Financial Statements and Independent Auditor's Report

Farm Credit Armenia universal credit organization commercial cooperative

31 December 2025

Contents

Independent Auditor's Report

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To the shareholders of "Farm Credit Armenia" universal credit organization commercial cooperative:

Opinion

We have audited the financial statements of ''Farm Credit Armenia''universal credit organization commercial cooperative (the ''Organization''), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

Allowance for expected credit loss

See Note 4.6 of the financial statements for a description of the accounting policies and to Note 32.1 for an analysis of credit risk.

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

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

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

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

Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organikzation'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Narine Atchemyan.

Armen Hovhannisyan

Chief Executive Officer of "Grant Thornton" CJSC

Narine Atchemyan

Engagement Partner

20 April 2026

Statement of profit or loss and other comprehensive income

In thousand AMD

	Notes	2025	2024
Interest income calculated using effective interest rate	5	2,531,479	2,163,814
Other interest income	5	252,970	209,595
Interest expense	5	(1,283,190)	(1,094,495)
Net interest income		**1,501,259**	**1,278,914**
Net trading loss	6	(42,404)	(11,143)
Income from grants received	7	-	789
Net loss from foreign exchange on non-trading assets and liabilities		(29,017)	(16,006)
Credit loss expense	9	(138,319)	(60,182)
Other operating income	8	33,643	24,677
Net operating income		**1,325,162**	**1,217,049**
Personnel expenses	10	(744,079)	(614,636)
Other expenses	11	(360,097)	(365,678)
Profit before income tax		**220,986**	**236,735**
Income tax expense	12	(52,545)	(55,272)
Profit for the year		**168,441**	**181,463**
Total comprehensive income for the year		**168,441**	**181,463**

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 60.

Statement of financial position

In thousand AMD	Notes	31 December 2025	31 December 2024
Assets			
Cash and cash equivalents	13	290,762	256,328
Investment securities	15	1,231,120	600,749
Investment securities pledged under repurchase agreements	15	-	727,336
Loans to customers	16	15,925,438	14,245,929
Finance lease receivables	17	1,872,877	1,655,584
Property and equipment and intangible assets	18	947,217	995,797
Repossessed assets	19	19,193	28,985
Other assets	20	113,114	133,910
Total assets		**20,399,721**	**18,644,618**
Liabilities and equity			
Liabilities			
Loams and borrowings	21	15,021,138	13,488,279
Debt securities issued	22	1,224,260	1,224,087
Derivative financial liabilities	14	11,194	-
Subordinated debt	23	888,975	888,441
Current income tax liabilities		28,170	26,036
Deferred income tax liabilities	12	5,139	11,814
Lease liabilities	27	105,593	135,188
Other liabilities	24	187,161	180,889
Total liabilities		**17,471,630**	**15,954,734**
Equity			
Charter capital	25	1,525,623	1,455,857
Retained earnings		1,402,468	1,234,027
Total equity		**2,928,091**	**2,689,884**
Total liabilities and equity		**20,399,721**	**18,644,618**

The financial statements were approved on 20 April 2026 by:

Armen Gabrielyan
Chief Executive Officer

Hrachuhi Hovhannisyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 60.

Statement of changes in equity

In thousand AMD	Charter capital	Retained earnings	Total
Balance at 1 January 2024	**1,370,362**	**1,052,564**	**2,422,926**
Increase in charter capital	85,495	-	85,495
Total transactions with owners	**85,495**	**-**	**85,495**
Profit for the year	-	181,463	181,463
Total comprehensive income for the year	**-**	**181,463**	**181,463**
Balance at 31 December 2024	**1,455,857**	**1,234,027**	**2,689,884**
Balance at 1 January 2025	**1,455,857**	**1,234,027**	**2,689,884**
Increase in charter capital	69,766	-	69,766
Total transactions with owners	**69,766**	**-**	**69,766**
Profit for the year	-	168,441	168,441
Total comprehensive income for the year	**-**	**168,441**	**168,441**
Balance at 31 December 2025	**1,525,623**	**1,402,468**	**2,928,091**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 60.

Statement of cash flows

In thousand AMD	2025	2024
Cash flows from operating activities		
Interest received	2,776,492	2,340,326
Interest paid	(1,426,730)	(1,062,029)
Net amounts from foreign currency transactions	(42,404)	(11,143)
Other income received	31,476	23,420
Staff and other general administrative expenses	(988,819)	(878,248)
Cash flows from operating activities before changes in operating assets and liabilities	**350,015**	**412,326**
Increase (decrease) in operating assets		
Reverse repurchase agreements	-	277,020
Loans to customers	(1,841,473)	(2,412,642)
Derivative instruments	11,194	-
Finance lease receivables	(242,427)	(467,863)
Other assets	29,992	42,415
Increase (decrease) in operating liabilities		
Other liabilities	19,726	8,807
Net cash flow used in operating activities before income tax	**(1,672,973)**	**(2,139,937)**
Income tax paid	(57,086)	(12,957)
Net cash used in operating activities	**(1,730,059)**	**(2,152,894)**
Cash flows from investing activities		
Purchase of property and equipment	(52,941)	(58,857)
Proceeds from sale of property and equipment	2,167	3,096
(Acquisition) repayment of securities	33,635	(356,375)
Net cash used in investing activities	**(17,139)**	**(412,136)**
Cash flows from financing activities		
Loans and borrowings received	16,138,310	14,701,477
Loans and borrowings repaid	(14,350,466)	(13,274,462)
Debt securities issued	-	1,200,000
Proceeds from issue of charter capital	45,159	68,129
Repayment of lease liabilities	(44,873)	(42,930)
Net cash from financing activities	**1,788,130**	**2,652,214**
Net increase in cash and cash equivalents	**40,932**	**87,184**
Cash and cash equivalents at the beginning of the year	256,328	174,018
Foreign exchange effect on cash and cash equivalents	(6,498)	(4,874)
Cash and cash equivalents at the end of the year (Note 13)	**290,762**	**256,328**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 60.

Notes to the financial statements

"Farm Credit Armenia" universal credit organization commercial cooperative

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

1 Nature of operations

“Farm Credit Armenia” universal credit organization commercial cooperative’s (the “Organization”) main activity is the extension of small and medium size agricultural loans to individuals and legal entities. The Organization mainly extends loans and provides other financial services to farms in the regions of RA.

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

“Farm Credit Armenia” universal credit organization commercial cooperative (the “Organization”) was founded in the Republic of Armenia in 2007 as a universal credit organization commercial cooperative and is regulated by the legislation of the Republic of Armenia (RA). The Organization was registered on 18 September 2007 under license number 20, granted by the Central Bank of Armenia (the “CBA”).

The head office of the Organization is located in Yerevan, 10 branches are located in different regions of the RA. The legal address of the Organization is 9/16 Tbilisyan Highway, Arabkir, Yerevan.

In 2025 the average number of employees in the Organization was 100 (2024: 92).

Statement of compliance and Going concern

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

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

Business environment

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

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

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

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

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

2.1 Presentation of financial statements

The Organization presents its statement of financial position in order of liquidity based on the Organization's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 31.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2025

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

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

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

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

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

- IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

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

The Organization is currently working to identify all the impacts that IFRS 18 will have on the financial statements and notes to the financial statements.

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

- *Amendments to Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- *Contracts Referencing Nature-dependent Electricity* (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026)

4 Material accounting policies

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

4.1 Basis of preparation

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

4.2 Climate-related matters

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

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

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

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

4.3 Foreign currency

Functional and presentation currency

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

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

Foreign currency transactions

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

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

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

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

	31 December 2025	31 December 2024
AMD/1 USD	381.36	396.56
AMD/1 EUR	449.01	413.89
AMD/1 RUB	4.8711	3.71

4.4 Recognition of income and expenses

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

The effective interest rate method

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

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

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

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

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

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

Other interest income

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

Fee and commission income and expense

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

Other fee and commission income 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 Organization'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 Organization first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

4.5 Income tax

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

Current tax

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

Deferred tax

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

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

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

4.6 Financial instruments

i) Recognition and initial measurement

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

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

ii) Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Organization 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 Organization 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 Organization 's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as

part of an overall assessment of how the Organization 's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Organization 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 Organization considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Organization changes its business model for managing financial assets. Financial liabilities are never reclassified.

Financial liabilities

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

iii) Derecognition

Financial assets

The Organization derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see Note 4.6 (vi)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Organization neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

In transactions in which the Organization 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 Organization continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Organization retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

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

iv) Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

The Organization derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

v) Offsetting

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

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

vi) Impairment

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

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income
- lease receivables

- loan commitments to provide a loan
- financial guarantee contracts

No impairment loss is recognised on equity investments.

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

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

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

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

Measurement of ECL

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

The Organization has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 32.1.2.

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

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

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

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

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

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

The PD, the EAD and the LGD are further explained in Note 32.1.2.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, The Organization considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

Presentation of allowances for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.
- loan commitments and financial guarantee contracts: generally, as a provision;
  - When estimating LTECLs for undrawn loan commitments, The Organization estimates the expected portion of the loan commitment that will be drawn down over its expected life. Expected credit losses are subsequently based on the present value of the expected cash flow shortfall if the loan were drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  - where a financial instrument includes both a drawn and an undrawn component, and The Organization cannot identify the ECL on the loan commitment component separately from those on

the drawn component: The Organization presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision;

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

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Both the total carrying amount of the asset and the impairment allowance (if any) are written off directly. A write-off represents a partial or complete derecognition. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Organization's procedures for recovery of amounts due.

4.6.1 Cash and cash equivalents

Cash and cash equivalents comprise accounts in banks and other short-term amounts.

Cash and cash equivalents are carried at amortised cost.

4.6.2 Loans to costumers

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

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

4.6.3 Investment securities

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

For debt securities measured at amortised cost, gains and losses are recognised in profit or loss:

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

4.6.4 Repurchase and reverse repurchase agreements

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

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

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

4.7 Leases

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

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

Measurement and recognition of leases

Organization as a lessee

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

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

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

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

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

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

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

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

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

Organization as a lessor

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

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

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

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

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

4.8 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

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

	Useful life (years)	Rate (%)
Buildings	30	3.33
Computer equipment	1-8	12.5-100
Household equipment	5-8	12.5-20
Vehicles	8	12.5

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

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

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

4.9 Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

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

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Organization can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

4.10 Repossessed assets

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

4.11 Grants

Grants relating to the assets are included in other liabilities and are credited to the statement of profit or loss and other comprehensive income on a straight line basis over the expected lives of the related assets.

Grants relating to income should be recognized in profit in the periods in which the Organization recognizes the related costs as an expense.

4.12 Loans, borrowings and debt securities issued

Loans and borrowings and debt securities issued which include borrowings received from the CBA and other organizations are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

4.13 Equity

Charter capital

Charter capital consists of participants' shares.

Retained earnings

Retained earnings include accumulated profit or current and previous periods.

4.14 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

4.14.1 Significant judgements in applying accounting policies

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

Classification of financial assets:

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

Establish criteria for calculating ECL

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

4.14.2 Assumptions and estimations uncertainty

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 29).

Useful Life of property and equipment

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

Impairment of financial instruments

The Organization assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see Note 32.1.2), as well as the key assumptions used in estimating recoverable cash flows (see Note 4.6 (vi)).

Tax legislation

Armenian tax legislation is subject to varying interpretations. See Note 26.

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5 Net interest income and expense

	2025	2024
Interest income calculated using effective interest rate		
Loans to customers	2,427,729	2,065,967
Cash and cash equivalents	8,151	9,229
Debt securities at amortised cost	94,284	77,642
Reverse repurchase agreements	1,315	10,976
Total interest income calculated using effective interest rate	**2,531,479**	**2,163,814**
Other interest income		
Finance lease receivables	252,970	209,595
Total interest income and similar income	**2,784,449**	**2,373,409**
Loans and borrowings	992,998	825,471
Lease liabilities	15,130	14,411
Subordinated debt	109,980	109,988
Interest expenses from repurchase agreements	17,908	47,039
Interest expenses from interest securities issued	147,174	97,586
Total interest and similar expense	**1,283,190**	**1,094,495**
Total net interest income	**1,501,259**	**1,278,914**

6 Net trading loss

	2025	2024
Net loss from trading in foreign currencies	(17,455)	(6,196)
Net loss from derivative instruments	(24,949)	(4,947)
Total net trading income	**(42,404)**	**(11,143)**

7 Income from grants received

	2025	2024
Grants related to assets	-	789
Total income from grants	**-**	**789**

8 Other operating income

	2025	2024
Fines and pentalities received	14,823	9,792
Other cimmissions from insurance companies	3,308	3,397
Net gains from sale of property and equipment	2,167	1,257
Other income	13,345	10,231
Total other income	**33,643**	**24,677**

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9 Credit loss expense (reversal of credit loss expense)

					2025
	Note	Stage 1	Stage 2	Stage 3	Total
Loans to customers	16	25,525	2,834	95,535	123,894
Finance lease receivables	17	4,203	193	10,029	14,425
Total credit loss expense		**29,728**	**3,027**	**105,564**	**138,319**

					2024
	Note	Stage 1	Stage 2	Stage 3	Total
Loans to customers	16	30,913	2,572	20,901	54,386
Finance lease receivables	17	7,884	(2,088)	-	5,796
Total credit loss expense		**38,797**	**484**	**20,901**	**60,182**

10 Personnel expenses

	2025	2024
Compensations of employees, related taxes included	739,114	611,557
Personnel training costs	4,965	3,079
Total personnel expenses	**744,079**	**614,636**

11 Other expenses

	2025	2024
Depreciation and amortization	104,010	100,995
Repair and maintenance expenses	39,054	48,176
Household equipment and utility services	20,867	22,919
Short-term lease expenses	7,530	9,552
Loan provision expenses	17,378	20,095
Computer software expenses	15,836	16,663
Insurance	16,083	13,977
Banking fees	3,313	3,299
Payments to Financial system mediator	12,973	10,962
Communication and information services	10,285	11,686
Business trip expenses	19,233	13,866
Professional services	14,960	10,520
Custody costs	1,176	8,784
Taxes, other than income tax, duties	12,920	12,395
Advertising and public relations	23,516	27,639
Office supplies	2,622	3,157
Membership fees	4,205	4,177
Representative expenses	6,194	7,813
Other	27,942	19,003
Total other expenses	**360,097**	**365,678**

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12 Income tax expense

	2025	2024
Current tax expense	59,220	46,681
Adjustments of current income tax of prior years	-	1,669
Deferred tax expense	(6,675)	6,922
Total income tax expense	**52,545**	**55,272**

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

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

	2025	Effective tax rate (%)	2024	Effective tax rate (%)
Profit before taxation	220,986		236,735	
Income tax	39,777	18	42,612	18
Non-deductible expenses	7,545	3	8,108	3
Foreign exchange net loss	5,223	2	2,883	1
Adjustments of current income tax of prior years	-	-	1,669	1
Total income tax expense	**52,545**	**23**	**55,272**	**23**

Deferred tax calculation in respect of temporary differences:

			2025		
	2024	Recognized in profit or loss	Net	Deferred tax asset	Deferred tax liability
Cash and cash equivalents	(461)	(60)	(521)	-	(521)
Loans to customers	(17,318)	3,467	(13,851)	-	(13,851)
Finance lease receivables	4,679	2,596	7,275	7,275	-
Property and equipment	(22,442)	5,615	(16,827)	-	(16,827)
Other assets	(6,342)	(1,658)	(8,000)	-	(8,000)
Loans and borrowings	(2,062)	-	(2,062)	-	(2,062)
Lease liabilities	24,334	(5,327)	19,007	19,007	-
Other liabilities	7,798	2,042	9,840	9,840	-
Deferred tax asset (liability)	**(11,814)**	**6,675**	**(5,139)**	**36,122**	**(41,261)**

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

			2024		
	2023	Recognized in profit or loss	Net	Deferred tax asset	Deferred tax liability
Cash and cash equivalents	(824)	363	(461)	-	(461)
Loans to customers	(13,748)	(3,570)	(17,318)	-	(17,318)
Finance lease receivables	3,635	1,044	4,679	4,679	-
Property and equipment	(8,328)	(14,114)	(22,442)	-	(22,442)
Other assets	(4,881)	(1,461)	(6,342)	-	(6,342)
Loans and borrowings	3,714	(5,776)	(2,062)	-	(2,062)
Lease liabilities	9,146	15,188	24,334	24,334	-
Other liabilities	6,394	1,404	7,798	7,798	-
Deferred tax asset (liability)	**(4,892)**	**(6,922)**	**(11,814)**	**36,811**	**(48,625)**

13 Cash and cash equivalents

	31 December 2025	31 December 2024
Bank accounts	289,683	256,046
Other short-term amounts	1,079	282
Total cash and cash equivalents	**290,762**	**256,328**

As at 31 December 2025 the bank accounts in amounts of AMD 234,696 thousand (81%) (2024: AMD 225,215 thousand (88%) from one bank) were due from one commercial bank.

Expected credit losses for cash and cash equivalents are close to zero and therefore, are not disclosed.

14 Derivative financial instruments

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

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

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

		31 December 2025	
	Notional amount	Fair value of assets	Fair value of liabilities
Foreign exchange contracts			
Foreign exchange swap contracts	800,856	-	11,194
Total derivative financial instruments	**800,856**	**-**	**11,194**

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

15 Investment securities

Investment securities measured at amortised cost

	31 December 2025	31 December 2024
Investment securities measured at amortised cost		
RA state bonds	1,231,120	600,749
Total investment securities at amortised cost	**1,231,120**	**600,749**

Investment securities measured at amortised cost pledged under repurchase agreements		
RA state bonds	-	727,336
Total investment securities at amortised cost pledged under repurchase agreements	**-**	**727,336**

The pledged securities are those financial assets pledged under repurchase agreements with other banks, with the right to sell or re-pledge by the counterparties in the absence of default by the Organization, but the counterparty has an obligation to return the securities at the maturity of the contract. The Organization has determined that it retains all of the main risks and rewards of such securities and therefore does not derecognize them. The total amount of financial assets that have been pledged as collateral for liabilities are presented in Note 21.

Credit losses on investment securities measured at amortized cost are close to zero and therefore, are not disclosed.

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

	31 December 2025		31 December 2024	
	%	Maturity	%	Maturity
RA state bonds	3.95	2029	3.95 - 7.15	2025-2029

All debt securities have fixed coupons.

The Organization has not reclassified any financial assets measured at amortised cost rather than fair value during the year.

16 Loans to customers

	31 December 2025			31 December 2024		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Agricultural lending						
Horticulture	5,610,457	(124,554)	5,485,903	4,144,642	(85,510)	4,059,132
Cattle breeding	4,886,816	(121,351)	4,765,465	4,686,806	(96,898)	4,589,908
Fish farming	101,526	(1,594)	99,932	69,114	(1,109)	68,005
	10,598,799	**(247,499)**	**10,351,300**	**8,900,562**	**(183,517)**	**8,717,045**

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

	31 December 2025			31 December 2024		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
Other lending						
Trade	1,488,521	(38,957)	1,449,564	1,454,569	(32,496)	1,422,073
Industry	201,149	(3,492)	197,657	112,687	(2,761)	109,926
Consumer	3,594,291	(75,951)	3,518,340	3,600,226	(49,055)	3,551,171
Financial sector	403	(6)	397	119,275	(2,069)	117,206
Other	415,657	(7,477)	408,180	334,178	(5,670)	328,508
	5,700,021	**(125,883)**	**5,574,138**	**5,620,935**	**(92,051)**	**5,528,884**
Total	**16,298,820**	**(373,382)**	**15,925,438**	**14,521,497**	**(275,568)**	**14,245,929**

As at 31 December 2025 the Organization did not possess assets by taking possession of collateral for loans to customers (31 December 2024: neither).

As at 31 December 2025, the Organization has no borrower (2024: neither) whose credit exceeds 10% of total equity.

An analysis of changes in gross carrying amounts in relation to agricultural and other lending:

				2025
	Stage 1	Stage 2	Stage 3	Total
Agricultural lending				
Balance at 1 January	8,663,368	133,933	103,261	8,900,562
New assets originated or purchased	8,872,970	59,500	16,687	8,949,157
Assets repaid	(7,167,563)	(30,352)	(47,153)	(7,245,068)
- Transfer to Stage 1	56,361	(54,501)	(1,860)	-
- Transfer to Stage 2	(58,932)	62,918	(3,986)	-
- Transfer to Stage 3	(94,981)	(43,293)	138,274	-
Change in balance of asset from interest and foreign exchange	62,142	(24,404)	(19,264)	18,474
Net amounts written-off during the year	-	-	(24,326)	(24,326)
Balance at 31 December	**10,333,365**	**103,801**	**161,633**	**10,598,799**

				2025
	Stage 1	Stage 2	Stage 3	Total
Other lending				
Balance at 1 January	5,595,406	16,226	9,303	5,620,935
New assets originated or purchased	2,431,440	8,000	17,700	2,457,140
Assets repaid	(2,343,539)	(5,405)	(9,362)	(2,358,306)
- Transfer to Stage 1	9,101	(9,101)	-	-
- Transfer to Stage 2	(20,235)	23,686	(3,451)	-
- Transfer to Stage 3	(22,003)	(3,707)	25,710	-
Change in balance of asset from interest and foreign exchange	(16,454)	477	(2,017)	(17,994)
Net amounts written-off during the year			(1,754)	(1,754)
Balance at 31 December	**5,633,716**	**30,176**	**36,129**	**5,700,021**

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

				2024
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Agricultural lending				
Balance at 1 January	9,429,773	32,646	75,131	9,537,550
New assets originated or purchased	7,051,609	83,169	4,500	7,139,278
Assets repaid	(7,669,990)	(57,852)	(65,960)	(7,793,802)
- Transfer to Stage 1	16,902	(11,353)	(5,549)	-
- Transfer to Stage 2	(70,666)	89,838	(19,172)	-
- Transfer to Stage 3	(101,818)	(2,515)	104,333	-
Change in balance of asset from interest and foreign exchange	7,558	-	203	7,761
Net recovery during the year	-	-	9,775	9,775
Balance at 31 December	**8,663,368**	**133,933**	**103,261**	**8,900,562**

				2024
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other lending				
Balance at 1 January	2,534,091	2,763	11,464	2,548,318
New assets originated or purchased	4,672,945	12,314	400	4,685,659
Assets repaid	(1,595,115)	(3,867)	(13,134)	(1,612,116)
- Transfer to Stage 2	(7,779)	7,779	-	-
- Transfer to Stage 3	(13,074)	(2,763)	15,837	-
Change in balance of asset from interest and foreign exchange	4,338	-	122	4,460
Net amounts written-off during the year	-	-	(5,386)	(5,386)
Balance at 31 December	**5,595,406**	**16,226**	**9,303**	**5,620,935**

An analysis of changes in ECL allowances in relation to agricultural and other lending are as follows:

				2025
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Agricultural lending				
ECL allowance at 1 January	130,283	8,987	44,247	183,517
- Transfer to Stage 1	3,992	(3,026)	(966)	-
- Transfer to Stage 2	(844)	5,798	(4,954)	-
- Transfer to Stage 3	(1,466)	(2,686)	4,152	-
Net remeasurement of loss allowance	(83,571)	(5,790)	55,043	(34,318)
Net remeasurement of loss allowances on new originated financial assets	109,035	1,752	11,839	122,626
Net amounts written-off during the year			(24,326)	(24,326)
Balance at 31 December	**157,429**	**5,035**	**85,035**	**247,499**

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

				2025
	Stage 1	Stage 2	Stage 3	Total
Other lending				
ECL allowance at 1 January	81,458	1,437	9,156	92,051
Transfer to Stage 1	832	(832)	-	-
- Transfer to Stage 2	(276)	4,144	(3,868)	-
- Transfer to Stage 3	(309)	(486)	795	-
Net remeasurement of loss allowance	(28,474)	(3,222)	11,993	(19,703)
Net remeasurement of loss allowances on new originated financial assets	28,535	10,094	16,660	55,289
Net amounts written-off during the year			(1,754)	(1,754)
Balance at 31 December	**81,766**	**11,135**	**32,982**	**125,883**

				2024
	Stage 1	Stage 2	Stage 3	Total
Agricultural lending				
ECL allowance at 1 January	140,255	1,192	27,713	169,160
- Transfer to Stage 1	4,648	(361)	(4,287)	-
- Transfer to Stage 2	(1,030)	7,008	(5,978)	-
- Transfer to Stage 3	(1,585)	(97)	1,682	-
Net remeasurement of loss allowance	(92,501)	(3,645)	13,036	(83,110)
Net remeasurement of loss allowances on new originated financial assets	80,496	4,890	2,306	87,692
Net recovery during the year	-	-	9,775	9,775
Balance at 31 December	**130,283**	**8,987**	**44,247**	**183,517**

				2024
	Stage 1	Stage 2	Stage 3	Total
Other lending				
ECL allowance at 1 January	38,839	385	8,409	47,633
- Transfer to Stage 2	(110)	110	-	-
- Transfer to Stage 3	(189)	(385)	574	-
Net remeasurement of loss allowance	(16,244)	94	5,487	(10,663)
Net remeasurement of loss allowances on new originated financial assets	59,162	1,233	72	60,467
Net amounts written-off during the year	-	-	(5,386)	(5,386)
Balance at 31 December	**81,458**	**1,437**	**9,156**	**92,051**

As at 31 December 2025 the right to claim loans to customers in gross amount of AMD 1,540,944 thousand (2024: AMD 1,539,274 thousand) are provided as collateral for loans from credit organizations and the right to claim loans in gross amount of AMD 5,979,089 thousand (2024: AMD 6,933,527 thousand) are provided as collateral for loans from the Central Bank of Armenia (see Note 21).

As at 31 December 2025 and 2024 the estimated fair value of loans to customers approximates it carrying amount. See Note 29.

Maturity analysis of loans and advances to customers are disclosed in Note 31.

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

Credit, currency and interest rate analyses of loans to customers are disclosed in Note 32.

The information on related party balances is disclosed in Note 28.

17 Finance lease receivables

	31 December 2025	31 December 2024
Privately held companies	526,599	615,888
Retail customers	497,130	351,402
Sole proprietors	889,566	714,287
	1,913,295	**1,681,577**
ECL allowance	(40,418)	(25,993)
Total finance lease receivables	**1,872,877**	**1,655,584**

An analysis of changes in carrying amounts in relation to finance lease receivabsles are as follows:

				2025
	Stage 1	Stage 2	Stage 3	Total
Net investments on finance lease before impairment allowance				
Balance at 1 January	1,679,447	2,130	-	1,681,577
New assets originated or acquired	804,580	-	-	804,580
Assets repaid	(557,603)	(1,728)	(5,223)	(564,554)
- Transfer to Stage 1	520	(520)	-	-
- Transfer to Stage 2	(6,087)	6,087	-	-
- Transfer to Stage 3	(22,114)	(1,610)	23,724	-
Change in balance of asset from interest and foreign exchange	(8,451)	(25)	168	(8,308)
Balance at 31 December	**1,890,292**	**4,334**	**18,669**	**1,913,295**

				2024
	Stage 1	Stage 2	Stage 3	Total
Net investments on finance lease before impairment allowance				
Balance at 1 January	1,209,320	7,496	2,333	1,219,149
New assets originated or acquired	879,111	-	-	879,111
Assets repaid	(412,180)	(8,465)	-	(420,645)
- Transfer to Stage 2	(766)	3,099	(2,333)	-
Change in balance of asset from interest and foreign exchange	3,962	-	-	3,962
Balance at 31 December	**1,679,447**	**2,130**	**-**	**1,681,577**

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

An analysis of changes in ECL allowances in relation to net investments on finance lease are as follows:

				2025
	Stage 1	Stage 2	Stage 3	Total
Net investments on finance lease				
ECL allowance as at 1 January	25,934	59	-	25,993
- Transfer to Stage 1	11	(11)	-	-
- Transfer to Stage 2	(87)	87	-	-
- Transfer to Stage 3	(333)	(48)	381	-
New remeasurement of loss allowance	(7,391)	193	10,029	2,831
Net remeasurement of loss allowance on new assets originated	11,594	-	-	11,594
Balance at 31 December	**29,728**	**280**	**10,410**	**40,418**

				2024
	Stage 1	Stage 2	Stage 3	Total
Net investments on finance lease				
ECL allowance as at 1 January	18,061	814	1,322	20,197
- Transfer to Stage 2	(11)	1,333	(1,322)	-
New remeasurement of loss allowance	(3,853)	(2,088)	-	(5,941)
Net remeasurement of loss allowance on new assets originated	11,737	-	-	11,737
Balance at 31 December	**25,934**	**59**	**-**	**25,993**

As at 31 December 2025 and 31 December 2024 the analysis of finance lease receivables (gross) by maturity terms is as follows:

				2025
	Not later than 1 year	1-5 years	Later than 5 years	Total
Gross investments on finance lease	761,357	1,603,055	78,364	2,442,776
Unearned finance income	(223,623)	(296,030)	(9,828)	(529,481)
Net investments on finance lease before impairment allowance	**537,734**	**1,307,025**	**68,536**	**1,913,295**

				2024
	Not later than 1 year	1-5 years	Later than 5 years	Total
Gross investments on finance lease	605,879	1,517,387	43,137	2,166,403
Unearned finance income	(199,031)	(279,529)	(6,266)	(484,826)
Net investments on finance lease before impairment allowance	**406,848**	**1,237,858**	**36,871**	**1,681,577**

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

Finance lease receivables by economic sectors are as follows:

	31 December 2025	31 December 2024
Constructions	470,926	432,228
Transport and communication	196,856	236,187
Horticulture	503,364	409,416
Animal husbandry	70,482	71,179
Trade	298,059	206,484
Industry	289,614	220,707
Other	83,994	105,376
Total net investments on finance lease before impairment allowance	**1,913,295**	**1,681,577**

As at 31 December 2025 the Organization has no lessees (2024: neither) whose financial lease receivable balances exceed 10% of equity.

As at 31 December 2025 and 2024 the estimated fair value of finance lease receivables approximates it carrying amount. See Note 29.

Maturity analysis of finance lease receivables are disclosed in Note 31.

Credit, currency and interest rate analysis lease receivables are disclosed in Note 32.

18 Property, equipment and intangible assets

	Buildings	Computer equipment	Household equipment	Vehicles	Intangible assets	Right-of-use assets	Total
Cost							
At 1 January 2024	**775,485**	**277,875**	**113,749**	**153,415**	**39,540**	**151,861**	**1,511,925**
Additions	4,295	19,927	11,950	22,685	-	9,995	68,852
Disposals	-	(2,989)	(1,262)	(12,428)	-	-	(16,679)
Remeasurement	-	-	-	-	-	102,902	102,902
At 31 December 2024	**779,780**	**294,813**	**124,437**	**163,672**	**39,540**	**264,758**	**1,667,000**
At 1 January 2025	**779,780**	**294,813**	**124,437**	**163,672**	**39,540**	**264,758**	**1,667,000**
Additions	-	15,691	3,490	28,510	5,250	27,259	80,200
Disposals	-	(147)	-	(10,260)	-	-	(10,407)
Remeasurement	-	-	-	-	-	(63,987)	(63,987)
At 31 December 2025	**779,780**	**310,357**	**127,927**	**181,922**	**44,790**	**228,030**	**1,672,806**
Accumulated depreciation							
At 1 January 2024	**48,181**	**199,895**	**69,593**	**130,756**	**31,046**	**105,577**	**585,048**
Expenses for the year	25,926	19,886	8,886	10,952	2,587	34,499	102,736
Disposal	-	(2,989)	(1,164)	(12,428)	-	-	(16,581)
At 31 December 2024	**74,107**	**216,792**	**77,315**	**129,280**	**33,633**	**140,076**	**671,203**

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

	Buildings	Computer equipment	Household equipment	Vehicles	Intangible assets	Right-of-use assets	Total
At 1 January 2025	**74,107**	**216,792**	**77,315**	**129,280**	**33,633**	**140,076**	**671,203**
Expenses for the year	26,107	21,978	9,035	11,209	2,000	33,681	104,010
Disposals	-	(147)	-	(10,260)	-	-	(10,407)
Remeasurement	-	-	-	-	-	(39,217)	(39,217)
At 31 December 2025	**100,214**	**238,623**	**86,350**	**130,229**	**35,633**	**134,540**	**725,589**
Carrying amount							
At 31 December 2024	**705,673**	**78,021**	**47,122**	**34,392**	**5,907**	**124,682**	**995,797**
At 31 December 2025	**679,566**	**71,734**	**41,577**	**51,693**	**9,157**	**93,490**	**947,217**

Fully depreciated items

As at 31 December 2025 the cost of the property, equipment and intangible assets included fully depreciated assets in amount of AMD 321,796 thousand (2024: AMD 318,595 thousand).

Restrictions on title of fixed assets

As at 31 December 2025 the Organization’s property were pledged as collateral for the borrowings from one bank (2024: borrowings from two banks) (see Note 21).

Contractual commitments

As at 31 December 2025 the Organization did not have contractual commitments for the acquisition of property and equipment (2024: neither).

19 Repossessed assets

Details of financial and non-financial assets obtained by the Organization during the year by taking possession of collateral held as security against loans as at 31 December are presented below:

	31 December 2025	31 December 2024
Property	19,193	26,717
Other property	-	2,268
Other repossessed assets	**19,193**	**28,985**

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

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

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

20 Other assets

	31 December 2025	31 December 2024
Debtors and other receivables	56,852	66,857
Total other financial assets	**56,852**	**66,857**
Prepayments on assets to be acquired for finance lease purposes	22,119	26,033
Prepayments to suppliers	749	354
Expenses of future periods	29,836	37,204
Small value items	3,558	3,462
Total non-financial assets	**56,262**	**67,053**
Total other assets	**113,114**	**133,910**

Expected credit losses on other assets are close to zero, and therefore they are not disclosed.

21 Loans and borrowings

	31 December 2025	31 December 2024
Loans from the CBA	6,966,873	7,486,300
Loans from state non-commercial organizations	2,235,791	2,140,463
Loans from banks	1,588,285	642,509
Loans from banks under repurchase agreements	-	752,122
Loans from credit organizations	1,513,615	1,600,068
Credit lines from banks	242,361	373
Loans from international financial organizations	2,354,459	786,643
Term borrowings from state non-commercial organizations	119,754	79,801
Total loans and borrowings	**15,021,138**	**13,488,279**

Loans from the Central Bank of the Republic of Armenia include loans received from the KfW bank in the scope of “RA agricultural sector support program” and "SME support program", loan program financed by the World Bank, amounts received from the Asian Development Bank in the scope of “Women’s entrepreneurship support sector development program”. The aim of loans is the extension of loans to agricultural sector for which is pledged the total amount of loans extended to sub-borrowers by the Organization (see Note 16).

Loans received from RA non-commercial organizations include borrowings from International Financial Program Management Centre (previous Millennium Challenge Fund – Armenian program), Rural Finance Facility-Project Implementation Unit state institution.

Loans from banks represents the loans attracted from BANK IM BISTUM ESSEN eG. The loan was provided to micro, small, medium and low-profit enterprises.

Loans from international financial organizations are represented by the loan received from MIKROFINANZFONDS.

As at 31 December 2025 the loan received from one bank is secured by pledging the Organization's property (2024: loan from two banks) (see Note 18).

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

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

22 Debt securities issued

	31 December 2025	31 December 2024
Bonds issued	1,224,260	1,224,087
Total bonds issued	**1,224,260**	**1,224,087**

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

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
02/05/2024	AMD	100,000	12,000	12.25	02/11/2026	1,200,000

The Organization has not repurchased any of its own debt during the year (2024: neither).

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

The Organization's bonds are listed on the ''NASDAQ OMX Armenia'' stock exchange.

23 Subordinated debt

	31 December 2025	31 December 2024
Subordinated debt provided by international financial institutions	888,975	888,441
Total subordinated debt	**888,975**	**888,441**

In 2020 the Organization received a subordinated debt of AMD 838,440 thousand from the "French Development Agency" at 12.75% per annum payable monthly with contractual maturity in 15 July 2030.

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

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

24 Other liabilities

	31 December 2025	31 December 2024
Due to suppliers	19,043	8,827
Due to personnel	54,677	43,330
Other financial liabilities	12,115	45,314
Total other financial liabilities	**85,835**	**97,471**
Liabilities towards members on the replenishment of charter capital	28,779	53,386
Other non-financial liabilities	21,677	30,032
Other taxes payable	50,870	-
Total other non-financial liabilities	**101,326**	**83,418**
Total other liabilities	**187,161**	**180,889**

25 Charter Capital

As at 31 Decmber 2025 the Organization's registered and paid-in charter capital was AMD 1,525,623 thousand (2024: AMD 1,455,857 thousand). The Organization has 11,279 members (2024: 10,839 members).

As at 31 December 2025 the Organization's chapter capital amounts to AMD 561,252 thousand or 36.9%, which is the participation of "Village Corp Support" Foundation (31 December 2024: AMD 561,252 thousand or 38.6%, which is the participation of "Village Corp Support" Foundation). The participation of each other members does not exceed 1%.

The Organization's each participant is entitled to one vote per share regardless of the size of participation shares (number of shares).

As at 31 December 2025 and 2024, the Organization did not possess any of its own shares.

During members meeting in 2025 and 2024 the Organization has not declared dividends.

26 Contingencies

Tax and legal matters

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

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

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

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Organization, will not have a material adverse impact on the financial condition or results of future operations of the Organization. Therefore, the Organization has not made any respective provision related to such tax and legal matters.

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. Until the Organization obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Organization’s operations and financial position.

Contractual commitments

Contractual commitments for property to be acquired for the purpose of providing financial leasing as at 31 December 2025 amount to AMD 22,111 thousand (2024: AMD 28,661 thousand).

27 Leases

The Organization has leases for the head office and branches. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Organization classifies its right-of-use assets in a consistent manner to its property and equipment (see Note 18).

Leases of for the property are generally limited to a lease term of 5 years. Lease payments are generally fixed.

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

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

	31 December 2025	31 December 2024
As at 1 January	135,188	50,810
Additions	27,259	9,995
Remeasurement	(27,111)	102,902
Accretion of interest	15,130	14,411
Payments	(44,873)	(42,930)
Total lease liabilities as at 31 December	**105,593**	**135,188**

Lease liabilities are presented in the statement of financial position.

Remeasurements of lease liabilities are also presented in Note 33.

In 2025 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 12.7% (2024: 12.7%).

The lease liabilities are secured by the related underlying assets. The maturity analysis of undiscounted lease liabilities as at 31 December 2025 is reflected in the Note 32.3.

Lease payments not recognised as a liability

The Organization has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis (see Note 11).

28 Transactions with related parties

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

The Organization does not have ultimate controlling party.

Transaction volumes, balances as at the year-end, and income and expenses for the year are as follows:

	2025	2024
	Key management and parties related with them	Key management and parties related with them
Statement of financial position		
Loans to customers		
Loans outstanding at 1 January	390,926	296,727
Issued during the year	134,768	180,841
Repaid during the year	(106,752)	(86,642)
Loans outstanding at 31 December	**418,942**	**390,926**
Credit loss allowance	(6,709)	(6,368)
Loans outstanding ar 31 December	**412,233**	**384,558**

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

	2025	2024
	Key management and parties related with them	Key management and parties related with them
Finance lease receivables		
Finance lease outstanding at 1 January	6,235	7,565
Issued during the year	800	-
Repaid during the year	(2,068)	(1,330)
Balance at 31 December	**4,967**	**6,235**
Credit loss allowance	(73)	(94)
Balance at 31 December	**4,894**	**6,141**

Statement of profit or loss and other comprehensive income		
Interest income on loans	**20,618**	**18,198**
Interest income on finance lease	**754**	**905**
Credit loss expense	**(320)**	**(1,709)**
Public relations expenses	**(9,200)**	**(11,400)**

Loans to related parties are subject to repayment from 1 to 12 years and their interest rate is 2-31.9% (2024: 2-31.9%). Low-interest loans are initially recognized using market interest rates and are presented in the financial statements at fair value.

Amounts on finance lease provided to related parties are subject to repayment from 3 to 6 years and their interest rate is 12-13.4% (2024: 12.2-13.4%).

Compensation of key management personnel was comprised of the following:

	31 December 2025	31 December 2024
Salaries and bonuses	205,872	170,742
Total key management compensation	**205,872**	**170,742**

29 Fair value measurement

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

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

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

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

29.1 Financial instruments that are not measured at fair value

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

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

				31 December 2025	
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	290,762	-	290,762	290,762
Investment securities	-	1,246,420	-	1,246,420	1,231,120
Loans to customers	-	15,858,384	-	15,858,384	15,925,438
Finance lease receivables	-	1,872,877	-	1,872,877	1,872,877
Other assets	-	56,852	-	56,852	56,852
Financial liabilities					
Loans and borrowings	-	15,021,138	-	15,021,138	15,021,138
Debt securities issued	-	1,233,468	-	1,233,468	1,224,260
Subordinated debt	-	888,975	-	888,975	888,975
Lease liabilities	-	105,593	-	105,593	105,593
Other liabilities	-	85,835	-	85,835	85,835

				31 December 2024	
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	256,328	-	256,328	256,328
Investment securities	-	600,749	-	600,749	600,749
Investment securitites pledged under repurchase agreements	-	727,336	-	727,336	727,336
Loans to customers	-	14,157,023	-	14,157,023	14,245,929
Finance lease receivables	-	1,655,584	-	1,655,584	1,655,584
Other assets	-	66,857	-	66,857	66,857
Financial liabilities					
Loans and borrowings	-	13,488,279	-	13,488,279	13,488,279
Debt securities issued	-	1,246,860	-	1,246,860	1,224,087
Subordinated debt	-	888,441	-	888,441	888,441
Lease liabilities	-	135,188	-	135,188	135,188
Other liabilities	-	97,471	-	97,471	97,471

Cash and cash equivalents

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

Loans to customers

The 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.

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

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

Loans and borrowings

The fair value of these liabilities is estimated by using the discounted cash flow techniques, applying the rates that are offered for instruments of similar maturities and terms.

Debt securities issued

The estimated fair value of debt securities issued is determined based on the calculation of expected future cash flows, which are discounted at the relevant interest rates prevailing at the year-end, which generally coincide with current interest rates.

29.2 Financial instruments that are measured at fair value

				31 December 2025
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	(11,194)	-	(11,194)
Total	**-**	**(11,194)**	**-**	**(11,194)**
Net fair value	**-**	**(11,194)**	**-**	**(11,194)**

Derivatives

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

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

30 Offsetting of financial assets and financial liabilities

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

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

						31 December 2024
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial liabilities						
Loans from banks under repurchase agreements (Notes 15, 21)	752,122	-	752,122	(727,336)	-	24,786
Total	**752,122**	**-**	**752,122**	**(727,336)**	**-**	**24,786**

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The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position and disclosed in the above tables are measured at amortized cost in the statement of financial position.

31 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be matured.

See Note 32.3 for the Organization's contractual undiscounted repayment obligations.

31 December 2025

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash and cash equivalents	290,762	-	290,762	-	-	-	290,762
Investment securities at amortised cost	-	29,998	29,998	1,201,122	-	1,201,122	1,231,120
Loans to customers	398,059	5,138,281	5,536,340	9,755,783	633,315	10,389,098	15,925,438
Finance lease receivables	39,586	486,789	526,375	1,279,414	67,088	1,346,502	1,872,877
Other assets	56,852	-	56,852	-	-	-	56,852
	785,259	**5,655,068**	**6,440,327**	**12,236,319**	**700,403**	**12,936,722**	**19,377,049**
Liabilities							
Loans and borrowings	938,373	3,186,728	4,125,101	10,526,657	369,380	10,896,037	15,021,138
Debt securities issued	-	1,224,260	1,224,260	-	-	-	1,224,260
Derivative financial liabilities	-	11,194	11,194	-	-	-	11,194
Subordinated debt	51,178	-	51,178	837,797	-	837,797	888,975
Lease liabilities	2,873	31,474	34,347	57,986	13,260	71,246	105,593
Other liabilities	85,835	-	85,835	-	-	-	85,835
	1,078,259	**4,453,656**	**5,531,915**	**11,422,440**	**382,640**	**11,805,080**	**17,336,995**
Net position	**(293,000)**	**1,201,412**	**908,412**	**813,879**	**317,763**	**1,131,642**	**2,040,054**
Accumulated gap	**(293,000)**	**908,412**		**1,722,291**	**2,040,054**		

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31 December 2024

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash and cash equivalents	256,328	-	256,328	-	-	-	256,328
Investment securities at amortised cost	-	600,749	600,749	-	-	-	600,749
Investment securities under repurchase agreements	-	370,368	370,368	356,968	-	356,968	727,336
Loans to customers	345,294	5,266,262	5,611,556	7,871,582	762,791	8,634,373	14,245,929
Finance lease receivables	34,085	366,474	400,559	1,218,724	36,301	1,255,025	1,655,584
Other assets	66,857	-	66,857	-	-	-	66,857
	702,564	**6,603,853**	**7,306,417**	**9,447,274**	**799,092**	**10,246,366**	**17,552,783**
Liabilities							
Loans and borrowings	910,893	3,544,757	4,455,650	7,547,724	1,484,905	9,032,629	13,488,279
Debt securities issued	-	24,087	24,087	1,200,000	-	1,200,000	1,224,087
Subordinated debt	50,454	-	50,454	279,329	558,658	837,987	888,441
Lease liabilities	3,209	35,415	38,624	96,564	-	96,564	135,188
Other liabilities	97,471	-	97,471	-	-	-	97,471
	1,062,027	**3,604,259**	**4,666,286**	**9,123,617**	**2,043,563**	**11,167,180**	**15,833,466**
Net position	**(359,463)**	**2,999,594**	**2,640,131**	**323,657**	**(1,244,471)**	**(920,814)**	**1,719,317**
Accumulated gap	**(359,463)**	**2,640,131**		**2,963,788**	**1,719,317**		

32 Risk management

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

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

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

Risk management structure

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

Board of the Organization

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

General Director

General Director has the responsibility to monitor the overall risk process within the Organization, is responsible for the management of the Organization's assets and liabilities. Also is responsible for the Orgazniation's liquidity risk and for the financial risk management.

Credit Committee

The Credit Committee is responsible for the general risk management in the landing process.

Internal audit

Risk management processes throughout the Organization are audited annually by the internal auditor, that examines both the adequacy of the procedures and the Organization's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board.

Monitoring and controlling risks is primarily performed based on the Organization's business strategy and market environment, as well as the level of risk that the Organization is wiling to accept, with additional emphasis on selected industries.

Risk measurement and reporting systems

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

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

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

Excessive risk concentration

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

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

32.1 Credit risk

The Organization takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Organization by failing to discharge an obligation. Credit risk is the most important risk for the Organization's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Organization's asset portfolio. The credit risk management and control are centralised in credit risk management team of Organization's and reported to the Organization's management regulary.

32.1.1 Credit quality analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the

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Organization's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of internal rating grades is included in Note 32.1.2.

Internal rating grade	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
High	290,762	-	-	290,762
Net carrying amount	**290,762**	**-**	**-**	**290,762**
Investment securities at amortised cost				
High	1,231,120	-	-	1,231,120
Net carrying amount	**1,231,120**	**-**	**-**	**1,231,120**
Agricultural lending				
High	10,331,269	-	-	10,331,269
Standard	2,096	95,571	-	97,667
Low	-	8,230	-	8,230
Non-performing	-	-	161,633	161,633
Gross carrying amount	**10,333,365**	**103,801**	**161,633**	**10,598,799**
Credit loss allowance	(157,429)	(5,035)	(85,035)	(247,499)
Net carrying amount	**10,175,936**	**98,766**	**76,598**	**10,351,300**
Other lending				
High	5,623,805	-	-	5,623,805
Standard	9,911	22,900	-	32,811
Low	-	7,276	-	7,276
Non-performing	-	-	36,129	36,129
Gross carrying amount	**5,633,716**	**30,176**	**36,129**	**5,700,021**
Credit loss allowance	(81,766)	(11,135)	(32,982)	(125,883)
Net carrying amount	**5,551,950**	**19,041**	**3,147**	**5,574,138**
Finance lease receivables				
High	1,890,292	-	-	1,890,292
Standard	-	4,334	-	4,334
Non-performing	-	-	18,669	18,669
Gross carrying amount	**1,890,292**	**4,334**	**18,669**	**1,913,295**
Credit loss allowance	(29,728)	(280)	(10,410)	(40,418)
Net carrying amount	**1,860,564**	**4,054**	**8,259**	**1,872,877**
Other financial assets				
High	56,852	-	-	56,852
Net carrying amount	**56,852**	**-**	**-**	**56,852**

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

Internal rating grade				31 December 2024
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
High	256,328	-	-	256,328
Net carrying amount	**256,328**	**-**	**-**	**256,328**
Investment securities at amortised cost				
High	600,749	-	-	600,749
Net carrying amount	**600,749**	**-**	**-**	**600,749**
Investment securities at amortised cost pledged under repurchase agreements				
High	727,336	-	-	727,336
Net carrying amount	**727,336**	**-**	**-**	**727,336**
Agricultural lending				
High	8,658,826	-	-	8,658,826
Standard	4,542	128,061		132,603
Low	-	5,872		5,872
Non-performing	-	-	103,261	103,261
Gross carrying amount	**8,663,368**	**133,933**	**103,261**	**8,900,562**
Credit loss allowance	(130,283)	(8,987)	(44,247)	(183,517)
Net carrying amount	**8,533,085**	**124,946**	**59,014**	**8,717,045**
Other lending				
High	5,590,456	-	-	5,590,456
Standard	4,950	16,226	-	21,176
Non-performing	-	-	9,303	9,303
Gross carrying amount	**5,595,406**	**16,226**	**9,303**	**5,620,935**
Credit loss allowance	(81,458)	(1,437)	(9,156)	(92,051)
Net carrying amount	**5,513,948**	**14,789**	**147**	**5,528,884**
Finance lease receivables				
High	1,679,447	-	-	1,679,447
Standard	-	2,130	-	2,130
Non-performing	-	-	-	-
Gross carrying amount	**1,679,447**	**2,130**	**-**	**1,681,577**
Credit loss allowance	(25,934)	(59)	-	(25,993)
Net carrying amount	**1,653,513**	**2,071**	**-**	**1,655,584**
Other financial assets				
Standard	66,857	-	-	66,857
Net carrying amount	**66,857**	**-**	**-**	**66,857**

32.1.2 Impairment assessment

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

Significant increase in credit risk

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

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

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

Criteria for loans to customers

Below are presented the quantitative criteria for determining significant increase in credit risk for loans and advances to customers.

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

Exit criteria from significant deterioration stage

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

Credit risk grades

The Organization allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative (primarily driven by days past due: Not overdue financial assets are defined high grade, overdue less than 30 days – standard grade, overdue more than 30 days and less than 90 days – substandard or low grade and overdue more than 90 days – non-performing grade) factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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

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

		2025	2024
	Grade	12 month PD range, %	12 month PD range, %
Agricultural lending	High	1.02-2.27%	1.25-2.32%
	Standard	1.02-10.08%	1.25-9.85%
	Substandard	41.24-50.96%	60.37-61.02%
	Non-Performing	100%	100%
Other lending	High	1.02-2.27%	1.25-2.32%
	Standard	1.02-8.29%	2.32-9.85%
	Substandard	50.96-72.64%	-
	Non-Performing	100%	100%

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

		2025	2024
	Grade	12 month PD range	12 month PD range
AAA to A-	Hight	0.001-0.03%	0.001-0.023%
BBB+ to B-	Standard	0.05-5.63%	0.040-3.137%
CCC+ to CC	Substandard	10.08%	5.403-27.625%
D	Non-Performing	100%	100%

Collective or individual assessment

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

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

The Organization groups those assets for which ECL is not calculated on an individual basis into smaller homogeneous portfolios, based on a combination of characteristics of the loans, as described below

- Loan size
- The type of customer (for example, a physical person or legal entity or by industry type),
- Type of collateral (for example, property, receivables, etc.),
- Currency
- Other relevant characteristics.

Definition of default and cure

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

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

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

It is the Organization's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Organization's criterion for 'cure' for ECL purposes is less stringent than the 12 months' requirement for forborne non-performing exposures.

Forborne and modified loan

Forbone or modified loans due to financial difficulties of the borrower are considered as defaulted by the Organization.

The Organization considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Organization would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions.

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

Probability of Default (PD)

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

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

Loss given default (LGD)

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

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

Exposure at default (EAD)

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

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

Forward looking information

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

- Consumer price index
- Net current transfers from abroad
- Economic activity
- USD exchange rate
- Real estate prices (averae price in Yerevan)

32.1.3 Risk concentrations

Geographical sectors

Credit risk assets are located in the RA.

32.1.4 Collateral and other credit enhancement

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

The main types of collateral obtained are, as follows:

- Real estate
- Working assets of companies
- Movable property – vehicles, agricultural equipment, other equipment
- Finance lease receivables-guarantees.

In order to minimise the credit loss, the Organization will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances

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

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

	31 December 2025	31 December 2024
Loans collateralized by real estate	5,206,811	4,705,334
Loans collateralized by guarantees	9,119,249	8,426,041
Loans collateralized by moveable property and other property and equipment	546,996	442,731
Unsecured loans	1,425,764	947,391
Total loans and advances	**16,298,820**	**14,521,497**

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

As at 31 December 2025 and 31 December 2024 unsecured loans are collateralized by guarantees of third parties.

32.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

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

33.2.1 Market risk – Non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. At 31 December 2025 and 2024 the Organization does not hold floating rate financial assets or liabilities.

Average effective interest rates

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

			2025			2024
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	AMD	USD	AMD	USD
Interest earning assets						
Investment securities including the pledged ones	-	6.88	-	7.43	-	6.88
Loans to customers	14.22	11.34	14.82	13.68	14.22	11.34
Finance lease receivables	14.51	16.2	14.68	15.06	14.51	16.2

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

			2025			2024
			Average effective interest rate, %			Average effective interest rate, %
	AMD	USD	AMD	USD	AMD	USD
Interest bearning liabilities						
Loans due to the CBA	8.1	-	8.2	-	8.1	-
Loans from state non-profit organizations	5.5	4.2	5.3	4.1	5.5	4.2
Loans from banks	8.9	7.4	13.7	6.8	8.9	7.4
Loans from banks under repurchase agreements	-	-	8.8	-	-	-
Loans from credit organizations	9.7	-	9.6	-	9.7	-
Credit lines from banks	13.6	-	12.9	-	13.6	-
Loans from international organizations	-	7.8	-	7.8	-	7.8
Term borrowings from state non-profit organizations	7.1	-	6.9	-	7.1	-
Subordinated debt	13.2	-	13.16	-	13.2	-
Debt securities ussued	12.25	-	12.25	-	12.25	-

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

	31 December 2025		31 December 2024	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD/EUR	+5	24,040	+5	59,191
USD/EUR	(5)	(24,040)	(5)	(59,191)

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

	31 December 2025			
	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and cash equivalents	216,702	73,715	345	290,762
Investment securities	-	1,231,120	-	1,231,120
Loans to customers	13,325,575	2,599,863	-	15,925,438
Finance lease receivables	1,512,924	359,953	-	1,872,877
Other assets	56,063	789	-	56,852
Total	**15,111,264**	**4,265,440**	**345**	**19,377,049**

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

	31 December 2025			
	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Liabilities				
Loans and borrowings	11,238,266	3,782,872	-	15,021,138
Debt securities issued	1,224,260	-	-	1,224,260
Subordinated debt	888,975	-	-	888,975
Lease liabilities	105,593	-	-	105,593
Other liabilities	84,068	1,767	-	85,835
Total	**13,541,162**	**3,784,639**	**-**	**17,325,801**
Total effect of derivative financial instruments	**800,856**	**(812,050)**	**-**	**(11,194)**
Net position at 31 December 2025	**2,370,958**	**(331,249)**	**345**	**2,040,054**
Total financial assets	**14,879,039**	**2,673,327**	**417**	**17,552,783**
Total financial liabilities	**14,343,962**	**1,489,504**	**-**	**15,833,466**
Net position as at 31 December 2024	**535,077**	**1,183,823**	**417**	**1,719,317**

Freely convertible currencies represent mainly US dollar and Euro. Non-freely convertible amounts relate to Russian ruble.

32.3 Liquidity risk

Liquidity risk is the risk that the Organization will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Organization maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Organization.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Organization's financial liabilities as at 31 December 2025 based on contractual undiscounted repayment obligations. See Note 31 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

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

31 December 2025

	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities						
Loans and borrowings	954,795	3,931,878	11,928,103	392,676	17,207,452	15,021,138
Debt securities issued	-	1,347,000	-	-	1,347,000	1,224,260
Subordinated debt	53,890	53,011	1,213,131	-	1,320,032	888,975
Lease liabilities	3,442	37,864	73,640	22,400	137,346	105,593
Other liabilities	116,667	-	-	-	116,667	85,835
Total undiscounted non-derivative financial liabilities	**1,128,794**	**5,369,753**	**13,214,874**	**415,076**	**20,128,497**	**17,325,801**
Derivative financial liabilities						
Foreign exchange swap contracts						
Inflow	-	800,856	-	-	800,856	
Outflow	-	(812,050)	-	-	(812,050)	(11,194)

31 December 2024

	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non- derivative financial liabilities						
Loans and borrowings	919,831	4,183,219	8,835,366	1,553,417	15,491,833	13,488,279
Debt securities issued	-	147,000	1,347,000	-	1,494,000	1,224,087
Subordinated debt	53,890	53,011	707,670	612,362	1,426,933	888,441
Lease liabilities	3,820	42,020	121,280	-	167,120	135,188
Other liabilities	97,471	-	-	-	97,471	97,471
Total undiscounted non-derivative financial liabilities	**1,075,012**	**4,425,250**	**11,011,316**	**2,165,779**	**18,677,357**	**15,833,466**

32.4 Operational risk

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

The Organization’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Organization’s reputation with overall cost effectiveness.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures;

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- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

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

33 Reconciliation of liabilities arising from financing activities

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

	31 December 2025					
	Loans and borrowings	Debt securities	Lease liabilities	Subordinated debt	Liabilities to members related to capital replenishment	Total
Carrying amount at 31 December 2023	**12,094,174**	**-**	**50,810**	**887,997**	**70,752**	**13,103,733**
Proceeds	14,701,477	1,200,000	-	-	68,129	15,969,606
Repayments	(13,274,462)	-	(42,930)	-	-	(13,317,392)
Increase in charter capital	-	-	-	-	(85,495)	(85,495)
Remeasurement of lease liabilities	-	-	112,897	-	-	112,897
Foreign exchange differences	(26,434)	-	-	-	-	(26,434)
Accrued interests	(6,476)	24,087	14,411	444	-	32,466
Carrying amount at 31 December 2024	**13,488,279**	**1,224,087**	**135,188**	**888,441**	**53,386**	**15,789,381**
Proceeds	16,138,310	-	-	-	45,159	16,183,469
Repayments	(14,350,466)	-	(44,873)	-	-	(14,395,339)
Increase in charter capital	-	-	-	-	(69,766)	(69,766)
Remeasurement of lease liabilities	-	-	148	-	-	148
Foreign exchange differences	(95,608)	-	-	-	-	(95,608)
Accrued interests	(159,377)	173	15,130	534	-	(143,540)
Carrying amount at 31 December 2025	**15,021,138**	**1,224,260**	**105,593**	**888,975**	**28,779**	**17,268,745**

The Organization classifies interests paid (excluding finance lease liabilities) as cash flows from operating activities.

34 Capital adequacy

The Organization maintains an actively managed capital base to cover risks inherent in the business. The Organization's capital is controlled by using rules and normative approved by the Central Bank of RA.

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

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The Organization manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The minimum ratio between the total capital and risk-weighted assets of credit organizations attracting (issuing) loans from individuals through public placement of bonds by the Central Bank of the Republic of Armenia is set at 12%.

Regulatory capital consists of Tier 1 capital, which comprises charter capital and retained earnings.

Another component of capital is Tier 2 capital, which includes subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the credit risks.

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

	Unaudited	
	31 December 2025	31 December 2024
Tier 1 capital	2,909,144	2,259,603
Tier 2 capital	670,752	838,440
Total regulatory capital	**3,579,896**	**3,398,043**
Risk-weighted assets	18,639,583	16,742,602
Capital adequacy ratio	**19.2%**	**20.3%**

The Central Bank of Armenia has set the minimum value of the total normative capital amounting to AMD 1,000,000 thousand for credit organizations engaged in cash foreign exchange trading, as well as issuing securities

35 Segment reporting

The Organization's operations are not separated into operating segments and constitute a single operating segment for the purposes of IFRS 8 "Operating Segments".

Income from external customers refers to residents of the Republic of Armenia. The Organization does not have a single customer from which it receives 10% or more of its revenue.

The Organization's assets are primarily located in the Republic of Armenia.