

# Financial Statements and Independent Auditor's Report

## “ARMSWISSBANK” CLOSED JOINT STOCK COMPANY

31 December 2025

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# Independent Auditor's Report

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To the shareholders of “ARMSWISSBANK” CLOSED JOINT STOCK COMPANY

## Opinion

We have audited the financial statements of “ARMSWISSBANK” CLOSED JOINT STOCK COMPANY (the “Bank”), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2025 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the Republic of Armenia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Allowance for expected credit loss

See Note 4.6 of the financial statements for a description of the accounting policies and to Note 35.1 for an analysis of credit risk.

Expected credit loss allowance was considered as a key audit matter due to significance of loans to customers as well as the subjectivity of assumptions underlying the impairment assessment. Applying different judgments and assumptions can lead to significantly different results of the expected credit loss allowance, which may have a material effect on the Bank’s financial results.

Key areas of judgment included the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With respect to impairment methodology, our audit procedures comprised the following:

- We read the Bank's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9.
- We assessed the design and tested the operating effectiveness of relevant controls over the data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model.
- We assessed the design and tested the operating effectiveness of relevant controls over the expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy.
- We checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages.
- For a sample of risk exposures, we checked the appropriateness of the Bank's staging.
- We assessed and tested the material modeling assumptions as well as overlays with a focus on the key modeling assumptions adopted by the Bank and sensitivity of the provisions to changes in modeling assumptions.
- For forward looking assumptions used by the Bank's management in its expected credit loss calculations, we held discussions with management and corroborated the assumptions using publicly available information.
- We examined a sample of risk exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis.
- We checked the completeness of loans and advances, off-balance sheet items, investment securities, placements and other financial assets included in calculation of allowances for expected credit loss as at 31 December 2025. We understood the theoretical soundness and tested the mathematical integrity of the models applied.
- For data from external sources, we understood the process of choosing such data, its relevance for the Bank, and the controls and governance over such data;
- We involved our IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model).

We assessed the accuracy of the disclosures in the financial statements.

### Other Matter

The financial statements of the Bank as of and for the year ended 31 December 2024 were audited by other auditors, whose report dated 30 April 2025 expressed an unmodified opinion on those statements.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Bank for the year ended 31 December 2025, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement manager on the audit resulting in this independent auditor's report is Lilit Baghdasaryan.

Armen Hovhannisyan

Chief Executive Officer of "Grant Thornton"  
CJSC

Lilit Baghdasaryan

Engagement Manager



30 April 2026

# Statement of profit or loss and other comprehensive income

In thousand AMD

	Notes	2025	2024
Interest income calculated using effective interest rate	5	43,046,061	41,439,737
Other interest income	5	1,987,095	1,297,077
Interest expense	5	(27,699,642)	(28,140,511)
<b>Net interest income</b>		<b>17,333,514</b>	<b>14,596,303</b>
Fee and commission income	6	2,111,321	1,551,040
Fee and commission expense	6	(483,312)	(335,655)
<b>Net fee and commission income</b>		<b>1,628,009</b>	<b>1,215,385</b>
Net trading income	7	1,878,494	1,772,459
Credit loss expense	8	(7,835,913)	(2,098,897)
Net gains on derecognition of financial assets measured at amortised cost		86,010	-
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		1,001,530	183,141
Foreign currency translation net loss		(398,079)	(224,750)
Other operating income	9	977,668	591,937
Personnel expenses	10	(2,463,832)	(2,971,807)
Depreciation of property and equipment and amortization of intangible assets	18,19	(257,979)	(268,523)
Other expenses	11	(975,536)	(740,078)
<b>Profit before income tax</b>		<b>10,973,886</b>	<b>12,055,170</b>
Income tax expense	12	(1,854,023)	(2,240,300)
<b>Profit for the year</b>		<b>9,119,863</b>	<b>9,814,870</b>

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

In thousand AMD

	Notes	2025	2024
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation gains on equity instruments at fair value through other comprehensive income		59,048	52,219
Income tax relating to items not reclassified		(10,629)	(9,399)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>48,419</b>	<b>42,820</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Net unearned gain from fair value changes		7,451,198	7,541,169
Changes in allowance for expected credit losses		(47,784)	28,057
Income tax relating to items that will be reclassified		(1,332,615)	(1,362,461)
<b>Total items that are or may be reclassified subsequently to profit or loss</b>		<b>6,070,799</b>	<b>6,206,765</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>6,119,218</b>	<b>6,249,585</b>
<b>Total comprehensive income for the year</b>		<b>15,239,081</b>	<b>16,064,455</b>

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Statement of financial position

In thousand AMD	Notes	31 December 2025	31 December 2024
<b>Assets</b>			
Cash and cash equivalents	13	31,990,579	27,139,747
Derivative financial assets	14	6,983	35,781
Amounts due from financial institutions	15	16,152,027	13,962,886
Loans and advances to customers	16	220,401,268	204,925,841
Investment securities	17	127,177,598	116,048,596
Securities pledged under sale and repurchase agreements	17	63,448,293	90,151,363
Property and equipment	18	1,767,883	1,925,452
Intangible assets	19	137,342	117,082
Repossessed assets	20	2,097,198	1,750,995
Deferred income tax assets	12	-	643,713
Other assets	21	10,030,950	11,322,484
<b>Total assets</b>		<b>473,210,121</b>	<b>468,023,940</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due to banks	22	62,786,808	84,664,361
Derivative financial liabilities	14	138,925	80,370
Amounts due to customers	23	181,820,486	173,610,357
Debt securities issued	24	65,290,747	69,773,790
Other borrowed funds	25	37,979,773	29,629,001
Subordinated debts	26	30,145,959	30,148,534
Current income tax liabilities		346,512	1,098,856
Deferred income tax liabilities	12	305,897	-
Other liabilities	27	4,036,058	3,898,796
<b>Total liabilities</b>		<b>382,851,165</b>	<b>392,904,065</b>

# Statement of financial position (continued)

In thousand AMD	Notes	31 December 2025	31 December 2024
<b>Equity</b>			
Share capital	28	10,000,200	10,000,200
Share premium		6,205,548	6,205,548
Statutory general reserve		45,000,000	40,000,000
Revaluation reserve for investment securities		1,954,374	(4,164,844)
Revaluation reserve of property and equipment		1,558,768	1,558,768
Retained earnings		25,640,066	21,520,203
<b>Total equity</b>		<b>90,358,956</b>	<b>75,119,875</b>
<b>Total liabilities and equity</b>		<b>473,210,121</b>	<b>468,023,940</b>

The financial statements were approved on 30 April 2026 by:

Gevorg Machanyan  
Chief Executive Officer



Sedrak Baghdasaryan  
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Statement of changes in equity

In thousand AMD

	Share capital	Share premium	Statutory general reserve	Revaluation reserve for investment securities	Revaluation reserve of property and equipment	Retained earnings	Total
<b>Balance at 1 January 2025</b>	10,000,200	6,205,548	40,000,000	(4,164,844)	1,558,768	21,520,203	75,119,875
Profit for the year	-	-	-	-	-	9,119,863	9,119,863
<b>Other comprehensive income:</b>							
Net change in fair value	-	-	-	8,581,563	-	-	8,581,563
Net amount reclassified to profit on sale	-	-	-	(1,071,317)	-	-	(1,071,317)
Net changes in allowance for expected credit losses	-	-	-	(47,784)	-	-	(47,784)
Income tax relating to components of other comprehensive income	-	-	-	(1,343,244)	-	-	(1,343,244)
<b>Total comprehensive income for the year</b>	-	-	-	6,119,218	-	9,119,863	15,239,081
Distribution to reserve	-	-	5,000,000	-	-	(5,000,000)	-
<b>Total transactions with owners</b>	-	-	5,000,000	-	-	(5,000,000)	-
<b>Balance at 31 December 2025</b>	10,000,200	6,205,548	45,000,000	1,954,374	1,558,768	25,640,066	90,358,956
<b>Balance at 1 January 2024</b>	10,000,200	6,205,548	40,000,000	(10,414,429)	1,558,768	11,705,333	59,055,420
Profit for the year	-	-	-	-	-	9,814,870	9,814,870
<b>Other comprehensive income:</b>							
Net change in fair value	-	-	-	7,795,400	-	-	7,795,400
Net amount reclassified to profit on sale	-	-	-	(202,012)	-	-	(202,012)
Net changes in allowance for expected credit losses	-	-	-	28,057	-	-	28,057
Income tax relating to components of other comprehensive income	-	-	-	(1,371,860)	-	-	(1,371,860)
<b>Total comprehensive income for the year</b>	-	-	-	6,249,585	-	9,814,870	16,064,455
<b>Balance at 31 December 2024</b>	10,000,200	6,205,548	40,000,000	(4,164,844)	1,558,768	21,520,203	75,119,875

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Statement of cash flows

In thousand AMD

	2025	2024
<b>Cash flows from operating activities</b>		
Profit before tax	10,973,886	12,055,170
<b>Adjustments for</b>		
Impairment charge of financial assets	7,835,913	2,098,897
Amortization and depreciation allowances	257,979	268,523
Interest receivable	(485,032)	(218,030)
Interest payable	54,136	(2,770)
Gain from disposal of property and equipment	(688)	(1,299)
Foreign currency translation loss	398,079	224,750
Net gain from revaluation of precious metals	(69,561)	(21,386)
Net loss from change in fair value of derivative instruments	87,353	24,296
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>19,052,065</b>	<b>14,428,151</b>
<b>(Increase) decrease in operating assets</b>		
Amounts due from financial institutions	(2,600,230)	(1,528,013)
Loans and advances to customers	(23,504,470)	(37,174,261)
Repossessed assets	(1,029)	(878,810)
Other assets	1,426,744	(5,055,018)
<b>Increase (decrease) in operating liabilities</b>		
Amounts due to banks	(22,387,246)	(6,810,542)
Amounts due to customers	8,559,980	14,945,886
Other liabilities	(205,748)	2,041,905
<b>Net cash flow used in operating activities before income tax</b>	<b>(19,659,934)</b>	<b>(20,030,702)</b>
Income tax paid	(3,000,001)	(1,286,614)
<b>Net cash used in operating activities</b>	<b>(22,659,935)</b>	<b>(21,317,316)</b>

# Statement of cash flows (continued)

In thousand AMD

	2025	2024
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(24,401)	(102,184)
Proceeds from sale of property and equipment	688	1,261
Purchase of investment securities	(13,576,642)	(15,775,129)
Proceeds from sale of investment securities	36,742,375	27,405,562
Purchase of intangible assets	(62,895)	(41,504)
<b>Net cash from investing activities</b>	<b>23,079,125</b>	<b>11,488,006</b>
<b>Cash flows from financing activities</b>		
Proceeds from other borrowed funds	19,703,485	12,539,792
Repayment of other borrowed funds	(12,010,185)	(11,365,500)
Proceeds from debt securities issued	26,552,190	23,130,656
Redemption of debt securities issued	(30,871,988)	(7,578,808)
Proceeds from subordinated debt	-	3,702,238
Repayment of subordinated debt	-	(5,642,307)
Repayment of lease liabilities	(108,291)	(105,600)
<b>Net cash from financing activities</b>	<b>3,265,211</b>	<b>14,680,471</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,684,401</b>	<b>4,851,161</b>
Cash and cash equivalents at the beginning of the year	27,139,747	23,499,645
Effect of changes in impairment allowance on cash and cash equivalents	22,098	(25,133)
Exchange differences on cash and cash equivalents	1,144,333	(1,185,926)
<b>Cash and cash equivalents at the end of the year (Note 13)</b>	<b>31,990,579</b>	<b>27,139,747</b>
<b>Supplementary information:</b>		
Interest received	44,548,124	42,518,784
Interest paid	(27,645,506)	(28,143,281)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Notes to the financial statements

“ARMSWISSBANK” CLOSED JOINT STOCK COMPANY

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

## 1 Nature of operations

The principal activities of “ARMSWISSBANK” CLOSED JOINT STOCK COMPANY include accepting deposits and customer account maintenance, lending, issuing guarantees, cash and settlement operations, as well as transactions in securities and foreign currency.

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

“ARMSWISSBANK” CLOSED JOINT STOCK COMPANY (the “Bank”) was established in 2004 as a closed joint-stock company operating under the legislation of the Republic of Armenia (“RA”). The Bank conducts its business under license number 84, granted on 07 October 2004 by the Central Bank of Armenia (the “CBA”).

The Bank is a member of Individuals deposit compensation guarantee state system of RA, as well as member of Union of Banks of Armenia, ArCa, MasterCard, Visa International payment systems.

The Bank’s head office is located in Yerevan. The Bank’s legal address is 10 Vazgen Sargsyan str., Yerevan, 0010, RA

The average number of employees of the Bank during 2025 was 168 employees (2024: 172 employees).

### Statement of compliance and Going concern

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”).

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

### Business environment

The business environment in Armenia continues to face a number of internal and external challenges driven by geopolitical tensions, regional security issues, and evolving risks in the global economy. Nevertheless, Armenian businesses are gradually adapting to the new conditions by diversifying supply chains, expanding export markets, and adopting more flexible operating models. State reforms aimed at improving the investment environment, strengthening institutional capacities, and developing the private sector are creating the foundations for long-term economic stability.

The sectoral profile of Armenia’s economy in 2025 is contrasting: on the one hand, steady growth continues in trade, services, and construction, while on the other hand a noticeable decline is observed in industry. The growing sectors benefit significantly from the expansion of imports, consumer activity, as well as the recovery of tourism, which increases demand for services. Growth in construction is driven by both private investment and persistently high demand for housing, making it one of the most active sectors of the economy. Overall, consumption-driven sectors continue to remain the main drivers of economic activity.

In 2025, Armenia’s financial sector generally remains stable, supported by adequate capitalization of the banking system, appropriate levels of liquidity, and ongoing supervision by the Central Bank of Armenia. Despite increasing external risks and global financial uncertainties, financial institutions continue to play a key role in supporting economic activity by effectively performing lending, payment and settlement services, and risk management functions.

According to the 2025 State Budget, Armenia’s economic growth is projected at 5.1%, and at 5.4% in 2026.

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

## 2.1 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 34.

## 3 New or revised standards or interpretations

### 3.1 New standards adopted as at 1 January 2025

In the current year the Bank has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2025.

The amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* was applied for the first time in 2025, which introduced requirements to assess when a currency is exchangeable into another currency and when it is not. The adoption of this amendment did not have an impact on the financial statements of the Bank.

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

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

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning on or after the effective date of the pronouncement.

- IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss and other comprehensive income: operating profit and profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss and other comprehensive income in one of five categories: operating, investing, financing, income taxes and discontinued operations
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed to Basis of Preparation of Financial Statements.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operating activities under the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other IFRS Accounting Standards.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

The Bank is currently working to identify all the impacts that IFRS 18 will have on the financial

statements and notes to the financial statements.

Other new standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Bank's financial statements.

- Amendments to Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual reporting periods beginning on or after 1 January 2027)
- Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual reporting periods beginning on or after 1 January 2027)

## 4 Material accounting policies

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

### 4.1 Basis of preparation

The financial statements have been prepared on an accruals basis and under the historical cost convention. The financial instruments are stated at present discounted value of future cash flows as well as at fair value. Certain property and equipment are stated at their revalued amounts.

### Comparative Information

Comparative information is reclassified to conform to changes in presentation in the current year.

The effect of main changes in presentation of the statement of profit or loss and other comprehensive income is the inclusion of the line "Other impairment expenses" within the line "Credit loss expense".

### 4.2 Climate-related matters

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

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

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

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

The Bank has made significant progress in embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a responsible employee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Bank has re-evaluated its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. In the current year, the Bank has also enhanced its data collection systems

to help it achieve its climate related aims. For instance, the Bank has introduced mechanisms to collect information relating to clients' exposure to transition and physical risk, and to rate such exposure, in order to understand the impact of climate-related risk on corporate clients in affected sectors. The Bank has also made significant progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

### 4.3 Foreign currency

#### Functional and presentation currency

The national currency of Armenia is the Armenian dram ("AMD"), which is the Bank's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Bank.

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

#### Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of profit or loss in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as investment securities at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in the own equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as equity investment in respect of which an election has been made to present subsequent changes in fair value in OCI are included in the fair value reserve in equity.

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

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

	31 December 2025	31 December 2024
AMD/1 USD	381.36	396.56
AMD/1 EUR	449.01	413.89

### 4.4 Recognition of income and expenses

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

### The effective interest rate method

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

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

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

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

### Amortised cost and gross carrying amount

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

### Calculation of interest income and expense

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

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

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

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

### Other interest income

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

### Fee and commission income

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

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

A contract with a customer that results in a recognised financial instrument in the 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.

### Dividend income

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

### Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest and foreign exchange differences related to trading assets and liabilities. Net trading income also includes income and expense from trading in foreign currencies and is recognized in profit or loss when the corresponding service is provided.

## 4.5 Income tax

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

### Current tax

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

### Deferred tax

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

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

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

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

## 4.6 Financial instruments

### i) Recognition and initial measurement

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

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

## ii) Classification

### *Financial assets*

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

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

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

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

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

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 OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the 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.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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.

### *Reclassifications*

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 are never reclassified.

### *Financial liabilities*

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

#### *iii) Derecognition*

### *Financial assets*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see Note 4.6 (iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the 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 OCI is recognised in profit or loss.

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

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

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.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for

the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

### **Financial liabilities**

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

#### **iv) Modifications of financial assets and financial liabilities**

### **Financial assets**

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

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

### **Financial liabilities**

The 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.

#### **v) Offsetting**

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

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

#### **vi) Impairment**

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

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income
- lease receivables
- loan commitments to provide a loan
- financial guarantee contracts

No impairment loss is recognised on equity investments.

The 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.

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

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

### *Measurement of ECL*

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

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 35.1.2.

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

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

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

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

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

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

The PD, the EAD and the LGD are further explained in Note 35.1.2.

### *Restructured financial assets*

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its

derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

### *Credit-impaired financial assets*

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by The 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 a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, The 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.

### *Presentation of allowances for ECL in the statement of financial position*

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.
- loan commitments and financial guarantee contracts: generally, as a provision;
  - When estimating LTECLs for undrawn loan commitments, The Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  - where a financial instrument includes both a drawn and an undrawn component, and The 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;
  - the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within Provisions.

### *Write-offs*

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the 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. However, 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.

#### **4.6.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), and amounts due from other banks, which can be converted into cash at short notice, including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost.

#### **4.6.2 Derivative instruments**

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. All the derivative instruments are held for trading and are initially recognized in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

#### **4.6.3 Amounts due from financial institutions**

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

#### **4.6.4 Loans and advances to customers**

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

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

#### **4.6.5 Investment securities**

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

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

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

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

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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 OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

#### **4.6.6 Repurchase and reverse repurchase agreements**

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

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

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

#### **4.7 Leases**

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

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

#### **Measurement and recognition of leases**

##### **Bank as a lessee**

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

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

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

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

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

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

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

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

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

#### **Bank as a lessor**

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

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

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease. Upon commencement of a finance lease, the Bank recognises the net investment in the leases, which is the minimum lease payments receivable discounted at the interest rate implicit in the lease. The difference between the gross investment and its present value is recorded as unearned finance lease income.

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

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

#### **4.8 Precious metals**

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the statement of financial position.

Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income and expense.

#### **4.9 Property and equipment**

Property and equipment are recorded at historical cost less accumulated depreciation. The Bank's buildings are stated at fair value less accumulated depreciation. If the recoverable value of property and equipment is

lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

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

	Useful life (years)	Rate (%)
Buildings	30	3.33
Computers and communication	6	16.67
Vehicles	7	14.29
Other fixed assets	8	12.5

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

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

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

Buildings are revalued on a regular basis approximately after 3-5 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property and equipment.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Along with the usage of fixed assets, the difference of the calculated depreciation based on the revalued amount of the asset and calculated depreciation based on the cost of the asset is transferred to retained earnings.

#### **4.10 Intangible assets**

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

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

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

#### **4.11 Repossessed assets**

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

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

#### **4.12 Impairment of non-financial assets**

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

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

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

#### **4.13 Borrowings**

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued, loans and subordinated debt from international financial organizations are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of income.

#### **4.14 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 at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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

Non-financial guarantee agreements issued by the Bank meet the definition of a loan commitment and the Bank applies IFRS 9.

#### **4.15 Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions also include liabilities arising from financial guarantees and loan commitments as provided in Note 4.14.

#### **4.16 Equity**

##### **Share capital**

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

##### **Share premium**

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

##### **Retained earnings**

Include accumulated earnings of current and previous periods.

##### **Dividends**

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

##### **Property revaluation surplus**

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

##### **Fair value reserve for investments securities at FVOCI**

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

#### **4.17 Segment reporting**

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. In identifying its operating segments, management generally distinguishes components of the Bank that is engaged in providing products or services (business segment) and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Bank's CEO to make decisions about resources to be allocated to the segment and assess its performance. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

#### **4.18 Significant management judgement in applying accounting policies and estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which

form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

#### **4.18.1 Significant judgements in applying accounting policies**

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

##### **Classification of financial assets:**

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

##### **Establish criteria for calculating ECL**

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

#### **4.18.2 Assumptions and estimations uncertainty**

##### **Measurement of fair values**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 32).

##### **Useful Life of property and equipment**

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

##### **Extension options for leases**

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

##### **Impairment of financial assets**

The Bank assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see Note 35.1.2), as well as the key assumptions used in estimating recoverable cash flows (see Note 4.6.(vi)).

##### **Tax legislation**

Armenian tax legislation is subject to varying interpretations. See Note 30.

## 5 Net interest income and expense

	2025	2024
<b>Interest income calculated using effective interest rate</b>		
Cash and cash equivalents	7,779	3,440
Amounts due from financial institutions	1,346,873	516,030
Loans and advances to customers	22,682,593	20,096,096
Investment securities at FVOCI	10,492,433	12,206,848
Investment securities at amortised cost	8,514,224	8,617,323
Other	2,159	-
	<b>43,046,061</b>	<b>41,439,737</b>
<b>Other interest income</b>		
Net investments in finance lease	1,987,095	1,297,077
	<b>1,987,095</b>	<b>1,297,077</b>
<b>Total interest income</b>	<b>45,033,156</b>	<b>42,736,814</b>
<b>Interest expense</b>		
Amounts due to customers	10,826,691	9,885,717
Amounts due to banks	5,505,518	8,022,861
Debt securities issued	5,354,376	4,585,863
Subordinated debt	3,665,000	3,713,596
Other borrowed funds	2,339,482	1,918,435
Lease liabilities	8,575	14,039
<b>Total interest expense</b>	<b>27,699,642</b>	<b>28,140,511</b>
<b>Total net interest income</b>	<b>17,333,514</b>	<b>14,596,303</b>

## 6 Fee and commission income and expense

	2025	2024
Guarantees and letters of credit	1,173,820	907,502
Wire transfer fees	692,361	432,139
Plastic cards operations	215,604	190,965
Brokerage operations	29,536	17,828
Settlements operations	-	2,606
<b>Total fee and commission income</b>	<b>2,111,321</b>	<b>1,551,040</b>
<b>Fee and commission expense</b>		
Wire transfer fees	160,078	134,124
Payments to ARCA system	178,735	111,159
Brokerage operations	86,615	70,490
Other expenses	57,884	19,882
<b>Total fee and commission expense</b>	<b>483,312</b>	<b>335,655</b>

## 7 Net trading income

	2025	2024
Net income from trading in foreign currencies	1,780,573	1,676,734
Gain on derivative instruments	97,921	95,725
<b>Total net trading income</b>	<b>1,878,494</b>	<b>1,772,459</b>

## 8 Credit loss expense (reversal of credit loss expense)

	2025				
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	13	(22,098)	-	-	(22,098)
Amounts due from financial institutions	15	8,630	-	-	8,630
Loans and advances to customers	16	(242,898)	378,104	7,372,925	7,508,131
Investment securities measured at FVOCI	17	(47,784)	-	-	(47,784)
Investment securities measured at amortised cost	17	(4,625)	-	-	(4,625)
Other assets	21	(12,794)	-	-	(12,794)
Financial guarantees and loan commitments	29	406,453	-	-	406,453
<b>Total credit loss expense</b>		<b>84,884</b>	<b>378,104</b>	<b>7,372,925</b>	<b>7,835,913</b>

	2024				
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	13	25,133	-	-	25,133
Amounts due from financial institutions	15	(32,414)	-	-	(32,414)
Loans and advances to customers	16	223,484	1,341,795	389,733	1,955,012
Investment securities measured at FVOCI	17	28,057	-	-	28,057
Investment securities measured at amortised cost	17	3,089	-	-	3,089
Other assets	21	232	-	-	232
Financial guarantees and loan commitments	29	119,788	-	-	119,788
<b>Total credit loss expense</b>		<b>367,369</b>	<b>1,341,795</b>	<b>389,733</b>	<b>2,098,897</b>

## 9 Other operating income

	2025	2024
Fines and penalties received	855,813	523,415
Gains from operations of precious metals	59,477	1,138
Income from cash collection	33,599	43,741
Dividend income	2,201	3,199
Net income from sale of fixed assets	688	1,299
Net income from sale of repossessed assets	6,430	-
Other income	19,460	19,145
<b>Total other operating income</b>	<b>977,668</b>	<b>591,937</b>

## 10 Personnel expenses

	2025	2024
Compensations of employees, related taxes included	2,433,735	2,959,203
Personnel expenses	28,360	10,196
Other	1,737	2,408
<b>Total personnel expenses</b>	<b>2,463,832</b>	<b>2,971,807</b>

## 11 Other expenses

	2025	2024
Communications	213,942	152,842
Payments to the Deposit Guarantee Fund	125,581	120,200
Consulting and other services	89,160	99,927
Insurance expenses	99,473	67,775
Fixed assets repair and maintenance	61,379	66,248
Representative expenses	85,390	57,691
Taxes, other than income tax, duties	78,454	14,148
Financial system mediator	46,874	42,905
Business trip expenses	35,988	31,366
Security	9,831	8,334
Office supplies and maintenance	8,837	5,585
Loan collection fees	33,262	-
Advertising costs	17,626	11,860
Expenses of short term and low value assets leases	1,115	3,721
Charity	18,852	9,363
Other expenses	49,772	48,113
<b>Total other expenses</b>	<b>975,536</b>	<b>740,078</b>

## 12 Income tax expense

	2025	2024
Current tax expense	2,375,519	2,433,752
Adjustments of current income tax of previous years	(127,862)	-
Deferred tax	(393,634)	(193,452)
<b>Total income tax expense</b>	<b>1,854,023</b>	<b>2,240,300</b>

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

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

	2025	Effective tax rate (%)	2024	Effective tax rate (%)
Profit before taxation	10,973,886		12,055,170	
Income tax	1,975,299	18	2,169,931	18
Non-deductible expenses	89,975	1	106,593	1
Foreign exchange gains	(83,389)	(1)	(36,224)	-
Adjustments for previous year	(127,862)	(1)	-	-
<b>Income tax expense</b>	<b>1,854,023</b>	<b>17</b>	<b>2,240,300</b>	<b>19</b>

Deferred tax calculation in respect of temporary differences:

	2024	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Cash and cash equivalents	9,339	(3,978)	-	5,361	5,361	-
Derivative financial assets	1,971	-	-	1,971	1,971	-
Amounts due from financial institutions	(8,271)	(14,274)	-	(22,545)	-	(22,545)
Loans and advances to customers	(464,621)	515,854	-	51,233	51,233	-
Investment securities measured at FVOCI	986,493	(8,601)	(1,343,244)	(365,352)	-	(365,352)
Investment securities measured at amortised cost	197,591	(29,194)	-	168,397	168,397	-
Property and equipment	(230,741)	(8,193)	-	(238,934)	-	(238,934)
Repossessed assets	88,162	-	-	88,162	88,162	-
Other assets	(99,532)	(8,595)	-	(108,127)	-	(108,127)
Provisions	14,017	19,569	-	33,586	33,586	-
Lease liabilities	(1,540)	5,527	-	3,987	3,987	-
Other liabilities	150,845	(74,481)	-	76,364	76,364	-
<b>Deferred tax asset (liability)</b>	<b>643,713</b>	<b>393,634</b>	<b>(1,343,244)</b>	<b>(305,897)</b>	<b>429,061</b>	<b>(734,958)</b>

	2023	Recognized in profit or loss	Recognized in other comprehensive income	2024		
				Net	Deferred tax asset	Deferred tax liability
Cash and cash equivalents	4,814	4,525	-	9,339	9,339	-
Derivative financial assets	6,202	(4,231)	-	1,971	1,971	-
Amounts due from financial institutions	(4,368)	(3,903)	-	(8,271)	-	(8,271)
Loans and advances to customers	(562,272)	97,651	-	(464,621)	-	(464,621)
Investment securities measured at FVOCI	2,358,357	(4)	(1,371,860)	986,493	986,493	-
Investment securities measured at amortised cost	206,523	(8,932)	-	197,591	197,591	-
Property and equipment	(241,605)	10,864	-	(230,741)	-	(230,741)
Repossessed assets	88,162	-	-	88,162	88,162	-
Other assets	(81,934)	(17,598)	-	(99,532)	-	(99,532)
Provisions	9,673	4,344	-	14,017	14,017	-
Lease liabilities	(1,540)	-	-	(1,540)	-	(1,540)
Other liabilities	40,109	110,736	-	150,845	150,845	-
<b>Deferred tax asset (liability)</b>	<b>1,822,121</b>	<b>193,452</b>	<b>(1,371,860)</b>	<b>643,713</b>	<b>1,448,418</b>	<b>(804,705)</b>

### 13 Cash and cash equivalents

	31 December 2025	31 December 2024
Cash on hand	1,847,397	1,831,028
Correspondent accounts with the CBA	23,369,677	18,988,186
Correspondent accounts with other banks	3,154,817	5,975,799
Deposits for less than 90 days	3,648,471	396,615
	<b>32,020,362</b>	<b>27,191,628</b>
Credit loss allowance	(29,783)	(51,881)
<b>Total cash and cash equivalents</b>	<b>31,990,579</b>	<b>27,139,747</b>

As at 31 December 2025 correspondent account with Central Bank of Armenia represents the obligatory minimum reserve deposits with the CBA, which as at 31 December is computed at 4% (2024: 4%) of the Bank obligations denominated in Armenian drams and 15% of the Bank obligations, denominated in foreign currency (2024: 18% of the obligations in foreign currency, of which 12% in Armenian drams and 6% in foreign currency). As at 31 December 2025, these amounts total AMD 20,324,562 thousand (2024: AMD 18,042,387 thousand).

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 monthly amount of reserve sanctions may apply. For the obligatory reserve maintained in foreign currencies the Bank is required to maintain a minimum balance at the end of each day.

As at 31 December 2025 the Bank does not have correspondent accounts (2024: neither), except for those with the CBA, the balances of which exceed 10% of equity.

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

	31 December 2025	31 December 2024
	Stage 1	Stage 1
ECL allowance at 1 January	51,881	26,748
Net remeasurement of loss allowance	(22,098)	25,133
<b>Balance at 31 December</b>	<b>29,783</b>	<b>51,881</b>

## 14 Derivative financial instruments

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below:

	31 December 2025		
	Notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange swap contracts	7,158,113	6,983	12,426
Foreign exchange forward contracts	1,888,112	-	126,499
<b>Total derivative financial instruments</b>	<b>9,046,225</b>	<b>6,983</b>	<b>138,925</b>

	31 December 2024		
	Notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange swap contracts	3,330,473	35,781	14,705
Foreign exchange forward contracts	2,043,343	-	65,665
<b>Total derivative financial instruments</b>	<b>5,373,816</b>	<b>35,781</b>	<b>80,370</b>

## 15 Amounts due from financial institutions

	31 December 2025	31 December 2024
Reverse repurchase agreements	4,243,889	11,053,790
Loans to banks	7,781,522	-
Loans to credit organizations	2,343,640	1,555,367
Loans to investment companies	1,047,417	250,362
Deposited funds with other financial institutions	659,341	398,536
Amounts receivable from payment and settlement transactions	95	72,348
Other amounts	126,407	674,137
	<b>16,202,311</b>	<b>14,004,540</b>
Credit loss allowance	(50,284)	(41,654)
<b>Total amounts due from financial institutions</b>	<b>16,152,027</b>	<b>13,962,886</b>

As at 31 December 2025 funds deposited with other financial institutions include AMD 300,000 thousand of guaranteed deposits placed with the CBA for settlements under the ArCa payment system (2024: AMD 260,000 thousand).

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

As at 31 December 2025, the Bank does not have amounts due from financial institutions the balances of which exceed 10% of its equity (31 December 2024: neither).

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

	2025	2024
	Stage 1	Stage 1
ECL allowance at 1 January	41,654	74,068
Net remeasurement of loss allowance	8,630	(32,414)
<b>Balance at 31 December</b>	<b>50,284</b>	<b>41,654</b>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2025 and 31 December 2024 are presented as follows:

	2025		2024	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
RA state securities	4,385,687	4,162,604	11,169,325	10,659,583
Corporate bonds	85,193	81,285	427,478	394,207
<b>Total assets pledged and loans under reverse repurchase agreements</b>	<b>4,470,880</b>	<b>4,243,889</b>	<b>11,596,803</b>	<b>11,053,790</b>

## 16 Loans and advances to customers

	31 December 2025			31 December 2024		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
<b>Mortgage and consumer lending</b>						
Mortgage	41,332,097	(422,975)	40,909,122	38,853,780	(367,619)	38,486,161
Consumer lending	4,376,970	(243,562)	4,133,408	3,517,799	(197,345)	3,320,454
Credit cards	1,600,231	(82,148)	1,518,083	1,562,435	(74,817)	1,487,618
Reverse repurchase agreements	405,372	(1,257)	404,115	410,796	(875)	409,921
	<b>47,714,670</b>	<b>(749,942)</b>	<b>46,964,728</b>	<b>44,344,810</b>	<b>(640,656)</b>	<b>43,704,154</b>
<b>Commercial lending</b>						
Trade	26,651,206	(587,258)	26,063,948	26,172,824	(1,429,349)	24,743,475
Industry	57,464,674	(3,283,405)	54,181,269	64,307,451	(3,689,321)	60,618,130
Agriculture	7,621,759	(409,625)	7,212,134	8,047,733	(388,076)	7,659,657
Construction	47,842,287	(1,647,901)	46,194,386	36,542,680	(356,658)	36,186,022
Rendering of services	10,696,647	(281,564)	10,415,083	12,046,661	(1,771,840)	10,274,821
Net investments on financial lease	17,993,954	(282,921)	17,711,033	11,886,078	(191,804)	11,694,274
Reverse repurchase agreements	1,065,124	(1,984)	1,063,140	-	-	-
Other	10,741,545	(145,998)	10,595,547	10,827,658	(782,350)	10,045,308
	<b>180,077,196</b>	<b>(6,640,656)</b>	<b>173,436,540</b>	<b>169,831,085</b>	<b>(8,609,398)</b>	<b>161,221,687</b>
<b>Total</b>	<b>227,791,866</b>	<b>(7,390,598)</b>	<b>220,401,268</b>	<b>214,175,895</b>	<b>(9,250,054)</b>	<b>204,925,841</b>

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

The ECL allowance in these tables includes ECL on loan commitments for products such as credit cards and overdrafts, because the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

During the year ended 31 December 2025 the Bank obtained assets by taking possession of collateral for loans to customers, the carrying amount of such assets was AMD 345,174 thousand (2024: AMD 876,661 thousand). The Bank is intended to sell these assets in a short period.

As at 31 December 2025, the Bank had a concentration of loans represented by AMD 61,565,390 thousand due from the ten largest third party entities and parties related with them (27.03% of gross loan portfolio) (2024: AMD 57,127,824 thousand or 26.67%). An allowance of AMD 917,428 thousand (2024: AMD 1,334,246 thousand) was made against these loans.

As at 31 December 2025 the Bank has one borrower and a group of related parties whose loan balances exceed 10% of equity. The gross amount of these loans as at 31 December 2025 is AMD 10,314,848 thousand (2024: AMD 16,477,396 thousand, representing the gross loan portfolio granted to two borrowers and a group of related parties).

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

	<b>2025</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Mortgage and consumer lending</b>				
Balance at 1 January	43,419,741	253,169	671,900	44,344,810
New assets originated or purchased	22,087,403	87,060	69,753	22,244,216
Assets repaid	(21,544,238)	(95,621)	(44,519)	(21,684,378)
- Transfer to Stage 1	87,875	(31,992)	(55,883)	-
- Transfer to Stage 2	(170,315)	173,008	(2,693)	-
- Transfer to Stage 3	(98,660)	(40,616)	139,276	-
Change in balance of asset from interest and foreign exchange	3,265,946	(178,266)	23,092	3,110,772
Recoveries	-	-	104,089	104,089
Amounts written off during the year	-	-	(404,839)	(404,839)
<b>Balance at 31 December</b>	<b>47,047,752</b>	<b>166,742</b>	<b>500,176</b>	<b>47,714,670</b>

	<b>2025</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Commercial lending</b>				
Balance at 1 January	137,084,207	14,891,480	17,855,398	169,831,085
New assets originated or purchased	177,899,094	595,656	32,506	178,527,256
Assets repaid	(160,925,049)	(628,272)	(1,588,914)	(163,142,235)
- Transfer to Stage 1	15,262,702	(13,215,001)	(2,047,701)	-
- Transfer to Stage 2	(1,190,359)	1,415,511	(225,152)	-
- Transfer to Stage 3	(2,243,003)	(203,245)	2,446,248	-
Change in balance of asset from interest and foreign exchange	5,538,397	(647,976)	(962,494)	3,927,927
Recoveries	-	-	2,796,176	2,796,176
Amounts written off during the year	-	-	(11,863,013)	(11,863,013)
<b>Balance at 31 December</b>	<b>171,425,989</b>	<b>2,208,153</b>	<b>6,443,054</b>	<b>180,077,196</b>

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

				2024
	Stage 1	Stage 2	Stage 3	Total
<b>Mortgage and consumer lending</b>				
Balance at 1 January	30,836,372	212,503	1,276,708	32,325,583
New assets originated or purchased	32,617,613	9,867	74,765	32,702,245
Assets repaid	(19,032,542)	(23,226)	(789,409)	(19,845,177)
- Transfer to Stage 1	98,292	(98,292)	-	-
- Transfer to Stage 2	(229,610)	250,119	(20,509)	-
- Transfer to Stage 3	(333,954)	(77,488)	411,442	-
Change in balance of asset from interest and foreign exchange	(536,430)	(20,314)	(279,458)	(836,202)
Recoveries	-	-	1,606	1,606
Amounts written off during the year	-	-	(3,245)	(3,245)
<b>Balance at 31 December</b>	<b>43,419,741</b>	<b>253,169</b>	<b>671,900</b>	<b>44,344,810</b>

				2024
	Stage 1	Stage 2	Stage 3	Total
<b>Commercial lending</b>				
Balance at 1 January	125,101,815	11,083,549	10,012,469	146,197,833
New assets originated or purchased	137,826,260	12,866,949	3,198,686	153,891,895
Assets repaid	(131,012,180)	(1,809,568)	(1,833,574)	(134,655,322)
- Transfer to Stage 1	922,731	(922,731)	-	-
- Transfer to Stage 2	(1,778,641)	1,988,962	(210,321)	-
- Transfer to Stage 3	(677,794)	(6,218,148)	6,895,942	-
Change in balance of asset from interest and foreign exchange	6,702,016	(2,097,533)	(157,596)	4,446,887
Recoveries	-	-	5,978,489	5,978,489
Amounts written off during the year	-	-	(6,028,697)	(6,028,697)
<b>Balance at 31 December</b>	<b>137,084,207</b>	<b>14,891,480</b>	<b>17,855,398</b>	<b>169,831,085</b>

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

				2025
	Stage 1	Stage 2	Stage 3	Total
<b>Mortgage and consumer lending</b>				
ECL allowance at 1 January	410,797	39,375	190,484	640,656
- Transfer to Stage 1	6,490	(6,490)	-	-
- Transfer to Stage 2	(1,629)	4,020	(2,391)	-
- Transfer to Stage 3	(3,017)	(73,889)	76,906	-
Net remeasurement of loss allowance	(49,415)	66,904	239,956	257,445
Net remeasurement of loss allowances on new originated financial assets	104,962	1,069	46,560	152,591
Recoveries	-	-	104,089	104,089
Amounts written off during the year	-	-	(404,839)	(404,839)
<b>Balance at 31 December</b>	<b>468,188</b>	<b>30,989</b>	<b>250,765</b>	<b>749,942</b>

				2025
	Stage 1	Stage 2	Stage 3	Total
<b>Commercial lending</b>				
ECL allowance at 1 January	1,335,260	2,201,475	5,072,663	8,609,398
- Transfer to Stage 1	1,958,016	(1,821,463)	(136,553)	-
- Transfer to Stage 2	(5,012)	80,123	(75,111)	-
- Transfer to Stage 3	(27,475)	(330,308)	357,783	-
Net remeasurement of loss allowance	(1,691,885)	210,453	7,067,978	5,586,546
Net remeasurement of loss allowances on new originated financial assets	1,393,440	99,678	18,431	1,511,549
Recoveries	-	-	2,796,176	2,796,176
Amounts written off during the year	-	-	(11,863,013)	(11,863,013)
<b>Balance at 31 December</b>	<b>2,962,344</b>	<b>439,958</b>	<b>3,238,354</b>	<b>6,640,656</b>

				2024
	Stage 1	Stage 2	Stage 3	Total
<b>Mortgage and consumer lending</b>				
ECL allowance at 1 January	287,172	17,366	96,219	400,757
- Transfer to Stage 1	3,929	(3,929)	-	-
- Transfer to Stage 2	(1,529)	13,955	(12,426)	-
- Transfer to Stage 3	(10,410)	(4,319)	14,729	-
Net remeasurement of loss allowance	(68,003)	14,858	91,415	38,270
Net remeasurement of loss allowances on new originated financial assets	199,638	1,444	2,186	203,268
Recoveries	-	-	1,606	1,606
Amounts written off during the year	-	-	(3,245)	(3,245)
<b>Balance at 31 December</b>	<b>410,797</b>	<b>39,375</b>	<b>190,484</b>	<b>640,656</b>

				2024
	Stage 1	Stage 2	Stage 3	Total
<b>Commercial lending</b>				
ECL allowance at 1 January	1,189,188	1,764,429	3,992,515	6,946,132
- Transfer to Stage 1	69,605	(69,605)	-	-
- Transfer to Stage 2	(9,184)	110,833	(101,649)	-
- Transfer to Stage 3	(6,198)	(929,675)	935,873	-
Net remeasurement of loss allowance	(580,709)	(524,208)	(434,245)	(1,539,162)
Net remeasurement of loss allowances on new originated financial assets	672,558	1,849,701	730,377	3,252,636
Recoveries	-	-	5,978,489	5,978,489
Amounts written off during the year	-	-	(6,028,697)	(6,028,697)
<b>Balance at 31 December</b>	<b>1,335,260</b>	<b>2,201,475</b>	<b>5,072,663</b>	<b>8,609,398</b>

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions. Further analysis of economic factors is outlined in Note 35.2.

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The Bank accepted securities as collateral for commercial loans, which it is permitted to sell or repledge. Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2025 and 31 December 2024 are presented as follows:

	31 December 2025		31 December 2024	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
RA state bonds	1,584,989	1,470,496	440,359	410,796
<b>Total assets pledged and loans under reverse repurchase agreements</b>	<b>1,584,989</b>	<b>1,470,496</b>	<b>440,359</b>	<b>410,796</b>

As at 31 December 2025 and 2024 the estimated fair value of loans and advances to customers approximates its carrying amount. See Note 32.

Maturity analysis of loans and advances to customers are disclosed in Note 34.

Credit, currency and interest rate analyses of loans and advances to customers are disclosed in Note 35. The information on related party balances is disclosed in note 31.

The finance lease receivables may be analyzed as follows:

	2025	2024
<b>Gross investment in finance leases, receivable:</b>		
Not later than 1 year	7,900,351	4,655,949
Later than 1 year and not later than 5 years	15,426,404	10,793,472
Later than 5 years	438,928	160,326
	<b>23,765,683</b>	<b>15,609,747</b>
Unearned future finance income on finance leases	(5,771,729)	(3,723,669)
<b>Net investments in finance leases before credit loss allowance</b>	<b>17,993,954</b>	<b>11,886,078</b>

The allowance for net investments in finance lease included in the impairment allowance for loans and advances and amounted to AMD 282,921 thousand as at 31 December 2025 (2024: AMD 191,804 thousand).

Implied interest rate of the net investments in finance lease amounts to 7-15%.

## 17 Investment securities

### Investment securities measured at amortised cost

	31 December 2025	31 December 2024
<b>Investment securities measured at amortised cost</b>		
RA state bonds	71,958,672	70,941,675
	<b>71,958,672</b>	<b>70,941,675</b>
Credit loss allowance	(201,677)	(218,882)
<b>Total investment securities at amortised cost</b>	<b>71,756,995</b>	<b>70,722,793</b>
<b>Investment securities measured at amortised cost pledged under repurchase agreements</b>		
RA state bonds	4,533,408	7,462,144
	<b>4,533,408</b>	<b>7,462,144</b>
Credit loss allowance	(12,580)	-
<b>Total investment securities at amortised cost pledged under repurchase agreements</b>	<b>4,520,828</b>	<b>7,462,144</b>

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

	2025	2024
	Stage 1	Stage 1
ECL allowance at 1 January	218,882	215,793
Net remeasurement of loss allowance	(4,625)	3,089
<b>Balance at 31 December</b>	<b>214,257</b>	<b>218,882</b>

Investment securities measured at amortised cost upon profitability and maturity terms:

	31 December 2025		31 December 2024	
	%	Maturity	%	Maturity
RA state bonds	10.09-14.16	2033-2047	10.09-14.16	2033-2047

#### Investment securities measured at FVOCI

	31 December 2025	31 December 2024
<b>Investment securities measured at FVOCI</b>		
RA state bonds	45,701,790	35,790,915
RA corporate bonds	9,606,533	9,429,437
Equity instruments	112,280	105,451
<b>Total investment securities measured at FVOCI</b>	<b>55,420,603</b>	<b>45,325,803</b>

#### Debt investment securities measured at FVOCI pledged under repurchase agreements

RA state bonds	58,927,465	82,689,219
<b>Total investment securities measured at FVOCI pledged under repurchase agreements</b>	<b>58,927,465</b>	<b>82,689,219</b>

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

	2025	2024
	Stage 1	Stage 1
ECL allowance at 1 January	401,447	373,390
Net remeasurement of loss allowance	(47,784)	28,057
<b>Balance at 31 December</b>	<b>353,663</b>	<b>401,447</b>

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

As at 31 December 2025, investment securities measured at fair value through other comprehensive income and at amortized cost with a gross amount of AMD 63,460,873 thousand (2024: AMD 90,151,363 thousand) were pledged as collateral for funds attracted under repurchase agreements from other banks and legal entities (see Notes 22, 23).

All debt securities have fixed coupons.

The Bank has not reclassified any financial assets measured at amortised cost rather than fair value during the year (2024: nil).

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

	31 December 2025		31 December 2024	
	%	Maturity	%	Maturity
RA state bonds	3.6-13	2026-2050	3.6-13	2025-2050
RA corporate bonds	4.5-12.75	2026-2029	4.5-12.75	2025-2029

Equity instruments included in investment securities measured at FVOCI are non-quoted equity securities as follows:

	Country of incorporation	% controlled		Thousand AMD	
		2025	2024	2025	2024
ARCA	Republic of Armenia	1.25	1.25	92,705	85,876
ACRA Credit Reporting	Republic of Armenia	3.68	3.68	19,575	19,575
				<b>112,280</b>	<b>105,451</b>

The Bank's management believes that estimated fair values of equity instruments of ACRA Credit Reporting approximates to their costs as at 31 December 2025 and 2024.

## 18 Property and equipment

	Buildings	Leasehold improvement	Office property	Computers and communication	Vehicles	Right-of-use assets	Total
						Buildings	
<b>Cost / revalued amount</b>							
As at 1 January 2024	1,812,894	59,065	176,731	341,232	166,545	332,520	2,888,987
Additions/remeasurement	-	-	5,399	7,906	-	88,879	102,184
Disposals	-	-	(7,178)	(11,812)	-	-	(18,990)
<b>As at 31 December 2024</b>	<b>1,812,894</b>	<b>59,065</b>	<b>174,952</b>	<b>337,326</b>	<b>166,545</b>	<b>421,399</b>	<b>2,972,181</b>
Additions	-	-	5,861	18,540	-	33,374	57,775
Disposals	-	-	(2,944)	(11,480)	-	-	(14,424)
<b>As at 31 December 2025</b>	<b>1,812,894</b>	<b>59,065</b>	<b>177,869</b>	<b>344,386</b>	<b>166,545</b>	<b>454,773</b>	<b>3,015,532</b>
<b>Accumulated depreciation</b>							
As at 1 January 2024	78,034	59,034	137,177	243,522	77,995	237,040	832,802
Expenses for the year	78,034	31	8,402	36,089	18,920	91,441	232,917
Disposals	-	-	(7,178)	(11,812)	-	-	(18,990)
<b>As at 31 December 2024</b>	<b>156,068</b>	<b>59,065</b>	<b>138,401</b>	<b>267,799</b>	<b>96,915</b>	<b>328,481</b>	<b>1,046,729</b>
Expenses for the year	78,034	-	9,574	28,825	18,134	80,777	215,344
Disposals	-	-	(2,944)	(11,480)	-	-	(14,424)
<b>As at 31 December 2025</b>	<b>234,102</b>	<b>59,065</b>	<b>145,031</b>	<b>285,144</b>	<b>115,049</b>	<b>409,258</b>	<b>1,247,649</b>
<b>Carrying amount</b>							
<b>As at 31 December 2024</b>	<b>1,656,826</b>	<b>-</b>	<b>36,551</b>	<b>69,527</b>	<b>69,630</b>	<b>92,918</b>	<b>1,925,452</b>
<b>As at 31 December 2025</b>	<b>1,578,792</b>	<b>-</b>	<b>32,838</b>	<b>59,242</b>	<b>51,496</b>	<b>45,515</b>	<b>1,767,883</b>

### Revaluation of assets

The building owned by the Bank were evaluated by an independent appraiser in 2022 using a combination of the market, income and cost methods resulting in a revaluation of AMD 517,152 thousand. Management have based their estimate of the fair value of the building on the results of the independent appraisal.

For the fair value hierarchy of property and equipment see Note 32.3.

The management believes that as at 31 December 2025 the fair value of the buildings does not differ significantly from their revalued amounts.

If the net book value of property and equipment that would have been recognised under the historic cost, the carrying amounts will be presented as follows:

	31 December 2025	31 December 2024
Historic cost	551,825	551,825
Accumulated amortization	(312,701)	(294,307)
<b>Carrying amount</b>	<b>239,124</b>	<b>257,518</b>

### Right-of-use assets

The Bank has leases for the head office. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right-of-use assets are presented in the statement of financial position in the line of property and equipment. Lease liabilities are presented in the statement of financial position in the line of other liabilities (see Note 27):

### Fully depreciated items

As at 31 December 2025 fixed assets included fully depreciated assets in amount of AMD 429,329 thousand (2024: AMD 338,380 thousand).

### Restrictions on title of fixed assets

As at 31 December 2025 the Bank does not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted (2024: neither).

## 19 Intangible assets

	Patents	Acquired software licenses	Total
<b>Cost</b>			
As at 1 January 2024	109,024	155,826	264,850
Additions	5,574	35,930	41,504
Disposals	(2,898)		(2,898)
<b>As at 31 December 2024</b>	<b>111,700</b>	<b>191,756</b>	<b>303,456</b>
Additions	51,954	10,941	62,895
Disposals	(13,741)	(16,175)	(29,916)
<b>As at 31 December 2025</b>	<b>149,913</b>	<b>186,522</b>	<b>336,435</b>
<b>Accumulated amortisation</b>			
As at 1 January 2024	54,182	99,446	153,628
Amortisation charge	13,244	22,362	35,606
Disposals	(2,860)	-	(2,860)
<b>As at 31 December 2024</b>	<b>64,566</b>	<b>121,808</b>	<b>186,374</b>

**Notes to the Financial Statements**

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	Patents	Acquired software licenses	Total
Amortisation charge	23,750	18,885	42,635
Disposals	(13,741)	(16,175)	(29,916)
<b>As at 31 December 2025</b>	<b>74,575</b>	<b>124,518</b>	<b>199,093</b>
<b>Carrying amount</b>			
<b>Balance at 31 December 2024</b>	<b>47,134</b>	<b>69,948</b>	<b>117,082</b>
<b>Balance at 31 December 2025</b>	<b>75,338</b>	<b>62,004</b>	<b>137,342</b>

**Fully depreciated items**

As at 31 December 2025 intangible assets included fully depreciated assets in amount of AMD 38,021 thousand (2024: AMD 42,769 thousand).

## 20 Repossessed assets

Details of non-financial assets acquired as a result of obtaining ownership of collateral securing loans granted by the Bank are presented below as at 31 December:

	31 December 2025	31 December 2024
Real estate	2,097,198	1,750,995
<b>Total repossessed assets</b>	<b>2,097,198</b>	<b>1,750,995</b>

At the date of repossession, collateral is measured at the lower of the carrying amount of the outstanding loan obligation and the net realizable value of the collateral.

The Bank's policy is to pursue the realization of such assets in an orderly manner and within a short timeframe. The Bank generally does not use non-cash collateral in its own operations. Assets are measured at the lower of their carrying amount and fair value less costs to sell.

## 21 Other assets

	31 December 2025	31 December 2024
Off-balance sheet transactions*	-	3,295,616
Receivables	116,346	65,729
Amounts receivable from the state budget on subsidies	347,810	305,238
Credit loss allowance	(27,740)	(40,534)
<b>Total other financial assets</b>	<b>436,416</b>	<b>3,626,049</b>
Prepayments to suppliers	6,239,534	6,464,900
Other prepayments	1,542,196	411,000
Other prepaid taxes	1,330,860	734,475
Precious metals	465,948	72,615
Materials	9,984	10,141
Other	6,012	3,304
<b>Total non-financial assets</b>	<b>9,594,534</b>	<b>7,696,435</b>
<b>Total other assets</b>	<b>10,030,950</b>	<b>11,322,484</b>

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

\*As at 31 December 2024 unsettled transactions represent transactions related to customers that had not yet been transferred from the Bank's relevant accounts as at 31 December, but were settled shortly after the year-end.

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

	2025	2024
	Stage 1	Stage 1
ECL allowance as at 1 January	40,534	40,302
Net remeasurement of loss allowance	(12,794)	232
<b>Balance at 31 December</b>	<b>27,740</b>	<b>40,534</b>

## 22 Amounts due to banks

	31 December 2025	31 December 2024
Repurchase agreements with the CBA	23,032,804	68,592,101
Repurchase agreements with the banks	34,486,016	12,841,874
Loans from banks	2,284,438	500,695
Letters of credit with banks	2,965,251	2,704,744
Correspondent accounts in banks	12,918	19,946
Other liabilities	5,381	5,001
<b>Total amounts due to banks</b>	<b>62,786,808</b>	<b>84,664,361</b>

Loans under repurchase agreements are secured by investment securities measured at amortised cost in amount of AMD 4,533,408 thousand (2024: AMD7,462,144 thousand) and measured at FVOCI in amount of AMD 58,927,465 thousand (2024: AMD 7,462,144 thousand and AMD 81,687,536 thousand) (see Note 17).

Loans from banks have fixed interest rates.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2024: neither).

## 23 Amounts due to customers

	31 December 2025	31 December 2024
<b>Government of the RA</b>		
Current/Settlement accounts	126,895	7,080,119
Term deposits	8,404,371	6,322,134
	<b>8,531,266</b>	<b>13,402,253</b>
<b>Corporate customers</b>		
Current/Settlement accounts	63,619,770	57,396,214
Term deposits	66,326,524	65,542,263
Repurchase agreements	-	1,001,327
	<b>129,946,294</b>	<b>123,939,804</b>
<b>Retail customers</b>		
Current/Demand accounts	17,337,940	12,943,218
Term deposits	26,004,986	23,325,082
	<b>43,342,926</b>	<b>36,268,300</b>
<b>Total amounts due to customers</b>	<b>181,820,486</b>	<b>173,610,357</b>

**Notes to the Financial Statements**

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Deposits carry fixed interest rates.

As at 31 December 2025 current (term) deposits of legal entities and individuals include deposits amounting to AMD 28,089,509 thousand (2024: AMD 33,388,608 thousand) that serve as collateral for loans provided. The fair value of these deposits approximates their carrying amount.

As at 31 December 2025 included in amounts due to the 10 largest customers (including related parties) are deposits amounting to AMD 92,797,125 thousand (2024: AMD 103,134,931 thousand), representing 51.0% of total customer deposits (2024: 59.4%).

As at 31 December 2025 the Bank has one groups of related customers (31 December 2024: three) whose balances exceed 10% of equity. The gross amount of these balances as at 31 December 2025 is AMD 37,191,031 thousand (31 December 2024: AMD 65,913,883 thousand).

As at 31 December 2024 loans attracted under repurchase agreements were secured by RA state bonds measured at fair value through other comprehensive income, pledged by the Bank, amounting to AMD 1,001,683 thousand (see Note 17).

## 24 Debt securities issued

	31 December 2025	31 December 2024
Bonds	65,290,747	69,773,790
<b>Total debt securities issued</b>	<b>65,290,747</b>	<b>69,773,790</b>

As at 31 December 2025, the Bank had issued interest-bearing bonds with following terms:

Type of bond	Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
AMSWISB2DER0	01.06.20	USD	100	100,000	6	01.06.2026	10,000,000
AMSWISB2FER5	28.09.20	AMD	50,000	200,000	8.5	28.09.2026	10,000,000,000
AMSWISB2HER1	01.06.23	AMD	50,000	120,000	11.75	01.06.2027	6,000,000,000
AMSWISB2IER9	01.06.23	USD	100	100,000	6	01.06.2027	10,000,000
AMSWISB2JER7	01.06.23	Euro	100	94,000	4.5	01.06.2027	9,400,000
AMSWISB2KER5	21.10.24	AMD	50,000	93,000	10	21.10.2026	4,650,000,000
AMSWISB2LER3	12.08.24	AMD	50,000	100,000	10	12.08.2027	5,000,000,000
AMSWISB2MER1	10.06.24	AMD	50,000	100,000	10.2	10.06.2028	5,000,000,000
AMSWISB2NER9	21.10.24	USD	100	81,486	6	21.10.2027	8,148,600
AMSWISB2OER7	10.06.24	USD	100	150,000	6.25	10.06.2028	15,000,000
AMSWISB2PER4	10.06.24	Euro	100	32,005	5	10.06.2028	3,200,500
AMSWISB2RER0	16.06.25	AMD	50,000	140,000	10.25	16.06.2029	7,000,000,000
AMSWISB2SER8	16.06.25	AMD	50,000	140,000	10.5	16.06.2030	7,000,000,000

The Bank has not repurchased any of its own debt during the year (2024: nil)

As at 31 December 2025 the Bank has one group of related customers (31 December 2024: one) whose bond balances exceed 10% of equity. The gross amount of these balances as at 31 December 2025 is AMD 26,023,015 thousand (31 December 2024: AMD 29,503,774 thousand).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2024: nil).

The bonds issued by the Bank are traded and listed in the Armenian Securities Exchange.

## 25 Other borrowed funds

	31 December 2025	31 December 2024
Loans from the CBA	20,772,469	22,204,392
Loans from international financial institutions	13,787,248	4,080,320
Loans from refinancing credit organizations	3,420,056	3,344,289
<b>Total other borrowed funds</b>	<b>37,979,773</b>	<b>29,629,001</b>

Other borrowed funds carry both fixed and variable interest rates.

Loans from the CBA include funds received through the German-Armenian Fund for lending to small and medium-sized enterprises, as well as for consumer and other purposes.

Loans attracted from international financial institutions include borrowings from the European Bank for Reconstruction and Development and the European Investment Bank.

During the year ended 31 December 2025 the Bank did not have any breaches of contractual obligations to international financial institutions.

Loans from refinancing credit organizations include borrowings from the National Mortgage Company and Home for Youth UCO.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2024: nil).

## 26 Subordinated debt

	31 December 2025	31 December 2024
Subordinate debt from the related party	30,145,959	30,148,534
<b>Total subordinated debt</b>	<b>30,145,959</b>	<b>30,148,534</b>

Subordinate debt represents a long-term borrowing agreement, which, in case of the Bank's default, would be secondary to the Bank's other obligations, including deposits and other debt instruments.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2024: nil).

The balance of subordinated debt received from a related party as at 31 December 2025 is presented below:

	Date of issue	Currency	%	Maturity, year	Total in thousand AMD
2021		AMD	11.75	7	10,054,726
2022		AMD	11.75	7	12,023,178
2023		AMD	13.5	7	8,068,055
<b>Total subordinated debt</b>					<b>30,145,959</b>

## 27 Other liabilities

	31 December 2025	31 December 2024
Due to personnel	486,040	888,724
Payables	858,350	1,138,170
Lease liabilities	30,703	97,045
<b>Total other financial liabilities</b>	<b>1,375,093</b>	<b>2,123,939</b>
Value-added tax payable	1,333,202	735,364
Tax payable, other than income tax	150,669	137,633
Advances received under lease agreements	257,136	387,039
Provisions*	914,018	507,565
Other	5,940	7,256
<b>Total other non-financial liabilities</b>	<b>2,660,965</b>	<b>1,774,857</b>
<b>Total other liabilities</b>	<b>4,036,058</b>	<b>3,898,796</b>

\*Provisions are created from losses on financial guarantees. See Note 29 for an analysis of changes in expected credit losses on financial guarantees.

### Lease liabilities

The Bank has leases for the head office. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right-of-use assets are presented in the statement of financial position in the line of property and equipment (see Note 18):

Set out below are presented the movements of lease liabilities during the period.

	2025	2024
As at 1 January	97,045	99,727
Additions/remeasurement	33,374	88,879
Accretion of interest	8,575	14,039
Payments	(108,291)	(105,600)
<b>Total lease liabilities at 31 December</b>	<b>30,703</b>	<b>97,045</b>

In 2025 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 11.87% (2024: 11.51%).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as at 31 December 2025 is reflected in Note 35.3.

## 28 Equity

As at 31 December 2025 the Bank's registered and paid-in share capital was AMD 10,000,200 thousand. In accordance with the Bank's statutes, the share capital consists of 16,667 ordinary shares, all of which have a par value of AMD 600 thousand each.

As at 31 December 2025 and 31 December 2024 the respective shareholdings are as follows:

	31 December 2025		31 December 2024	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
"HVS Holding" GmbH	8,752,800	87.53	8,752,800	87.53
"FMTM Distribution" LTD	1,247,400	12.47	1,247,400	12.47
	<b>10,000,200</b>	<b>100</b>	<b>10,000,200</b>	<b>100</b>

As at 31 December 2025, the Bank did not possess any of its own shares.

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

Distributable among shareholders reserves equal the amount of accumulated loss, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books.

## 29 Financial guarantees and loan commitments

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

As at 31 December the nominal or contract amounts were:

	31 December 2025	31 December 2024
Undrawn loan commitments	9,440,101	7,869,936
Guarantees	39,375,098	30,798,927
Factoring contracts	5,883,580	5,284,278
<b>Total commitments and contingent liabilities</b>	<b>54,698,779</b>	<b>43,953,141</b>

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

The changes in the ECLs on financial guarantees and letters of credit are presented in other liabilities. An analysis of these changes as follow:

	2025	2024
	Stage 1	Stage 1
ECL allowance as at 1 January	507,565	387,777
Net remeasurement of loss allowance	406,453	119,788
<b>Balance at 31 December</b>	<b>914,018</b>	<b>507,565</b>

## 30 Contingencies

### Tax and legal matters

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

taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

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

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

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

### Insurance

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

## 31 Transactions with related parties

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

The ultimate controlling party of the Bank is Vartan Sirmakes.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates.

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

	2025		2024	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
<b>Statement of financial position</b>				
<b>Loans and advances to customers</b>				
Loans outstanding as at 1 January gross	6,409,050	616,675	7,774,771	597,557
Loans issued during the year	5,853,312	4,820,510	10,277,737	1,351,987
Loan repayments during the year	(6,597,218)	(3,519,767)	(11,643,458)	(1,332,869)
<b>Loans outstanding at 31 December gross</b>	<b>5,665,144</b>	<b>1,917,418</b>	<b>6,409,050</b>	<b>616,675</b>
Credit loss allowance	(111,191)	(27,928)	(156,818)	(6,498)
<b>Loans outstanding at 31 December</b>	<b>5,553,953</b>	<b>1,889,490</b>	<b>6,252,232</b>	<b>610,177</b>

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For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

	2025		2024	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
<b>Other assets</b>				
As at 1 January	-	-	-	-
Increase during the year	4,894,778	43,740	-	-
Decrease during the year	(2,010,196)	(40,328)	-	-
<b>As at 31 December</b>	<b>2,884,582</b>	<b>3,412</b>	-	-
<b>Amounts due from financial institutions</b>				
As at 1 January	8,822	-	9,276	-
Increase during the year	4,476	-	3,305	-
Decrease during the year	(4,030)	-	(3,759)	-
<b>As at 31 December</b>	<b>9,268</b>	-	<b>8,822</b>	-
<b>Amounts due to customers</b>				
As at 1 January	46,427,703	302,521	56,790,104	308,222
Increase during the year	144,386,128	10,408,803	98,751,769	5,148,713
Decrease during the year	(154,739,714)	(9,499,547)	(109,114,170)	(5,154,414)
<b>Deposits as at 31 December</b>	<b>36,074,117</b>	<b>1,211,777</b>	<b>46,427,703</b>	<b>302,521</b>
<b>Debt securities issued</b>				
As at 1 January	29,409,659	310,840	29,790,559	389,335
Increase during the year	11,248,266	223,492	9,125,811	175,446
Decrease during the year	(14,725,415)	(194,870)	(9,506,711)	(253,941)
<b>Deposits as at 31 December</b>	<b>25,932,510</b>	<b>339,462</b>	<b>29,409,659</b>	<b>310,840</b>
<b>Subordinated debt</b>				
As at 1 January	30,148,534	-	32,161,126	-
Increase during the year	3,665,000	-	7,545,640	-
Decrease during the year	(3,667,575)	-	(9,558,232)	-
<b>Deposits as at 31 December</b>	<b>30,145,959</b>	-	<b>30,148,534</b>	-
<b>Other liabilities</b>				
As at 1 January	-	-	-	-
Increase during the year	742,444	200	-	-
Decrease during the year	(721,444)	(200)	-	-
<b>Deposits as at 31 December</b>	<b>21,000</b>	-	-	-
<b>Loan commitments and guarantees issued</b>				
	<b>128,610</b>	<b>42,650</b>	<b>859,825</b>	<b>25,565</b>

	2025		2024	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
<b>Statement of profit or loss and other comprehensive income</b>				
Interest income on loans	442,162	190,220	717,875	73,823
Interest expense on deposits	(9,269,506)	(131,979)	(9,887,826)	(28,471)
Commission income	27,097	4,629	28,722	1,285
Commission expense	(460)	(2)	(16)	(53)
Net trading income	185,217	4,806	135,933	1,281
Credit loss (expense) reversal	45,627	(21,430)	(16,458)	1,211
Other income	36,209	608	19,969	766
Other expenses	-	(34,950)	(2,055)	(13,300)

Compensation of key management personnel was comprised of the following:

	31 December 2025	31 December 2024
Salaries and bonuses	931,938	926,857
<b>Total key management compensation</b>	<b>931,938</b>	<b>926,857</b>

The loans issued to shareholders, key management personnel and other related parties are repayable over 2026-2044 years and have interest rates of 8.53% (2024: 9.48%).

## 32 Fair value measurement

The Bank's Board determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and investment securities measured at FVOCI, unquoted derivatives and buildings and for non-recurring measurement, such as assets held for sale.

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 32.1 Financial instruments that are not measured at fair value

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

	31 December 2025				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>Financial assets</b>					
Cash and cash equivalents	-	31,990,579	-	31,990,579	31,990,579
Amounts due from financial institutions	-	16,152,027	-	16,152,027	16,152,027
Loans and advances to customers	-	-	220,302,548	220,302,548	220,401,268
Investments securities measured at amortised cost including those pledged under repurchase agreements	-	92,723,237	-	92,723,237	76,277,823
Other assets	-	436,416	-	436,416	436,416
<b>Financial liabilities</b>					
Amounts due to banks	-	62,786,808	-	62,786,808	62,786,808
Amounts due to customers	-	181,820,486	-	181,820,486	181,820,486
Debt securities issued	-	65,290,747	-	65,290,747	65,290,747
Other borrowed funds	-	37,979,773	-	37,979,773	37,979,773
Subordinated debt	-	-	30,873,737	30,873,737	30,145,959
Other liabilities	-	1,375,093	-	1,375,093	1,375,093

	31 December 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>Financial assets</b>					
Cash and cash equivalents	-	27,139,747	-	27,139,747	27,139,747
Amounts due from financial institutions	-	13,962,886	-	13,962,886	13,962,886
Loans and advances to customers	-	-	204,875,567	204,875,567	204,925,841
Investments securities measured at amortised cost including those pledged under repurchase agreements	-	87,748,279	-	87,748,279	78,184,937
Other assets	-	3,626,049	-	3,626,049	3,626,049
<b>Financial liabilities</b>					
Amounts due to banks	-	84,664,361	-	84,664,361	84,664,361
Amounts due to customers	-	175,358,952	-	175,358,952	173,610,357
Debt securities issued	-	70,233,698	-	70,233,698	69,773,790
Other borrowed funds	-	28,504,727	-	28,504,727	29,629,001
Subordinated debt	-	-	28,811,755	28,811,755	30,148,534
Other liabilities	-	2,123,939	-	2,123,939	2,123,939

### Amounts due from and to financial institutions

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

### Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 5% to 18% per annum (2024: 5% to 18.9% per annum).

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

### Investment securities measured at amortised cost

Market values have been used to determine the fair value of investment securities measured at amortised cost traded on an active market. For securities that are not traded on an active market, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

### Due to customers, subordinated debt, debt securities issued

The fair value of deposits from customers, subordinated debt, debt securities issued is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

## 32.2 Financial instruments that are measured at fair value

	31 December 2025			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Debt securities measured at FVOCI including those pledged under repurchase agreements	-	114,235,788	-	114,235,788
Equity instruments	-	112,280	-	112,280
Derivative financial assets	-	6,983	-	6,983
<b>Total</b>	-	<b>114,355,051</b>	-	<b>114,355,051</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	138,925	-	138,925
<b>Total</b>	-	<b>138,925</b>	-	<b>138,925</b>

	31 December 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Debt securities measured at FVOCI including those pledged under repurchase agreements	-	127,909,571	-	127,909,571
Equity instruments	-	105,451	-	105,451
Derivative financial assets	-	35,781	-	35,781
<b>Total</b>	-	<b>128,050,803</b>	-	<b>128,050,803</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	80,370	-	80,370
<b>Total</b>	-	<b>80,370</b>	-	<b>80,370</b>

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

#### Quoted investments

All the listed securities and bonds have been issued by publicly traded companies in Armenia.

#### Unquoted debt securities

The fair value of unquoted debt securities at FVOCI is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

#### Unquoted equity investments

For determining the fair value of unquoted equity instruments the Bank uses a combination of market and income approaches. The market approach and the income approach are common valuation techniques for equity investments that are not publicly traded. Under the market approach, the Bank uses prices and other relevant information generated by market transactions involving identical or comparable securities. Under the income approach, future amounts are converted into a single present amount (e.g. a discounted cash flows model). The market approach is preferred as the main inputs used are typically observable.

#### Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter market the Bank uses the closing price at the reporting date.

Normally, the derivatives entered into by the Bank are not traded in active markets. The fair values of these contracts are estimated using valuation techniques that maximises the use of observable market inputs, eg. market exchange rates (Level 2). Most derivatives entered into by the Bank are included in Level 2 and consist of foreign currency forward contracts.

### 32.3 Fair value measurement of non-financial assets

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

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

The land was revalued in 2022 using a combination of the market, income, and cost approaches.

### 33 Offsetting of financial assets and financial liabilities

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

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

	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities in the statement of financial position	Gross amount of recognised financial assets/liabilities	31 December 2025		
				Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<b>Financial assets</b>						
Amounts due from financial institutions-reverse repurchase agreements (Note 15)	4,243,889	-	4,243,889	-	(4,470,880)	(226,991)
Loans and advances to customers -reverse repurchase agreements (Note 16)	1,470,496	-	1,470,496	-	(1,584,989)	(114,493)
<b>Total</b>	<b>5,714,385</b>	<b>-</b>	<b>5,714,385</b>	<b>-</b>	<b>(6,055,869)</b>	<b>(341,484)</b>
<b>Financial liabilities</b>						
Amounts due to banks- loans under repurchase agreements (Note 22)	57,518,820	-	57,518,820	(63,460,873)	-	(5,942,053)
<b>Total</b>	<b>57,518,820</b>	<b>-</b>	<b>57,518,820</b>	<b>(63,460,873)</b>	<b>-</b>	<b>(5,942,053)</b>

	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities in the statement of financial position	Gross amount of recognised financial assets/liabilities	31 December 2024		
				Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<b>Financial assets</b>						
Amounts due from financial institutions-reverse repurchase agreements (Note 15)	11,053,790	-	11,053,790	-	(11,596,803)	(543,013)
Loans and advances to customers -reverse repurchase agreements (Note 16)	410,796	-	410,796	-	(440,359)	(29,563)
<b>Total</b>	<b>11,464,586</b>	<b>-</b>	<b>11,464,586</b>	<b>-</b>	<b>(12,037,162)</b>	<b>(572,576)</b>
<b>Financial liabilities</b>						
Amounts due to banks- loans under repurchase agreements (Note 22)	81,433,975	-	81,433,975	(89,149,680)	-	(7,715,705)
Amounts due to customers- loans under repurchase agreements (Note 23)	1,001,327	-	1,001,327	(1,001,683)	-	(356)
<b>Total</b>	<b>82,435,302</b>	<b>-</b>	<b>82,435,302</b>	<b>(90,151,363)</b>	<b>-</b>	<b>(7,716,061)</b>

### 34 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled. See Note 35.3 for the Bank's contractual undiscounted repayment obligations.

31 December 2025

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<b>Assets</b>							
Cash and cash equivalents	31,990,579	-	31,990,579	-	-	-	31,990,579
Derivative financial assets	6,983	-	6,983	-	-	-	6,983
Amounts due from financial institutions	8,148,880	7,018,268	15,167,148	984,879	-	984,879	16,152,027
Loans and advances to customers	17,154,329	80,123,357	97,277,686	82,993,692	40,129,890	123,123,582	220,401,268
Investment securities	-	4,245,307	4,245,307	12,954,758	109,977,533	122,932,291	127,177,598
Securities pledged under repurchase agreements	59,021,428	4,426,865	63,448,293	-	-	-	63,448,293
Other assets	436,416	-	436,416	-	-	-	436,416
	<b>116,758,615</b>	<b>95,813,797</b>	<b>212,572,412</b>	<b>96,933,329</b>	<b>150,107,423</b>	<b>247,040,752</b>	<b>459,613,164</b>
<b>Liabilities</b>							
Amounts due to banks	56,179,013	6,488,801	62,667,814	118,994	-	118,994	62,786,808
Derivative financial liabilities	12,734	7,405	20,139	27,928	90,858	118,786	138,925
Amounts due to customers	85,467,486	43,498,026	128,965,512	50,563,393	2,291,581	52,854,974	181,820,486
Debt securities issued	-	19,243,595	19,243,595	46,047,152	-	46,047,152	65,290,747
Other borrowed funds	1,921,861	8,084,551	10,006,412	21,557,141	6,416,220	27,973,361	37,979,773
Subordinated debt	145,959	-	145,959	30,000,000	-	30,000,000	30,145,959
Other liabilities	1,353,223	19,091	1,372,314	2,779	-	2,779	1,375,093
	<b>145,080,276</b>	<b>77,341,469</b>	<b>222,421,745</b>	<b>148,317,387</b>	<b>8,798,659</b>	<b>157,116,046</b>	<b>379,537,791</b>
<b>Net position</b>	<b>(28,321,661)</b>	<b>18,472,328</b>	<b>(9,849,333)</b>	<b>(51,384,058)</b>	<b>141,308,764</b>	<b>89,924,706</b>	<b>80,075,373</b>
<b>Accumulated gap</b>	<b>(28,321,661)</b>	<b>(9,849,333)</b>		<b>(61,233,391)</b>	<b>80,075,373</b>		

31 December 2024

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<b>Assets</b>							
Cash and cash equivalents	27,139,747	-	27,139,747	-	-	-	27,139,747
Derivative financial assets	35,781	-	35,781	-	-	-	35,781
Amounts due from financial institutions	12,609,806	185,379	12,795,185	1,167,701	-	1,167,701	13,962,886
Loans and advances to customers	19,427,582	60,016,391	79,443,973	84,722,617	40,759,251	125,481,868	204,925,841
Investment securities	406,688	8,071,840	8,478,528	14,131,562	93,438,506	107,570,068	116,048,596
Securities pledged under repurchase agreements	90,151,363	-	90,151,363	-	-	-	90,151,363
Other assets	3,626,049	-	3,626,049	-	-	-	3,626,049
	<b>153,397,016</b>	<b>68,273,610</b>	<b>221,670,626</b>	<b>100,021,880</b>	<b>134,197,757</b>	<b>234,219,637</b>	<b>455,890,263</b>
<b>Liabilities</b>							
Amounts due to banks	82,004,016	2,588,865	84,592,881	71,480	-	71,480	84,664,361
Derivative financial liabilities	14,865	3,844	18,709	14,497	47,164	61,661	80,370
Amounts due to customers	81,446,776	59,178,098	140,624,874	28,227,191	4,758,292	32,985,483	173,610,357
Debt securities issued	-	19,311,682	19,311,682	50,462,108	-	50,462,108	69,773,790
Other borrowed funds	1,047,074	5,827,979	6,875,053	16,466,233	6,287,715	22,753,948	29,629,001
Subordinated debt	148,534	-	148,534	22,000,000	8,000,000	30,000,000	30,148,534
Other liabilities	2,032,864	64,054	2,096,918	27,021	-	27,021	2,123,939
	<b>166,694,129</b>	<b>86,974,522</b>	<b>253,668,651</b>	<b>117,268,530</b>	<b>19,093,171</b>	<b>136,361,701</b>	<b>390,030,352</b>
<b>Net position</b>	<b>(13,297,113)</b>	<b>(18,700,912)</b>	<b>(31,998,025)</b>	<b>(17,246,650)</b>	<b>115,104,586</b>	<b>97,857,936</b>	<b>65,859,911</b>
<b>Accumulated gap</b>	<b>(13,297,113)</b>	<b>(31,998,025)</b>		<b>(49,244,675)</b>	<b>65,859,911</b>		

## 35 Risk management

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

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

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

### Risk management structure

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

### Board of Directors

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

### Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

### Credit Committee

The Credit Committee has the overall responsibility for the development of the risk strategy and and approves loans within the limits of its delegated authority.

### Risk Management Department

The Risk Management Department is responsible for the principles and policy of management of investment risks, and for the development and implementation of the Bank's risk limits.

### Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function that estimates the adequacy of the procedures, the compliance of the Bank's activity with the procedures, as well as the efficiency of operations carried out by the Bank and the opportunities for their improvement. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit committee.

### Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, risk profile changes and other indicators.

### Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other foreign currency instruments, as well as obtains insurance certificates for overall banking risks, movable and immovable property.

The Bank actively uses collateral to reduce its credit risks (see below for more detail).

### Excessive risk concentration

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

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

## 35.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Bank's Risk Management Department and reported to the Board of Directors regularly.

### 35.1.1 Credit quality analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of internal rating grades is included in Note 35.1.2.

Internal rating grade	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
<b>Cash and cash equivalents</b>				
High	1,847,397	-	-	1,847,397
Standard	30,172,965	-	-	30,172,965
<b>Gross carrying amount</b>	<b>32,020,362</b>	-	-	<b>32,020,362</b>
Credit loss allowance	(29,783)	-	-	(29,783)
<b>Net carrying amount</b>	<b>31,990,579</b>	-	-	<b>31,990,579</b>
<b>Amounts due from financial institutions</b>				
Standard	16,202,311	-	-	16,202,311
<b>Gross carrying amount</b>	<b>16,202,311</b>	-	-	<b>16,202,311</b>
Credit loss allowance	(50,284)	-	-	(50,284)
<b>Net carrying amount</b>	<b>16,152,027</b>	-	-	<b>16,152,027</b>
<b>Loans to mortgage and consumer customers</b>				
High grade	47,047,752	-	-	47,047,752
Standard grade	-	132,792	-	132,792
Low grade	-	33,950	-	33,950
Non-performing grade	-	-	500,176	500,176
<b>Gross carrying amount</b>	<b>47,047,752</b>	<b>166,742</b>	<b>500,176</b>	<b>47,714,670</b>
Credit loss allowance	(468,188)	(30,989)	(250,765)	(749,942)
<b>Net carrying amount</b>	<b>46,579,564</b>	<b>135,753</b>	<b>249,411</b>	<b>46,964,728</b>
<b>Loans to commercial customers</b>				
High grade	171,425,989	-	-	171,425,989
Standard grade	-	1,350,864	-	1,350,864
Low grade	-	857,289	-	857,289
Non-performing grade	-	-	6,443,054	6,443,054
<b>Gross carrying amount</b>	<b>171,425,989</b>	<b>2,208,153</b>	<b>6,443,054</b>	<b>180,077,196</b>
Credit loss allowance	(2,962,344)	(439,958)	(3,238,354)	(6,640,656)
<b>Net carrying amount</b>	<b>168,463,645</b>	<b>1,768,195</b>	<b>3,204,700</b>	<b>173,436,540</b>

Internal rating grade	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at amortised cost including those pledged</b>				
Standard	76,492,080	-	-	76,492,080
<b>Gross carrying amount</b>	<b>76,492,080</b>	-	-	<b>76,492,080</b>
Credit loss allowance	(214,257)	-	-	(214,257)
<b>Net carrying amount</b>	<b>76,277,823</b>	-	-	<b>76,277,823</b>
<b>Debt investment securities at FVOCI including those pledged</b>				
Standard	114,235,788	-	-	114,235,788
<b>Gross carrying amount-fair value</b>	<b>114,235,788</b>	-	-	<b>114,235,788</b>
Credit loss allowance	(353,663)	-	-	(353,663)
<b>Other financial assets</b>				
Standard grade	464,156	-	-	464,156
<b>Gross carrying amount</b>	<b>464,156</b>	-	-	<b>464,156</b>
Credit loss allowance	(27,740)	-	-	(27,740)
<b>Net carrying amount</b>	<b>436,416</b>	-	-	<b>436,416</b>
<b>Loan commitments and financial guarantees</b>				
Standard grade	54,698,779	-	-	54,698,779
	<b>54,698,779</b>	-	-	<b>54,698,779</b>
Credit loss allowance*	(914,018)	-	-	(914,018)

Internal rating grade	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Cash and cash equivalents</b>				
High	1,831,028	-	-	1,831,028
Standard	25,360,600	-	-	25,360,600
<b>Gross carrying amount</b>	<b>27,191,628</b>	-	-	<b>27,191,628</b>
Credit loss allowance	(51,881)	-	-	(51,881)
<b>Net carrying amount</b>	<b>27,139,747</b>	-	-	<b>27,139,747</b>
<b>Amounts due from financial institutions</b>				
Standard	14,004,540	-	-	14,004,540
<b>Gross carrying amount</b>	<b>14,004,540</b>	-	-	<b>14,004,540</b>
Credit loss allowance	(41,654)	-	-	(41,654)
<b>Net carrying amount</b>	<b>13,962,886</b>	-	-	<b>13,962,886</b>
<b>Loans to mortgage and consumer customers</b>				
High grade	43,419,741	-	-	43,419,741
Standard grade	-	197,509	-	197,509
Low grade	-	55,660	-	55,660
Non-performing grade	-	-	671,900	671,900
<b>Gross carrying amount</b>	<b>43,419,741</b>	<b>253,169</b>	<b>671,900</b>	<b>44,344,810</b>
Credit loss allowance	(410,797)	(39,375)	(190,484)	(640,656)
<b>Net carrying amount</b>	<b>43,008,944</b>	<b>213,794</b>	<b>481,416</b>	<b>43,704,154</b>

Internal rating grade	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to commercial customers</b>				
High grade	137,011,457	-	-	137,011,457
Standard grade	-	14,660,841	-	14,660,841
Low grade	72,750	230,639	-	303,389
Non-performing grade	-	-	17,855,398	17,855,398
<b>Gross carrying amount</b>	<b>137,084,207</b>	<b>14,891,480</b>	<b>17,855,398</b>	<b>169,831,085</b>
Credit loss allowance	(1,335,260)	(2,201,475)	(5,072,663)	(8,609,398)
<b>Net carrying amount</b>	<b>135,748,947</b>	<b>12,690,005</b>	<b>12,782,735</b>	<b>161,221,687</b>
<b>Debt investment securities at amortised cost including those pledged</b>				
Standard	78,403,819	-	-	78,403,819
<b>Gross carrying amount</b>	<b>78,403,819</b>	-	-	<b>78,403,819</b>
Credit loss allowance	(218,882)	-	-	(218,882)
<b>Net carrying amount</b>	<b>78,184,937</b>	-	-	<b>78,184,937</b>
<b>Debt investment securities at FVOCI including those pledged</b>				
Standard	127,909,571	-	-	127,909,571
<b>Gross carrying amount-fair value</b>	<b>127,909,571</b>	-	-	<b>127,909,571</b>
Credit loss allowance	(401,447)	-	-	(401,447)
<b>Other financial assets</b>				
Standard grade	3,666,583	-	-	3,666,583
<b>Gross carrying amount</b>	<b>3,666,583</b>	-	-	<b>3,666,583</b>
Credit loss allowance	(40,534)	-	-	(40,534)
<b>Net carrying amount</b>	<b>3,626,049</b>	-	-	<b>3,626,049</b>
<b>Loan commitments and financial guarantees</b>				
Standard grade	43,953,141	-	-	43,953,141
	<b>43,953,141</b>	-	-	<b>43,953,141</b>
Credit loss allowance*	(507,565)	-	-	(507,565)

Credit exposures arising from derivative transactions see Note 14.

\* Loss allowances represent the ECL allowances on financial guarantees. ECL allowances on loans and advances include ECL allowances on loan commitments.

### 35.1.2 Impairment assessment

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

#### Significant increase in credit risk

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

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

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

### Criteria for loans and advances to customers

The criteria for Loans and advances to customers are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified as default, during the last 12 months it was at least once in stage 3.
- Loans in the probation period. Significant increase in credit risk is considered in case of a forbore performing loan or forbore non-performing loan, which is in the probation period (period after cure period). wherein, the loan should not have overdue days of more than 30 days or any indication of an unlikelihood to pay.

### Criteria for amounts due from financial institutions

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

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- For correspondent and current accounts 7 days' pas due. More than 7 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Change notches external credit score/ rate. For this criterion, the corporate rating will be taken into account. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down each time by one level, started from B2 (S&P) (or the equivalent of Moody's and Fitch). In cases where a financials institutions don't have a corporate rating in a rating agency and the Bank does not have an equivalent internal rating system, the corporate default rate corresponding to one notch below the sovereign rating of the country is taken into consideration.
- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified in default, during the last 12 months it was at least once in stage 3.

### Criteria for Investment securities

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

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

### Exit criteria from significant deterioration stage

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

### 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 (primarily driven by days past due: Not overdue financial assets are defined high grade, overdue less than 30 days – standard grade, overdue more than 30 days and less than 90 days – substandard or low grade and overdue more than 90 days – non-performing grade) factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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

	Grade	2025	2024
		12 month PD range	12 month PD range
Loans to mortgage and consumer customers	Standard	1.20-4.82%	1.28-4.62%
	Substandard	25.68-35.14%	23.23-30.42%
	Non-Performing	100%	100%
Loans to commercial customers	Standard	2.41%	2.05%
	Substandard	35.80%	33.24%
	Non-Performing	100%	100%

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

	Grade	2025	2024
		12 month PD range	12 month PD range
AAA to A-	Hight	0.001-0.03%	0.001-0.05%
BBB+ to B-	Standard	0.05-5.63%	0.09-5.53%
CCC+ to CC	Substandard	10.08%	5.53-25.7%
D	Non-Performing	100%	100%

### Collective or individual assessment

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

- Individually significant loans of Stage 3, regardless of the class of financial assets
- The large and unique exposures
- The treasury, trading and interbank relationships such as Due from Banks, Securities pledged under repurchase agreements and debt instruments at amortised cost/FVOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

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

- Type of loan (for example, corporate, mortgage, credit card, consumer loan, etc.)
- The type of customer (for example, an individual or legal entity or by industry type),
- Type of collateral (for example, property, receivables, etc.),
- Currency
- Other relevant characteristics.

### Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments, except for loans, borrowings and debt investment securities provided to banks and other financial institutions, the contractual payments of which are 30 days past due.

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

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

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to

initial recognition. The Bank's criterion for 'cure' for ECL purposes is less stringent than the 12 months' requirement for forbore non-performing exposures.

### Forborne and modified loan

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

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

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

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

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

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

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

### Probability of Default (PD)

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

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

### Loss given default (LGD)

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

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

### Exposure at default (EAD)

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

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

### Forward looking information

An overview of the approach to estimating ECLs is set out in Note 4.6.(vi), estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (WB, CBA, Government of RA and etc.). In order to generate the influence of the macroeconomic factors, the Bank determining the weights to the selected macroeconomic factors and to the multiple scenarios (Base, Upside and Downside), which are predicted. To calculate the macroeconomic adjustment for ECL the Bank uses a wide range of forecast information as economic inputs for its models, including:

- GDP growth/decrease
- GDP (current LCU)
- Bank nonperforming loans to total gross loans
- Trade growth
- Industry growth
- Construction growth
- Official exchange rate
- Inflation

### 35.1.3 Risk concentrations

#### Geographical sectors

Credit risk assets are located in the RA.

### 35.1.4 Collateral and other credit enhancement

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

The main types of collateral obtained are, as follows:

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

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

	31 December 2025	31 December 2024
Loans collateralized by real estate	180,919,894	173,461,079
Loans collateralized by movable property	15,628,022	14,594,711
Loans collateralized by property and equipment	2,498,120	3,120,337
Loans collateralized by inventories	2,177,328	1,032,619
Loans collateralized by shares of other companies	6,217,179	5,474,531
Loans collateralized by guarantees of individuals and other companies	9,086,114	5,966,982
Loans collateralized by cash	687,175	1,809,485
Unsecured loans	710,225	553,217
Other	9,867,809	8,162,934
<b>Total loans and advances to customers (gross)</b>	<b>227,791,866</b>	<b>214,175,895</b>

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

As at 31 December 2025 the net carrying amount of credit-impaired loans and advances to commercial customers amounted to AMD 3,204,700 thousand (2024: AMD 12,782,735 thousand) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AMD 4,869,857 thousand (2024: AMD 6,201,661 thousand).

## 35.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on Value at Risk (“VaR”) methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

### 35.2.1 Market risk – Non-trading

#### Interest rate risk

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

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

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2025, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate of financial assets measured at FVOCI, including the effect of any associated hedges, and swaps designated as cash flow hedges, as at 31 December 2025 for the effects of the assumed changes in interest rates.

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The sensitivity of equity is analysed by maturity of the asset or swap. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Currency	2025			
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity	Total
AMD	+1.5	(89,627)	(10,144,079)	(10,233,706)
USD	+2.0	(10,989)	(245,531)	(256,520)
EUR	+2.0	-	(959)	(959)
AMD	-1.5	89,627	12,166,322	12,255,949
USD	+2.0	10,989	224,047	235,036
EUR	+2.0	-	1,081	1,081

Currency	2024			
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity	Total
AMD	+1.5	-	(11,626,511)	(11,626,511)
USD	+2.0	(16,009)	(792,134)	(808,143)
EUR	+2.0	-	(2,103)	(2,103)
AMD	-1.5	-	11,628,585	11,628,585
USD	+2.0	16,009	795,588	811,597
EUR	+2.0	-	2,113	2,113

**Average effective interest rates**

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2025 and 31 December 2024. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

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	2025			2024		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
<b>Interest earning assets</b>						
Amounts due from financial institutions	8.76	5.56	-	10.53	4.42	-
Loans and advances to customers	15.05	8.08	-	13.51	7.87	19.54
Investment securities	10.36	4.67	-	10.42	5.23	-
<b>Interest bearing liabilities</b>						
Amounts due to banks	6.89	1.13	17.86	7.29	2.30	-
Amounts due to customers	10.18	4.68	6.70	10.17	4.76	7.49
Debt securities issued	10.27	5.79	-	9.90	5.60	-
Other borrowed funds	7.40	4.31	-	6.58	4.92	-
Subordinated debt	12.93	-	-	12.93	-	-
Other liabilities	11.87	-	-	11.51	-	-

**Currency risk**

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

The tables below indicate the currencies to which the Bank had significant exposure as at 31 December 2025 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges, and equity instruments). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	31 December 2025		31 December 2024	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
Freely convertible currency	(10)	656,836	(10)	(429,738)
Freely convertible currency	10	(656,836)	10	429,738

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

	Armenian Dram	Freely convertible currencies/ precious metals	Non-freely convertible currencies	Total
<b>Assets</b>				
Cash and cash equivalents	7,405,479	21,785,751	2,799,349	31,990,579
Amounts due from financial institutions	8,225,101	7,926,603	323	16,152,027
Loans and advances to customers	168,052,788	50,448,685	1,899,795	220,401,268
Investment securities	116,071,290	11,106,308	-	127,177,598
Securities pledged under repurchase agreements	63,448,293	-	-	63,448,293
Other assets	358,078	78,338	-	436,416
<b>Total</b>	<b>363,561,029</b>	<b>91,345,685</b>	<b>4,699,467</b>	<b>459,606,181</b>
<b>Liabilities</b>				
Amounts due to banks	58,201,214	3,360,086	1,225,508	62,786,808
Amounts due to customers	119,314,682	60,724,029	1,781,775	181,820,486
Debt securities issued	43,059,895	22,230,852	-	65,290,747
Other borrowed assets	30,167,669	7,812,104	-	37,979,773
Subordinated debt	30,145,959	-	-	30,145,959
Other liabilities	1,299,054	76,039	-	1,375,093
<b>Total</b>	<b>282,188,473</b>	<b>94,203,110</b>	<b>3,007,283</b>	<b>379,398,866</b>
<b>Total effect of derivative financial instruments</b>	<b>3,587,698</b>	<b>(3,710,935)</b>	<b>(8,705)</b>	<b>(131,942)</b>
<b>Net position as at 31 December 2025</b>	<b>84,960,254</b>	<b>(6,568,360)</b>	<b>1,683,479</b>	<b>80,075,373</b>
<b>Commitments and contingent liabilities as at 31 December 2025</b>				
	<b>46,751,527</b>	<b>7,440,788</b>	<b>506,464</b>	<b>54,698,779</b>
<b>Total financial assets</b>	<b>351,563,290</b>	<b>99,432,670</b>	<b>4,858,522</b>	<b>455,854,482</b>
<b>Total financial liabilities</b>	<b>287,138,604</b>	<b>100,773,339</b>	<b>2,038,039</b>	<b>389,949,982</b>
<b>Total effect of derivative financial instruments</b>	<b>3,150,989</b>	<b>(2,545,817)</b>	<b>(649,761)</b>	<b>(44,589)</b>
<b>Net position as at 31 December 2024</b>	<b>67,575,675</b>	<b>(3,886,486)</b>	<b>2,170,722</b>	<b>65,859,911</b>
<b>Commitments and contingent liabilities as at 31 December 2024</b>				
	<b>39,428,406</b>	<b>4,297,380</b>	<b>227,355</b>	<b>43,953,141</b>

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

### 35.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and

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liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% of certain obligations of the Bank denominated in Armenian drams and 15% on certain obligations of the Bank denominated in foreign currency. See Note 13. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

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

As at 31 December, these ratios were as follows:

	Unaudited	
	2025, %	2024, %
N21- Total liquidity ratio (Highly liquid assets/ Total assets)	39.3	39.55
N22- Current liquidity ratio (Highly liquid assets /liabilities on demand)	183.04	197.6

### Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2025 based on contractual undiscounted repayment obligations. See Note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	31 December 2025					Total gross amount outflow	Carrying amount
	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years			
<b>Non-derivative financial liabilities</b>							
Amounts due to banks	56,180,986	6,488,841	118,995	-	62,788,822	62,786,808	
Amounts due to customers	85,634,549	45,939,807	57,713,504	2,291,922	191,579,782	181,820,486	
Debt securities issued	-	23,863,718	52,487,274	-	76,350,992	65,290,747	
Other borrowed funds	1,945,455	9,697,729	25,746,205	7,194,156	44,583,545	37,979,773	
Subordinated debt	457,233	3,353,726	37,513,151	-	41,324,110	30,145,959	
Other liabilities	1,353,475	19,322	2,432	-	1,375,229	1,375,093	
<b>Total undiscounted non-derivative financial liabilities</b>	<b>145,571,698</b>	<b>89,363,143</b>	<b>173,581,561</b>	<b>9,486,078</b>	<b>418,002,480</b>	<b>379,398,866</b>	

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	31 December 2025					
	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
<b>Derivative financial liabilities</b>						
<i>Foreign exchange swap contracts</i>						
Inflow	3,933,144	-	-	-	3,933,144	-
Outflow	(3,945,570)	-	-	-	(3,945,570)	(12,426)
<i>Foreign exchange forward contracts</i>						
Outflow	(4,905)	(117,931)	(444,779)	(1,446,996)	(2,014,611)	(126,499)
<b>Commitments and contingent liabilities</b>	<b>16,188,358</b>	<b>27,526,676</b>	<b>10,980,778</b>	<b>2,967</b>	<b>54,698,779</b>	<b>54,698,779</b>

	31 December 2024					
	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
<b>Non-derivative financial liabilities</b>						
Amounts due to banks	82,004,474	2,588,873	71,480	-	84,664,827	84,664,361
Amounts due to customers	81,629,858	60,170,877	30,123,901	4,973,840	176,898,476	173,610,357
Debt securities issued	-	23,328,064	56,957,016	-	80,285,080	69,773,790
Other borrowed funds	1,065,055	7,049,282	20,083,889	7,281,315	35,479,541	29,629,001
Subordinated debt	459,808	3,353,726	28,733,877	12,444,274	44,991,685	30,148,534
Other liabilities	2,033,980	71,385	27,472	-	2,132,837	2,123,939
<b>Total undiscounted non-derivative financial liabilities</b>	<b>167,193,175</b>	<b>96,562,207</b>	<b>135,997,635</b>	<b>24,699,429</b>	<b>424,452,446</b>	<b>389,949,982</b>

	31 December 2024					
	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
<b>Derivative financial liabilities</b>						
<i>Foreign exchange swap contracts</i>						
Inflow	1,851,396	-	-	-	1,851,396	-
Outflow	(1,866,101)	-	-	-	(1,866,101)	(14,705)
<i>Foreign exchange forward contracts</i>						
Outflow	(5,139)	(123,460)	(465,610)	(1,514,799)	(2,109,008)	(65,665)
<b>Commitments and contingent liabilities</b>	<b>13,834,794</b>	<b>19,610,753</b>	<b>10,507,594</b>	<b>-</b>	<b>43,953,141</b>	<b>43,953,141</b>

**35.4 Operational risk**

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

The 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.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Bank to which they relate, with summaries submitted to the Board.

## 36 Reconciliation of liabilities arising from financing activities

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

	Debt securities issued	Other borrowed funds	Subordinated debt	Lease liabilities	Total liabilities from financing activities
<b>Carrying amount at 31 December 2023</b>	<b>55,022,320</b>	<b>28,493,452</b>	<b>32,161,126</b>	<b>99,727</b>	<b>115,776,625</b>
Impact of adopting IFRS 16	-	-	-	88,879	88,879
Proceeds from issue	23,130,656	12,539,792	3,702,238	-	39,372,686
Redemption	(7,578,808)	(11,365,500)	(5,642,307)	(105,600)	(24,692,215)
Foreign currency translation	(1,112,810)	(41,693)	(83,881)	-	(1,238,384)
Other	312,432	2,950	11,358	14,039	340,779
<b>Carrying amount at 31 December 2024</b>	<b>69,773,790</b>	<b>29,629,001</b>	<b>30,148,534</b>	<b>97,045</b>	<b>129,648,370</b>
Impact of adopting IFRS 16	-	-	-	33,374	33,374
Proceeds from issue	26,552,190	19,703,485	-	-	46,255,675
Redemption	(30,871,988)	(12,010,185)	-	(108,291)	(42,990,464)
Foreign currency translation	(113,880)	558,867	-	-	444,987
Other	(49,365)	98,605	(2,575)	8,575	55,240
<b>Carrying amount at 31 December 2025</b>	<b>65,290,747</b>	<b>37,979,773</b>	<b>30,145,959</b>	<b>30,703</b>	<b>133,447,182</b>

“Other” line includes the effect of accrued but not yet paid interest on debt securities issued, other borrowed funds, subordinated debt and lease liabilities. The Bank classifies interest paid as cash flows from operating activities.

## 37 Capital adequacy

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

The primary objectives of the Bank’s capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders’ value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of the Republic of Armenia has established a minimum ratio of total capital to risk-weighted assets of 8.3% (N1.2), and a ratio of Tier 1 capital to risk-weighted assets of 6.2% (N1.1).

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

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

As at 31 December 2025 and 2024 the amount of total capital, risk weighted assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.

	Unaudited	
	31 December 2025	31 December 2024
Common Equity Tier 1	89,546,484	72,213,182
Additional Tier 2	20,565,260	25,949,306
<b>Total regulatory capital</b>	<b>110,111,744</b>	<b>98,162,488</b>
<b>Risk-weighted assets</b>	<b>469,994,413</b>	<b>447,750,889</b>
<b>Capital adequacy ratio (N1.1)</b>	<b>19.05%</b>	<b>16.13%</b>
<b>Capital adequacy ratio (N1.2)</b>	<b>23.43%</b>	<b>21.92%</b>

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

With the aim to enhance the efficiency of the banking system activity, strengthening the ability to resist the shocks in different economic situations, as well as providing more efficient and available banking services, the Board of RA Central Bank decided to determine the minimum size of total capital AMD 30,000,000 thousand for the Bank and new banks.

## 38 Segment reporting

### Operating segments

The Bank is organised on the basis of three main operating segments. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Corporate banking – representing provision of loans to customers, as well as the opening and servicing of deposits and current accounts.

Investment banking – representing activities related to financial assets, the provision of structured financing, and the provision of securities management and advisory services.

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

For the purpose of resource allocation and performance assessment, management monitors the operating results of its business units separately. Income tax is managed on the basis of profit before income tax and is allocated among operating segments.

As at 31 December 2025 and 31 December 2024, there were no transactions with a single external counterparty or customer generating revenue exceeding 10% of the Bank's total revenue.

Segment information about these businesses is presented below.

31 December 2025	Investment banking	Corporate banking	Total
<b>Income</b>			
Interest income calculated using effective interest rate	20,361,309	22,684,752	43,046,061
Other interest income	-	1,987,095	1,987,095
Interest expense	(13,199,376)	(14,500,266)	(27,699,642)
<b>Net interest income</b>	<b>7,161,933</b>	<b>10,171,581</b>	<b>17,333,514</b>
Credit loss expense	65,877	(7,901,790)	(7,835,913)
Commission income	21,555	2,089,766	2,111,321
Commission expense	-	(483,312)	(483,312)
Other non-interest income	2,850,561	1,093,140	3,943,701
Non-interest expense	(369,554)	(3,725,871)	(4,095,425)
<b>Segment profit</b>	<b>9,730,372</b>	<b>1,243,514</b>	<b>10,973,886</b>
Income tax expense	(1,643,933)	(210,090)	(1,854,023)
<b>Profit for the year</b>	<b>8,086,439</b>	<b>1,033,424</b>	<b>9,119,863</b>

31 December 2024	Investment banking	Corporate banking	Total
<b>Income</b>			
Interest income calculated using effective interest rate	21,372,182	20,067,555	41,439,737
Other interest income	-	1,297,077	1,297,077
Interest expense	(14,257,071)	(13,883,440)	(28,140,511)
<b>Net interest income</b>	<b>7,115,111</b>	<b>7,481,192</b>	<b>14,596,303</b>
Credit loss expense	(23,865)	(2,075,032)	(2,098,897)
Commission income	7,325	1,543,715	1,551,040
Commission expense	-	(335,655)	(335,655)
Other non-interest income	1,665,840	881,697	2,547,537
Non-interest expense	(298,343)	(3,906,815)	(4,205,158)
<b>Segment profit</b>	<b>8,466,068</b>	<b>3,589,102</b>	<b>12,055,170</b>
Income tax expense	(1,606,664)	(633,636)	(2,240,300)
<b>Profit for the year</b>	<b>6,859,404</b>	<b>2,955,466</b>	<b>9,814,870</b>

**Notes to the Financial Statements**

For the year ended 31 December 2025 (expressed in thousands of Armenian drams (AMD))

The following tables present segment assets and liabilities of the Bank's operating segments:

	Investment banking	Corporate banking	Unallocated balances	Total
<b>Segment assets</b>				
At 31 December 2025	206,784,901	220,401,268	46,023,952	473,210,121
At 31 December 2024	218,041,561	207,977,485	42,004,894	468,023,940
<b>Segment liabilities</b>				
At 31 December 2025	166,196,253	211,966,445	4,688,467	382,851,165
At 31 December 2024	203,758,891	184,147,522	4,997,652	392,904,065

Unallocated balances include cash and cash equivalents, property and equipment and right-of-use assets, intangible assets, repossessed assets, prepayments on income tax, other assets, current income tax liabilities and other liabilities.

**Revenue from contracts with customers**

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the years ended 31 December 2025 and 31 December 2024 is as follows:

31 December 2025	Investment banking	Corporate banking	Total
<b>Commission income</b>			
Guarantees and letters of credit	-	1,173,820	1,173,820
Wire transfer fees	16,722	675,639	692,361
Plastic cards operations	-	215,604	215,604
Brokerage operations	4,833	24,703	29,536
<b>Total revenue from contracts with customers</b>	<b>21,555</b>	<b>2,089,766</b>	<b>2,111,321</b>

31 December 2024	Investment banking	Corporate banking	Total
<b>Commission income</b>			
Guarantees and letters of credit	-	907,502	907,502
Wire transfer fees	6,747	425,392	432,139
Plastic cards operations	-	190,965	190,965
Brokerage operations	548	17,280	17,828
Settlements operations	30	2,576	2,606
<b>Total revenue from contracts with customers</b>	<b>7,325</b>	<b>1,543,715</b>	<b>1,551,040</b>