

Unibank OJSC

Financial Statements

for the year ended 31 December 2025

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Independent Auditors' Report

To the Shareholders and Board of Directors of Unibank OJSC

Opinion

We have audited the financial statements of Unibank OJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 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 (IFRS Accounting Standards).

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 *Auditors' 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) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements in the Republic of Armenia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Expected credit losses for loans to customers	
Please refer to Notes 4(e), 18 and Note 30(b) in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>Loans to customers represent 67% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below.</p> <p>The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 <i>Financial Instruments</i> (hereinafter, "IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - expected cash flows forecast, including from realisation of collateral for loans to customers classified in Stage 3; - assessment of adjustment to incorporate forward-looking information. <p>During 2025 the Bank identified and retrospectively adjusted the error in ECL balances as at 31 December 2024 and 1 January 2024, which increased the significance of this area in the audit of the financial statements. Due to the significant volume of loans to customers, and complexity and subjectivity over estimating amount of ECL this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of our credit risk specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate, our audit procedures included the following:</p> <ul style="list-style-type: none"> - for loans to corporate customers we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages. - for a sample of loans to corporate customers, we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank. - for loans to customers we tested the design, implementation and operating effectiveness of controls over calculation of overdue days used as a basis for the allocation of loans into stages. - for loans to customers we assessed the appropriateness of the related models, and checked the completeness and accuracy of data inputs into the ECL calculation models by reconciling the model input data against primary documents, on a sample basis. - for a sample of loans, where LGD is assessed individually, we tested the accuracy and appropriateness of data inputs for LGD calculation, by agreeing collateral values to external valuation reports and testing the appropriateness of discounts applied. - we assessed the accuracy and relevance of macroeconomic forecasts used in the adjustment to incorporate forward looking information by reperforming regression analysis and agreeing macroeconomic data to publicly available sources. - we involved our credit risk specialists to evaluate the methodology and key assumptions applied in the ECL models and the consistency of their application in the restatement of prior periods.

	<ul style="list-style-type: none"> - we assessed the predictive capability of the Bank's ECL calculation methodology by comparing the revised estimates made as at 1 January 2025 with the actual results for 2025. - we also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk, including the disclosures related to the restatement of the prior year balances.
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Emphasis of Matter - comparative information

We draw attention to Note 5 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2024 has been restated. Our opinion is not modified in respect of this matter.

Other Matter Relating to comparative Information

The financial statements of the Bank as at and for the years ended 31 December 2024 and 31 December 2023 (from which the statement of financial position as at 1 January 2024 has been derived), excluding the adjustments described in Note 5 to the financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements on 29 April 2025 and 25 April 2024, respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2025, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2024 and the statement of financial position as at 1 January 2024. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2024 or 31 December 2023 (not presented herein), other than with respect to the adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

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, 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.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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 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 auditors' 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 partner on the audit resulting in this independent auditors' report is:


Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC



KPMG Armenia LLC
30 April 2026



	Notes	2025 AMD'000	2024 AMD'000
			Restated*
Interest income calculated using the effective interest rate	6	35,183,315	30,274,988
Other interest income	6	283,012	119,540
Interest expense	6	(15,202,832)	(11,751,228)
Net interest income		20,263,495	18,643,300
Fee and commission income	7	5,288,124	4,534,247
Fee and commission expense	7	(1,567,894)	(1,767,737)
Net fee and commission income		3,720,230	2,766,510
Net trading income	8	5,977,232	6,140,126
Other operating income	9	2,031,032	963,004
Banking direct expense	10	(624,829)	(2,151,354)
Operating income before impairment and other administrative expenses		31,367,160	26,361,586
Net (impairment losses) / reversal of impairment losses on financial instruments	11	(958,639)	871,349
Personnel expenses	12	(10,654,559)	(9,673,365)
Other general administrative expenses	13	(7,846,955)	(6,765,017)
Profit before income tax		11,907,007	10,794,553
Income tax expense	14	(2,090,456)	(1,905,948)
Profit for the year		9,816,551	8,888,605
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Revaluation of property, net of income tax		(9,657)	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
- Net change in fair value of investment securities at FVOCI, net of tax		21,079	27,323
- Changes in allowance for expected credit losses		-	(2,840)
Total items that are or may be reclassified subsequently to profit or loss		21,079	24,483
Other comprehensive income for the year, net of tax		11,422	24,483
Total comprehensive income for the year		9,827,973	8,913,088
Earnings per ordinary share – basic, AMD	29	49.8	46.2
Earnings per ordinary share – diluted, AMD	29	44.2	40.8

* The comparative information is restated on account of correction of misstatements. See Note 5.

The financial statements as set out on pages 7 to 85 were approved by the Management Board on 30 April 2026 and were signed on its behalf by:


Mesrop Hakobyan
Chairman of the Management Board




Gohar Grigoryan
Chief Financial Officer - Chief Accountant

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

	Notes	31 December 2025 AMD'000	31 December 2024 AMD'000	1 January 2024 AMD'000
			Restated*	Restated*
ASSETS				
Cash and cash equivalents	15	43,107,570	37,320,814	38,315,057
Investment securities measured at fair value through profit or loss				
– Held by the Bank		-	119,991	-
Investment securities measured at fair value through other comprehensive income	17			
– Held by the Bank		1,849,500	1,823,830	1,572,613
Investment securities measured at amortised cost	17			
– Held by the Bank		13,536,828	31,151,370	25,501,409
– Pledged under sale and repurchase agreements		9,280,499	3,466,932	9,387,266
Loans and advances to banks and other financial institutions	16	32,126,203	33,133,682	43,548,788
Loans to customers	18	264,557,191	204,384,702	150,333,683
Property and equipment	19	12,109,027	7,725,450	8,183,769
Intangible assets	20	3,730,630	3,750,700	3,355,572
Right of use asset	29	2,815,486	3,157,782	2,102,188
Current tax asset		1,035,590	-	-
Deferred tax asset	14	485,177	146,641	-
Repossessed assets	18	1,592,107	6,546,969	4,022,113
Other assets	21	7,556,540	4,586,398	3,516,224
Total assets		393,782,348	337,315,261	289,838,682
LIABILITIES				
Deposits and balances from banks and other financial institutions	22	15,795,557	14,172,471	5,041,307
Amounts payable under repurchase agreements	27	9,066,948	3,174,430	9,012,089
Current accounts and deposits from customers	23	271,106,891	247,536,201	211,194,225
Debt securities issued	25	25,718,962	15,085,027	9,347,121
Other borrowed funds	24	18,105,978	8,442,686	9,582,025
Current tax liability	14	-	578,673	1,596,541
Deferred tax liability	14	-	-	714,214
Lease liability	28	2,570,839	2,366,028	1,710,224
Other liabilities	26	1,222,909	1,137,416	1,115,719
Total liabilities		343,588,084	292,492,932	249,313,465
EQUITY				
Share capital	29	23,425,447	22,425,447	22,425,447
Share premium		14,179,227	11,279,227	11,279,227
Statutory general reserve		1,315,598	904,203	686,316
Other reserves		1,453,153	1,441,732	1,440,850
Retained earnings		9,820,839	8,771,721	4,693,380
Total equity		50,194,264	44,822,330	40,525,220
Total liabilities and equity		393,782,348	337,315,261	289,838,682

* The comparative information is restated on account of correction of misstatements. See Note 5.

	Notes	2025 AMD'000	2024 AMD'000
Cash flows from operating activities			
Interest receipts		35,354,237	29,741,097
Interest payments		(15,207,980)	(10,516,223)
Fee and commission receipts		5,288,124	4,534,247
Fee and commission payments		(1,567,894)	(1,767,737)
Net receipts from foreign exchange transactions		6,086,770	6,358,080
Net banking direct and other operating receipts/(payments)		637,696	(1,203,017)
Salaries and other payments to employees		(10,569,236)	(9,652,496)
Other general administrative expenses payments		(5,453,674)	(4,757,215)
(Increase)/decrease in operating assets			
Financial instruments at fair value through profit or loss		155,485	(52,370)
Loans and advances to banks		2,838,490	8,525,248
Loans to customers		(59,237,342)	(54,375,287)
Repossessed and other assets		(732,771)	(3,549,063)
(Decrease)/increase in operating liabilities			
Other liabilities		(146,190)	(238,619)
Deposits and balances from banks		159,965	9,977,937
Amounts payable under repurchase agreements		5,886,170	(5,827,859)
Current accounts and deposits from customers		22,057,385	40,468,561
Net cash (used in)/from operating activities before income tax paid		(14,450,765)	7,665,284
Income tax paid		(4,045,765)	(3,790,047)
Cash flows (used in)/from operating activities		(18,496,530)	3,875,237
Cash flows from investing activities			
Purchases of property, equipment and intangible assets		(2,835,648)	(1,901,945)
Acquisition of investment securities measured at fair value through other comprehensive income		-	(221,360)
Acquisition of investment securities measured at amortised cost		(15,548,259)	(2,199,910)
Proceeds from repayment of investment securities measured at amortised cost		26,487,578	2,094,710
Cash flows from/(used in) investing activities		8,103,671	(2,228,505)
Cash flows from financing activities			
Repayment of lease liabilities	28	(816,125)	(1,294,721)
Dividends paid	29	(8,356,034)	(4,615,976)
Proceeds from issue of share capital	29	3,900,000	-
Receipt of other borrowed funds and subordinated liabilities	24	23,848,761	1,407,749
Repayment of other borrowed funds and subordinated liabilities	24	(14,069,580)	(2,455,577)
Proceeds from debt securities issued	25	10,934,693	10,969,842
Repayment of debt securities issued	25	-	(5,144,495)
Cash flows from/(used in) financing activities		15,441,715	(1,133,178)
Net increase in cash and cash equivalents		5,048,856	513,554
Effect of changes in exchange rates on cash and cash equivalents		737,900	(1,507,797)
Cash and cash equivalents as at the beginning of the year		37,320,814	38,315,057
Cash and cash equivalents as at the end of the year	15	43,107,570	37,320,814

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

AMD'000	Share capital	Share premium	General reserve	Revaluation reserve for investment securities	Revaluation reserve for property and equipment	Retained earnings	Total equity
Balance as at 1 January 2024, as previously reported*	22,425,447	11,279,227	686,316	10,444	1,430,406	4,769,028	40,600,868
Impact of correction of misstatements*	-	-	-	-	-	(75,648)	(75,648)
Balance at 1 January 2024 (restated)	22,425,447	11,279,227	686,316	10,444	1,430,406	4,693,380	40,525,220
Profit for the year (restated)	-	-	-	-	-	8,888,605	8,888,605
Other comprehensive income							
Net change in fair value of investment securities at FVOCI	-	-	-	32,699	-	-	32,699
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	-	-	(2,840)	-	-	(2,840)
Income tax related to the components of other comprehensive income	-	-	-	(5,376)	-	-	(5,376)
Total comprehensive income for the year (restated)	-	-	-	24,483	-	8,888,605	8,913,088
Transactions with owners, recorded directly in equity							
Distribution to reserve	-	-	217,887	-	-	(217,887)	-
Dividends to shareholders	-	-	-	-	-	(4,615,977)	(4,615,977)
Total transactions with owners	-	-	217,887	-	-	(4,833,864)	(4,615,977)
Adjustment to reserve on sale of property and equipment	-	-	-	-	(23,601)	23,601	-
Balance as at 31 December 2024 (restated)	22,425,447	11,279,227	904,203	34,927	1,406,805	8,771,721	44,822,330

* The comparative information is restated on account of correction of misstatements. See Note 5.

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

AMD'000	Share capital	Share premium	General reserve	Revaluation reserve for investment securities	Revaluation reserve for property and equipment	Retained earnings	Total equity
Balance as at 1 January 2025 (restated)	22,425,447	11,279,227	904,203	34,927	1,406,805	8,771,721	44,822,330
Profit for the year	-	-	-	-	-	9,816,551	9,816,551
Other comprehensive income							
Revaluation of property, net of income tax	-	-	-	-	(9,657)	-	(9,657)
Net change in fair value of investment securities at FVOCI	-	-	-	21,079	-	-	21,079
Total comprehensive income for the year	-	-	-	21,079	(9,657)	9,816,551	9,827,973
Transactions with owners, recorded directly in equity							
Issuance of share capital	1,000,000	2,900,000	-	-	-	-	3,900,000
Distribution to reserve	-	-	411,395	-	-	(411,395)	-
Dividends to shareholders	-	-	-	-	-	(8,356,039)	(8,356,039)
Total transactions with owners	1,000,000	2,900,000	411,395	-	-	(8,767,434)	(4,456,039)
Balance as at 31 December 2025	23,425,447	14,179,227	1,315,598	56,004	1,397,149	9,820,839	50,194,264

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

1 Background

(a) Organization and operations

Unibank OJSC (the “Bank”) was established in the Republic of Armenia as a closed joint stock company in 2001 and was restructured into open joint-stock company in 2015. The principal activities of the Bank are deposit taking and extending credits, payment transfers in Armenia and abroad, foreign exchange transactions and provision of other banking services to its commercial and retail customers. The Bank is regulated by the legislation of the Republic of Armenia and conducts its business under license number N 81 granted on 10 October 2001 by the Central Bank of Armenia (the “CBA”).

The Bank is a member of the state deposit insurance system in the Republic of Armenia, Union of Banks of Armenia, ArCa, MasterCard, Visa International payment systems.

Moody’s Investors Service, an international rating agency, reaffirmed the Bank’s long-term local currency and foreign currency deposit ratings at B1 on 16 June 2025, with stable outlook.

Moody’s Investors Service an international rating agency, also affirmed the Bank’s Baseline Credit Assessment (BCA) and Adjusted WBG at B2, NP local and foreign currency short-term deposit ratings, B1/NP long-term and short-term counterparty risk ratings (CRRs) and B1(cr)/NP(cr) long-term and short-term counterparty risk (CR) ratings.

The Bank’s head office is located in Yerevan, and 50 branches (2024: 52 branches) are located in Yerevan and various regions of Armenia. The Bank’s registered office is 12/53 Charents Street, #1-5, Yerevan 0025, Republic of Armenia.

The average number of employees of the Bank during 2024 was 979 employees (2024: 898 employees).

The Bank’s significant shareholders are businessmen Mr. G. Zaqaryan and Mr. G. Piskov who indirectly own 75.2% of voting shares. The Bank is ultimately controlled by Mr. G. Zaqaryan.

Related party transactions are detailed in Note 36.

(b) Armenian business environment

The Bank’s operations are primarily located in Armenia. Consequently, the Bank is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, continuous military conflicts between Armenia and Azerbaijan eventually leading to Azerbaijan remaining in effective control of Nagorno-Karabakh territory in September 2023 and ongoing military conflict between the Russian Federation and Ukraine have increased the level of uncertainty in the business environment. In August 2025, Armenia and Azerbaijan signed a Joint Declaration expressing a mutual intention to normalize bilateral relations, including commitments to reduce tensions, advance border delimitation discussions, and promote regional stability. However, the practical implementation of the declaration and its long-term impact on economic activity remain uncertain.

Additionally, during 2026, geopolitical tensions escalated significantly following military action in the Middle East, including developments involving Iran. These events have increased uncertainty in global financial markets, disrupted supply chains and contributed to volatility in energy prices. The Company continues to assess the potential impact of these developments.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 considered a wide range of information including projections 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.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL), investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

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

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates as at 31 December 2025 and 2024, were AMD 381.36 and AMD 396.56 to USD 1, and AMD 449.01 and AMD 413.89 to EUR 1, respectively.

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

Judgements

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 4(e)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition and selection of models used to measure expected credit losses (“ECL”) – Note 30(b);
- Classification of borrowings as equity or liability, considerations related to separate market segment of loans from financial institutions– Note 24.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following note:

- impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information – Note 31(b);
- Valuation of buildings: estimation of the fair value of buildings, including key assumptions applied in the valuation process (Note 35).

(e) Change in presentation of the statement of cash flows

During 2025, the Bank changed the presentation of the statement of cash flows from the indirect method to the direct method. This change has been made to enhance the clarity and relevance of the information presented and to align the Bank’s presentation with industry practice. Comparative information has been re-presented accordingly. This change relates to presentation only and has no impact on the Bank’s financial position, financial performance, or total cash flows.

3 Changes in material accounting policies

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

Certain amendments and interpretations apply for the first time in 2025, but do not have significant impact on the Bank’s financial statements and accounting policies.

4 Material accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with the CBA, including obligatory reserves denominated in AMD, balances (nostro accounts) held with other banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

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

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost and lease liabilities.

(d) Fees and commission

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

Other fee and commission income – including account servicing 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 generated based on actual transactions with customers. The Bank classifies expenses directly attributable to revenue generation and not resulting from actual transactions with customers as banking direct expenses. All other expenses are classified as general administrative expenses.

(e) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

The information considered includes:

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

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

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

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

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

In making the assessment, the Bank considers:

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

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the CBA. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Bank considers these loans as in essence floating rate loans (Note 4(e)(iii)).

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

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

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

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

Financial liabilities

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

iii. *Modification of financial assets and financial liabilities*

Financial assets

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

Any fees received as part of the modification are accounted for as follows:

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

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

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogizes to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets,

the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

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

Financial liabilities

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

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

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

iv. Impairment

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

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition (see Note 30(b)).

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

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

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

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(e)(ii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- 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, and net investments in finance leases 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 addition, a loan that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-offs

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

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

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

(f) Loans to customers

Loans to customers caption in the statement of financial position include:

- loans to customers; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- net investments in finance leases.

(g) Deposits, debt securities issued and subordinated liabilities

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

(h) Preference shares (financial liabilities)

Preference shares that contain an obligation to deliver cash or other financial assets, or that are convertible into a variable number of the Bank's equity instruments, are classified as financial liabilities in accordance with IAS 32. Such instruments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless required to be measured at fair value through profit or loss. Related dividend payments are recognised as interest expense in profit or loss.

(i) 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 (see Note 4(e)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

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

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

(j) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

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

(k) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings, which are stated at revalued amounts as described below.

(ii) Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

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

- buildings	25 years
- machinery and equipment	5 to 7 years
- leasehold improvements	5-10 years
- fixtures and fittings	8 years
- motor vehicles	10 years
- other	5 to 7 years

(l) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(ii) Preference shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Bank's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Bank's shareholders.

(m) Repossessed property

The Bank recognizes repossessed assets at the lower of carrying amount of the related loans and advances and fair value less costs to sell at the date of repossession. The Bank determines 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, if any, are transferred to their relevant asset category, if material. Assets for which sale is highly probable 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. Repossessed assets are subsequently measured at the lower of their carrying amount and selling price less costs to sell.

(n) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Bank comprises of one operating segment.

(o) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(p) New standards and interpretations not yet adopted

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Bank has not early adopted the new or amended accounting standards in preparing these financial statements.

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

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

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

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Bank has assessed that the amendments do not have a significant impact on the Bank's financial statements.

(ii) IFRS 18 Presentation and Disclosure in Financial Statements

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

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

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

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

(iii) Other accounting standards

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7); and
- Annual Improvements to IFRS Accounting Standards – Volume 11.

5 Correction of misstatements

The following tables summarize the correction of previous year misstatements and their impacts on the Bank's financial statements.

Statement of financial position

		Impact of correction of misstatements		
		As previously reported	Adjustments	As restated
'000 AMD				
1 January 2024				
	Note			
Total assets		288,869,984	968,698	289,838,682
Loans to customers	A	149,364,985	968,698	150,333,683
Cash and cash equivalents	B	55,669,030	(17,353,973)	38,315,057
Loans and advances to banks and other financial institutions	B	26,194,815	17,353,973	43,548,788
Total liabilities		248,269,119	1,044,346	249,313,465
Current tax liability	C	726,560	869,981	1,596,541
Deferred tax liability	A	539,849	174,365	714,214
Total equity		40,600,868	(75,648)	40,525,220
Retained earning		4,769,028	(75,648)	4,693,380

		Impact of correction of misstatements		
		As previously reported	Adjustments	As restated
'000 AMD				
31 December 2024				
	Note			
Total assets		336,626,868	688,393	337,315,261
Loans to customers	A	203,540,544	844,158	204,384,702
Deferred tax asset	A	302,402	(155,761)	146,641
Cash and cash equivalents	B	51,966,052	(14,645,238)	37,320,814
Loans and advances to banks and other financial institutions	B	18,488,444	14,645,238	33,133,682
Total equity		44,237,280	585,050	44,822,330
Retained earning		8,186,671	585,050	8,771,721

Statement of profit or loss and other comprehensive income

		Impact of correction of misstatements		
		As previously reported	Adjustments	As restated
'000 AMD				
For the year ended 31 December 2024				
Interest income calculated using the effective interest method	A	29,925,562	349,426	30,274,988
Other operating income	A	1,147,216	(184,212)	963,004
Net reversal of impairment losses on financial instruments	A	1,161,107	(289,758)	871,349
Income tax expense	C	(2,794,531)	888,583	(1,905,948)
Profit for the year		8,227,910	660,695	8,888,605
Total comprehensive income for the year		8,252,393	660,695	8,913,088
Earnings per share -basic, AMD		42.5	3.7	46.2
Earnings per share - diluted, AMD		37.7	2.4	40.1

Statement of cash flows

'000 AMD	Impact of correction of misstatements		
	As previously reported	Adjustments	As restated
For the year ended 31 December 2024			
Cash flows from operating activities	1,285,192	2,590,045	3,875,237
Cash flows used in investing activities	(2,098,146)	(130,359)	(2,228,505)
Cash flows used in financing activities	(1,144,936)	11,758	(1,133,178)
Net increase in cash and cash equivalents	(1,957,890)	2,471,444	513,554
Cash at the beginning of the year	55,669,030	(17,353,973)	38,315,057
Cash at the end of the year	51,966,052	(14,645,238)	37,320,814

- A. During 2025, the Bank identified misstatements in the application of IFRS 9 in prior periods relating to the measurement of expected credit losses on loans to customers, loan staging, loan write-offs, and the assessment of amortised cost for loans issued at zero or below-market interest rates in connection with the sale of repossessed assets. As a result, loans to customers, related interest income, net impairment results, and income from the sale of repossessed assets were misstated. The Bank has corrected these misstatements by restating the affected financial statement line items for each prior period presented.
- B. As at 31 December 2025, the Bank reassessed the classification of obligatory reserves with the CBA related to foreign currency attracted funds and concluded that these balances do not meet the definition of cash and cash equivalents, as the Bank is required to maintain a minimum daily balance. Accordingly, such balances are presented as loans and advances to banks. Comparative information has been reclassified accordingly.
- C. During 2025, the Bank identified that income tax expenses relating to prior periods were incorrectly recognised in 2024. The comparative information has been restated to reflect the correct recognition of current income tax and the related liability in the appropriate reporting periods.

During 2025, the Bank revised the presentation of the statement of cash flows, reclassified loans from financial institutions previously included in deposits and balances from banks and other financial institutions to other borrowed funds, and updated certain note disclosures. Comparative information has been re-presented to ensure consistency with the current year presentation.

6 Net interest income

	2025	2024
	AMD'000	AMD'000
Interest income calculated using effective interest rate		
Financial assets measured at amortised cost		
Loans to customers	31,898,497	26,150,689
Investment securities measured at amortised cost	1,970,187	2,345,266
Loans and advances to banks and other financial institutions	995,378	1,415,678
Amounts receivable under reverse repurchase agreement	210,084	254,182
	35,074,146	30,165,815
Financial assets measured at fair value through other comprehensive income		
Investment securities measures at FVOCI	109,169	109,173
Interest income calculated using effective interest rate	35,183,315	30,274,988
Other interest income		
Receivables from finance leases	283,012	119,540
Total interest income	35,466,327	30,394,528
Interest expense		
Current accounts and deposits from customers	12,606,999	9,709,039
Debt securities issued	1,232,640	868,035
Deposits and balances from banks and other financial institutions	660,579	508,958
Lease liabilities	321,662	276,556
Other borrowed funds	205,174	229,935
Amounts payable under repurchase agreements	175,778	158,705
	15,202,832	11,751,228
Net interest income	20,263,495	18,643,300

7 Net fee and commission income

	2025 AMD'000	2024 AMD'000
Fee and commission income		
Charges from cash and non-cash transactions	1,698,114	1,271,182
Plastic cards operations	1,643,805	1,849,102
Money transfers	1,029,596	922,846
Commissions from related insurance company	627,154	209,837
Account service and distance system services	162,418	142,185
Guarantees and letters of credit	27,769	20,390
Other	99,268	118,705
Total fee and commission income	5,288,124	4,534,247
Fee and commission expense		
Plastic cards operations	1,039,439	1,235,845
Charges from cash and non-cash transactions	204,751	193,481
Account maintenance fees charged by financial institutions	75,391	41,993
Brokerage services	66,041	124,702
Depository and stock exchange services	23,094	72,520
Other	159,178	99,196
Total fee and commission expense	1,567,894	1,767,737
Net fee and commission income	3,720,230	2,766,510

(a) Revenue from contracts with customers

Fee and commission income from the contracts with customers is measured based on the consideration specified in the contract with the customer. The Bank recognises revenue when it transfers control over a service to a customer. Due to the nature of the service, no significant contract assets and liabilities exist.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	<p>The Bank provides banking services to retail and corporate customers, including account management, credit card and servicing fees, fees form transfers.</p> <p>Fees for ongoing account management and servicing are charged to the customer's account on monthly basis. The Bank sets the rates separately for retail and corporate banking customers on a regular basis.</p> <p>Transaction-based fees including fees for money transfers and processing fees are charged to the customer's account when the transaction takes place or service is performed.</p>	<p>Revenue from account management and servicing fees is recognised over time as the services are provided.</p> <p>Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed.</p>

(b) Contract balances

As at 31 December 2025 and 2024 the Bank did not have material contract assets or contract liabilities from contracts with customers.

8 Net trading income

	2025	2024
	AMD'000	AMD'000
Net foreign exchange gain on spot transactions	6,086,770	6,358,080
Net gain on financial instruments at fair value through profit or loss	35,494	67,621
Net gain/(loss) from revaluation of financial assets and liabilities	1,158	(46,956)
Net loss from derivatives	(146,190)	(238,619)
Total net trading income	5,977,232	6,140,126

9 Other operating income

	2025	2024
	AMD'000	AMD'000
Net gain from sales of repossessed assets	1,228,978	181,284
Fines and penalties received	566,154	637,275
Net gain from operations of precious metals	101,660	32,960
Securities custody income	89,544	52,705
Net gain from sale of other assets	41,845	33,440
Other operating income	2,851	25,340
Total other operating income	2,031,032	963,004

10 Banking direct expenses

	2025	2024
	AMD'000	AMD'000
Payments to deposit guarantee fund	429,871	412,247
Cash collection services	95,189	86,788
Loss on lease termination	55,358	-
Impairment loss on repossessed assets	-	1,593,844
Other operating expenses	44,411	58,475
	624,829	2,151,354

11 Net impairment losses on financial instruments

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2025 and 2024:

	2025	2024
	AMD'000	AMD'000
Loans and advances to banks and other financial institutions	87,788	(19,566)
Loans to customers*	875,736	(1,254,281)
Other assets	2,132	436,946
Investment securities measured at amortised cost including those pledged under repurchase agreements	-	(29,003)
Financial guarantees	(7,017)	(5,445)
Total credit loss/(reversal of credit loss) expense	958,639	(871,349)

* Net impairment loss/(reversal of impairment loss) on loans to customers includes income from repossession of collateral in the amount of AMD 2,459,549 thousand (2024: AMD 4,336,736 thousand) which was recorded directly in net impairment loss.

12 Personnel expenses

	2025	2024
	AMD'000	AMD'000
Compensations of employees, related taxes included	10,576,383	9,580,987
Personnel training and other costs	78,176	92,378
	10,654,559	9,673,365

13 Other general administrative expenses

	2025	2024
	AMD'000	AMD'000
Depreciation and amortisation	2,393,281	2,007,802
Advertising costs	1,095,527	666,403
Property and equipment maintenance	909,450	1,134,682
Taxes, other than income tax, duties	858,274	758,337
Communications	472,458	422,387
Representative expenses	420,786	432,289
Charity and social events	302,127	197,319
Security	278,876	247,926
Consulting and other services	160,046	211,143
Insurance	121,234	118,817
Office supplies	99,462	89,628
Business trip expenses	93,736	62,243
Expenses of short term and low value assets leases	63,972	143,263
Other	577,726	272,778
	7,846,955	6,765,017

Included in the consulting and other services for the year ended 31 December 2025 is AMD 57,600 thousand for the audit of IFRS financial statements of the Bank and AMD 47,400 thousand for non-audit services (2024: AMD 36,580 thousand for the audit of IFRS financial statements), which were paid/are payable to the audit firm. All these fees are VAT included.

14 Income tax expense

	2025 AMD'000	2024 AMD'000
Current tax expense	2,431,501	2,772,178
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(341,045)	(866,230)
Total income tax expense	2,090,456	1,905,948

In 2025 the applicable tax rate for current tax is 18% (2024: 18%).

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

	2025 AMD'000	%	2024 AMD'000	%
Profit before tax	11,907,007		10,794,553	
Income tax at the applicable tax rate	2,143,261	18%	1,943,020	18%
Net non-deductible expenses/(non-taxable income)	(52,805)	0%	(37,072)	0%
Total income tax expense	2,090,456	18%	1,905,948	18%

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2025 and 2024.

The deductible temporary differences do not expire under current tax legislation.

Movements in deferred tax assets and liabilities during the years ended 31 December 2025 and 2024 are presented as follows:

AMD'000	Balance 1 January 2025	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2025
Loans and advances to banks and other financial institutions	(14,620)	32,026	-	17,406
Investments securities	55,895	(35,023)	(4,627)	16,245
Loans to customers	(249,428)	539,768	-	290,340
Property and equipment	(303,629)	(5,183)	2,120	(306,692)
Intangible assets	104,273	101,447		205,720
Right-of-use asset	-	(502,687)	-	(502,687)
Repossessed assets	360,355	(360,355)	-	-
Other assets	133,649	89,356	-	223,005
Lease liability	-	465,081	-	465,081
Other liabilities	60,145	16,615	-	76,760
Total deferred tax asset/ (liability)	146,641	341,045	(2,507)	485,177

AMD'000	Balance 1 January 2024	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2024
Loans and advances to banks and other financial institutions	(24,241)	9,621	-	(14,620)
Investment securities	72,031	(10,760)	(5,376)	55,895
Loans to customers	(554,135)	304,707	-	(249,428)
Property and equipment	(266,029)	(37,600)	-	(303,629)
Intangible assets	-	104,273	-	104,273
Repossessed assets	-	360,355	-	360,355
Other assets	-	133,649	-	133,649
Other liabilities	58,160	1,985	-	60,146
Total deferred tax asset/ (liability)	(714,214)	866,230	(5,376)	146,641

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised to the extent that it is probable that future taxable profit will be available against which the Bank can utilise the benefits therefrom.

15 Cash and cash equivalents

	2025 AMD'000	2024 AMD'000	2023 AMD'000
		Restated	Restated
Cash on hand	15,334,334	14,960,598	16,113,644
Nostro accounts with the CBA	15,913,555	19,568,608	19,594,833
Nostro accounts with other banks			
– rated from Aa1 to Aa3	1,176,539	478,851	262,755
– rated from A1 to A3	501,631	242,271	247,271
– rated from Baa1 to Baa3	777,915	155,819	139,419
– rated from Ba1 to Ba3	8,433,665	954,021	723,303
– rated from B1 to B3	319,283	338,16	384,623
– not rated	650,648	926,830	849,209
Total nostro accounts with other banks	11,859,681	2,791,608	2,606,580
Total cash and cash equivalents	43,107,570	37,320,814	38,315,057

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2025 and 2024.

As at 31 December 2025 the Bank had no placement with banks besides the Central Bank of Armenia whose balances exceeded 10% of the Bank's equity (2024: no placement).

Nostro accounts with the CBA relate to settlement activity (see Note 16) and are readily available for withdrawal.

Included in the balance of not rated nostro accounts with other banks as at 31 December 2025 are balances with banks which the Bank has assessed the credit risk to approximate to external rating of Caa3 according to Moody's rating agency.

No expected credit loss allowance has been recognized for cash and cash equivalents, as the potential impact is considered immaterial for the years ended 31 December 2025 and 2024.

16 Loans and advances to banks and other financial institutions

	2025 AMD'000	2024 AMD'000	2023 AMD'000
		Restated	Restated
Due from the CBA			
Credit card settlement deposit with the CBA	747,500	595,000	790,000
Deposit with the CBA, obligatory reserves	19,245,612	14,645,238	17,353,973
Total due from the CBA	19,993,112	15,240,238	18,143,973
Loans and deposits with other banks and financial institutions			
Armenian banks and financial institutions			
– rated from Ba1 to Ba3	9,340,844	8,807,779	9,417,690
– rated from B1 to B3	740	768	783
– not rated	124,754	2,550,306	7,113,481
Other non-resident banks and financial institutions			
– rated from Aa1 to Aa3	2,348,479	2,201,645	2,318,841
– rated from Ba1 to Ba3	-	349	-
– rated from Baa1 to Baa3	-	109	-
– not rated	332,867	4,407,140	6,648,238
Total loans and deposits	12,147,684	17,968,096	25,499,033
Total gross loans and advances to banks and other financial institutions	32,140,796	33,208,334	43,643,006
Credit loss allowance	(14,593)	(74,652)	(94,218)
Total net loans and advances to banks and other financial institutions	32,126,203	33,133,682	43,548,788

(a) Balances with the CBA

The credit card settlement deposit with the CBA is a non-interest bearing deposit calculated in accordance with regulations issued by the CBA and withdrawability of which is restricted.

Banks are required to maintain cash deposit (obligatory reserve) with the CBA for attracted funds. For funds attracted in AMD the obligatory reserve is 4% (2024: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 15% of the attracted funds (2024: 18% of which 6% in AMD and 12% in respective currency of funds attracted). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 15) as these funds are readily available for withdrawal.

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

(b) Concentration of loans and advances to banks

As at 31 December 2025 the Bank has one counterparty except for the CBA (2024: one counterparty except for the CBA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2025 is AMD 6,013,731 thousand (2024: AMD 5,543,297 thousand).

No loans and advances to banks are past due or impaired. Loans and advances to banks are fully in Stage 1 as at 31 December 2025 and 2024. All the loans and advance to banks are measured at amortised cost as at 31 December 2025 and 2024.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for cash and cash equivalents for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	74,652	-	-	74,652
Net remeasurement of loss allowance	(74,652)	-	-	(74,652)
New financial assets originated or purchased	14,593	-	-	14,593
Balance at 31 December	14,593	-	-	14,593

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	94,218	-	-	94,218
Net remeasurement of loss allowance	(94,218)	-	-	(94,218)
New financial assets originated or purchased	74,652	-	-	74,652
Balance at 31 December	74,652	-	-	74,652

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of loans and advances to banks. For not rated loans and deposits with Armenian banks the Bank has assessed the credit risk to approximate to external rating of B2 according to Moody's. Included in the balance of not rated loans and deposits with other non-resident banks and financial institutions as at 31 December 2025 is a balance of two financial institutions which the Bank has assessed the credit risk to approximate to external rating of A2 and Baa2 according to Moody's rating agency.

17 Investment securities

(a) Investment securities measured at amortised cost

	2025 AMD'000	2024 AMD'000
Investment securities at amortised cost		
State bonds of the Republic of Armenia	10,473,188	27,166,994
Corporate bonds of Armenian companies	3,126,469	4,047,205
Credit loss allowance	(62,829)	(62,829)
Total investment securities at amortised cost	13,536,828	31,151,370
Investment securities at amortised cost pledged under repurchase agreements		
State bonds of the Republic of Armenia	9,290,097	3,476,530
Credit loss allowance	(9,598)	(9,598)
Total investment securities at amortised cost pledged under repurchase agreements	9,280,499	3,466,932
Total investment securities at amortised cost	22,817,327	34,618,302

As at 31 December 2025 the Bank has no counterparty except for the Government of the Republic of Armenia (2024: no counterparty except for the Government of the Republic of Armenia) whose balances exceed 10% of the Bank's equity.

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2025 and 2024.

Corporate bonds issued by Armenian companies comprise AMD 1,967,998 thousand invested in a company rated Ba3 by Moody's rating agency, with the remaining investments in unrated issuers. For the unrated portfolio, the Bank has assessed the credit risk as approximating a rating in the range of Caa3 to B2 based on internal analysis, as at 31 December 2025 and 2024.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortised cost for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost				
Balance at 1 January	72,427	-	-	72,427
New financial assets originated or purchased	30,844	-	-	30,844
Repaid	(55,300)	-	-	(55,300)
Net remeasurement of loss allowance	24,456	-	-	24,456
Balance at 31 December	72,427	-	-	72,427

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost				
Balance at 1 January	101,430	-	-	101,430
Net remeasurement of loss allowance	(29,003)	-	-	(29,003)
Balance at 31 December	72,427	-	-	72,427

(b) Investment securities measured at fair value through other comprehensive income

	2025 AMD'000	2024 AMD'000
Investment securities measured FVOCI		
State bonds of the Republic of Armenia	1,099,175	1,073,505
Equity investments in Armenian companies	750,325	750,325
	1,849,500	1,823,830

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the years ended 31 December 2025 and 2024. The loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities measured at fair value through other comprehensive income is their fair value.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	2,964	-	-	2,964
Net remeasurement of loss allowance	-	-	-	-
Balance at 31 December	2,964	-	-	2,964

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	2,840	-	-	2,840
Net remeasurement of loss allowance	124	-	-	124
Balance at 31 December	2,964	-	-	2,964

(i) *Non-quoted equity investment securities designated at fair value through other comprehensive income*

Included in financial assets at fair value through other comprehensive income are non-quoted equity securities as follows:

Name	Country of incorporation	Main activity	% controlled		2025 AMD'000	2024 AMD'000
			2025	2024		
ArCa	Republic of Armenia	Payment system	1.25	1.25	16,500	16,500
ACRA Credit Reporting CJSC	Republic of Armenia	Credit reporting agency	2.54	2.54	33,657	33,657
Yes em CJSC	Republic of Armenia	National system for identification	8.33	8.33	200,000	200,000
					250,157	250,157

18 Loans to customers

	2025 AMD'000	2024 AMD'000	2023 AMD'000
		Restated	Restated
Loans to corporate customers	81,013,441	57,220,545	43,847,102
Loans to individuals	186,507,544	151,719,268	112,534,327
Total gross loans and advances to customers at amortised cost	267,520,985	208,939,813	156,381,429
Receivables from finance lease	3,591,495	1,982,412	364,063
Credit loss allowance	(6,555,289)	(6,537,523)	(6,411,809)
Total net loans and advances to customers	264,557,191	204,384,702	150,333,683

Loans to corporate customers and individuals

	2025 AMD'000	2024 AMD'000	2023 AMD'000
		Restated	Restated
Loans to corporate customers			
Loans to large companies	46,714,420	25,079,130	25,704,339
Loans to small and medium size companies	34,299,022	32,141,411	18,142,763
Total loans to corporate customers	81,013,442	57,220,541	43,847,102
Loans to retail customers			
Mortgage loans	87,834,328	63,300,620	32,609,801
Consumer loans to individuals	89,437,230	82,637,494	75,825,884
Gold	9,235,985	5,781,158	4,098,642
Total loans to retail customers	186,507,543	151,719,272	112,534,327
Gross loans to customers	267,520,985	208,939,813	156,381,429
Receivables from finance lease	3,591,495	1,982,412	364,063
Credit loss allowance	(6,555,289)	(6,537,523)	(6,411,809)
Net loans to customers	264,557,191	204,384,702	150,333,683

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to corporate customers for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers				
Balance at 1 January	42,700,902	12,699,512	1,820,131	57,220,545
New assets originated or purchased	46,072,261	-	-	46,072,261
Assets repaid	(17,862,190)	(3,850,280)	(672,890)	(22,385,360)
Transfer to Stage 1	1,704,828	(1,701,643)	(3,185)	-
Transfer to Stage 2	(5,600,737)	5,600,737	-	-
Transfer to Stage 3	(376,806)	(94,570)	471,376	-
Recoveries	-	-	226,228	226,228
Amounts written off	-	-	(120,233)	(120,233)
Balance at 31 December	66,638,258	12,653,756	1,721,427	81,013,441

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers				
Balance at 1 January	35,834,832	1,214,579	6,777,409	43,826,820
New assets originated or purchased	25,888,992	-	-	25,888,992
Assets repaid	(11,446,172)	(215,846)	(790,195)	(12,452,213)
Transfer to Stage 1	154,794	(36,937)	(117,857)	-
Transfer to Stage 2	(7,333,691)	11,821,929	(4,488,238)	-
Transfer to Stage 3	(397,853)	(84,213)	482,066	-
Recoveries	-	-	110,311	110,311
Amounts written off	-	-	(153,365)	(153,365)
Balance at 31 December	42,700,902	12,699,512	1,820,131	57,220,545

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to corporate customers for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers ECL				
Balance at 1 January	110,597	1,486,010	222,623	1,819,230
New assets originated or purchased	164,184	-	-	164,184
Assets repaid	(35,689)	(85,015)	(332,005)	(452,709)
Transfer to Stage 1	49,402	(47,994)	(1,408)	(0)
Transfer to Stage 2	(28,070)	28,070	-	0
Transfer to Stage 3	(26,019)	(14,641)	40,660	0
Recoveries	-	-	226,229	226,229
Amounts written off	-	-	(120,234)	(120,234)
Net remeasurement of loss allowance	(106,624)	185,912	185,411	264,699
Balance at 31 December	127,781	1,552,342	221,276	1,901,399

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers ECL				
Balance at 1 January	159,811	97,923	1,816,113	2,073,847
New assets originated or purchased	87,392	-	-	87,392
Assets repaid	(12,913)	(7,523)	(133,169)	(153,605)
Transfer to Stage 1	9,467	(2,182)	(7,285)	-
Transfer to Stage 2	(16,296)	1,703,550	(1,687,254)	(0)
Transfer to Stage 3	(3,399)	(5,644)	9,043	(0)
Recoveries	-	-	110,311	110,311
Amounts written off	-	-	(153,365)	(153,365)
Net remeasurement of loss allowance	(113,465)	(300,114)	268,229	(145,350)
Balance at 31 December	110,597	1,486,010	222,623	1,819,230

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to retail customers for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	143,295,152	3,180,921	5,243,195	151,719,268
New assets originated or purchased	91,230,662	-	-	91,230,662
Assets repaid	(50,352,641)	(918,911)	(1,750,962)	(53,022,514)
Transfer to Stage 1	789,980	(721,098)	(68,882)	-
Transfer to Stage 2	(1,949,347)	1,993,526	(44,179)	-
Transfer to Stage 3	(4,231,970)	(1,098,834)	5,330,804	-
Recoveries	-	-	342,562	342,562
Amounts written off	-	-	(3,762,434)	(3,762,434)
Balance at 31 December	178,781,836	2,435,604	5,290,104	186,507,544

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	104,022,189	2,366,130	5,716,441	112,104,760
New assets originated or purchased	87,220,318	-	-	87,220,318
Assets repaid	(41,208,129)	(774,568)	(2,706,835)	(44,689,532)
Transfer to Stage 1	361,720	(296,986)	(64,734)	-
Transfer to Stage 2	(2,870,836)	2,891,282	(20,446)	-
Transfer to Stage 3	(4,230,110)	(1,004,937)	5,235,047	-
Recoveries	-	-	1,606,847	1,606,847
Amounts written off	-	-	(4,523,125)	(4,523,125)
Balance at 31 December	143,295,152	3,180,921	5,243,195	151,719,268

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to individuals for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	1,390,013	702,542	2,622,096	4,714,651
New assets originated or purchased	1,086,679	-	-	1,086,679
Assets repaid	(403,112)	(111,263)	(868,668)	(1,383,043)
Transfer to Stage 1	104,478	(83,091)	(21,387)	-
Transfer to Stage 2	(46,611)	58,297	(11,686)	-
Transfer to Stage 3	(103,011)	(189,348)	292,359	-
Recoveries	-	-	342,562	342,562
Amounts written off	-	-	(3,762,434)	(3,762,434)
Net remeasurement of loss allowance	(775,430)	293,169	4,137,736	3,655,475
Balance at 31 December	1,253,006	670,306	2,730,578	4,653,890

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	1,214,963	682,496	2,439,450	4,336,909
New assets originated or purchased	930,722	-	-	930,722
Assets repaid	(325,079)	(108,832)	(1,972,835)	(2,406,746)
Transfer to Stage 1	145,630	(102,830)	(42,800)	-
Transfer to Stage 2	(54,266)	72,719	(18,453)	-
Transfer to Stage 3	(88,816)	(206,498)	295,314	-
Recoveries	-	-	1,606,847	1,606,847
Amounts written off	-	-	(4,523,125)	(4,523,125)
Net remeasurement of loss allowance	(433,141)	365,487	4,837,698	4,770,044
Balance at 31 December	1,390,013	702,542	2,622,096	4,714,651

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance lease for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	1,982,407	-	-	1,982,407
New assets originated or purchased	2,345,303	-	-	2,345,303
Assets repaid	(736,219)	-	-	(736,219)
Balance at 31 December	3,591,491	-	-	3,591,491

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	364,062	-	-	364,062
New assets originated or purchased	1,692,276	-	-	1,692,276
Assets repaid	(73,931)	-	-	(73,931)
Balance at 31 December	1,982,407	-	-	1,982,407

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance lease for the years ended 31 December 2025 and 2024.

AMD'000	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	3,645	-	-	3,645
New assets originated or purchased	2,239	-	-	2,239
Assets repaid	(527)	-	-	(527)
Net remeasurement of loss allowance inclusive repayments	(3,069)	-	-	(3,069)
Balance at 31 December	2,288	-	-	2,288

AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	1,053	-	-	1,053
New assets originated or purchased	3,206	-	-	3,206
Net remeasurement of loss allowance inclusive repayments	(614)	-	-	(614)
Balance at 31 December	3,645	-	-	3,645

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2025 and 2024 is as follows:

	31 December 2025 AMD'000	31 December 2024 AMD'000
Gross investment in finance lease, receivable		
Not later than 1 year	59,978	123,099
1-2 years	178,157	526,233
2-3 years	425,515	244,479
3-4 years	1,802,237	690,538
4-5 years	1,211,670	334,297
More than 5 years	636,025	414,922
	4,313,582	2,333,568
Unearned future finance income on finance lease	(722,091)	(351,161)
Net investment in financial lease, before impairment allowance	3,591,491	1,982,407
Impairment allowance	(2,288)	(3,645)
Net investment in finance lease	3,589,203	1,978,762

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2025:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large companies				
– not overdue	33,631,456	12,297,720	785,243	46,714,419
Total gross loans to large corporate customers	33,631,456	12,297,720	785,243	46,714,419
Credit loss allowance	(38,408)	(1,506,795)	(39,262)	(1,584,465)
Total net loans to large corporate customers	33,593,048	10,790,925	745,981	45,129,954
Loans to small and medium size companies				
– not overdue	32,930,882	301,017	352,361	33,584,260
– overdue less than 30 days	71,568	13,299	39,888	124,755
– overdue 31 to 90 days	-	41,719	207,852	249,571
– overdue 91 to 270 days	-	-	182,157	182,157
– overdue more than 271 days	4,352	-	153,927	158,279
Total gross loans to small and medium size companies	33,006,802	356,035	936,185	34,299,022
Credit loss allowance	(89,374)	(45,547)	(182,012)	(316,933)
Total net loans to small and medium size companies	32,917,428	310,488	754,173	33,982,089
Total gross loans to corporate customers	66,638,258	12,653,756	1,721,427	81,013,441
Total net loans to corporate customers	66,510,476	11,101,413	1,500,152	79,112,043
Mortgage loans				
– not overdue	86,651,847	423,190	358,479	87,433,516
– overdue less than 30 days	166,609	-	6,818	173,427
– overdue 31 to 90 days	-	83,560	17,077	100,637
– overdue 91 to 270 days	-	-	106,587	106,587
– overdue more than 271 days	-	-	20,161	20,161
Total gross mortgage loans	86,818,456	506,750	509,122	87,834,328
Credit loss allowance	(33,889)	(24,792)	(36,808)	(95,489)
Total net mortgage loans	86,784,567	481,957	472,314	87,738,839
Consumer loans to individuals				
– not overdue	81,251,072	840,794	684,953	82,776,818
– overdue less than 30 days	1,580,272	243,025	151,075	1,974,372
– overdue 31 to 90 days	-	775,931	202,915	978,846
– overdue 91 to 270 days	-	-	2,271,164	2,271,164
– overdue more than 271 days	-	-	1,436,031	1,436,031
Total gross consumer loans to individuals	82,831,344	1,859,750	4,746,138	89,437,231
Credit loss allowance	(1,218,990)	(645,424)	(2,689,390)	(4,553,803)
Total net consumer loans to individuals	81,612,354	1,214,327	2,056,748	84,883,428

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Gold				
- not overdue	9,092,170	41,341	22,488	9,155,999
- overdue less than 30 days	39,866	9,151	1,868	50,885
- overdue 31 to 90 days	-	18,611	5,137	23,748
- overdue 91 to 270 days	-	-	1,611	1,611
- overdue more than 271 days	-	-	3,741	3,741
Total gross gold	9,132,036	69,104	34,845	9,235,985
Credit loss allowance	(128)	(89)	(2,094)	(2,311)
Total net gold	9,131,908	69,014	32,751	9,233,674
Total gross loans to retail customers	178,781,836	2,435,603	5,290,104	186,507,544
Total net loans to retail customers	177,528,830	1,765,298	2,561,813	181,855,941
Receivables from finance lease				
- not overdue	3,591,492	-	-	3,591,492
Total gross receivables from finance lease	3,591,492	-	-	3,591,492
Credit loss allowance	(2,288)	-	-	(2,288)
Total net receivables from finance lease	3,589,204	-	-	3,589,204
Total gross loans to customers	249,011,585	15,089,359	7,011,532	271,112,478
Total net loans to customers	247,628,511	12,866,712	4,061,965	264,557,188

* The loss allowance in this table includes ECL on loan commitments for certain corporate products, retail products such as credit cards and overdrafts.

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large companies				
- not overdue	12,579,733	11,650,514	-	24,230,247
- overdue less than 30 days	-	-	848,883	848,883
Total gross loans to large corporate customers	12,579,733	11,650,514	848,883	25,079,130
Credit loss allowance	(10,591)	(1,429,867)	(42,444)	(1,482,902)
Total net loans to large corporate customers	12,569,142	10,220,647	806,439	23,596,228
Loans to small and medium size companies				
- not overdue	29,756,344	865,165	458,886	31,080,395
- overdue less than 30 days	363,362	68,010	37,884	469,256
- overdue 31 to 90 days	-	115,824	79,724	195,548
- overdue 91 to 270 days	-	-	165,790	165,790
- overdue more than 271 days	1,463	-	228,963	230,426
Total gross loans to small and medium size companies	30,121,169	1,048,998	971,248	32,141,415
Credit loss allowance	(100,006)	(56,143)	(180,179)	(336,327)
Total net loans to small and medium size companies	30,021,163	992,855	791,069	31,805,087
Total gross loans to corporate customers	42,700,902	12,699,512	1,820,131	57,220,545
Total net loans to corporate customers	42,590,305	11,213,502	1,597,508	55,401,315
Mortgage loans				
- not overdue	62,204,583	329,440	285,733	62,819,756
- overdue less than 30 days	69,099	203,789	31,493	304,381
- overdue 31 to 90 days	-	24,246	9,157	33,402
- overdue 91 to 270 days	-	-	80,858	80,858
- overdue more than 271 days	-	-	62,223	62,223
Total gross mortgage loans	62,273,682	557,474	469,464	63,300,620
Credit loss allowance	(5,482)	(14,651)	(40,236)	(60,368)
Total net mortgage loans	62,268,200	542,823	429,229	63,240,252
Consumer loans to individuals				
- not overdue	74,063,739	1,384,024	786,265	76,234,028
- overdue less than 30 days	908,765	256,411	108,499	1,273,675
- overdue 31 to 90 days	-	934,466	205,436	1,139,902
- overdue 91 to 270 days	-	-	2,241,741	2,241,741
- overdue more than 271 days	342,935	-	1,405,212	1,748,148
Total gross consumer loans to individuals	75,315,439	2,574,902	4,747,153	82,637,494
Credit loss allowance	(1,384,451)	(687,809)	(2,580,195)	(4,652,455)
Total net consumer loans to individuals	73,930,988	1,887,093	2,166,958	77,985,039

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Gold				
– not overdue	5,679,185	31,703	23,129	5,734,017
– overdue less than 30 days	26,845	8,506	352	35,703
– overdue 31 to 90 days	-	8,337	2,695	11,032
– overdue 91 to 270 days	-	-	402	402
– overdue more than 271 days	-	-	-	-
Total gross gold	5,706,030	48,546	26,578	5,781,154
Credit loss allowance	(79)	(81)	(1,666)	(1,826)
Total net gold	5,705,951	48,464	24,912	5,779,329
Total gross loans to retail customers	143,295,151	3,180,921	5,243,195	151,719,268
Total net loans to retail customers	141,905,139	2,478,380	2,621,099	147,004,619
Receivables from finance lease				
– not overdue	1,982,407	-	-	1,982,407
Total gross receivables from finance lease	1,982,407	-	-	1,982,407
Credit loss allowance	(3,645)	-	-	(3,645)
Total net receivables from finance lease	1,978,763	-	-	1,978,763
Total gross loans to customers	187,978,460	15,880,433	7,063,326	210,922,220
Total net loans to customers	186,474,208	13,691,882	4,218,608	204,384,697

* The loss allowance in this table includes ECL on loan commitments for certain corporate products, retail products such as credit cards and overdrafts.

(b) Key assumptions and judgements for estimating credit loss allowance

Key assumptions and judgements for estimating credit loss allowance is presented in Note 30(b).

(c) Analysis of collateral and other credit enhancements

Loans to corporate customers

The Bank generally requests corporate borrowers to provide a collateral.

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

	2025 AMD'000	2024 AMD'000
Real estate	119,640,703	96,068,368
Money collateral	12,116,289	1,441,133
Vehicles	229,461	242,939
Gold	9,235,985	5,781,154
Other stocks	3,045,291	1,707,041
Other	56,368,600	40,994,264
Unsecured	70,476,151	64,687,326
	271,112,480	210,922,225

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2025 and 2024.

31 December 2025	Gross carrying amount	Estimated market value of collateral				Total collateralised	Uncovered amount	Associated ECL
		Real estate	Vehicles	Other collateral	Surplus			
Loans to corporate customers	1,721,428	5,361,557	49,900	5,676	(3,908,425)	1,508,707	212,720	(221,276)
Mortgage loans	509,122	1,781,305	-	24,626	(1,299,755)	506,176	2,946	(36,808)
Consumer loans	4,746,138	4,105,414	57,200	-	(3,230,663)	931,951	3,814,187	(2,689,390)
Gold	34,845	-	-	50,000	(15,155)	34,845	-	(2,094)
Total	7,011,533	11,248,276	107,100	80,302	(8,453,998)	2,981,679	4,029,853	(2,949,568)

31 December 2024	Gross carrying amount	Estimated market value of collateral				Total collateralised	Uncovered amount	Associated ECL
		Real estate	Vehicles	Other	Surplus			
Loans to corporate customers	1,820,131	4,766,533	245,000	19,488	(3,393,592)	1,637,429	182,701	(222,623)
Mortgage loans	469,464	1,579,473	4,389	-	(1,114,873)	468,989	475	(40,236)
Consumer loans	4,747,153	4,476,209	29,880	13,000	(3,532,356)	986,733	3,760,420	(2,580,195)
Gold	27,828	-	-	40,106	(12,278)	27,828	-	(1,666)
Total	7,064,576	10,822,216	279,269	72,594	(8,053,098)	3,120,980	3,943,596	(2,844,719)

Management estimates that the fair value of collateral including exposures classified in Stage 3 is not less than the carrying amount of individual loans (other than for unsecured loans above).

The Bank has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes.

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

Loans to retail customers

Loans to retail customers comprise of consumer loans, credit card loans, mortgage and other loans. The consumer loans, credit card loans and other loans (excluding gold secured loans) are mainly unsecured.

The fair value of gold collateral is at least equal to carrying amounts of individual loans based on the values determined at the loan inception date.

Mortgage loans

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio at the date of loan issuance of a maximum of 70%. The fair value of real estate securing mortgage loans is at least equal to the carrying amounts of individual loans based on the values determined at the loan inception date.

(d) Repossessed collateral

During the year ended 31 December 2025, the Bank obtained certain assets by taking possession of collateral for loans to customers with a carrying amount of AMD 4,126,215 thousand (2024: AMD 137,181 thousand). One property amounted AMD 3,174,522 repossessed during 2025 was reclassified to property and equipment as a result of the change in Management's intention to use the property as the Bank's Head Office. Part of the repossessed collateral in the amount of AMD 5,906,555 thousand was sold during the year ended 31 December 2025 (2024: AMD 331,903 thousand) on deferred terms and the resulting receivable is included in loans to customers. As at 31 December 2025 and 2024, the repossessed collateral comprises:

	2025 AMD'000	2024 AMD'000
Real estate	1,566,646	3,446,628
Other	25,461	3,100,341
Total repossessed collateral	1,592,107	6,546,969

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

(e) Industry and geographical analysis

Loans to customers were issued in the following economic sectors:

	2025 AMD'000	2024 AMD'000
Construction	18,699,637	13,774,309
Agriculture, forestry and timber	10,089,370	6,338,023
Wholesale trade	3,273,206	2,786,670
Mining/metallurgy	64,744	938,844
Real estate	11,184,252	7,680,621
Food and beverage	4,523,741	228,577
Energy	1,322,844	756,324
Transportation	184,956	395,354
Airlines	2,216,136	-
Hotel/Restaurant	1,895,925	2,202,368
Communication services	313,108	658,607
Manufacturing	3,369,064	2,909,728
Finance and investment	4,372,984	2,042,273
Education and culture	429,583	513,799
Private entrepreneurs	17,836,941	14,763,897
Wellness and medicine	1,136,184	1,005,292
Other	100,766	225,859
Loans to individuals	186,507,544	151,719,268
	267,520,985	208,939,813
Credit loss allowance	(6,553,002)	(6,533,878)
	260,967,983	202,405,935

(f) Significant credit exposures

As at 31 December 2025 the Bank has no client (2024: no client), whose loan balances exceed 10% of the Bank's equity.

(g) Loan maturities

The maturity of the loan portfolio is presented in Note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

19 Property and equipment

AMD'000	Land and buildings	Leasehold improvements	Machinery and equipment	Fixtures and fittings	Vehicles	Total
Cost						
Balance at 1 January 2024	5,481,545	446,349	1,685,610	5,349,079	462,828	13,425,411
Additions	9,072	205,376	534,105	157,532	41,330	947,415
Disposals	(589,160)	(5,037)	(17,229)	(619,848)	(59,488)	(1,290,762)
Balance at 31 December 2024	4,901,457	646,688	2,202,486	4,886,763	444,670	13,082,064
Depreciation						
Balance at 1 January 2024	387,922	70,158	1,097,402	3,625,483	60,677	5,241,642
Depreciation for the year	283,243	14,829	261,636	228,852	44,761	833,321
Disposals	(59,130)	(5,037)	(16,876)	(619,848)	(17,458)	(718,349)
Balance at 31 December 2024	612,035	79,950	1,342,162	3,234,487	87,980	5,356,614
Carrying amount at 31 December 2024	4,289,422	566,738	860,324	1,652,276	356,690	7,725,450
AMD'000	Land and buildings	Leasehold improvements	Machinery and equipment	Fixtures and fittings	Vehicles	Total
Cost						
Balance at 1 January 2025	4,901,457	646,688	2,202,486	4,886,763	444,670	13,082,064
Additions	3,843,895	270,959	433,457	793,056	50,060	5,391,427
Disposals	(62,179)	(21,988)	(43,302)	(288,412)	(12,807)	(428,688)
Revaluation	(11,777)	-	-	-	-	(11,777)
Transfer	28,036	-	-	(28,036)	-	-
Balance at 31 December 2025	8,699,432	895,659	2,592,641	5,363,371	481,923	18,033,026
Depreciation						
Balance at 1 January 2025	612,035	79,950	1,342,162	3,234,487	87,980	5,356,614
Depreciation for the year	240,005	28,084	151,449	315,678	39,345	774,561
Disposals	(15,979)	(21,983)	(40,680)	(128,174)	(360)	(207,176)
Balance at 31 December 2025	836,061	86,051	1,452,931	3,421,991	126,965	5,923,999
Carrying amount at 31 December 2025	7,863,371	809,608	1,139,710	1,941,380	354,958	12,109,027

(a) Revaluation of assets

The buildings are represented at the revalued amounts. The buildings owned by the Bank were revalued by an independent appraiser in March 2026 using comparative and income methods. Management has assessed that this valuation provides evidence of fair values as at 31 December 2025, as there were no significant changes in market conditions between the reporting date and the valuation date. Accordingly, the results of the independent appraisal have been used to determine the fair value of the buildings as at 31 December 2025. As a result of revaluation decrease of AMD 11,777 thousand in the carrying amount was recorded.

(b) 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: none).

(c) Contractual commitments

As at 31 December 2025 the Bank had no contractual commitment in respect of investments in fixed assets (2024: none).

20 Intangible assets

AMD'000	Licenses and patents	Purchased software	Other	Total
Cost				
Balance at 1 January 2024	1,134,958	3,969,269	101,021	5,205,248
Additions	32,664	921,866	-	954,530
Balance at 31 December 2024	1,167,622	4,891,135	101,021	6,159,778
Amortisation				
Balance at 1 January 2024	762,626	1,002,035	85,015	1,849,676
Amortisation for the year	102,178	454,077	3,147	559,402
Balance at 31 December 2024	864,804	1,456,112	88,162	2,409,078
Cost				
Balance at 1 January 2025	1,167,622	4,891,135	101,021	6,159,778
Additions	118,067	473,676	-	591,743
Balance at 31 December 2025	1,285,689	5,364,811	101,021	6,751,521
Amortisation				
Balance at 1 January 2025	864,804	1,456,112	88,162	2,409,078
Amortisation for the year	110,072	498,607	3,134	611,813
Balance at 31 December 2025	974,876	1,954,719	91,296	3,020,891
Carrying amount				
At 31 December 2024	302,818	3,435,023	12,859	3,750,700
At 31 December 2025	310,813	3,410,092	9,725	3,730,630

As at 31 December 2025, the Bank did not have contractual commitments in respect of investments in intangible assets (2024: none).

As at 31 December 2025, the Bank did not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted (2024: none).

As at 31 December 2025, the computer software includes automated lending program ProtoCRM with a carrying amount of AMD 1,991,425 thousand (2024: AMD 2,146,183 thousand).

21 Other assets

	2025 AMD'000	2024 AMD'000
Accounts receivable	3,886,166	2,376,472
Total other financial assets	3,886,166	2,376,472
Prepayments and other debtors	2,210,659	1,334,223
Materials	282,059	267,031
Precious metals	267,002	170,799
Other prepaid taxes	107,348	140,152
Other assets	796,306	297,724
Total non-financial assets	3,670,374	2,209,929
Total other assets	7,556,540	4,586,398

Accounts receivable mostly represent on demand balances with payment operators. None of the balances is overdue or impaired. The management assessed that the ECL on such balances would be immaterial.

22 Deposits and balances from banks and other financial institutions

	2025 AMD'000	2024 AMD'000
Correspondent accounts of other banks	11,437,290	6,846,727
Current accounts of other financial institutions	2,184,771	6,371,441
Deposits from financial institutions	2,173,496	954,303
	15,795,557	14,172,471

As at 31 December 2025 the Bank had no counterparty, whose balances exceeded 10% of the Bank's equity (31 December 2024: no counterparty).

All deposits from financial institutions have fixed interest rates. Loans have variable and 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: none).

23 Current accounts and deposits from customers

	2025 AMD'000	2024 AMD'000
Corporate customers		
Current/Settlement accounts	60,872,475	52,972,096
Time deposits	25,884,995	28,208,368
	86,757,470	81,180,464
Retail customers		
Current/Demand accounts	69,101,412	68,136,279
Time deposits	115,248,009	98,219,458
	184,349,421	166,355,737
Total amounts due to customers	271,106,891	247,536,201

As at 31 December 2025 included in current and time deposit accounts of retail and corporate customers are deposits amounting to AMD 11,664,987 thousand (2024: AMD 2,552,961 thousand), held as security against loans provided and guarantees issued. The fair value of those deposits approximates the carrying amount.

As at 31 December 2025, the Bank has three counterparties (31 December 2024: three counterparties), the balances of which exceed 10% of the Bank's equity. The gross value of these balances as of 31 December 2025 is AMD 21,364,763 thousand (as of 31 December 2024: AMD 21,312,210 thousand).

24 Other borrowed funds

	2025 AMD'000	2024 AMD'000
Loans from financial institutions	11,706,986	5,959,803
Subordinated debt provided by the parent	1,525,732	1,586,544
Borrowings from shareholder	3,065,500	653,241
Loans from the government of the Republic of Armenia	307,760	243,098
Other financial liabilities	1,500,000	-
	18,105,978	8,442,686

As at 31 December 2025 loans from financial institutions are secured with the right to claim loans from customers in gross amount of AMD 5,980,472 thousand (2024: AMD 6,208,670 thousand) (see Note 18). According to the agreement the Central Bank of Armenia provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring of the loans is performed by the Program Management Unit of "German-Armenian Fund" Institution. These loans are considered to be separate market segment loans. Among which are loans received from EIB within the scope of "Small, Medium Business Development" loan program, KfW within the scope of "Development of the Renewable Energies" and "Micro, Small and Medium Business Energy Efficiency Support", "Supporting the Agricultural Sector" loan programs. Loans carry fixed interest rates.

Other financial liabilities comprise obligations to holders of preference shares that contain a contractual obligation for the Bank to deliver a variable number of its own equity instruments. During 2025 the Bank has issued 3,846,154 convertible preference shares, each with a nominal value of

AMD 390. The shares carry fixed quarterly dividends and are convertible into a variable number of the Bank's ordinary shares. While the dividends are discretionary, as the conversion feature results in the delivery of a variable number of equity instruments, the instruments are classified as financial liabilities.

(a) Concentration of borrowings from international financial institutions

As of 31 December 2025, the Bank has no counterparty (31 December 2024: no counterparty), the balances of which exceed 10% of the Bank's equity.

(b) Subordinated borrowing

During 2019 the Bank has borrowed subordinated debt from Parent (see Note 34) in amount of USD 4,000,000 with indefinite term according to the latest amendment during 2025.

The loan agreement includes contractual conversion mechanism into share capital (equity conversion) upon occurrence of regulatory or financial distress events, including capital adequacy deterioration and CBA instructions. In case of bankruptcy, liquidation, or financial deterioration, repayment may be subordinated or converted into equity: 1 share = 230 AMD.

The Group considers borrowings received as subordinated borrowings, if in case of bankruptcy, the repayment of the borrowing will be made after repayment in full of all other liabilities of the Group.

(c) Covenants

The Bank is required to meet certain covenants in connection with loans from RA government agreements. The Bank was in compliance with all covenants as at 31 December 2025 and 2024 and expects to be in compliance for all interim periods within the next 12 months.

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

AMD'000	<u>Other borrowed funds</u>
Balance at 1 January 2025	8,442,686
Changes from financing cash flows	
Receipt	23,848,761
Repayments	(14,069,580)
Total changes from financing cash flows	9,779,181
The effect of changes in foreign exchange rates	(131,093)
Other changes	
Interest expense	205,174
Interest paid	(189,970)
Balance at 31 December 2025	18,105,978

AMD'000	Other borrowed funds
Balance at 1 January 2024	9,582,335
Changes from financing cash flows	
Receipt	1,407,749
Repayments	(2,455,577)
Total changes from financing cash flows	(1,047,828)
The effect of changes in foreign exchange rates	(99,843)
Other changes	
Accrued interest	8,022
Balance at 31 December 2024	8,442,686

25 Debt securities issued

	2025	2024
	AMD'000	AMD'000
Interest-bearing bonds issued	11,865,251	12,099,511
Subordinated perpetual interest-bearing bonds issued	10,013,163	-
Subordinated interest-bearing bonds issued	3,840,548	2,985,516
	25,718,962	15,085,027

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

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
05/09/2023	USD	100	50,000	5	05/09/2026	5,000,000
01/02/2024	USD	100	50,000	5	01/02/2027	5,000,000
09/07/2024	USD	100	50,000	5	09/07/2027	5,000,000
05/09/2023	AMD	10,000	100,000	11	05/09/2026	1,000,000,000
02/10/2023	AMD	10,000	100,000	10.75	02/10/2026	1,000,000,000
01/02/2024	AMD	10,000	200,000	11	01/02/2027	2,000,000,000
09/07/2024	AMD	10,000	200,000	9.75	09/07/2027	2,000,000,000

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

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
4/12/2025	AMD	10,000	350,000	13.75	No maturity	3,500,000,000
4/12/2025	USD	100	90,000	8.30	No maturity	9,000,000
11/12/2025	AMD	10,000	300,000	13.75	No maturity	3,000,000,000

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

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
19/11/2024	USD	100	100,000	6.25	19/11/2031	10,000,000

The bonds of the Bank are listed at NASDAQ OMX Armenia stock exchange. The Bank has not repurchased any of its own debt during the year (2024: none).

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

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2025 AMD'000	2024 AMD'000
Balance at 1 January	15,085,027	9,347,121
Changes from financing cash flows		
Proceeds from debt securities issued	10,934,693	10,969,842
Repayment	-	(5,144,495)
Total changes from financing cash flows	26,019,720	15,172,468
The effect of changes in foreign exchange rates	(375,616)	(155,906)
Other changes		
Interest expense	1,232,640	108,778
Interest paid	(1,157,782)	(40,313)
Balance at 31 December	25,718,962	15,085,027

26 Other liabilities

	2025 AMD'000	2024 AMD'000
Accounts payables	272,724	192,620
Dividends payable	5,205	969
Total other financial liabilities	277,929	193,589
Payable to staff	684,442	268,718
Tax payable, other than income tax	126,665	451,192
Other liabilities	133,873	223,917
Total other non-financial liabilities	944,980	943,827
Total other liabilities	1,222,909	1,137,416

27 Amounts payable under repurchase agreements

	2025 AMD'000	2024 AMD'000
Amounts payable to other Armenian banks	9,066,948	3,174,430
Total amounts payable under repurchase agreements	9,066,948	3,174,430

Amounts payable to other Armenian banks are payables to financial institutions from sale of securities received as collateral under reverse repurchase agreements. This liability is measured at amortised cost. The fair value of securities under reverse repurchase agreement is AMD 9,479,467 thousand (2024: AMD 3,482,172 thousand).

(a) Concentration of amounts payable under repurchase agreements

As at 31 December 2025 the Bank has one counterparty, whose balances exceed 10% of equity (2024: no counterparty). The gross value of these balances as at 31 December 2025 is AMD 4,906,800 thousand.

28 Leases

The Bank has leases for the branch offices. The lease of branch offices typically run for a period of 5 to 20 years. In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise extension options, including the importance of the branch location to the Bank's operations, past practice, and the costs of relocation.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about leases for which the Bank is a lessee is presented below:

(a) Right of use asset

	2025 AMD'000	2024 AMD'000
Balance at 1 January	3,157,782	2,102,188
Additions to right of use asset	661,292	1,406,717
Depreciation charge for the year	(1,059,318)	(615,079)
Lease contract disposals and terminations	(193,626)	(60,399)
Lease contract modifications	249,356	324,355
Balance at 31 December	2,815,486	3,157,782

(b) Amounts recognised in profit or loss

	2025 AMD'000	2024 AMD'000
Depreciation of right of use asset	1,059,318	615,079
Interest on lease liabilities	321,662	276,557
Expenses relating to short-term leases	329,972	143,263

(c) Amounts recognised in the consolidated statement of cash flows

	2025 AMD'000	2024 AMD'000
Total cash outflow for leases	816,125	1,294,721

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	2025 AMD'000	2024 AMD'000
Balance at 1 January	2,366,029	1,710,224
Lease repayment	(816,125)	(1,294,721)
Total changes from financing cash flows	(816,125)	(1,294,721)
Other changes		
Additions to lease liability	588,185	1,406,717
Termination	(138,268)	(57,103)
Modification	249,356	324,354
Interest expense	321,662	276,557
Balance at 31 December	2,570,839	2,366,028

29 Share capital and reserves**(a) Issued capital**

As at 31 December 2025 the Bank's registered and paid-in share capital was AMD 23,425,447 thousand (31 December 2024: AMD 22,425,447 thousand). In accordance with the Bank's statute, the share capital consists of 191,254,472 ordinary shares, all of which have a par value of AMD 100 each and 36,788,261 preference shares from which 32,010,000 shares have a par value of AMD 100 each and 4,778,261 shares have a par value of AMD 230 each.

As at 31 December 2024 the Bank's registered and paid-in share capital was AMD 22,425,447 thousand. The share capital consisted of 181,254,472 ordinary shares, all of which have a par value of AMD 100 each and 36,788,261 preference shares from which 32,010,000 shares have a par value of AMD 100 each and 4,778,261 shares have a par value of AMD 230 each.

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

The preference shares are convertible into ordinary. The holders of preference shares are entitled to receive dividends at a fixed rate, as specified in the terms of issue, in priority to ordinary shareholders. The dividends are discretionary and non-accumulative. Each preference share entitles its holder to one vote at general meetings when matters relating to the Bank's reorganisation or liquidation are discussed, or when amendments to the Bank's charter are considered that would restrict the rights of preference shareholders.

Immediate parent company is "Uniholding GG Limited" with 75.2% controlling part (in 2024: 83.6%). The ultimate parent is "Glorisky Engineering Limited". The ultimate controlling party is Gagik Zakaryan (75.5%) .

In 2025 the shareholders of the Bank increased the Bank's share capital by issuing 10,000,000 ordinary shares at above par value resulting in an increase in share capital of AMD 1,000,000 thousand and an increase in share premium of AMD 2,900,000 thousand.

(b) Nature and purpose of reserves

Fair value reserve for investment securities

The fair value reserve for investment securities comprises the cumulative net change in the fair value of investment securities measured at FVOCI, until the assets are derecognised. This amount is reduced by the amount of loss allowance. Upon derecognition of the debt instrument asset the respective portion of the reserve is reclassified to profit or loss.

Revaluation surplus for land and buildings

The revaluation surplus for land and buildings comprises the cumulative positive change in value of land and buildings, until the assets are derecognised or impaired. Depreciation is recycled through retained earnings.

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank excluding non-distributable reserves, which are determined according to legislation of the Republic of Armenia. Non-distributable reserves are represented by a statutory general 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. The reserve fund is formed from the Bank's income following the approval of the annual results by the shareholders meeting and is increased through annual appropriations of not less than 5% of the net profit until the 15% threshold is reached.

The declared and paid dividends in 2025 to preference shareholders amounted to AMD 578,699 thousand (2024: AMD 515,978 thousand). Dividends per preference share is fixed at 12%.

The declared and paid dividends in 2025 to ordinary shares amounted to AMD 7,777,340 thousand (2024: AMD 4,100,000), out of the financial results of 2024. Dividends per ordinary share for 2025 amounted to AMD 40.66 (31 December 2024: AMD 22.62).

(d) Earnings per share

	2025	2024
	AMD'000	AMD'000
		Restated
Profit for the year	9,816,551	8,888,605
Dividends on preferred shares	(578,699)	(515,976)
Net earnings from ordinary shares of owners	9,237,852	8,372,629
Weighted average number of ordinary shares	185,421,139	181,254,472
Earnings per share – basic, AMD	49.8	46.2
Profit for the year	9,816,551	8,888,605
Dilutive shares	36,790,256	36,788,261
Weighted average number of ordinary shares	185,421,139	181,254,472
Weighted average number of total shares	222,211,395	218,042,733
Earnings per share – diluted, AMD	44.2	40.8

30 Risk management

(a) Risk management policies and procedures

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

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

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

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

Credit risk – Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- | | |
|-----|---|
| PD | The <i>Probability of Default</i> 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 <i>Exposure at Default</i> 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 <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. |

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination but there is no evidence of credit impairment, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit-impaired (POCI) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

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.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers instances, such as significant deterioration in financial position, etc. that may indicate unlikeliness to pay, based on management's judgment. 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.

PD estimation process

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank analyses publicly available information such as financial information and other external data, e.g. the external ratings.

Loans to customers

(i) Bucketing

The Bank calculates ECL on portfolio level. The following portfolios are segregated by the Bank as at 31 December 2025 and 2024.

- Consumer with Collateral,
- Consumer without Collateral,
- Mortgage,

- SME and Corporate,
- Credit Cards,
- Point-of-Sale (PoS),
- Consumer loans provided by Card (for those customers who have PoS loans),
- Non-Cash Consumer,
- Overdrafts (U-Unicard),
- Gold-backed,
- Micro and Other.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Bank considers forward looking macroeconomic parameters that had impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

Three scenarios of the forward-looking macroeconomic development are directed to the final outcome of PDs, which are weighted by 20%, 50% and 30% (2024: 20%, 50% and 30%) probabilities corresponding to the best, base and worst case scenarios.

Overdue days are primary input into the determination of the term structure of PD for collectively assessed exposures in Markov's model of transition matrices. Transition matrices are constructed using historical data over the past 36 months.

For loans and advances to customers assigned to Stage 1 and Stage 2, where ECL are assessed collectively, the following average PDs are applied.

	2025		2024	
	12-month PD	Lifetime PD	12-month PD	Lifetime PD
Loans to corporate customers				
– not overdue	0.06-8.61%	9.46-72.47%	0.14-4.55%	8-76%
– overdue less than 30 days	1.58-31.56%	4.85-60.93%	6.57-35.62%	5-85%
– overdue 30-89 days		39.16-61.27%		16-65%
Loans to retail clients				
– not overdue	0.03-9.36%	0.48-83.76%	0.002-9.53%	0.25-84.01%
– overdue less than 30 days	0.06-53.26%	1.92-83.76%	0.09-52.16%	0.51-94.20%
– overdue 30-89 days		1.92-94.24%		0.25-84.02%

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets EAD is equal to the carrying amount.

(ii) Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on macroeconomic indicators for forward-looking information incorporation, which are presented in the below tables.

The Bank obtains the forecasts of macroeconomic data from third party source (Ministry of Finance Armenian Statistical Committee and Central Bank of Armenia). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

In 2025 and 2024, along with baseline forecasts (with 50% probability of occurrence), additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the upside (with 20% probability of occurrence) and downside (30% probability of occurrence) scenarios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2025.

	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>2025</i>
Key driver			
Trade index (2015 = 100)	Upside	20%	274.9
	Base case	50%	255.4
	Downside	30%	235.8
Consumption index (2015 = 100)	Upside	20%	171.0
	Base case	50%	158.8
	Downside	30%	146.6
USD/AMD Exchange rate	Upside	20%	383.0
	Base case	50%	392.5
	Downside	30%	410.0
Service index (2015 = 100)	Upside	20%	199.0
	Base case	50%	184.9
	Downside	30%	170.7
Unemployment rate	Upside	20%	11.1
	Base case	50%	12.3
	Downside	30%	14.6
Export (2015 = 100)	Upside	20%	303.9
	Base case	50%	280.9
	Downside	30%	257.9

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2024.

	<i>ECL scenario</i>	<i>Assigned probabilities, %</i>	<i>2024</i>
Key driver			
Trade index (2015 = 100)	Upside	20%	278.1
	Base case	50%	248.5
	Downside	30%	218.9
Consumption index (2015 = 100)	Upside	20%	162.8
	Base case	50%	145.2
	Downside	30%	127.6
USD/AMD Exchange rate	Upside	20%	380.0
	Base case	50%	400.0
	Downside	30%	418.2
Service index (2015 = 100)	Upside	20%	183.0
	Base case	50%	163.5
	Downside	30%	144.1
Unemployment rate	Upside	20%	12.7
	Base case	50%	13.8
	Downside	30%	15.2
Export (2015 = 100)	Upside	20%	404.7
	Base case	50%	351.8
	Downside	30%	298.9

Loss given default

For collateralized portfolio the Bank calculates LGD individually considering expected cash flows from realisation of collateral.

To arrive to individually assessed LGD, the Bank applies the following assumptions:

- haircut of 10-20% is applied on immovable collateral and 40% is applied on movable collateral;
- the period of collateral realization is estimated 36 months.

For unsecured portfolio the Bank calculates LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate.

Significant increase in credit risk

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.

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

- qualitative indicators; and
- backstop of 30 days past due.

The exposures of the Bank's borrowers are subject to ongoing monitoring, which may result in a determination about significant increase in credit risk. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
<ul style="list-style-type: none"> – Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes 	<ul style="list-style-type: none"> – Payment record – this includes overdue status as well as a range of variables about payment ratios
<ul style="list-style-type: none"> – Data from credit reference agencies, press articles, changes in external credit ratings 	<ul style="list-style-type: none"> – Utilisation of the granted limit – Requests for and granting of forbearance
<ul style="list-style-type: none"> – Quoted bond and credit default swap (CDS) prices for the borrower where available 	<ul style="list-style-type: none"> – Existing and forecast changes in business, financial and economic conditions
<ul style="list-style-type: none"> – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities 	

Concentrations of credit risk

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

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

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers, see Note 18.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 32.

Offsetting financial assets and financial liabilities

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

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

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

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

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

The above arrangements do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2025:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Amounts payable under repurchase agreements	9,066,948	-	9,066,948	(9,280,499)	-	-
Total financial liabilities	9,066,948	-	9,066,948	(9,280,499)	-	-

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

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Amounts payable under repurchase agreements	3,174,430	-	3,174,430	(3,466,932)	-	-
Total financial liabilities	3,174,430	-	3,174,430	(3,466,932)	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortised cost basis.

(c) Market risk

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

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALCO, based on recommendations of the Risk Department.

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

(i) Interest rate risk***Average effective interest rates***

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

	2025			2024		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies*	AMD	USD	Other currencies*
Interest bearing assets						
Investment securities measured at fair value through other comprehensive income	10.71	-	-	10.71	-	-
Investment securities measured at amortised cost	9.69	7.06	18.66	9.41	6.25	-
Loans and advances to banks and other financial institutions	10.62	5.24	2.45	10.62	5.47	6.5
Loans to customers	14.26	9.70	6.56	14.78	9.87	6.07
Interest bearing liabilities						
Deposits and balances from banks and other financial institutions	7.60	3.24	11.82	7.54	-	14.9
Amounts payable under repurchase agreements	6.50	4.88	3.50	-	4.50	-
Debt securities issued	12.20	6.24	-	10.50	5.60	-
Term deposits from customers	9.85	3.83	2.26	10.20	3.60	2.50
Other borrowed funds	6.01	5.66	4.00	6.64	6.74	4.00
Lease liability	12.11	-	-	11.85	-	-

* Other currencies mainly include EUR and Russian Rubles.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. The Bank's financial instruments are at fixed interest rates with no significant repricing before maturity. As a result, the interest rate gap analysis would be materially similar to the maturity analysis. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2025 and 2024, is as follows:

	2025	2024
	AMD'000	AMD'000
100 bp parallel rise	(1,106,762)	(334,041)
100 bp parallel fall	1,106,762	334,041

An analysis of the sensitivity of equity as a result of changes in the fair value of financial assets measured at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2025 and 2024 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2025	2024
	Equity	Equity
	AMD'000	AMD'000
100 bp parallel fall	18,983	26,339
100 bp parallel rise	(18,983)	(26,339)

(ii) *Currency risk*

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS Accounting Standards.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2025:

	USD	EUR	Other currencies*	Total
	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	18,233,508	12,092,702	2,243,398	32,569,608
Investment securities measured at amortised cost	16,233,920	-	689,823	16,923,743
Loans and advances to banks and other financial institutions	13,927,441	17,415,529	-	31,342,970
Loans to customers	36,710,620	30,482,251	6,379,339	73,572,210
Other financial assets	1,917,574	526,720	52,822	2,497,116
Total assets	87,023,063	60,517,202	9,365,382	156,905,647
LIABILITIES				
Deposits and balances from banks and other financial institutions	8,346,946	2,064,088	2,204,850	12,615,884
Amounts payable under repurchase agreements	3,815,128	2,250,217	-	6,065,345
Current accounts and deposits from customers	58,088,040	40,896,778	7,354,050	106,338,868
Debt securities issued	13,065,272	-	-	13,065,272
Other borrowed funds	10,310,062	1,570	-	10,311,632
Other financial liabilities	20,092	-	812	20,904
Total liabilities	93,645,540	45,212,653	9,559,712	148,417,905
Net position	(6,622,477)	15,304,549	(194,330)	8,487,742
Effect of derivatives	12,869,471	(11,090,547)	(1,779,777)	(853)
Net position	6,246,994	4,214,002	(1,974,107)	8,486,889

* Other currencies mainly include Russian Rubles.

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

	USD AMD'000	EUR AMD'000	Other currencies* AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	14,689,390	11,946,240	2,606,272	29,241,902
Investment securities measured at fair value through profit or loss	55,757	-	64,234	119,991
Investment securities measured at amortised cost	26,983,103	-	-	26,983,103
Loans and advances to banks and other financial institutions	10,935,343	17,574,971	4,091,123	32,601,437
Loans to customers	36,313,541	17,447,558	142,046	53,903,145
Other financial assets	1,095,486	300,909	707,532	2,103,927
Total assets	90,072,620	47,269,678	7,611,207	144,953,505
LIABILITIES				
Deposits and balances from banks and other financial institutions	1,315,492	2,901,511	2,247,861	6,464,864
Amounts payable under repurchase agreements	3,174,430	-	-	3,174,430
Current accounts and deposits from customers	58,622,567	41,167,626	5,532,738	105,322,931
Debt securities issued	8,980,453	-	-	8,980,453
Other borrowed funds	7,546,170	9,988	-	7,556,158
Other financial liabilities	-	-	787	787
Total liabilities	79,639,112	44,079,125	7,781,386	131,499,623
Net position	10,433,508	3,190,553	(170,179)	13,453,882
Effect of derivatives	165,556	-	(165,207)	349
Net position	10,599,064	3,190,553	(335,386)	13,454,231

* Other currencies mainly include Russian Rubles.

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2025 and 2024, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2025 AMD'000	2024 AMD'000
10% appreciation of USD against AMD	624,699	1,059,906
10% appreciation of EUR against AMD	421,400	319,055

A strengthening of the AMD against the above currencies at 31 December 2025 and 2024 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

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

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

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

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment.

The maturity analysis for financial liabilities as at 31 December 2025 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	13,684,786	603,359	1,568,353	8,674	-	15,865,172	15,795,557
Other borrowed funds and subordinated liabilities	5,818,970	190,474	687,430	6,499,186	9,573,285	22,769,345	18,105,978
Amounts payable under repurchase agreements	9,073,888	-	-	-	-	9,073,888	9,066,948
Debt securities issued	89,860	724,466	5,529,078	23,519,937	4,081,004	33,944,345	25,718,962
Current accounts and deposits from customers	135,531,962	16,189,744	86,804,253	40,974,129	115,880	279,615,968	271,106,891
Lease liability	78,064	140,793	552,274	2,044,263	842,431	3,657,825	2,570,839
Other financial liabilities	277,929	-	-	-	-	277,929	277,929
Total financial liabilities	164,555,459	17,848,836	95,141,388	73,046,189	14,612,600	365,204,472	342,643,104
Credit related commitments	15,207,510	-	-	-	-	15,207,510	-

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	10,370,222	7,349	337,644	567,898	3,132,744	14,415,857	14,172,471
Other borrowed funds	2,964,970	97,728	365,618	2,737,983	5,902,511	12,068,810	8,442,686
Amounts payable under repurchase agreements	3,179,515	-	-	-	-	3,179,515	3,174,430
Debt securities issued	73,247	178,381	836,374	13,867,874	3,334,673	18,290,549	15,085,027
Current accounts and deposits from customers	128,017,909	9,721,700	54,074,781	65,170,236	94,977	257,079,603	247,536,201
Lease liability	45,903	91,806	370,806	1,289,672	746,073	2,544,260	2,366,028
Other financial liabilities	193,589	-	-	-	-	193,589	193,589
Total financial liabilities	144,845,355	10,096,964	55,985,223	83,633,663	13,210,978	307,772,183	290,970,432
Credit related commitments	13,315,458	-	-	-	-	13,315,458	-

In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The classification of these deposits in accordance with their stated maturity dates is presented below:

	2025	2024
	AMD'000	AMD'000
Demand and less than 1 month	3,501,703	7,201,356
From 1 to 3 months	13,579,695	7,417,176
From 3 to 6 months	23,596,785	9,981,055
From 6 to 12 months	46,609,393	20,622,884
More than 1 year	27,960,710	52,996,963
	115,248,286	98,219,434

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2025:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	43,107,570	-	-	-	-	-	43,107,570
Loans and advances to banks and financial institutions	20,605,221	-	4,780,791	3,475,873	-	3,264,318	32,126,203
Investment securities measured at fair value through other comprehensive income	-	54,171	52,157	992,847	-	750,325	1,849,500
Investment securities measured at amortised cost	132,711	565,158	1,373,926	7,201,560	13,543,972	-	22,817,327
Loans to customers	13,504,449	6,101,491	33,041,194	106,422,029	105,488,029	-	264,557,191
Property and equipment	-	-	-	-	-	12,109,027	12,109,027
Intangible assets	-	-	-	-	-	3,730,630	3,730,630
Repossessed assets	-	-	-	-	-	1,592,107	1,592,107
Right of use assets	-	-	-	-	-	2,815,486	2,815,486
Deferred tax asset	-	-	-	-	-	485,177	485,177
Current tax asset	-	1,035,590	-	-	-	-	1,035,590
Other assets	3,886,166	-	-	-	-	3,670,374	7,556,540
Total assets	81,236,117	7,756,410	39,248,068	118,092,309	119,032,001	28,417,444	393,782,348
LIABILITIES							
Deposits and balances from banks and other financial institutions	13,681,837	598,214	1,507,150	8,356	-	-	15,795,557
Amounts payable under repurchase agreements	9,066,948	-	-	-	-	-	9,066,948
Current accounts and deposits from customers	134,891,547	14,733,891	81,929,091	39,454,383	97,979	-	271,106,891
Debt securities issued	89,860	162,805	3,906,800	17,745,840	3,813,657	-	25,718,962
Other borrowed funds	5,783,413	18,245	82,939	3,550,754	7,170,627	1,500,000	18,105,978
Lease liability	73,258	90,481	390,186	1,308,089	708,825	-	2,570,839
Other liabilities	277,250	685,121	-	-	-	260,538	1,222,909
Total liabilities	163,864,113	16,288,757	87,816,166	62,067,422	11,791,088	1,760,538	343,588,084
Net position*	(82,627,996)	(8,532,347)	(48,568,098)	56,024,887	107,240,913	26,656,906	50,194,264

*For the management of a negative short-term liquidity position, the Bank relies on highly liquid financial assets, including debt securities that can be readily sold or pledged under repurchase (repo) agreements, as well as the assumption that the term deposits will be prolonged upon maturity and the relative stability of the minimum daily balance of demand liabilities. In addition, the Bank manages liquidity through access to interbank funding.

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	37,320,814	-	-	-	-	-	37,320,814
Loans and advances to banks and financial institutions	5,238,839	-	10,075,795	3,173,810	-	14,645,238	33,133,682
Investment securities measured at fair value through profit or loss	21,473	-	5,676	37,085	55,757	-	119,991
Investment securities measured at fair value through other comprehensive income	-	-	-	1,823,830	-	-	1,823,830
Investment securities measured at amortised cost	3,469,271	22,888,012	3,544,231	2,440,214	2,276,574	-	34,618,302
Loans and advances to customers	15,776,448	6,275,095	32,595,937	59,785,582	89,951,640	-	204,384,702
Property and equipment	-	-	-	-	-	7,725,450	7,725,450
Intangible assets	-	-	-	-	-	3,750,700	3,750,700
Repossessed assets	-	-	-	-	-	6,546,969	6,546,969
Right of use assets	-	-	-	-	-	3,157,782	3,157,782
Deferred tax asset	-	-	-	-	-	146,641	146,641
Other assets	2,376,472	-	-	-	-	2,209,926	4,586,398
Total assets	64,203,317	29,163,107	46,221,639	67,260,521	92,283,971	38,182,706	337,315,261
LIABILITIES							
Deposits and balances from banks and other financial institutions	10,399,378	94,819	609,335	365,407	2,703,532	-	14,172,471
Amounts payable under repurchase agreements	3,174,430	-	-	-	-	-	3,174,430
Current accounts and deposits from customers	127,996,195	9,601,169	51,494,663	58,382,860	61,314	-	247,536,201
Debt securities issued	60,468	67,476	44,754	11,948,400	2,963,929	-	15,085,027
Other borrowed funds	2,940,266	9,288	57,714	975,017	4,460,401	-	8,442,686
Current tax liability	-	578,673	-	-	-	-	578,673
Lease liability	42,790	85,578	345,011	1,199,269	693,380	-	2,366,028
Other liabilities	296,933	268,718	-	-	-	571,765	1,137,416
Total liabilities	144,910,460	10,705,721	52,551,477	72,870,953	10,882,556	571,765	292,492,932
Net position	(80,707,143)	18,457,386	(6,329,838)	-5,610,432	81,401,415	37,610,941	44,822,329

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

	2025 AMD'000 Unaudited	2024 AMD'000 Unaudited
As at 31 December	67.53%	79.86%

The above ratio is also used to measure compliance with the liquidity limit established by the CBA which is set as not less than 60%.

31 Capital management

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 maximize 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 Armenia sets and monitors capital requirements for the Bank. Under the current capital requirements set by the Central Bank of Armenia, banks have to maintain a minimum total capital of AMD 30,000,000 thousand (2023: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2025 and 2024.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2025 and 2024, this minimum level was 11%. The Bank is in compliance with the statutory capital ratio as at 31 December 2025 and 2024.

The calculation of capital adequacy based on requirements set by the CBA as at 31 December is as follows:

	2025 AMD'000 Unaudited	2024 AMD'000 Unaudited
Core capital	57,377,302	35,569,780
Additional capital	6,992,757	4,485,960
Total capital	64,370,059	40,055,740
Total risk weighted assets, combining credit, market and operational risks	301,478,730	254,514,850
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	21.35%	15.74%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

32 Credit related commitments

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

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

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

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

	2025	2024
	AMD'000	AMD'000
Contracted amount		
Guarantees issued	571,651	547,221
Unused amounts of credit line limits	12,712,518	11,011,623
Unused amounts of credit card limits	1,804,387	1,756,614
Unused amounts of overdraft limits	118,954	-
	15,207,510	13,315,458
Credit loss allowance	(19,518)	(7,018)

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The credit-related commitments are in Stage 1.

33 Contingencies

(a) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

The taxation system in Armenia is relatively new and is characterized 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.

34 Related party transactions

(a) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the year ended 31 December are as follows:

	2025 AMD'000	2024 AMD'000
Short-term employee benefits	2,809,382	3,013,753

These amounts include cash benefits in respect of members of the Board of Directors and the Management Board.

The outstanding balances and average effective interest rates as at 31 December 2025 and 2024 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2025 AMD'000	Nominal interest rate, %	2024 AMD'000	Nominal interest rate, %
Statement of financial position				
Loans and advances to customers (gross)	960,404	13.36%	566,860	13.12%
Credit loss allowance	(2,518)	-	(1,304)	-
Current accounts and deposits from customers	388,281	0 - 9.21 %	573,998	0- 8.96 %
Purchase of issued debt securities	272,768	14%	129,046	14%

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

	2025 AMD'000	2024 AMD'000
Statement of profit or loss		
Interest income	75,553	71,108
Interest expense	(14,002)	(18,982)
Other expense	(8,770)	(8,863)

(b) Transactions with shareholders and entities under common control

The outstanding balances and the related average effective interest rates as at 31 December 2025 and related profit or loss amounts of transactions for the year ended 31 December 2025 with shareholders and entities under common control are as follows:

	Shareholders		Entities under common control	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position				
Subordinated debt	1,525,733*	7%	-	-
Amounts due to financial institutions	-	-	518,097	10-11%
Statement of profit or loss				
Commissions income		-	627,154	
Interest expense	(108,356)	-	(25,901)	-
Other expense	(165,212)	-	-	-

The outstanding balances and the related average effective interest rates as at 31 December 2024 and related profit or loss amounts of transactions for the year ended 31 December 2024 with other related parties are as follows:

	Shareholders		Entities under common control	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position				
Subordinated debt	1,586,544	7%	-	-
Amounts due to financial institutions	-	-	446,132	10-11%
Statement of profit or loss				
Commissions income	-	-	209,837	-
Interest expense	(110,256)	-	(23,173)	-
Other expense	(165,212)	-	-	-

35 Financial assets and liabilities: fair values and accounting classifications

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

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

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 categorized.

	31 December 2025				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
AMD'000					
Financial assets					
Loans to customers	-	-	260,573,212	260,573,212	262,323,022
Investment securities measured at amortised cost	-	23,483,070	-	23,483,070	22,731,207
Financial liabilities					
Current accounts and deposits from customers	-	-	271,718,877	271,718,877	271,528,562
Debt securities issued	-	25,745,963	-	25,745,963	25,718,962
Other borrowed funds	-	-	18,106,831	18,106,831	18,106,831
	31 December 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
AMD'000					
Financial assets					
Loans to customers	-	-	204,004,768	204,004,768	204,384,698
Investment securities measured at amortised cost	-	35,970,593	-	35,970,593	34,618,302
Financial liabilities					
Current accounts and deposits from customers	-	-	246,454,834	246,454,834	247,536,201
Debt securities issued	-	14,928,462	-	14,928,462	15,085,027
Other borrowed funds	-	-	8,442,686	8,442,686	8,442,686

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Loans to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates approximated 7.8-11.33% (2024: 7.87-10.26%) for loans denominated in foreign currency and 11.83-14.68% (2024: 11.62-14.27%) for loans denominated in Armenian drams.

Current accounts and deposits from customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 2.5% to 9.5% per annum (2024: 2.3% to 9.9% per annum).

Other borrowed funds

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.5% to 8% per annum (2024: 4.5% to 8% per annum).

Financial instruments that are measured at fair value

The table below analyses financial instruments measured at fair value as at 31 December 2025 and 2024 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2025				
AMD'000	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment securities – debt and other fixed income	-	1,099,175	-	1,099,175
Equity instruments	-	500,168	250,157	750,325
2024				
AMD'000	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment securities – debt and other fixed income	-	1,073,505	-	1,073,505
Equity instruments		500,168	250,157	750,325
Investment securities measured at fair value through profit or loss	-	119,991	-	119,991

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. There were no transfers between levels in 2025 (2024: none). There were no movements in the Level 3 fair value measured assets in 2025 (2024: purchases of AMD 200,000 thousand).

Fair value measurement of non-financial assets and liabilities

AMD'000	31 December 2025	
	Level 3	Total
Non-financial assets		
Land and buildings	7,863,371	7,863,371
	7,863,371	7,863,371
31 December 2024		
AMD'000	Level 3	Total
Non-financial assets		
Land and buildings	4,289,422	4,289,422
	4,289,422	4,289,422

Fair value measurements in Level 3

The Bank's non-financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The non-financial assets within this level can be reconciled from beginning to ending balance as follows:

AMD'000	Land and buildings	Total
Non-financial assets		
Balance as at 1 January 2025	4,289,422	4,289,422
Purchases	3,871,931	3,871,931
Disposals	(57,977)	(57,977)
Depreciation charge	(240,005)	(240,005)
Net fair value at 31 December 2025	7,863,371	7,863,371

AMD'000	Land and buildings	Total
Non-financial assets		
Balance as at 1 January 2024	5,093,623	5,093,623
Purchases	9,072	9,072
Disposals	(530,030)	(530,030)
Depreciation charge	(283,243)	(283,243)
Net fair value at 31 December 2024	4,289,422	4,289,422

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

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

The land and buildings were revalued in 2025, as a result of which decrease of AMD 11,777 thousand in the carrying amount was recorded..

The following table summarises the sensitivity of the fair value measurement of Bank's land and buildings categorised within Level 3 of the fair value hierarchy to changes in main unobservable inputs as at 31 December 2025.

	Capitalisation rate	Income from property
1% increase	(516,659)	X
1% decrease	657,590	X
10% increase	X	484,102
10% decrease	X	(440,092)