	(33,969)	(8,633)	(7,442)	(50,044)
Total net mortgage loans	23,818,428	221,512	84,218	24,124,158
Individual entrepreneur and other small businesses loans				
- not overdue	1,676,351	2,099	-	1,678,450
- overdue less than 30 days	1,786	-	-	1,786
Total gross individual entrepreneur and other small businesses loans	1,678,137	2,099	-	1,680,236
Credit loss allowance	(21,037)	(309)	-	(21,346)
Total net individual entrepreneur and other small businesses loans	1,657,100	1,790	-	1,658,890

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Credit cards				
- not overdue	989,125	1,769	-	990,894
- overdue less than 30 days	6,228	755	-	6,983
- overdue 31-90 days	-	2,448	-	2,448
- overdue 91-180 days	-	-	5,327	5,327
- overdue 181-270 days	-	-	975	975
Total gross credit cards	995,353	4,972	6,302	1,006,627
Credit loss allowance	(7,415)	(452)	(856)	(8,723)
Total net credit cards	987,938	4,520	5,446	997,904
Consumer loans with salary domiciliation				
- not overdue	943,481	4,546	-	948,027
Total gross consumer loans with salary domiciliation	943,481	4,546	-	948,027
Credit loss allowance	(3,650)	(470)	-	(4,120)
Total net consumer loans with salary domiciliation	939,831	4,076	-	943,907
Consumer loans secured by real estate				
- not overdue	759,990	6,554	-	766,544
- overdue less than 30 days	11,060	161	-	11,221
- overdue 31-90 days	-	2,385	-	2,385
- overdue 91-180 days	-	-	5,890	5,890
- overdue 181-270 days	-	-	2,994	2,994
- overdue more than 271 days	-	-	8,377	8,377
Total gross consumer loans secured by real estate	771,050	9,100	17,261	797,411
Credit loss allowance	(1,660)	(535)	(1,642)	(3,837)
Total net consumer loans secured by real estate	769,390	8,565	15,619	793,574
Auto loans				
- not overdue	375,061	-	-	375,061
Total gross auto loans	375,061	-	-	375,061
Credit loss allowance	(641)	-	-	(641)
Total net auto loans	374,420	-	-	374,420
Other retail loans				
- not overdue	731,709	-	-	731,709
Total gross other retail loans	731,709	-	-	731,709
Credit loss allowance	-	-	-	-
Total net other retail loans	731,709	-	-	731,709
Gross retail loans	29,347,188	250,862	115,223	29,713,273
Total credit loss allowance on retail loans	(68,372)	(10,399)	(9,940)	(88,711)
Total net retail loans	29,278,816	240,463	105,283	29,624,562
Total gross loans to customers	50,399,724	250,862	125,029	50,775,615
Total credit loss allowance on loans to customers	(174,545)	(10,399)	(18,086)	(203,030)
Total net loans to customers	50,225,179	240,463	106,943	50,572,585

(b) Analysis of collateral

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for credit impaired assets as at 31 December 2024:

		Fair value of collateral held under the base scenario					AMD'000
	Maximum exposure to credit risk	Property	Vehicle	Surplus collateral	Total collateral	Net exposure	Accociated ECL
Mortgage loans	49,263	123,979	-	(78,713)	45,266	3,998	11,829
Consumer loans secured by salary domiciliation	10,758	-	-	-	-	10,758	4,183
Credit cards	1,680	-	-	-	-	1,680	558
Total	61,702	123,979	-	(78,713)	45,266	16,436	16,570

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for credit impaired assets as at 31 December 2023:

		Fair value of collateral held under the base scenario					AMD'000
	Maximum exposure to credit risk	Property	Vehicle	Surplus collateral	Total collateral	Net exposure	Accociated ECL
Mortgage loans	91,660	330,748	-	(239,088)	91,660	-	7,442
Consumer loans secured by real estate	17,261	85,072	-	(67,810)	17,262	-	1,642
Loans to large corporates	9,806	-	3,270	-	3,270	6,535	8,146
Credit cards	6,302	-	-	-	-	6,302	856
Total	125,029	415,820	3,270	(306,898)	112,192	12,837	18,086

Repossessed collateral

As at 31 December 2024 and 31 December 2023 the repossessed collateral comprises:

	31 December 2024 AMD'000	31 December 2023 AMD'000
Real estate	137,114	147,727
Total repossessed collateral	137,114	147,727

Changes in repossessed collateral are presented below:

	31 December 2024 AMD'000	31 December 2023 AMD'000
Balance as at 1 January	147,727	109,052
Repossessed collateral during the year	4,993	145,008
Sold during the year	(14,247)	(104,974)
Impairment	(1,359)	(1,359)
Balance as at the period end	137,114	147,727

The Bank's intention is to sell these assets as soon as it is practicable.

During the year ended 31 December 2024 the bank suffered a net loss of 547 thousand AMD from the disposal of the confiscated collateral, (During the 31 December 2023net gain of 50,027 thousand AMD).

(c) Asset under lien

As at 31 December 2024 loans to customers with a gross value of AMD 339,374 thousand (31 December 2023: AMD 416,735 thousand) serve as collateral for deposits and balances from banks and other borrowed funds.

(d) Industry and geographical analysis of the loan portfolio

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

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Services	5,102,118	3,372,701
Trade	4,170,900	4,562,415
Energy	3,772,824	3,800,590
Real estate	3,260,681	4,176,466
Construction	2,640,243	3,207,194
Manufacturing	1,926,742	761
Processing of agricultural produce	1,845,020	1,942,215
Loans to retail customers	40,731,903	29,713,273
	63,450,431	50,775,615
Credit loss allowance	(305,296)	(203,030)
	63,145,135	50,572,585

(e) Significant credit exposures

As at 31 December 2024 the Bank has one borrower or group of connected borrowers (as at 31 December 2024: two), whose net loan balances exceed 10% of equity. As at 31 December 2024 these balances amounted to AMD 3,750,485 thousand, as at 31 December 2023: AMD 7,472,313 thousand.

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 24 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

14 Investment securities

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Held by the Bank at FVOCI		
Debt and other fixed-income instruments		
- Government securities of the Republic of Armenia	25,632,906	20,780,867
Bonds issued by other institutions (foreign Governments, local banks)		
- Rated AA to AAA	6,275,747	9,390,638
- Rated B to BB-	514,480	1,421,261
	32,423,133	31,592,766
Equity instruments		
- Corporate shares	78,374	17,517
	32,501,507	31,610,283
Credit loss allowance	(74,945)	(70,785)
Carrying amount – fair value	32,501,507	31,610,283

None of investment securities are past due.

As at 31 December 2024 the Bank has one bond issuer, besides Government of RA (31 December 2023: one bond issuer), investments in whose securities exceeded 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 6,275,747 thousand (31 December 2023: AMD 8,055,054 thousand).

Non-quoted equity investment securities designated at FVOCI

As at 31 December 2024 and 31 December 2023, the Bank has investments shown in the following table as equity securities as at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term.

Name and Country of incorporation	Main activity	% Controlled	31 December 2024 AMD'000	31 December 2023 AMD'000
ArCa - Republic of Armenia	Payment system	1.25%	77,357	16,500
SWIFT - Belgium	Money transfer	0%	1,017	1,017
			78,374	17,517

During the period ended 31 December 2024 the bank, using its pre-emptive right to acquire shares as a shareholder, acquired new shares in the amount of AMD 17,157 as a result of the allocation of shares by ARCA.

None of these investments was disposed of during year ended 31 December 2024, no dividend income recognized in year ended 31 December 2024 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Below are presented changes in shares in ArCa payment system held by the bank during the reporting periods,

	31 December 2024 AMD'000	31 December 2023 AMD'000
Balance at 1 January	16,500	16,500
Shares purchased	17,157	-
Fair value revaluation	43,700	-
Balance at 31 December	77,357	16,500

The management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2024, and for swift shares as at 31 December 2024 and 31 December 2023 .

15 Lease

The Bank leases a building for 10 years without an automatic option to renew the lease after that date. Information about leases for which the Bank is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented below.

	31 December 2024 AMD'000		31 December 2023 AMD'000	
	Land and buildings	Total	Land and buildings	Total
Balance at 1 January	416,504	416,504	484,917	484,917
Depreciation charge	(68,631)	(68,631)	(68,503)	(68,503)
Modifications / additions in right-of-use assets	-	-	90	90
Balance at the end of the reporting period	347,873	347,873	416,504	416,504

(b) Amounts recognized in profit and loss

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Interest on lease liabilities	8,332	34,807	9,427	38,772

(c) Amounts recognised in statement of cash flows

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Lease payments	19,580	76,931	19,009	74,690

16 Property, equipment and intangible assets

AMD'000	Land and buildings	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost						
Balance at 1 January 2024	2,064,157	957,256	556,979	45,097	570,770	4,194,259
Additions	60,443	168,902	34,315	-	137,653	401,313
Disposals	-	(137,635)	(13,804)	-	-	(151,439)
Balance 31 December 2024	2,124,600	988,523	577,490	45,097	708,423	4,444,133
Depreciation and amortization						
Balance at 1 January 2024	(377,803)	(442,627)	(342,896)	(35,247)	(146,214)	(1,344,787)
Depreciation and amortization for the period	(42,178)	(95,581)	(42,452)	(2,249)	(99,438)	(281,898)
Disposals	-	137,635	13,804	-	-	151,439
Balance 31 December 2024	(419,981)	(400,573)	(371,544)	(37,496)	(245,652)	(1,475,246)
Carrying amount						
At 31 December 2024	1,704,619	587,950	205,946	7,601	462,771	2,968,887
Cost						
Balance at 1 January 2023	2,062,211	875,659	558,528	45,097	410,286	3,951,781
Additions	1,946	109,817	23,051	-	160,484	295,298
Disposals	-	(28,220)	(24,600)	-	-	(52,820)
Balance at 31 December 2023	2,064,157	957,256	556,979	45,097	570,770	4,194,259
Depreciation and amortization						
Balance at 1 January 2023	(336,410)	(398,748)	(325,920)	(32,998)	(123,341)	(1,217,417)
Depreciation and amortization for the year	(41,393)	(71,853)	(41,453)	(2,249)	(22,873)	(179,821)
Disposals	-	27,974	24,477	-	-	52,451
Balance at 31 December 2023	(377,803)	(442,627)	(342,896)	(35,247)	(146,214)	(1,344,787)
Carrying amount						
At 31 December 2023	1,686,354	514,629	214,083	9,850	424,556	2,849,472

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during the year ended 31 December 2024 (2023: nil).

As at 31 December 2024 property, plant and equipment and intangible assets included fully depreciated and amortized assets in amount of AMD 469,689 thousand (31 December 2023: AMD 582,789 thousand).

17 Other assets

	31 December 2024 AMD'000	31 December 2023 AMD'000
Receivables under money transfer and clearing systems	86,758	65,414
Other receivables	6,589	66,337
Total other financial assets	93,347	131,751
Prepayments to taxes	25,697	25,759
Other prepayments	160,275	155,703
Other assets	21,623	23,342
Total other non-financial assets	207,595	204,804
Total other assets	300,942	336,555

18 Loans, deposits and other balances from banks

	31 December 2024 AMD'000	31 December 2023 AMD'000
Loans and term deposits	5,577,125	97,523
	5,577,125	97,523

As at 31 December 2024 loans to customers with a gross value of AMD 29,596 thousand (31 December 2023: AMD 56,704 thousand) serve as collateral for loans, deposits and other balances from banks.

As at June 30, 2024 the total amount of deposits attracted from one bank included in loans and deposits from banks exceeds 10% of the Bank's equity and amounts to AMD 5,401,730 thousand. As of December 31, 2023 there are no such balances.

19 Current accounts and deposits from customers

	31 December 2024 AMD'000	31 December 2023 AMD'000
Current accounts and demand deposits		
- Individuals	7,515,752	5,751,963
- Legal entities	8,248,298	6,549,583
Term deposits		
- Individuals	37,866,820	31,494,692
- Legal entities	27,851,920	30,035,495
Total current accounts and deposits from customers	81,482,790	73,831,733

As at 31 December 2024 the Bank maintained customer deposit balances of AMD 5,581,041 thousand that serve as collateral for loans and credit related commitments granted by the Bank (as at 31 December 2023: AMD 2,601,268 thousand).

As at 31 December 2024 the Bank has two customers (as at 31 December 2023: four), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2024 is AMD 13,184,554 thousand (as at 31 December 2023: AMD 19,366,184 thousand).

20 Other liabilities

	31 December 2024 AMD'000	31 December 2023 AMD'000
Salary and similar payables	217,176	171,598
Payables to suppliers	131,279	123,000
Other financial liabilities	257,806	418,639
Total financial liabilities	606,261	713,237
Other taxes payable	78,777	67,456
Other liabilities	45,459	6,408
Total other non-financial liabilities	124,236	73,864
Total other liabilities	730,497	787,101

As at 31 December 2024 other financial liabilities include AMD 257,806 thousand (31 December 2023: AMD 384,687 thousand) pending transfers on behalf of the Bank and customers.

21 Other borrowed funds

	31 December 2024 AMD'000	31 December 2023 AMD'000
Loans from National Mortgage Company	60,292	130,506
Loans from Home for Youth Company	173,036	148,443
	233,328	278,949

As at 31 December 2024 loans to customers with a gross value of AMD 309,778 thousand (as at 31 December 2023: AMD 360,031 thousand) serve as collateral for other borrowed funds.

Reconciliation of liabilities and cash flows from financing activities

	Other borrowed funds	Subordinated loans from Parent	Total
Balance 1 January 2024	278,949	6,411,157	6,690,106
Proceeds from other borrowed funds	39,800	-	39,800
Repayment of other borrowed funds	(84,770)	-	(84,770)
Total changes from financing cash flows	(44,970)	-	(44,970)
The effect of changes in foreign exchange rates		(364,552)	(364,552)
Interest expense	16,700	394,108	410,809
Interest paid	(17,351)	(397,302)	(414,654)
Balance 31 December 2024	233,328	6,043,411	6,276,739
Balance 1 January 2023	299,003	6,086,356	6,385,359
Proceeds from other borrowed funds	12,294	-	12,294
Repayment of other borrowed funds	(31,769)	-	(31,769)
Total changes from financing cash flows	(19,475)	-	(19,475)
The effect of changes in foreign exchange rates		316,486	316,486
Interest expense	22,288	392,573	414,861
Interest paid	(22,867)	(384,258)	(407,125)
Balance 31 December 2023	278,949	6,411,157	6,690,106

22 Subordinated loans from Parent

On 30 April 2015, on 30 September 2016 and on 13 December 2016 the Bank obtained subordinated loans from the Parent of USD 5,000 thousand, EUR 9,375 thousand and USD 5,200 thousand convertible into the ordinary shares of the Bank at the nominal value per share within 10 years, at the option of the holder. The loans contain mandatory, voluntary and accelerated conversion options, representing forward and option financial instruments, respectively.

Subordinated loan issued on 30 April 2015 was converted into shares applying accelerated conversion option.

Management believes that the fair value of these instruments is not material as at 31 December 2024 and 31 December 2023.

23 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2024 the authorized, issued and outstanding share capital comprises 262,491 ordinary shares (31 December 2023: 262,491 shares). All shares have a nominal value of AMD 100,000.

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

(b) Nature and purpose of reserves

Fair value reserve for investment securities

Fair value reserve for investment securities comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

General reserve

The general reserve is created in accordance with the Bank's Charter, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The general reserve is included in the retained earnings of the Bank.

(c) Dividends

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

24 Risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major (significant) risks faced by the Bank are those related to financial risk, market risk, credit risk, liquidity risk, and operational.

The Bank's risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Bank has developed a system of reporting on significant risks and capital.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. The Management Committee with the support of the Assets and Liability Committee (ALCO Committee) is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Management Committee monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

In compliance with the Bank's internal documentation the Management Committee and internal audit function frequently prepare reports, which cover the Bank's significant risks management. The reports include observations as to assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement.

(b) Financial risk review

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

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognized financial assets and unrecognized contractual commitments).

Corporate loan credit applications are originated and analyzed by the relevant relationship managers from the Commercial Banking Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Department and a second opinion is given accompanied by verification that credit policy requirements are met. The Management Committee reviews the loan credit application on the basis of submissions by the Commercial Banking Department. Individual transactions are also reviewed by the Legal Unit, depending on the specific risks and pending final approval of the Management Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by independent appraisal companies or the Bank's specialists.

Retail loan credit applications are reviewed by the Retail Approval Unit, Retail Approval Committee and Management Committee based on the authorized limits. Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4(f)(iv).

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

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

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

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

Corporate exposure

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes

- Data from credit reference agencies, press articles, changes in external credit ratings

- Quoted bond and credit default swap (CDS) prices for the borrower where available

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

All exposures (corporate and retail exposures)

- Payment record – this includes overdue status as well as a range of variables about payment ratios

- Utilisation of the granted limit

- Requests for and granting of forbearance

- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

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

Overdue days are primary input into the determination of the term structure of PD for retail exposures in Markov's model of migration matrices. Migration matrices are constructed using historical data over the past 48 months.

Determining whether credit risk has increased significantly

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

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

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

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts, changes in exchange rates and prices in real estate market.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4(f)(iii).

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

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

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

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

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4(f)(iv)). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

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

Byblos Bank Armenia CJSC
*Notes to, and forming part of, the interim financial statements for the year ended
31 December 2024*

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

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

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

- instrument type;
- collateral type.

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally

31 December 2024		External benchmarks used	
AMD'000	Exposure	PD	LGD
Debt investment securities at FVOCI	32,423,133	S&P default study	Moody's recovery studies
Loans to corporate customers	3,750,485	S&P default study	Moody's recovery studies
Loans to corporate customers	18,812,351	S&P default study	-

31 December 2023		External benchmarks used	
AMD'000	Exposure	PD	LGD
Debt investment securities at FVOCI	31,592,766	S&P default study	Moody's recovery studies
Loans to corporate customers	3,792,291	S&P default study	Moody's recovery studies
Loans to corporate customers	17,155,732	S&P default study	-

Loss allowance

The below tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instruments for the year ended 31 December 2024.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Cash and cash equivalents				
Balance at 1 January	(284)	-	-	(284)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	284	-	-	284
New financial assets originated or purchased	(346)	-	-	(346)
Balance at 31 December 2024	(346)	-	-	(346)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to banks at amortized cost				
Balance at 1 January	(21,472)	-	-	(21,472)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	1,603	-	-	1,603
New financial assets originated or purchased	(6,845)	-	-	(6,845)
Balance at 31 December 2024	(26,714)	-	-	(26,714)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	(106,173)	-	(8,146)	(114,319)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	43,367	-	2,642	46,009
New financial assets originated or purchased	(97,322)	-	-	(97,322)
Foreign exchange revaluation effect on ECL	4,436	-	-	4,436
Write-offs	-	-	5,504	5,504
Balance at 31 December 2024	(155,692)	-	-	(155,692)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – retail customers				
Balance at 1 January	(68,372)	(10,399)	(9,940)	(88,711)
Transfer to Stage 1	(4,722)	3,770	952	-
Transfer to Stage 2	459	(5,339)	4,880	-
Transfer to Stage 3	6,636	5,423	(12,059)	-
Net remeasurement of loss allowance	4,508	(15,041)	(16,055)	(26,588)
New financial assets originated or purchased	(49,794)	(484)	(1,555)	(51,833)
Foreign exchange revaluation effect on ECL	268	53	40	361
Write-offs*	-	-	17,167	17,167
Balance at 31 December 2024	(111,017)	(22,017)	(16,570)	(149,604)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Debt investment securities at FVOCI				
Balance at 1 January	(70,784)	-	-	(70,784)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	20,420	-	-	20,420
New financial assets originated or purchased	(24,581)	-	-	(24,581)
Other	-	-	-	-
Balance at 31 December 2024	(74,945)	-	-	(74,945)

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

The below tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instruments for the year ended 31 December 2023.

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Cash and cash equivalents				
Balance at 1 January	(1,101)	-	-	(1,101)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	1,101	-	-	1,101
New financial assets originated or purchased	(284)	-	-	(284)
Balance at 31 December 2023	(284)	-	-	(284)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans and deposits to banks at amortized cost				
Balance at 1 January	(9,960)	(6,637)	-	(16,597)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	9,960	6,637	-	16,597
New financial assets originated or purchased	(21,472)	-	-	(21,472)
Balance at 31 December 2023	(21,472)	-	-	(21,472)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	(241,392)	-	(23,381)	(264,773)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	162,239	-	15,374	177,613
New financial assets originated or purchased	(25,206)	-	-	(25,206)
Foreign exchange revaluation effect on ECL	(1,814)	-	(139)	(1,953)
Write-offs*	-	-	-	-
Balance at 31 December 2023	(106,173)	-	(8,146)	(114,319)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – retail customers				
Balance at 1 January	(59,380)	(16,750)	(9,281)	(85,411)
Transfer to Stage 1	(6,214)	3,180	3,034	-
Transfer to Stage 2	195	(492)	297	-
Transfer to Stage 3	3,228	8,451	(11,679)	-
Net remeasurement of loss allowance	18,712	(4,251)	(21,845)	(7,384)
New financial assets originated or purchased	(24,455)	(470)	-	(24,925)
Foreign exchange revaluation effect on ECL	(458)	(67)	(67)	(592)
Write-offs	-	-	29,601	29,601
Balance at 31 December 2023	(68,372)	(10,399)	(9,940)	(88,711)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Debt investment securities at FVOCI				
Balance at 1 January	(60,577)	-	-	(60,577)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	17,500	-	-	17,500
New financial assets originated or purchased	(27,708)	-	-	(27,708)
Other	-	-	-	-
Balance at 31 December 2023	(70,785)	-	-	(70,785)

The following table provides reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the ‘impairment losses on debt financial assets’ and ‘impairment losses on loan commitments and financial guarantees’ line items in the statement of profit or loss and other comprehensive income.

Reconciliation for the year ended 31 December 2024:

AMD'000	Cash and cash equivalents	Loans and deposits to banks at amortised cost	Loans to customers at amortised cost - corporate customers	Loans to customers at amortised cost - retail customers	Debt investment securities at FVOCI	Other assets	Total
Net remeasurement of loss allowance	284	1,603	46,009	(26,588)	20,420	-	41,728
New financial assets originated or purchased	(346)	(6,845)	(97,322)	(51,833)	(24,581)	-	(180,927)
Subtotal	(62)	(5,242)	(51,313)	(78,421)	(4,161)	-	(139,199)
Recoveries of amounts previously written off	-	-	4,182	27,460	-	(219)	31,423
Total	(62)	(5,242)	(47,131)	(50,960)	(4,161)	(219)	(107,776)

Reconciliation for the year ended 31 December 2023:

AMD'000	Cash and cash equivalents	Loans and deposits to banks at amortised cost	Loans to customers at amortised cost - corporate customers	Loans to customers at amortised cost - retail customers	Debt investment securities at FVOCI	Other assets	Total
Net remeasurement of loss allowance	1,101	16,597	177,613	(7,384)	17,500	-	205,427
New financial assets originated or purchased	(284)	(21,472)	(25,206)	(24,925)	(27,708)	-	(99,595)
Subtotal	817	(4,875)	152,407	(32,309)	(10,208)	-	105,832
Recoveries of amounts previously written off	-	-	-	48,754	-	4,291	53,045
Total	817	(4,875)	152,407	16,445	(10,208)	4,291	158,877

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

AMD'000	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – corporate customers – gross carrying amount				
Balance at 1 January	21,052,536	-	9,806	21,062,342
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	9,344,881	-	-	9,344,881
Financial assets that have been fully or partially repaid and other changes	(7,452,056)	-	(4,302)	(7,456,358)
Foreign exchange revaluation effect	(226,833)	-	-	(226,833)
Write-offs	-	-	(5,504)	(5,504)
Balance at 31 December	22,718,528	-	-	22,718,528

Loans to customers at amortised cost - retail customers – gross carrying amount				
Balance at 1 January	29,347,188	250,862	115,223	29,713,273
Transfer to Stage 1	107,993	(97,274)	(10,719)	-
Transfer to Stage 2	(234,390)	292,377	(57,987)	-
Transfer to Stage 3	(34,959)	(9,997)	44,956	-
New financial assets originated or purchased	15,045,254	6,221	4,000	15,055,475
Financial assets that have been fully or partially repaid and other changes	(3,878,640)	(44,855)	(16,270)	(3,939,765)
Foreign exchange revaluation effect	(75,473)	(4,106)	(334)	(79,913)
Write-offs	-	-	(17,167)	(17,167)
Balance at 31 December	40,276,973	393,228	61,702	40,731,903

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

AMD'000	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – corporate customers – gross carrying amount				
Balance at 1 January	28,493,196	-	112,326	28,605,522
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	5,627,529	-	-	5,627,529
Financial assets that have been fully or partially repaid and other changes	(13,434,292)	-	(102,792)	(13,537,084)
Foreign exchange revaluation effect	366,103	-	272	366,375
Write-offs	-	-	-	-
Balance at 31 December	21,052,536	-	9,806	21,062,342

AMD'000	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost - retail customers – gross carrying amount				
Balance at 1 January	23,320,720	290,642	176,350	23,787,712
Transfer to Stage 1	141,131	(56,682)	(84,449)	-
Transfer to Stage 2	(71,267)	77,510	(6,243)	-
Transfer to Stage 3	(42,738)	(40,952)	83,690	-
New financial assets originated or purchased	9,094,689	4,546	-	9,099,235
Financial assets that have been fully or partially repaid and other changes	(3,190,626)	(28,499)	(25,433)	(3,244,558)
Foreign exchange revaluation effect	95,279	4,297	909	100,485
Write-offs	-	-	(29,601)	(29,601)
Balance at 31 December	29,347,188	250,862	115,223	29,713,273

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2024. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The Bank does not have internal credit grading system to evaluate credit quality of retail loans to customers and manages credit risk based on information about overdue days.

The credit quality of corporate customers is managed by internal rating system, as described below, and based on these internal ratings the Bank classifies its corporate loans per stage 1, stage 2 and stage 3.

Internal ratings are derived from a comprehensive assessment of two core aspects:

- Financial assessment: The financial evaluation hinges on analysis of financial statements, notably the balance sheet and income statement. This assessment includes Debt Coverage, Operational Evaluation, Liquidity, and Capital Structure.
- Business assessment: Different factors such as Industry Risk, Company Standing, and other pertinent criteria are considered.

The inputs of financial assessments affect determination of internal ratings more significantly than business assessments. Internal ratings corresponding to [1-5.5] and [5.6-10] indicates good and average financial assessment respectively for corporate customers.

Explanation of the terms: Stage 1, Stage 2, Stage 3 are included in Note 4(f)(iv).

AMD'000	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Cash and cash equivalents				
- Rated B to BB-	9	-	-	9
- Not rated	6,403,019	-	-	6,403,019
	6,403,028	-	-	6,403,028
Loss allowance	(346)	-	-	(346)
Carrying amount	6,402,682	-	-	6,402,682
Loans to banks at amortised cost				
- Rated A+	124,662	-	-	124,662
- Rated B+ to BB-	5,993,830	-	-	5,993,830
- Not rated	12,064,035	-	-	12,064,035
	18,182,527	-	-	18,182,527
Loss allowance	(26,714)	-	-	(26,714)
Carrying amount	18,155,813	-	-	18,155,813
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment:				
- With internal rating 1 - 5.5	19,758,081	-	-	19,758,081
- With internal rating 5.6 - 10	2,960,447	-	-	2,960,447
	22,718,528	-	-	22,718,528
Loss allowance	(155,692)	-	-	(155,692)
Carrying amount	22,562,836	-	-	22,562,836
Loans to customers at amortised cost – retail customers				
- Not overdue	40,209,765	215,447	-	40,425,212
- Overdue less than 30 days	67,208	96,079	-	163,287
- Overdue 31-90 days	-	81,702	-	81,702
- Overdue 91-180 days	-	-	7,558	7,558
- Overdue 181-270 days	-	-	11,286	11,286
- Overdue more than 271 days	-	-	42,858	42,858
	40,276,973	393,228	61,702	40,731,903
Loss allowance	(111,017)	(22,017)	(16,570)	(149,604)
Carrying amount	40,165,956	371,211	45,132	40,582,299
Debt investment securities at FVOCI				
- Rated AA - AAA	6,275,747	-	-	6,275,747
- Rated B+ to BB-	26,147,386	-	-	26,147,386
	32,423,133	-	-	32,423,133
Loss allowance	(74,945)	-	-	(74,945)
Carrying amount – fair value	32,423,133	-	-	32,423,133

AMD'000	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Loans and credit lines commitments				
- Not overdue	11,817,101	-	-	11,817,101
Carrying amount	11,817,101	-	-	11,817,101
Credit card commitments				
- Not overdue	2,340,784	-	-	2,340,784
Carrying amount	2,340,784	-	-	2,340,784
Guarantees and letter of credit				
- Not overdue	1,794,067	-	-	1,794,067
Carrying amount	1,794,067	-	-	1,794,067

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2023.

AMD'000	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Cash and cash equivalents				
- Rated B- to BB-	1,184	-	-	1,184
- Not rated	4,843,475	-	-	4,843,475
	4,844,659	-	-	4,844,659
Loss allowance	(284)	-	-	(284)
Carrying amount	4,844,375	-	-	4,844,375
Loans to banks at amortised cost				
- Rated A+	122,815	-	-	122,815
- Rated B+ to BB-	9,782,638	-	-	9,782,638
- Not rated	6,798,689	-	-	6,798,689
	16,704,142	-	-	16,704,142
Loss allowance	(21,472)	-	-	(21,472)
Carrying amount	16,682,670	-	-	16,682,670
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment:				
- With internal rating 1 - 5.5	20,886,640	-	-	20,886,640
- With internal rating 5.6 - 10	165,896	-	-	165,896
Impaired loans	-	-	9,806	9,806
	21,052,536	-	9,806	21,062,342
Loss allowance	(106,173)	-	(8,146)	(114,319)
Carrying amount	20,946,363	-	1,660	20,948,023
Loans to customers at amortised cost – retail customers				
- Not overdue	29,272,320	186,658	-	29,458,978
- Overdue less than 30 days	74,868	6,537	-	81,405
- Overdue 31-90 days	-	57,667	-	57,667
- Overdue 91-180 days	-	-	55,400	55,400
- Overdue 181-270 days	-	-	34,565	34,565
- Overdue more than 271 days	-	-	25,258	25,258
	29,347,188	250,862	115,223	29,713,273
Loss allowance	(68,372)	(10,399)	(9,940)	(88,711)
Carrying amount	29,278,816	240,463	105,283	29,624,562

AMD'000	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Debt investment securities at FVOCI				
- Rated AA to AAA	9,390,638	-	-	9,390,638
- Rated B to BB-	22,202,128	-	-	22,202,128
	31,592,766	-	-	31,592,766
Loss allowance	(70,785)	-	-	(70,785)
Carrying amount – fair value	31,592,766	-	-	31,592,766
Loans and credit lines commitments				
- Not overdue	5,520,089	-	-	5,520,089
Carrying amount	5,520,089	-	-	5,520,089
Credit card commitments				
- Not overdue	1,753,153	-	-	1,753,153
Carrying amount	1,753,153	-	-	1,753,153
Guarantees and letter of credit				
- Not overdue	1,699,708	-	-	1,699,708
Carrying amount	1,699,708	-	-	1,699,708

* Expected credit losses under IFRS 9 for loans to customers include ECL for undrawn loan commitments.

Collateral held and other credit enhancements

At 31 December 2024 and 31 December 2023 the Bank had financial instruments for which no loss allowance is recognised because of collateral.

	Exposure as at 31 December 2024 AMD'000	Exposure as at 31 December 2023 AMD'000
Amounts receivable under reverse repurchase agreements	3,174,870	5,441,127
Loans to corporate customers	11,353,054	8,726,762
Loans to retail customers	982,510	731,709

During the period, there was no change in the Bank's collateral policies.

Concentrations of credit risk

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	31 December 2024 AMD'000	31 December 2023 AMD'000
Assets		
Cash and cash equivalents	6,402,682	4,844,375
Amounts receivable under reverse repurchase agreements	3,174,870	5,441,127
Loans and deposits to banks and other placements	18,155,813	16,682,670
Loans to customers	63,145,135	50,572,585
Investment securities	32,501,507	31,610,283
Other financial assets	93,347	131,751
Total maximum exposure	123,473,354	109,282,791

Collateral generally is not held against investments in securities, and loans to banks, except when securities are held as part of reverse repurchase activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 13.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 26.

As at 31 December 2024 the Bank has two debtors or groups of connected debtors (as at 31 December 2023: two), credit risk exposure to whom exceeded 10% maximum credit risk exposure. The credit risk exposure for these counterparties as at 31 December 2024 is AMD 37,374,156 thousand (as at 31 December 2023: AMD 29,318,582 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

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

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

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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

AMD'000

Types of financial assets	Gross amounts of recognized financial assets	Gross amount of recognized financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts subject to offsetting in case of bankruptcy	Net amount
				Financial instruments	
Amounts receivable under reverse repurchase agreements	3,174,870	-	3,174,870	3,174,870	-
Total financial assets	3,174,870	-	3,174,870	3,174,870	-

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

AMD'000

Types of financial assets	Gross amounts of recognized financial assets	Gross amount of recognized financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts subject to offsetting in case of bankruptcy	Net amount
				Financial instruments	
Amounts receivable under reverse repurchase agreements	5,441,127	-	5,441,127	5,441,127	-
Total financial assets	5,441,127	-	5,441,127	5,441,127	-

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in debt and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk management is vested in the ALCO Committee. Market risk limits are approved by the ALCO Committee.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the ALCO Committee.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows as at 31 December 2024:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2024							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	7,954,292	7,954,292
Amounts receivable under reverse repurchase agreements	3,174,870	-	-	-	-	-	3,174,870
Loans and deposits to banks and other placements	4,504,109	5,420,947	-	1,978,176	124,662	6,127,919	18,155,813
Loans to customers	5,277,297	9,357,370	19,070,417	28,377,800	1,062,251	-	63,145,135
Investment securities	3,931,858	5,763,715	6,517,455	13,967,867	2,242,238	78,374	32,501,507
Other financial assets	-	-	-	-	-	93,347	93,347
	16,888,134	20,542,032	25,587,872	44,323,843	3,429,151	14,253,932	125,024,964
LIABILITIES							
Loans, deposits and other balances from banks	1,543	5,436,618	16,455	122,509	-	-	5,577,125
Current accounts and deposits from customers	22,470,941	17,292,440	19,498,923	13,657,352	5,148	8,557,986	81,482,790
Lease liability	11,836	12,060	25,402	261,858	-	-	311,156
Other financial liabilities	-	-	-	-	-	606,261	606,261
Other borrowed funds	12,875	10,139	21,318	105,924	83,072	-	233,328
Subordinated loans from Parent	101,080	-	-	5,942,331	-	-	6,043,411
	22,598,275	22,751,257	19,562,098	20,089,974	88,220	9,164,247	94,254,071
	(5,710,141)	(2,209,225)	6,025,774	24,233,869	3,340,931	5,089,685	30,770,893

A summary of the interest gap position for major financial instruments is as follows as at 31 December 2023:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2023							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	6,268,266	6,268,266
Amounts receivable under reverse repurchase agreements	5,441,127	-	-	-	-	-	5,441,127
Loans and deposits to banks and other placements	9,346,526	-	-	2,016,711	122,815	5,196,618	16,682,670
Loans to customers	7,296,180	6,367,062	16,932,305	18,958,310	1,018,728	-	50,572,585
Investment securities	9,897,286	2,559,232	908,840	16,323,269	1,904,139	17,517	31,610,283
Other financial assets	-	-	-	-	-	131,751	131,751
	31,981,119	8,926,294	17,841,145	37,298,290	3,045,682	11,614,152	110,706,682
LIABILITIES							
Loans, deposits and other balances from banks	-	16,954	14,571	65,998	-	-	97,523
Current accounts and deposits from customers	18,998,515	8,023,044	20,704,207	18,949,965	4,806	7,151,196	73,831,733
Lease liability	10,056	10,322	21,745	248,618	62,538	-	353,279
Other financial liabilities	-	-	-	-	-	713,237	713,237
Other borrowed funds	17,719	18,374	37,803	139,776	65,277	-	278,949
Subordinated loans from Parent	107,186	-	-	6,303,971	-	-	6,411,157
	19,133,476	8,068,694	20,778,326	25,708,328	132,621	7,864,433	81,685,878
	12,847,643	857,600	(2,937,181)	11,589,962	2,913,061	3,749,719	29,020,804

Average effective interest rates

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

	31 December 2024			31 December 2023		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Amounts receivable under reverse repurchase agreements	-	4.47%	-	9.44%	4.50%	-
Loans and deposits to banks and other placements	7.25%	6.38%	5.26%	9.47%	5.53%	-
Loans to customers	12.04%	7.64%	5.71%	11.91%	7.52%	5.13%
Investment securities	10.25%	4.11%	-	10.43%	5.06%	3.47%
Interest bearing liabilities						
Loans, deposits and other balances from banks	7.99%	6.52%	4.36%	8.15%	-	-
Amounts receivable under repurchase agreements	-	-	-	-	-	-
Current accounts and deposits from customers						
- Current accounts and demand deposits	3.47%	0.38%	0.02%	1.69%	0.76%	0.03%
- Term deposits	9.53%	4.76%	1.93%	7.32%	5.09%	2.34%
Other borrowed funds	5.93%	-	-	6.99%	-	-
Subordinated loans from parent	-	6.52%	6.52%	-	6.52%	6.52%

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. The sensitivity of the 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 fixed and floating rate non-trading financial assets held and liabilities as at the end of the reporting period. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

An analysis of sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2024 and 31 December 2023, respectively, is as follows:

	31 December 2024	31 December 2023
	AMD'000	AMD'000
100 bp parallel rise	(23,450)	81,085
100 bp parallel fall	23,450	(81,085)

An analysis of sensitivity of net profit or loss and equity as a result of changes in fair value of financial assets at FVOCI due to changes in the interest rates based on positions existing at 31 December 2024 and 31 December 2023 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, respectively, is as follows:

	31 December 2024		31 December 2023	
	Net profit or loss	Equity	Net profit or loss	Equity
	AMD'000	AMD'000	AMD'000	AMD'000
100 bp parallel rise	-	(541,112)	-	(425,037)
100 bp parallel fall	-	541,112	-	425,037

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank does not hedge its exposure to currency risk.

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

	AMD	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS					
Cash and cash equivalents	4,979,847	2,317,051	626,531	30,863	7,954,292
Amounts receivable under reverse repurchase agreements	-	3,174,870	-	-	3,174,870
Loans and deposits to banks and other placements	1,195,635	14,456,181	2,503,997	-	18,155,813
Loans to customers	44,161,868	14,900,739	4,082,528	-	63,145,135
Investment securities	26,225,760	6,275,747	-	-	32,501,507
Other financial assets	31,965	61,230	152	-	93,347
Total assets	76,595,075	41,185,818	7,213,208	30,863	125,024,964
LIABILITIES					
Loans, deposits and other balances from banks	175,395	3,654,963	1,746,767	-	5,577,125
Current accounts and deposits from customers	44,571,373	35,396,541	1,507,366	7,510	81,482,790
Lease liability	311,156	-	-	-	311,156
Other financial liabilities	433,852	124,434	47,975	-	606,261
Other borrowed funds	233,328	-	-	-	233,328
Subordinated loans from Parent	-	2,097,155	3,946,256	-	6,043,411
Total liabilities	45,725,104	41,273,093	7,248,364	7,510	94,254,071
Net position	30,869,971	(87,275)	(35,156)	23,353	30,770,893

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

	AMD	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS					
Cash and cash equivalents	2,767,421	2,959,430	391,392	150,023	6,268,266
Amounts receivable under reverse repurchase agreements	2,403,106	3,038,021	-	-	5,441,127
Loans and deposits to banks and other placements	6,350,696	10,157,400	174,574	-	16,682,670
Loans to customers	32,142,747	14,625,888	3,803,950	-	50,572,585
Investment securities	22,219,645	8,055,053	1,335,585	-	31,610,283
Other financial assets	111,175	20,554	22	-	131,751
Total assets	65,994,790	38,856,346	5,705,523	150,023	110,706,682
LIABILITIES					
Loans, deposits and other balances from banks	97,523	-	-	-	97,523
Current accounts and deposits from customers	36,056,818	36,333,471	1,433,913	7,531	73,831,733
Lease liability	353,279	-	-	-	353,279
Other financial liabilities	330,700	321,781	51,525	9,231	713,237
Other borrowed funds	278,949	-	-	-	278,949
Subordinated loans from Parent	-	2,140,641	4,270,516	-	6,411,157
Total liabilities	37,117,269	38,795,893	5,755,954	16,762	81,685,878
Net position	28,877,521	60,453	(50,431)	133,261	29,020,804

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

	31 December 2024 AMD'000	31 December 2023 AMD'000
10% appreciation of USD against AMD	(8,728)	6,045
10% appreciation of EUR against AMD	(3,516)	(5,043)

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

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the ALCO Committee.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Unit receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Unit then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Unit. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the liquidity management are made by the ALCO Committee, based on the reports of Risk Management and Treasury Unit.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The contractual maturity analysis for financial liabilities as at 31 December 2024 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
31 December 2024							
Non-derivative liabilities							
Loans, deposits and other balances from banks	-	1,543	5,440,861	22,027	143,379	5,607,810	5,577,125
Current accounts and deposits from customers	25,159,800	6,149,415	17,942,470	20,500,396	14,917,026	84,669,107	81,482,790
Lease liability	6,564	13,127	19,690	39,857	317,209	396,448	311,156
Other financial liabilities	257,807	-	-	134,762	213,692	606,261	606,261
Other borrowed funds	4,541	10,882	13,300	26,992	222,058	277,773	233,328
Subordinated loans from Parent	-	191,329	-	197,487	6,328,810	6,717,626	6,043,411
Total	25,428,712	6,366,297	23,416,321	20,921,521	22,142,174	98,275,025	94,254,071
Credit related commitments	15,951,952	-	-	-	-	15,951,952	15,951,952

The contractual maturity analysis for financial liabilities as at 31 December 2023 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
31 December 2023							
Non-derivative liabilities							
Loans, deposits and other balances from banks	-	-	19,284	17,865	76,046	113,195	97,523
Current accounts and deposits from customers	20,719,957	5,633,719	8,503,688	21,907,571	20,537,431	77,302,365	73,831,733
Lease liability	6,372	12,745	19,117	38,697	396,448	473,379	353,279
Other financial liabilities	418,638	-	-	-	294,599	713,237	713,237
Other borrowed funds	5,184	15,863	22,893	45,432	238,003	327,375	278,949
Subordinated loans from Parent	-	204,054	-	207,253	7,127,349	7,538,656	6,411,157
Total	21,150,151	5,866,381	8,564,981	22,216,817	28,669,877	86,468,206	81,685,878
Credit related commitments	8,972,950	-	-	-	-	8,972,950	8,972,950

In accordance with Armenian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contractual maturity dates.

The classification of balances of these deposits in accordance with their stated maturity dates is presented below:

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Less than 1 month	3,072,337	2,119,448
From 1 to 3 months	4,464,975	3,625,655
From 3 to 12 months	23,273,946	16,391,855
More than 1 year	6,456,830	8,881,624
	37,268,088	31,018,581

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	7,954,292	-	-	-	-	-	-	7,954,292
Amounts receivable under reverse repurchase agreements	3,174,870	-	-	-	-	-	-	3,174,870
Loans and deposits to banks and other placements	7,946,024	1,991,004	5,420,947	1,978,176	-	819,662	-	18,155,813
Loans to customers	668,879	1,692,486	9,000,512	24,457,676	27,311,035	-	14,547	63,145,135
Investment securities	-	3,931,858	12,281,170	13,967,867	2,242,238	78,374	-	32,501,507
Right-of-use assets	-	-	-	-	-	347,873	-	347,873
Property, equipment and intangible assets	-	-	-	-	-	2,968,887	-	2,968,887
Repossessed assets	-	-	-	-	-	137,114	-	137,114
Other assets	86,758	-	-	-	-	214,184	-	300,942
Total assets	19,830,823	7,615,348	26,702,629	40,403,719	29,553,273	4,566,094	14,547	128,686,433
LIABILITIES								
Loans, deposits and other balances from banks	-	1,543	5,453,073	122,509	-	-	-	5,577,125
Current accounts and deposits from customers	25,056,652	5,900,929	36,833,147	13,686,914	5,148	-	-	81,482,790
Current tax liabilities	-	-	170,724	-	-	-	-	170,724
Lease liability	3,824	8,012	37,462	261,858	-	-	-	311,156
Other liabilities	297,100	-	134,762	-	-	298,635	-	730,497
Other borrowed funds	4,164	8,711	31,457	105,924	83,072	-	-	233,328
Deferred tax liabilities	-	-	-	-	-	156,743	-	156,743
Subordinated loans from Parent	-	101,080	-	5,942,331	-	-	-	6,043,411
Total liabilities	25,361,740	6,020,275	42,660,625	20,119,536	88,220	455,378	-	94,705,774
Net position	(5,530,917)	1,595,073	(15,957,996)	20,284,183	29,465,053	4,110,716	14,547	33,980,659

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	6,268,266	-	-	-	-	-	-	6,268,266
Amounts receivable under reverse repurchase agreements	5,441,127	-	-	-	-	-	-	5,441,127
Loans and deposits to banks and other placements	13,691,142	7,002	-	2,016,711	-	967,815	-	16,682,670
Loans to customers	528,281	4,935,079	8,463,123	16,726,190	19,896,664	-	23,248	50,572,585
Investment securities	6,051,076	3,846,210	3,468,072	16,323,269	1,904,139	17,517	-	31,610,283
Right-of-use assets	-	-	-	-	-	416,504	-	416,504
Property, equipment and intangible assets	-	-	-	-	-	2,849,472	-	2,849,472
Repossessioned assets	-	-	-	-	-	147,727	-	147,727
Other assets	65,414	-	-	-	-	271,141	-	336,555
Total assets	32,045,306	8,788,291	11,931,195	35,066,170	21,800,803	4,670,176	23,248	114,325,189
LIABILITIES								
Loans, deposits and other balances from banks	-	-	31,525	65,998	-	-	-	97,523
Current accounts and deposits from customers	20,633,809	5,395,018	28,818,398	18,979,612	4,896	-	-	73,831,733
Current tax liabilities	-	-	201,863	-	-	-	-	201,863
Lease liability	3,256	6,800	32,067	248,618	62,538	-	-	353,279
Other liabilities	418,638	-	-	-	-	368,463	-	787,101
Other borrowed funds	4,757	12,962	56,177	139,776	65,277	-	-	278,949
Deferred tax liabilities	-	-	-	-	-	94,640	-	94,640
Subordinated loans from Parent	-	107,186	-	6,303,971	-	-	-	6,411,157
Total liabilities	21,060,460	5,521,966	29,140,030	25,737,975	132,711	463,103	-	82,056,245
Net position	10,984,846	3,266,325	(17,208,835)	9,328,195	21,668,092	4,207,073	23,248	32,268,944

Overdue column represents only past due amounts of assets per contractual terms, but not the whole carrying value of the instruments on which delinquencies occurred. For more details about performance and quality of assets please see Note 13.

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way issued by Governments and companies with high ratings. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratio of highly liquid assets to demand liabilities at 31 December 2024 is 238.33% (31 December 2023: 254.44%).

The above ratio is also used to measure compliance with the liquidity limit established by the CBA (60% minimum).

(e) Operational risk

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

25 Capital management

The CBA sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for banks. Under the current capital requirements set by the CBA, which are based on Basel Accord principles, banks have to maintain a ratio of Tier 1 core, Tier 1 and Total regulatory capital to risk weighted assets (Capital adequacy ratio) above the prescribed minimum level 6.2%, 8.3% and 11%. The Bank is in compliance with the statutory capital ratios as at 31 December 2024 and 31 December 2023.

The following table shows the composition of the capital position calculated in accordance with the requirements of the CBA, as at 31 December 2024 and 31 December 2023:

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Tier 1 capital		
Share capital	26,249,100	26,249,100
Share premium	257,149	257,149
General reserve	379,537	128,028
Retained earnings	6,242,253	5,201,738
Fair value reserve for investment securities	256,665	(183,032)
Deductions	(2,105)	(43,324)
Total tier 1 capital	33,382,599	31,609,659
Tier 2 capital		
Credit loss general reserve	719,786	637,343
Subordinated loans	2,123,463	3,478,129
Total tier 2 capital	2,843,248	4,115,472
Total capital	36,225,847	35,725,131
Total risk weighted assets	106,727,111	93,306,491
Total capital expressed as a percentage of risk-weighted assets (Total capital ratio)	33.94%	38.29%
Total tier 1 core capital expressed as a percentage of risk-weighted assets (Tier 1 core capital ratio)	31.28%	33.88%
Total tier 1 capital expressed as a percentage of risk-weighted assets (Tier 1 capital ratio)	31.28%	33.88%

The 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.

26 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	31 December 2024	31 December 2023
	AMD'000	AMD'000
Contracted amount		
Loan and credit line commitments	11,817,101	5,520,089
Credit card commitments	2,340,784	1,753,153
Guarantees and letters of credit	1,794,067	1,699,708
	15,951,952	8,972,950

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2024 of these credit related commitments, AMD 11,105,516 thousand (31 December 2023: AMD 5,204,822 thousand) are to twenty four customers (31 December 2023: eighteen customers). This exposure represents a significant credit risk exposure to the Bank.

27 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 500,000 thousand coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of property arising from accidents on the Bank's property or related to the Bank's operations. The Bank also has up to AMD 110,000 thousand insurance coverage of cash desks against physical damage and theft.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

28 Related party transactions

(a) Control relationships

The Bank's parent Company is "Byblos Bank S.A.L", which owns 100 % of the share capital. The parent Company produces publicly available financial statements. The party with ultimate control over the Bank is Francois Bassil.

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

Total remuneration included in personnel expenses for the year ended 31 December 2024 and 31 December 2023 is as follows:

	1 October 2024 31 December 2024 AMD'000	1 January 2024 31 December 2024 AMD'000	1 October 2023 31 December 2023 AMD'000	1 January 2023 31 December 2023 AMD'000
Short-term employee benefits	88,976	396,020	97,075	366,012

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

	31 December 2024	Average effective interest rate, %	31 December 2023	Average effective interest rate, %
Statement of financial position				
Loans issued (gross)	348,912	11.18%	339,140	10.77%
Expected credit loss allowance	(734)		(634)	
Deposits received	314,440	2.79%	334,077	3.29%

Loans to related parties are in Armenian Dram and foreign currency and repayable from 1 to 20 years based on the type of the loan. Loans are secured by the appropriate type of collateral, as presented in Note 13(b).

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Committee for the year ended 31 December 2024 and 31 December 2023 are as follows:

	1 October 2024	1 January 2024	1 October 2023	1 January 2023
	31 December 2024	31 December 2024	31 December 2023	31 December 2023
	AMD'000	AMD'000	AMD'000	AMD'000
Profit or loss				
Interest income	9,606	36,754	9,105	35,706
Interest expense	(2,131)	(9,064)	(2,569)	(7,779)
Credit (loss)/release	80	(100)	(32)	188

(c) Transactions with other related parties

Other related parties include the Parent company and its fellow subsidiaries and non-controlling shareholders. The outstanding balances and the related average effective interest rates as at 31 December 2024 and related profit or loss amounts of transactions for the year ended 31 December 2024 with other related parties are as follows:

	Parent company		Other subsidiaries of the parent company		Other companies related with the parent company		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position							
Assets							
Cash and cash equivalents							
- in USD	676,719		19,874		-		696,593
- in EUR	69,641		49		-		69,690
- in other currencies	22,958		-		-		22,958
Deposits in banks	-		-		-		
- in USD	-		3,678,293	6.33%	-		3,678,293
- in EUR	-		1,757,127	5.26%	-		1,757,127
Liabilities							
Current accounts and deposits from customers							
- in USD	-	-	-	-	5,819,865	5.80%	5,819,865
Other borrowed funds	-	-	-	-	-	-	-
- in USD	-	-	-	-	-	-	-
Subordinated loans from Parent	-	-	-	-	-	-	-
- in USD	2,097,154	6.52%	-	-	-	-	2,097,154
- in EUR	3,946,256	6.52%	-	-	-	-	3,946,256
Interbank Deposits	-	-	-	-	-	-	-
- in USD	3,654,963	5.52%	-	-	-	-	3,654,963
- in EUR	1,746,767	4.36%	-	-	-	-	1,746,767
Other liabilities	-	-	-	-	-	-	-
- in USD	49,740	-	-	-	-	-	49,740
Profit or loss							
Interest income	-	-	307,079	-	-	-	307,079
Interest expense	(618,196)	-	-	-	(323,142)	-	(941,338)
Fee and commission income	15,329	-	-	-	-	-	15,329
Fee and commission expense	(31,401)	-	(45)	-	-	-	(31,446)
Professional services	(63,960)	-	-	-	-	-	(63,960)

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

	Parent company		Other subsidiaries of the parent company		Other companies related with the parent company		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position							
Assets							
Cash and cash equivalents							
- in USD	455,669		4,078		-		459,747
- in EUR	167,381		2,943		-		170,324
- in other currencies	2,845		-		-		2,845
Liabilities							
Current accounts and deposits from customers							
- in USD	-		-		5,640,854	5.53%	5,640,854
Other borrowed funds	-						
- in USD	-				-	-	-
Subordinated loans from Parent	-						
- in USD	2,140,643	6.52%	-		-		2,140,643
- in EUR	4,270,514	6.52%	-		-		4,270,514
Other liabilities							
- in USD	57,278		-		-		57,278
Profit or loss							
Interest income	-		-		-		-
Interest expense	(392,574)		-		(290,142)		(682,716)
Fee and commission income	11,059		-		-		11,059
Fee and commission expense	(25,762)		(42)		-		(25,804)
Professional services	(94,685)		-		-		(94,685)

Cash and cash equivalents held with related parties are not secured.

29 Fair values of financial instruments

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The estimated fair values of all financial instruments except for AMD denominated loans to customers and current accounts and term deposits from customers as at 31 December 2024 and 31 December 2023 approximate their carrying amounts.

	31 December 2024		31 December 2023	
	AMD'000		AMD'000	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans to customers	60,067,070	63,145,135	48,587,414	50,572,585
Current accounts and deposits from customers	81,300,388	81,482,790	73,615,402	73,831,733

The fair value measurements of current accounts and term deposits from customers are categorized into Level 2 in the fair value hierarchy, loans to customers are categorized into Level 3.

The table below analyses financial instruments measured at fair value at 31 December 2024, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
Investment securities				
- Debt instruments at FVOCI	6,275,747	26,147,386	-	32,423,133
- Corporate shares	-	-	78,374	78,374

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

AMD'000	Level 1	Level 2	Level 3	Total
Investment securities				
- Debt instruments at FVOCI	9,390,638	22,202,128	-	31,592,766
- Corporate shares	-	-	17,517	17,517

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.