

ACBA Federation CJSC

**IFRS Accounting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2023

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Independent auditor's report

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Independent Auditor's Report

To the Shareholders and Board of ACBA Federation CJSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ACBA Federation CJSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence that are relevant to our audit of the consolidated financial statements in the Republic of Armenia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Levon Kankava
Responsible Auditor

Nino Kadagishvili
Director

PricewaterhouseCoopers Armenia LLC

27 June 2024

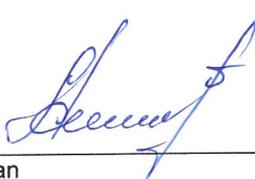
Yerevan, Republic of Armenia

ACBA Federation CJSC
Consolidated Statement of Financial Position as at 31 December 2023

<i>In thousands of Armenian Drams</i>	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	7	78,159,849	88,369,285
Derivative financial assets	8	199,957	363,284
Loans and advances to banks	9	99,410,514	50,806,230
<i>Investment securities</i>	10		
-Held by the Bank		21,422,936	17,622,138
-Pledged under sale and repurchase agreements		-	6,019,389
Loans to customers	11	452,928,089	406,318,797
Receivables from finance leases	12	83,406,426	53,423,221
Investments in associates	36	1,775,530	1,362,224
Property, equipment and intangible assets	13	31,911,659	28,948,668
Other assets	16	20,255,446	16,114,880
TOTAL ASSETS		789,470,406	669,348,116
LIABILITIES			
Deposits and balances from banks	17	1,152,894	9,937,634
Current accounts and deposits from customers	18	502,602,921	423,912,324
Debt securities issued	19	21,087,118	6,206,060
Other borrowed funds	20	95,125,094	84,323,152
Current income tax liabilities	14	3,813,513	4,698,987
Deferred tax liabilities	14	732,149	1,016,530
Other liabilities	22	12,899,840	18,427,939
Subordinated loans	21	12,661,577	7,805,036
TOTAL LIABILITIES		650,075,106	556,327,662
EQUITY			
Share capital	23	22,312,000	22,312,000
Share-based payment reserve	24	32,738	32,738
Revaluation reserve for property and equipment		5,033,596	5,934,032
Revaluation reserve for investment securities		123,673	1,492,423
Retained earnings		87,422,914	65,525,389
Total equity		114,924,921	95,296,582
Non-controlling interests		24,470,379	17,723,872
Total equity		139,395,300	113,020,454
TOTAL EQUITY AND LIABILITIES		789,470,406	669,348,116

Signed and authorised for release on behalf of the Management of the Company on 27 June 2024.





Harutyun Poghosyan
 General Director

Vahan Abrahamyan
 Chief Accountant

ACBA Federation CJSC**Consolidated statement of profit or loss for the year ended 31 December 2023**

<i>In thousands of Armenian Drams</i>	Note	2023	2022
Interest revenue calculated using effective interest rate	26	68,670,922	51,906,555
Other interest revenue	26	10,445,440	5,852,766
Interest expense	26	(31,970,639)	(24,243,979)
Net interest income		47,145,723	33,515,342
Reversal of credit loss expense	15	565,969	2,290,443
Net interest income after credit loss expense		47,711,692	35,805,785
Fee and commission income	27	13,190,720	9,703,458
Fee and commission expense	27	(5,093,310)	(3,651,739)
Net gain/(loss) on financial instruments at fair value through profit and loss		1,181,807	(115,359)
Net gain from foreign exchange trading activities		5,333,948	13,516,463
Net loss from foreign exchange translation		(78,015)	(197,117)
Share of profit of associates	36	1,019,338	736,475
Reversal of /(Charge for) other impairment and provisions	31	2,783,748	(3,283,385)
Other income	28	852,720	1,447,000
Non-interest income		19,190,956	18,155,796
Personnel expenses		(20,443,051)	(16,804,816)
Depreciation and amortization	13	(3,317,615)	(2,609,599)
Other operating expenses	29	(3,048,679)	(2,446,395)
Other general administrative expenses	30	(4,948,918)	(4,055,894)
Non-interest expense		(31,758,263)	(25,916,704)
Profit before income tax expense		35,144,385	28,044,877
Income tax expense	14	(6,373,137)	(5,747,221)
Profit for the year		28,771,248	22,297,656
<i>Attributable to:</i>			
- Shareholders of the parent		23,792,801	18,619,452
- Non-controlling interests		4,978,447	3,678,204
Profit for the year		28,771,248	22,297,656

ACBA Federation CJSC**Consolidated statement of other comprehensive income for the year ended 31 December 2023**

<i>In thousands of Armenian Drams</i>	Note	2023	2022
Profit for the year		28,771,248	22,297,656
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Change in fair value of investment securities at fair value through other comprehensive income		(1,763,749)	(318,240)
Included changes in allowance for expected credit losses		(735,920)	158,454
Income tax relating to components of other comprehensive income	14	176,753	57,283
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(1,586,996)	(260,957)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of buildings and motor vehicles	13	-	3,637,000
Gain/(loss) on equity instruments at fair value through other comprehensive income		705	(3,104)
Income tax relating to components of other comprehensive income	14	(127)	(355,301)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		578	3,278,595
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Share of the other comprehensive income of associates		96,166	(53,122)
Income tax relating to components of other comprehensive income	14	(17,310)	9,562
Total share of the other comprehensive income of associates		78,856	(43,560)
Other comprehensive (loss)/income for the year, net of tax		(1,507,562)	2,974,078
Total comprehensive income for the year		27,263,686	25,271,734
<i>Attributable to:</i>			
- shareholders of the parent		22,424,051	21,380,016
- non-controlling interests		4,839,635	3,891,718
Total comprehensive income for the year		27,263,686	25,271,734

ACBA Federation OJSC

Consolidated statement of changes in equity for the year ended 31 December 2023

<i>In thousands of Armenian Drams</i>	Attributable to shareholders of the Parent							Non-controlling interests	Total equity
	Share capital	Share-based payment reserve	Revaluation surplus for property and equipment	Revaluation reserve for financial assets at FVOCI	Retained earnings	Total			
Balance as at 31 December 2021	22,312,000	26,038	3,012,381	1,749,594	46,253,940	73,353,953	14,392,035	87,745,988	
Total comprehensive income									
Profit for the year	-	-	-	-	18,619,452	18,619,452	3,678,204	22,297,656	
Other comprehensive income	-	-	3,017,735	(257,171)	-	2,760,564	213,514	2,974,078	
Total comprehensive income for the year	-	-	3,017,735	(257,171)	18,619,452	21,380,016	3,891,718	25,271,734	
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	(96,084)	-	96,084	-	-	-	
Transactions with owners, recorded directly in equity									
Increase in ownership in subsidiary	-	-	-	-	33,102	33,102	(123,887)	(90,785)	
Dividends to non-controlling interests (Note 23)	-	-	-	-	-	-	(537,421)	(537,421)	
Total transactions with owners	-	-	-	-	33,102	33,102	(661,308)	(628,206)	
Share-based payments (Note 24)	-	6,700	-	-	522,811	529,511	101,427	630,938	
Balance as at 31 December 2022	22,312,000	32,738	5,934,032	1,492,423	65,525,389	95,296,582	17,723,872	113,020,454	
Total comprehensive income									
Profit for the year	-	-	-	-	23,792,801	23,792,801	4,978,447	28,771,248	
Other comprehensive income	-	-	-	(1,368,750)	-	(1,368,750)	(138,812)	(1,507,562)	
Total comprehensive income for the year	-	-	-	(1,368,750)	23,792,801	22,424,051	4,839,635	27,263,686	
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	(900,436)	-	900,436	-	-	-	
Transactions with owners, recorded directly in equity									
Increase/(decrease) in ownership in subsidiary	-	-	-	-	(3,165,205)	(3,165,205)	2,548,276	(616,929)	
Dividends to non-controlling interests (Note 23)	-	-	-	-	-	-	(712,838)	(712,838)	
Total transactions with owners	-	-	-	-	(3,165,205)	(3,165,205)	1,835,438	(1,329,767)	
Share-based payments (Note 24)	-	-	-	-	369,493	369,493	71,434	440,927	
Balance as at 31 December 2023	22,312,000	32,738	5,033,596	123,673	87,422,914	114,924,921	24,470,379	139,395,300	

The accompanying notes on pages 6 to 78 are an integral part of these financial statements

ACBA Federation CJSC
Consolidated statement of cash flows for the year ended 31 December 2023

<i>In thousands of Armenian Drams</i>	Note	2023	2022
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		65,495,855	49,011,418
Other interest received		10,445,440	6,102,070
Interest paid		(29,922,516)	(23,471,489)
Fees and commissions received		13,193,357	9,703,542
Fees and commissions paid		(5,095,946)	(3,651,890)
Net (payment)/receipt from derivative financial instruments at fair value through profit or loss		(668,734)	196,839
Net receipts from foreign exchange		5,333,948	13,516,463
Other operating expenses paid		(2,992,845)	(2,326,498)
Other income received		854,370	234,183
Salaries and other payments to employees		(18,817,890)	(14,548,898)
Other general administrative expenses paid		(4,300,883)	(4,051,492)
Cash flows from operating activities before changes in operating assets and liabilities		33,524,156	30,714,248
<i>Net (increase)/decrease in operating assets</i>			
Investment securities		-	428,072
Derivative financial assets		317,095	(31,083)
Loans and advances to banks		(48,347,859)	(32,847,258)
Loans to customers		(40,344,654)	(83,168,876)
Receivables from finance lease		(30,196,753)	(22,270,275)
Other assets		(1,468,217)	(4,683,157)
<i>Net increase/(decrease) in operating liabilities</i>			
Deposits and balances from banks		(8,637,177)	8,738,065
Current accounts and deposits from customers		71,350,705	116,651,696
Other liabilities		(6,669,884)	2,723,820
Net cash (used in)/from operating activities before income tax		(30,472,588)	16,255,252
Income tax paid		(7,383,676)	(2,687,672)
Net cash (used in)/from operating activities		(37,856,264)	13,567,580
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(3,661,014)	(3,523,658)
Proceeds from sale of property, equipment		1,217,572	53,404
Purchases of investment securities		(13,364,866)	(6,195,291)
Sale of investment securities		16,049,251	2,944,680
Dividends received	36	701,763	539,806
Increase in ownership in subsidiary		(199,602)	(90,785)
Net cash from/(used in) investing activities		743,104	(6,271,844)
Cash flows from financing activities			
Proceeds from debt securities issued	37	18,339,013	2,191,500
Redemption of debt securities issued	37	(3,684,744)	(789,212)
Proceeds from other borrowed funds	37	34,345,599	34,288,004
Repayment of other borrowed funds	37	(27,032,928)	(37,932,197)
Subordinated loans received		4,479,000	-
Dividends paid	23	(712,838)	(537,421)
Net cash from/(used in) financing activities		25,733,102	(2,779,326)
Effect of exchange rates changes on cash and cash equivalents		1,124,363	(12,664,004)
Effect of changes in impairment allowance		46,259	68,891
Net decrease in cash and cash equivalents		(10,209,436)	(8,078,703)
Cash and cash equivalents, beginning		88,369,285	96,447,988
Cash and cash equivalents, ending	7	78,159,849	88,369,285

Introduction

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

ACBA Federation CJSC (the “Company”) is the parent company in the Group, which is comprised of the Company and its subsidiaries ACBA Bank OJSC (the “Bank”) (with ACBA Bank OJSC’s subsidiaries ACBA Leasing Credit Organization CJSC and ACBA Technolab LLC), ACBA Technologies CJSC and ACBA Trade LLC (together the “Group”). It was founded on 6 May 2017 by 10 Rural Mutual Assistance Regional Unions (RMARUs), former shareholders of ACBA Bank OJSC, which are currently shareholders of ACBA Federation CJSC. The RMARUs are NGOs working in the 10 regions of RA which were founded to develop agriculture in the regions. The 10 RMARUs together have 73,949 members. According to type of activities, it is a profit-oriented organization.

Principal activity. The main goal of the Company is to promote the development of agriculture in the whole territory of RA, the development of small and medium enterprises in rural regions, development of communities, enlivening and development of business environment in rural areas and communities.

The Company undertakes programs for introduction of innovative approaches in the agricultural field, finding and implementation of startup initiatives, research of advanced agricultural technologies of the world and their possible implementation in the agriculture of Armenia.

The Bank was formed in 1995 as a cooperative bank with collective ownership under the laws of the Republic of Armenia and reorganized into closed joint stock company in 2006. The Bank operates under a general banking license issued by the Central Bank of Armenia and is a member of the state deposit insurance system in the Republic of Armenia.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan, and it has 65 branches (including Head office) in Yerevan and other regions of Armenia. The Bank’s registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.

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

As at 31 December 2023 ACBA Federation CJSC owns 81.62% (2022: 83.80%) shares of ACBA Bank OJSC.

ACBA Technologies CJSC was founded on 7 September 2021 by ACBA Federation CJSC (51%) and Revolutionary Technologies CJSC (49%). The main types of activities of the company are software development, consulting activities in the field of computer technologies, data processing and etc.

ACBA Trade LLC was founded on 23 May 2022 by ACBA Federation CJSC (100%). The main types of activities of the company are organization of mediated sale of goods in Armenia and also export from Armenia through online marketplace.

ACBA Federation CJSC
Notes to Consolidated financial statements - 31 December 2023

As at 31 December 2023 and 31 December 2022, shareholder of the Group are:

No	Name of the Shareholder	Type of organization	Paid-in share capital	% of paid-in capital
1	Armavir Agricultural Cooperative Regional Union	Non-governmental organization	4,441,000	19.9
2	Ararat Agricultural Cooperative Regional Union	Non-governmental organization	3,878,000	17.4
3	Aragatsotn Agricultural Cooperative Regional Union	Non-governmental organization	2,319,000	10.4
4	Lori Agricultural Cooperative Regional Union	Non-governmental organization	2,081,000	9.3
5	Shirak Agricultural Cooperative Regional Union	Non-governmental organization	2,080,000	9.3
6	Kotayk Agricultural Cooperative Regional Union	Non-governmental organization	1,759,000	7.9
7	Gegharkunik Agricultural Cooperative Regional Union	Non-governmental organization	1,662,000	7.5
8	Tavush Agricultural Cooperative Regional Union	Non-governmental organization	1,499,000	6.7
9	Syunik Agricultural Cooperative Regional Union	Non-governmental organization	1,339,000	6.0
10	Vayots Dzor Agricultural Cooperative Regional Union	Non-governmental organization	1,254,000	5.6
		Total	<u>22,312,000</u>	<u>100.00</u>

The Group has no single controlling party.

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

1 Operating Environment of Group

General

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

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

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

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

The likelihood of a negotiated settlement to the Russia-Ukraine war remains low over the short term, pointing to a prolonged conflict and trade sanctions. The trade diversion and influx of economic activity will have a longer-lasting impact beyond the current war. Previously dormant investment in infrastructure, IT, and production is awakening. Any improvements in infrastructure and/or local production boost longer-term growth potential. The governments must walk a thin line between reaping the added economic benefits of maintaining connections with Russia and the rest of the world while avoiding secondary sanctions.

In Armenia, growth is projected to hold steady at 4.5 percent a year over 2024-2025. While further unwinding in money transfer inflows from Russia is expected, re-exports and tourism will continue to support economic activity. However, long-term growth will remain hampered by commodity dependence, weaknesses in connectivity and logistics, and possible continuing geopolitical tensions between Armenia and Azerbaijan (World Bank January 2024 forecast).

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

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

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

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

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

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

2 Basis of Preparation

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

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

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

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

3 Material accounting policy information

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

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

Fair value measurement. The Group measures financial instruments carried at FVTPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair value is measured in accordance with the requirements of IFRS 13. Fair values of financial instruments measured at amortised cost are disclosed in Note 33.

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

Initial measurement. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and which is adjusted with the amount of commission fees and expenses, directly attributable to the transaction, in case of instruments, which are not revalued at fair value through profit or loss.

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

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

Amortised cost; FVOCI; FVTPL.

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

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

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

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

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

The details of these conditions are outlined under note 4.

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

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

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

Guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Advances given for finance leases. The Group treats advances received from lessees and advances given to suppliers as monetary items and recognises financial liabilities and financial assets for them.

Reclassification of financial assets and liabilities. The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, Nostro accounts in banks and amounts due from the CBA, including obligatory reserves in AMD free from contractual

encumbrances. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Mandatory cash balances with the CBA. Mandatory cash balances with the CBA are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repurchase and reverse repurchase agreements and securities lending. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings. Borrowing include amounts due to the Central bank, amounts due to banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Subordinated loans. Subordinated debt is carried at AC.

Debt securities issued. Debt securities in issue include promissory notes, bonds issued by the Group. Debt securities are stated at AC.

Leases

Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 2,500 thousand).

Operating – Group as a lessor. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added

to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Finance – Group as a lessor. The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term.

Recognition of financial income is based on schedule that provides a fixed periodic rate of return on the lessor's net investment under the lease. Finance income from leases is recorded within "Other interest revenue" in profit or loss. Initial direct costs are included in the initial estimate of finance lease receivables.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC. Interest income is recognised on gross carrying amount, except for impaired loans in stage 3, for which interest income is recognised on net carrying amount.

Renegotiated loans. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCl. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;

If the modification is such that the instrument would no longer meet the SPPI criterion.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3. In order for the restructured loan to be reclassified out of Stage 3 the below mentioned conditions should be met:

- Loans with monthly payment schedules, overdue amounts have been fully paid for, 3 consecutive payments of principal and interest in accordance with the modified payment schedule have been made and there are no overdue days exceeding 7 days;
- Loans with flexible payment schedules, overdue amounts have been fully paid, afterwards, regular payments of principal and interest have been made for a minimum 6-month probation period in accordance with the modified payment schedule and there are no overdue days exceeding 7 days.

Derecognition of financial assets and liabilities

Write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Taxation. The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.

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

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

Property and equipment. Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Following initial recognition at cost, land, buildings and motor vehicles are carried at a revalued amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	46
Equipment	5-10
Motor vehicles	7-10
Other	7-10

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

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Repossessed assets. Repossessed assets are measured at the lower of cost and net releasable value.

Share capital. Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

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

Fiduciary assets. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting. The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Agriculture, Trading and Investment banking and Finance lease.

Interest and similar income and expense. The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Interest revenue on advances given for finance lease and interest revenue recognised on finance lease is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Interest revenue from penalties on loans to customers presented in "Interest revenue calculated using effective interest rate" in the consolidated statement of profit or loss.

Fee and commission income. The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Customer loyalty programs

The Group offers a number of customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Income is recognised when the Group's right to receive the payment is established.

Foreign currency translation. The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank's and its subsidiary's functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as Net gain/(loss) from foreign exchange translation differences.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in Net gain/(loss) from foreign exchange trading activities. The official CBA exchange rates at 31 December 2023 and 31 December 2022, were 404.79 Drams and 393.57 Drams to 1 USD and 447.90 Drams and 420.06 Drams to 1 EUR, respectively.

Share-based payments. Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Bank.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 24.

That cost is recognised in personnel expenses together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include revaluation of land, buildings and motor vehicles

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group assesses market changes for significant changes each year and engages independent experts for valuation of its premises and vehicles, whenever relevant and appropriate (note 33).

Fair value measurement. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 33.

Impairment losses on financial assets. The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for loan and finance lease impairment recognized in consolidated statement of financial position at 31 December 2023 was AMD 6,041,587 thousand (2022: AMD 5,982,161 thousand). More details are provided in Notes 11 and 12.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2023:

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers are now recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity is recognising the loss immediately. The Group applied the standard to certain performance guarantees that it issues and that do not meet the definition of a loan commitment. The adoption of the standard did not have a material impact on these consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The impact of amendment has been reflected in material accounting policy disclosure.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendment did not have a material impact on these consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, ‘Income Taxes’. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development’s (OECD) as a result of international tax reform. The amendment did not have a material impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2025.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

7 Cash and cash equivalents

Cash and cash equivalents comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Cash on hand	22,665,289	21,703,944
Current accounts with the Central Bank, including obligatory reserves (not restricted part, see Note 9)	38,560,913	58,759,074
Current accounts with other banks		
- rated BBB-(Baa3) and over	10,847,364	1,243,082
- rated lower than BBB-(Baa3) and without rating	1,429,994	6,716,379
<i>Short-term deposits in other banks</i>		
- rated BBB-(BAA3) and over	4,663,224	-
Impairment	(6,935)	(53,194)
Cash and cash equivalents	78,159,849	88,369,285

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

As of 31 December 2023, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 26,139,452 thousand (2022: AMD 19,602,439 thousand).

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2022: 4%) of the amounts attracted in Armenian drams and 18% (2022: 18%) of the amounts attracted in foreign currencies.

As of 31 December 2023, 78% of AMD 9,530,941 thousand from Current accounts with other banks are balances in correspondent account in one foreign bank (2022: 67% of AMD 5,322,574 thousand one foreign bank).

From the amounts attracted in foreign currency the banks are required to maintain 6% (2022: 6%) of the amounts in local currency as cash deposit with CBA, and 12% (2022: 12%) – in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted, so the Group classifies obligatory reserves deposited in foreign currency as loans and advances to banks (Note 9).

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All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

<i>In thousands of Armenian Drams</i>	2023	2022
ECL allowance as at 1 January	53,194	133,293
Changes in ECL	(46,192)	(68,891)
Foreign exchange adjustments	(67)	(11,208)
At 31 December	6,935	53,194

Information about credit quality of cash and cash equivalents is presented in Note 32 "Risk management".

8 Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

<i>In thousands of Armenian Drams</i>	2023		2022	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Derivative financial instruments				
Interest rate swap	4,189,455	190,192	5,673,542	327,011
Currency swap	8,577,752	9,765	2,136,573	36,273
	12,767,207	199,957	7,810,115	363,284
Liabilities				
Derivative financial instruments				
Currency swap/Liabilities	-	58,552	-	-

9 Loans and advances to banks

Loans and advances to banks comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Due from the CBA		
Credit card settlement deposit with the CBA	6,005,000	2,777,500
Mandatory reserves in CBA (in foreign currency) (Note 7)	26,827,740	21,675,649
Total	32,832,740	24,453,149
Loans and advances to other banks		
Armenian banks		
-rated from Ba1 to Ba3	-	199,889
Foreign banks		
-rated from AA1 to AA3	20,240	950,933
-rated from A1 to A3	4,167,101	203,028
Correspondent accounts and overnight placements of other banks	163,157	-
Total loans and deposits to other banks	4,350,498	1,353,850
Other receivables		
Unsettled transactions	208,919	22,273,672
Amounts receivable from money transfer systems	1,914,392	1,852,078
Amounts receivable from transactions with plastic cards	125,360	425,196
Amounts receivable under reverse repurchase agreements		
Amounts receivable from Armenian banks	60,035,070	559,459
Loans and advances to banks before impairment	99,466,979	50,917,404
Impairment	(56,465)	(111,174)
Total loans and advances to banks	99,410,514	50,806,230

As of 31 December 2023, mandatory reserves in Central Bank of Armenia include reserves in foreign currencies in the amount of AMD 26,827,740 thousand (2022: AMD 21,675,649 thousand) (See Note 7).

Unsettled transactions include amount was not settled as of December 31 in Group's CBA account. This amount was settled first working day of January as cash to Group's current account.

As at 31 December 2023, AMD 4,187,341 thousand (2022: AMD 1,134,283 thousand) were placed as deposited amounts with three (2022: three) internationally recognized OECD banks, who are the main counterparties of the Group in performing international settlements.

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 31 December 2023 is as follows:

<i>In thousands of Armenian Drams</i>	Stage 1	Total
ECL allowance as at 1 January 2023	(111,174)	(111,174)
New assets originated or purchased	(56,465)	(56,465)
Assets repaid	111,174	111,174
At 31 December 2023	(56,465)	(56,465)

An analysis of changes in ECL allowance on loans and advances to banks during the year ended 31 December 2022 is as follows:

<i>In thousands of Armenian Drams</i>	Stage 1	Total
ECL allowance as at 1 January 2022	56,016	56,016
New assets originated or purchased	111,174	111,174
Assets repaid	(56,016)	(56,016)
At 31 December 2022	111,174	111,174

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<i>In thousands of Armenian Drams</i>	2023	2022
	Stage 1	Stage 1
Due from the CBA	32,832,740	24,453,149
Expected credit loss allowance	(50,770)	(33,803)
Carrying amount	32,781,970	24,419,346
Loans and advances to other banks	4,350,498	1,353,850
Expected credit loss allowance	(1,155)	(5,989)
Carrying amount	4,349,343	1,347,861
Amounts receivable under reverse repurchase agreements	60,035,070	559,459
Expected credit loss allowance	-	-
Carrying amount	60,035,070	559,459
Other receivables	2,248,671	24,550,946
Expected credit loss allowance	(4,540)	(71,382)
Carrying amount	2,244,131	24,479,564
Total due from other banks (gross carrying amount)	99,466,979	50,917,404
Expected credit loss allowance	(56,465)	(111,174)
Net loans to customers at amortised cost (carrying amount)	99,410,514	50,806,230

Information about credit quality of loans and advances to banks is presented in Note 32 "Risk management".

10 Investment securities

Investment securities as at 31 December 2023 and 31 December 2022 comprise:

Debt securities at amortised cost	2023	2022
<i>In thousands of Armenian Drams</i>		
Held by the Bank		
Bonds of Armenian companies	-	169,536
Less: allowance for impairment	-	(79,196)
Total securities at amortised cost held by the Bank	-	90,340

Debt securities at amortised cost	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	-	169,536	-	169,536
Assets repaid	-	(118,675)	-	(118,675)
Amounts written off	-	(50,861)	-	(50,861)
At 31 December 2023	-	-	-	-

Debt securities at amortised cost	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECLs as at 1 January 2023	-	79,196	-	79,196
Assets repaid	-	(55,437)	-	(55,437)
Changes to models and inputs used for ECL calculations	-	27,102	-	27,102
Amounts written off	-	(50,861)	-	(50,861)
At 31 December 2023	-	-	-	-

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An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI is as follows:

Debt securities at FVOCI	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	18,403,647	2,882,144	-	21,285,791
New assets originated or purchased	8,621,672	-	-	8,621,672
Assets repaid	(8,486,954)	(2,029,145)	-	(10,516,099)
Net change in fair value	(246,041)	-	-	(246,041)
Amounts written off	-	(852,999)	-	(852,999)
Foreign exchange adjustments	242,576	-	-	242,576
At 31 December 2023	18,534,900	-	-	18,534,900

Debt securities at FVOCI	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECLs as at 1 January 2023	190,505	581,344	-	771,849
New assets originated or purchased	13,944	-	-	13,944
Assets repaid	(46,385)	-	-	(46,385)
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Changes to models and inputs used for ECL calculations*	(122,674)	271,655	-	148,981
Amounts written off	-	(852,999)	-	(852,999)
Foreign exchange adjustments	539	-	-	539
At 31 December 2023	35,929	-	-	35,929

Debt securities at amortised cost	Stage 1	Stage 2	Total
<i>In thousands of Armenian Drams</i>			
Gross carrying value as at 1 January 2022	180,897	-	180,897
Assets repaid	-	(11,361)	(11,361)
Transfers to Stage 2	(180,897)	180,897	-
At 31 December 2022	-	169,536	169,536

Debt securities at amortised cost	Stage 1	Stage 2	Total
<i>In thousands of Armenian Drams</i>			
ECLs as at 1 January 2022	62,680	-	62,680
Transfers to Stage 2	(62,680)	62,680	-
Impact on period end ECL of exposures transferred between stages during the period	-	16,516	16,516
At 31 December 2022	-	79,196	79,196

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI is as follows:

Debt securities at FVOCI	Stage 1	Stage 2	Total
<i>In thousands of Armenian Drams</i>			
Gross carrying value as at 1 January 2022	21,002,200	-	21,002,200
New assets originated or purchased	6,722,661	-	6,722,661
Assets repaid	(4,147,786)	(15,909)	(4,163,695)
Transfers to Stage 2	(3,429,525)	3,429,525	-
Net change in fair value	(410,670)	(66,024)	(476,694)
Foreign exchange adjustments	(1,333,233)	(465,448)	(1,798,681)
At 31 December 2022	18,403,647	2,882,144	21,285,791

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Debt securities at FVOCI	Stage 1	Stage 2	Total
<i>In thousands of Armenian Drams</i>			
ECLs as at 1 January 2022	613,395	-	613,395
New assets originated or purchased	318,675	-	318,675
Assets repaid	(14,793)	-	(14,793)
Transfers to Stage 2	(649,216)	649,216	-
Impact on period end ECL of exposures transferred between stages during the period	-	2,245	2,245
Changes to models and inputs used for ECL calculations	(61,564)	-	(61,564)
Foreign exchange adjustments	(15,992)	(70,117)	(86,109)
At 31 December 2022	190,505	581,344	771,849

Debt and other equity instruments at FVOCI	31 December 2023	31 December 2022
<i>In thousands of Armenian Drams</i>		
Held by the Bank		
Government bonds		
Government securities of the Republic of Armenia	18,238,634	12,033,575
Corporate bonds		
Bonds of Armenian companies	296,266	3,232,827
Equity instruments		
Unquoted equity securities	112,983	112,278
Total debt and other equity instruments at FVOCI held by the Bank	18,647,883	15,378,680

Debt instruments held by the Bank at FVTPL	31 December 2023	31 December 2022
<i>In thousands of Armenian Drams</i>		
Quoted debt securities – shares Visa Series C	2,775,053	2,153,118
Total debt and other equity instruments at FVTPL held by the Bank	2,775,053	2,153,118

<i>In thousands of Armenian Drams</i>	2023	2022
Pledged instruments under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	6,019,389
Total pledged instruments under sale and repurchase agreements at FVOCI	-	6,019,389

As at 31 December 2023 and 2022 unquoted equity securities at FVOCI primarily include mandatory shares in exchanges and clearing houses.

In 2023, the Group received dividends of AMD 3,185 thousand (2022: AMD 9,199 thousand) from its equities which was recorded in the consolidated statement as other income.

At 31 December 2023 98.4% (2022: 84.5%) of debt instruments are presented by government bonds of the republic of Armenia.

At 31 December 2023 and 2022 no securities were past due or impaired and there were no renegotiated balances of investment securities that would otherwise be past due.

Information about credit quality of debt instruments is presented in Note 32 “Risk management”.

11 Loans to customers

Loans to customers as of 31 December 2023 and 31 December 2022 comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Loans to corporate customers		
Loans to small and medium size companies	114,864,473	92,434,438
Loans to large corporate customers	74,654,668	53,906,606
Total loans to corporate customers	189,519,141	146,341,044
Loans to retail customers (other than agricultural and corporate loans)		
Consumer loans	114,304,150	101,971,629
Mortgage loans	54,259,632	42,553,868
Credit cards	12,522,907	12,102,219
Gold-secured loans	-	135
Total loans to retail customers	181,086,689	156,627,851
Agricultural loans to retail customers	71,047,964	94,712,826
Agricultural loans to corporate customers	16,539,537	14,069,597
Total agricultural loans to customers	87,587,501	108,782,423
Gross loans to customers	458,193,331	411,751,318
Credit loss allowance	(5,265,242)	(5,432,521)
Net loans to customers at amortised cost	452,928,089	406,318,797

Allowance for impairment of loans to customers at amortised cost. An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2023 is as follows:

Loans to large corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
Gross carrying value as at 1 January 2023	50,803,148	155,344	2,918,912	29,202	53,906,606
New assets originated or purchased	36,810,207	-	-	-	36,810,207
Assets repaid	(15,697,022)	(91,321)	(1,283,205)	(29,202)	(17,100,750)
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	(179,416)	179,416	-	-	-
Transfers to Stage 3	(1,965,943)	(54,573)	2,020,516	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	994,225	-	44,380	-	1,038,605
At 31 December 2023	70,765,199	188,866	3,700,603	-	74,654,668

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Loans to large corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
ECL as at 1 January 2023	149,821	673	644,511	7,891	802,896
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	83,070	-	-	-	83,070
Assets repaid	(36,696)	(271)	(197,930)	(7,891)	(242,788)
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	(698)	698	-	-	-
Transfers to Stage 3	(5,624)	(402)	6,026	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	(47)	36,924	-	36,877
Changes to models and inputs used for ECL calculations	(36,328)	-	(349,338)	-	(385,666)
Total movements with impact on credit loss allowance charge for the period	3,724	(22)	(504,318)	(7,891)	(508,507)
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	88,804	-	88,804
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	2,224	-	4,862	-	7,086
At 31 December 2023	155,769	651	233,859	-	390,279

Loans to small and medium size companies	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	86,512,033	4,334,618	1,587,787	92,434,438
New assets originated or purchased	59,949,852	-	-	59,949,852
Assets repaid	(36,053,058)	(1,222,082)	(1,078,436)	(38,353,576)
Transfers to Stage 1	350,640	(350,640)	-	-
Transfers to Stage 2	(901,651)	901,651	-	-
Transfers to Stage 3	(1,168,250)	(119,849)	1,288,099	-
Amounts written off	-	-	(17,873)	(17,873)
Foreign exchange adjustments	761,154	69,731	20,747	851,632
At 31 December 2023	109,450,720	3,613,429	1,800,324	114,864,473

Loans to small and medium size companies	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	261,861	62,434	466,584	790,879
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	272,068	-	-	272,068
Assets repaid	(75,743)	(3,719)	(78,096)	(157,558)
Transfers to Stage 1	4,811	(4,811)	-	-
Transfers to Stage 2	(9,387)	9,387	-	-
Transfers to Stage 3	(134,110)	(5,373)	139,483	-
Impact on period end ECL of exposures transferred between stages during the period	(4,000)	11,315	163,104	170,419
Changes to models and inputs used for ECL calculations	(76,752)	(18,520)	(196,022)	(291,294)
Total movements with impact on credit loss allowance charge for the period	(23,113)	(11,721)	28,469	(6,365)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	43,577	43,577
Amounts written off	-	-	(17,873)	(17,873)
Foreign exchange adjustments	1,758	864	7,356	9,978
At 31 December 2023	240,506	51,577	528,113	820,196

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2023 is as follows:

Agricultural loans to retail customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	90,849,150	1,390,543	2,473,133	94,712,826
New assets originated or purchased	19,894,758	-	-	19,894,758
Assets repaid	(41,133,575)	(692,598)	(1,696,725)	(43,522,898)
Transfers to Stage 1	77,985	(77,985)	-	-
Transfers to Stage 2	(472,761)	472,761	-	-
Transfers to Stage 3	(1,323,933)	(156,023)	1,479,956	-
Amounts written off	-	-	(83,959)	(83,959)
Foreign exchange adjustments	40,539	1,564	5,134	47,237
At 31 December 2023	67,932,163	938,262	2,177,539	71,047,964
Agricultural loans to retail customers				
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	294,178	22,374	641,182	957,734
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	170,230	-	-	170,230
Assets repaid	(50,610)	(4,597)	(157,576)	(212,783)
Transfers to Stage 1	1,757	(1,757)	-	-
Transfers to Stage 2	(4,058)	4,058	-	-
Transfers to Stage 3	(133,369)	(7,619)	140,988	-
Impact on period end ECL of exposures transferred between stages during the period	(1,548)	4,819	203,866	207,137
Changes to models and inputs used for ECL calculations	(139,812)	(5,413)	(222,117)	(367,342)
Total movements with impact on credit loss allowance charge for the period	(157,410)	(10,509)	(34,839)	(202,758)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	66,877	66,877
Amounts written off	-	-	(83,959)	(83,959)
Foreign exchange adjustments	209	28	1,161	1,398
At 31 December 2023	136,977	11,893	590,422	739,292

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Agricultural loans to corporate customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	13,996,827	-	72,770	14,069,597
New assets originated or purchased	3,514,055	-	-	3,514,055
Assets repaid	(1,042,224)	(4,478)	(33,722)	(1,080,424)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(29,270)	29,270	-	-
Transfers to Stage 3	(11,827)	-	11,827	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	35,602	707	-	36,309
At 31 December 2023	16,463,163	25,499	50,875	16,539,537

Agricultural loans to corporate customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	35,086	-	23,754	58,840
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	4,291	-	-	4,291
Assets repaid	(510)	-	-	(510)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(76)	76	-	-
Transfers to Stage 3	(30)	-	30	-
Impact on period end ECL of exposures transferred between stages during the period	-	2,544	2,799	5,343
Changes to models and inputs used for ECL calculations	(18,949)	-	(18,229)	(37,178)
Total movements with impact on credit loss allowance charge for the period	(15,274)	2,620	(15,400)	(28,054)

Movements without impact on credit loss allowance charge for the period:

Unwinding of discount (deducted from interest revenue)	-	-	973	973
Amounts written off	-	-	-	-
Foreign exchange adjustments	44	75	-	119
At 31 December 2023	19,856	2,695	9,327	31,878

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2023 is as follows:

Consumer loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	96,146,392	2,112,350	3,712,887	101,971,629
New assets originated or purchased	66,457,323	-	-	66,457,323
Assets repaid	(49,727,837)	(912,069)	(3,391,648)	(54,031,554)
Transfers to Stage 1	177,728	(177,728)	-	-
Transfers to Stage 2	(1,184,956)	1,184,956	-	-
Transfers to Stage 3	(2,976,199)	(544,688)	3,520,887	-
Amounts written off	-	-	(97,428)	(97,428)
Foreign exchange adjustments	3,717	182	281	4,180
At 31 December 2023	108,896,168	1,663,003	3,744,979	114,304,150

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Consumer loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	668,819	116,532	1,405,801	2,191,152
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	1,069,269	-	-	1,069,269
Assets repaid	(189,023)	(13,910)	(278,265)	(481,198)
Transfers to Stage 1	7,311	(7,311)	-	-
Transfers to Stage 2	(108,129)	108,129	-	-
Transfers to Stage 3	(586,922)	(71,776)	658,698	-
Impact on period end ECL of exposures transferred between stages during the period	(5,479)	52,600	605,028	652,149
Changes to models and inputs used for ECL calculations	(164,416)	(11,458)	(752,748)	(928,622)
Total movements with impact on credit loss allowance charge for the period	22,611	56,274	232,713	311,598
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	182,475	182,475
Amounts written off	-	-	(97,428)	(97,428)
Foreign exchange adjustments	6	1	153	160
At 31 December 2023	691,436	172,807	1,723,714	2,587,957

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2023 is as follows:

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
Gross carrying value as at 1 January 2023	40,938,397	665,750	910,662	39,059	42,553,868
New assets originated or purchased	16,927,531	-	-	-	16,927,531
Assets repaid	(4,884,864)	(82,071)	(340,706)	(9,988)	(5,317,629)
Transfers to Stage 1	47,970	(47,970)	-	-	-
Transfers to Stage 2	(77,227)	77,227	-	-	-
Transfers to Stage 3	(481,467)	(30,660)	512,127	-	-
Amounts written off	-	-	(11,089)	-	(11,089)
Foreign exchange adjustments	92,204	5,819	8,318	610	106,951
At 31 December 2023	52,562,544	588,095	1,079,312	29,681	54,259,632
Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
ECL as at 1 January 2023	40,524	11,385	288,395	6,756	347,060
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	58,757	-	-	-	58,757
Assets repaid	(2,237)	(408)	(93,366)	-	(96,011)
Transfers to Stage 1	1,307	(1,307)	-	-	-
Transfers to Stage 2	(1,124)	1,124	-	-	-
Transfers to Stage 3	(18,883)	(1,108)	19,991	-	-
Impact on period end ECL of exposures transferred between stages during the period	(1,212)	26	99,665	-	98,479
Changes to models and inputs used for ECL calculations	43,734	665	(25,491)	(6,756)	12,152
Total movements with impact on credit loss allowance charge for the period	80,342	(1,008)	799	(6,756)	73,377
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	29,458	-	29,458
Amounts written off	-	-	(11,089)	-	(11,089)
Foreign exchange adjustments	200	108	2,946	-	3,254
At 31 December 2023	121,066	10,485	310,509	-	442,060

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An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2023 is as follows:

Credit cards and gold-secured loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	11,233,718	227,146	641,490	12,102,354
New assets originated or purchased	4,693,486	-	-	4,693,486
Assets repaid	(3,801,984)	(92,578)	(407,030)	(4,301,592)
Transfers to Stage 1	20,226	(20,226)	-	-
Transfers to Stage 2	(100,764)	100,764	-	-
Transfers to Stage 3	(299,860)	(42,138)	341,998	-
Amounts written off	-	-	(28,659)	(28,659)
Foreign exchange adjustments	53,435	1,177	2,706	57,318
At 31 December 2023	11,798,257	174,145	550,505	12,522,907

Credit cards and gold-secured loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	62,781	8,911	212,268	283,960
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	63,605	-	-	63,605
Assets repaid	(18,501)	(2,783)	(70,410)	(91,694)
Transfers to Stage 1	746	(746)	-	-
Transfers to Stage 2	(2,867)	2,867	-	-
Transfers to Stage 3	(46,659)	(3,341)	50,000	-
Impact on period end ECL of exposures transferred between stages during the period	(524)	4,378	56,012	59,866
Changes to models and inputs used for ECL calculations	(9,664)	(793)	(48,184)	(58,641)
Total movements with impact on credit loss allowance charge for the period	(13,864)	(418)	(12,582)	(26,864)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	24,240	24,240
Amounts written off	-	-	(28,659)	(28,659)
Foreign exchange adjustments	147	28	728	903
At 31 December 2023	49,064	8,521	195,995	253,580

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2022 is as follows:

Loans to large corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
Gross carrying value as at 1 January 2022	41,189,924	2,454,179	4,074,640	131,513	47,850,256
New assets originated or purchased	27,152,284	-	-	-	27,152,284
Assets repaid	(12,700,365)	(2,298,468)	(1,536,263)	(102,311)	(16,637,407)
Transfers to Stage 1	89,134	(89,134)	-	-	-
Transfers to Stage 2	(100,771)	100,771	-	-	-
Transfers to Stage 3	(741,916)	-	741,916	-	-
Recoveries	-	-	9,199	-	9,199
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(4,085,142)	(12,004)	(370,580)	-	(4,467,726)
At 31 December 2022	50,803,148	155,344	2,918,912	29,202	53,906,606

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Loans to large corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
ECL as at 1 January 2022	108,633	89,083	749,116	31,224	978,056
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	245,575	-	-	-	245,575
Assets repaid	(17,492)	(86,491)	(191,062)	(9,430)	(304,475)
Transfers to Stage 1	1,274	(1,274)	-	-	-
Transfers to Stage 2	(271)	271	-	-	-
Transfers to Stage 3	(167,863)	-	167,863	-	-
Impact on period end ECL of exposures transferred between stages during the period	(1,091)	-	26,859	-	25,768
Changes to models and inputs used for ECL calculations	(6,816)	(828)	(62,777)	(13,903)	(84,324)
Total movements with impact on credit loss allowance charge for the period	53,316	(88,322)	(59,117)	(23,333)	(117,456)
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	-	-	-
Recoveries	-	-	9,199	-	9,199
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(12,128)	(88)	(54,687)	-	(66,903)
At 31 December 2022	149,821	673	644,511	7,891	802,896

Loans to small and medium size companies	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	63,512,207	7,219,745	2,073,215	72,805,167
New assets originated or purchased	57,895,283	-	-	57,895,283
Assets repaid	(29,677,194)	(3,837,866)	(1,300,365)	(34,815,425)
Transfers to Stage 1	499,754	(499,754)	-	-
Transfers to Stage 2	(2,218,485)	2,218,485	-	-
Transfers to Stage 3	(575,615)	(403,030)	978,645	-
Recoveries	-	-	5,799	5,799
Amounts written off	-	-	(9,845)	(9,845)
Foreign exchange adjustments	(2,923,917)	(362,962)	(159,662)	(3,446,541)
At 31 December 2022	86,512,033	4,334,618	1,587,787	92,434,438

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Loans to small and medium size companies	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	169,499	157,262	728,020	1,054,781
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	226,101	-	-	226,101
Assets repaid	(53,472)	(49,988)	(98,761)	(202,221)
Transfers to Stage 1	12,189	(12,189)	-	-
Transfers to Stage 2	(32,332)	32,332	-	-
Transfers to Stage 3	(30,040)	(28,057)	58,097	-
Impact on period end ECL of exposures transferred between stages during the period	(11,175)	4,089	206,994	199,908
Changes to models and inputs used for ECL calculations	(8,654)	(36,452)	(417,634)	(462,740)
Total movements with impact on credit loss allowance charge for the period	102,617	(90,265)	(251,304)	(238,952)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	44,699	44,699
Recoveries	-	-	5,799	5,799
Amounts written off	-	-	(9,845)	(9,845)
Foreign exchange adjustments	(10,255)	(4,563)	(50,785)	(65,603)
At 31 December 2022	261,861	62,434	466,584	790,879

An analysis of changes in the gross carrying value and corresponding ECL in relation to agricultural loans during the year ended 31 December 2022 is as follows:

Agricultural loans to corporate customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	7,887,716	7,797	7,224	7,902,737
New assets originated or purchased	7,266,001	-	-	7,266,001
Assets repaid	(882,573)	(7,797)	(13,841)	(904,211)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(67,438)	-	67,438	-
Recoveries	-	-	11,949	11,949
Amounts written off	-	-	-	-
Foreign exchange adjustments	(206,879)	-	-	(206,879)
At 31 December 2022	13,996,827	-	72,770	14,069,597

Agricultural loans to corporate customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	49,530	47	-	49,577
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	22,907	-	-	22,907
Assets repaid	(707)	(47)	(11,949)	(12,703)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(4,920)	-	4,920	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	18,834	18,834
Changes to models and inputs used for ECL calculations	(31,180)	-	(620)	(31,800)
Total movements with impact on credit loss allowance charge for the period	(13,900)	(47)	11,185	(2,762)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	620	620
Recoveries	-	-	11,949	11,949
Amounts written off	-	-	-	-
Foreign exchange adjustments	(544)	-	-	(544)
At 31 December 2022	35,086	-	23,754	58,840

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Agricultural loans to retail customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	93,368,674	2,519,454	3,863,659	99,751,787
New assets originated or purchased	44,354,819	-	-	44,354,819
Assets repaid	(44,655,598)	(1,390,695)	(2,781,463)	(48,827,756)
Transfers to Stage 1	382,211	(378,352)	(3,859)	-
Transfers to Stage 2	(882,117)	889,767	(7,650)	-
Transfers to Stage 3	(1,295,526)	(232,567)	1,528,093	-
Recoveries	-	-	80,438	80,438
Amounts written off	-	-	(140,281)	(140,281)
Foreign exchange adjustments	(423,313)	(17,064)	(65,804)	(506,181)
At 31 December 2022	90,849,150	1,390,543	2,473,133	94,712,826

Agricultural loans to retail customers	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	604,437	65,152	1,090,828	1,760,417
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	331,407	-	-	331,407
Assets repaid	(111,671)	(16,002)	(423,855)	(551,528)
Transfers to Stage 1	12,387	(10,757)	(1,630)	-
Transfers to Stage 2	(8,842)	11,777	(2,935)	-
Transfers to Stage 3	(193,719)	(15,385)	209,104	-
Impact on period end ECL of exposures transferred between stages during the period	(11,412)	5,403	154,582	148,573
Changes to models and inputs used for ECL calculations	(325,095)	(17,386)	(380,531)	(723,012)
Total movements with impact on credit loss allowance charge for the period	(306,945)	(42,350)	(445,265)	(794,560)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	70,199	70,199
Recoveries	-	-	80,438	80,438
Amounts written off	-	-	(140,281)	(140,281)
Foreign exchange adjustments	(3,315)	(428)	(14,736)	(18,479)
At 31 December 2022	294,177	22,374	641,183	957,734

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the year ended 31 December 2022 is as follows:

Consumer loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	68,940,006	2,933,787	4,597,308	76,471,101
New assets originated or purchased	66,732,347	-	-	66,732,347
Assets repaid	(36,019,696)	(1,371,953)	(3,788,823)	(41,180,472)
Transfers to Stage 1	175,193	(165,274)	(9,919)	-
Transfers to Stage 2	(1,333,937)	1,333,937	-	-
Transfers to Stage 3	(2,319,065)	(616,144)	2,935,209	-
Recoveries	-	-	28,024	28,024
Amounts written off	-	-	(46,160)	(46,160)
Foreign exchange adjustments	(28,456)	(2,003)	(2,752)	(33,211)
At 31 December 2022	96,146,392	2,112,350	3,712,887	101,971,629

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Consumer loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	1,062,623	250,576	1,657,763	2,970,962
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	869,057	-	-	869,057
Assets repaid	(307,188)	(36,286)	(400,751)	(744,225)
Transfers to Stage 1	15,878	(12,522)	(3,356)	-
Transfers to Stage 2	(65,054)	65,054	-	-
Transfers to Stage 3	(403,523)	(98,320)	501,843	-
Impact on period end ECL of exposures transferred between stages during the period	(15,074)	29,818	385,951	400,695
Changes to models and inputs used for ECL calculations	(487,827)	(81,773)	(879,865)	(1,449,465)
Total movements with impact on credit loss allowance charge for the period	(393,731)	(134,029)	(396,178)	(923,938)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	163,945	163,945
Recoveries	-	-	28,024	28,024
Amounts written off	-	-	(46,160)	(46,160)
Foreign exchange adjustments	(73)	(15)	(1,593)	(1,681)
At 31 December 2022	668,819	116,532	1,405,801	2,191,152

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the year ended 31 December 2022 is as follows:

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
Gross carrying value as at 1 January 2022	31,006,708	1,044,399	778,854	55,130	32,885,091
New assets originated or purchased	16,406,575	-	-	-	16,406,575
Assets repaid	(5,528,704)	(244,243)	(270,257)	(10,031)	(6,053,235)
Transfers to Stage 1	138,782	(138,782)	-	-	-
Transfers to Stage 2	(181,428)	181,428	-	-	-
Transfers to Stage 3	(329,336)	(121,771)	451,107	-	-
Recoveries	-	-	5,795	-	5,795
Amounts written off	-	-	(4,385)	-	(4,385)
Foreign exchange adjustments	(574,200)	(55,281)	(50,452)	(6,040)	(685,973)
At 31 December 2022	40,938,397	665,750	910,662	39,059	42,553,868

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Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of Armenian Drams</i>					
ECL as at 1 January 2022	122,484	43,678	241,802	21,986	429,950
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	18,967	-	-	-	18,967
Assets repaid	(10,359)	(2,536)	(33,178)	(1,045)	(47,118)
Transfers to Stage 1	5,767	(5,767)	-	-	-
Transfers to Stage 2	(1,997)	1,997	-	-	-
Transfers to Stage 3	(13,324)	(9,331)	22,655	-	-
Impact on period end ECL of exposures transferred between stages during the period	(5,643)	2,194	86,202	-	82,753
Changes to models and inputs used for ECL calculations	(74,805)	(17,876)	(45,171)	(14,185)	(152,037)
Total movements with impact on credit loss allowance charge for the period	(81,394)	(31,319)	30,508	(15,230)	(97,435)
Movements without impact on credit loss allowance charge for the period:					
Unwinding of discount (deducted from interest revenue)	-	-	31,751	-	31,751
Recoveries	-	-	5,795	-	5,795
Amounts written off	-	-	(4,385)	-	(4,385)
Foreign exchange adjustments	(566)	(974)	(17,076)	-	(18,616)
At 31 December 2022	40,524	11,385	288,395	6,756	347,060

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit cards and gold-secured loans during the year ended 31 December 2022 is as follows:

Credit cards and gold-secured loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	10,044,163	372,724	876,666	11,293,553
New assets originated or purchased	5,153,806	-	-	5,153,806
Assets repaid	(3,285,537)	(152,195)	(575,200)	(4,012,932)
Transfers to Stage 1	41,803	(41,803)	-	-
Transfers to Stage 2	(122,226)	122,226	-	-
Transfers to Stage 3	(310,792)	(63,168)	373,960	-
Recoveries	-	-	12,238	12,238
Amounts written off	-	-	(13,728)	(13,728)
Foreign exchange adjustments	(287,499)	(10,638)	(32,446)	(330,583)
At 31 December 2022	11,233,718	227,146	641,490	12,102,354

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Credit cards and gold-secured loans	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	136,674	15,786	268,411	420,871
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	71,879	-	-	71,879
Assets repaid	(39,186)	(3,044)	(102,797)	(145,027)
Transfers to Stage 1	1,226	(1,226)	-	-
Transfers to Stage 2	(3,762)	3,762	-	-
Transfers to Stage 3	(51,169)	(6,591)	57,760	-
Impact on period end ECL of exposures transferred between stages during the period	(993)	3,471	57,052	59,530
Changes to models and inputs used for ECL calculations	(50,578)	(2,935)	(84,600)	(138,113)
Total movements with impact on credit loss allowance charge for the period	(72,583)	(6,563)	(72,585)	(151,731)
Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (deducted from interest revenue)	-	-	24,718	24,718
Recoveries	-	-	12,238	12,238
Amounts written off	-	-	(13,728)	(13,728)
Foreign exchange adjustments	(1,310)	(312)	(6,786)	(8,408)
At 31 December 2022	62,781	8,911	212,268	283,960

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

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3
Loans to small and medium size companies			
not overdue	109,343,429	3,495,095	906,295
overdue less than 30 days	107,291	31,380	136,449
overdue 30-90 days	-	86,954	157,900
overdue more than 90 days	-	-	599,680
Total gross loans to small and medium size companies	109,450,720	3,613,429	1,800,324
Expected credit loss allowance	(240,506)	(51,577)	(528,113)
Total net loans to small and medium size companies	109,210,214	3,561,852	1,272,211
Loans to large corporate customers			
not overdue	70,765,199	188,866	2,965,700
overdue less than 30 days	-	-	37,180
overdue 30-90 days	-	-	375,896
overdue more than 90 days	-	-	321,827
Total gross loans to large corporate customers	70,765,199	188,866	3,700,603
Expected credit loss allowance	(155,769)	(651)	(233,859)
Total net loans to large corporate customers	70,609,430	188,215	3,466,744
Total loans to corporate customers	179,819,644	3,750,067	4,738,955
Consumer loans			
not overdue	108,366,139	1,156,708	1,879,019
overdue less than 30 days	530,029	116,828	176,946
overdue 30-90 days	-	389,467	135,392
overdue more than 90 days	-	-	1,553,622
Total gross consumer loans	108,896,168	1,663,003	3,744,979
Expected credit loss allowance	(691,436)	(172,807)	(1,723,714)
Total net consumer loans	108,204,732	1,490,196	2,021,265
Mortgage loans			
not overdue	52,483,231	588,095	877,112
overdue less than 30 days	79,313	-	105,610
overdue 30-90 days	-	-	-
overdue more than 90 days	-	-	126,271
Total gross mortgage loans	52,562,544	588,095	1,108,993
Expected credit loss allowance	(121,066)	(10,485)	(310,509)

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Total net mortgage loans	52,441,478	577,610	798,484
Credit cards and gold-secured loans			
not overdue	11,751,898	143,169	370,445
overdue less than 30 days	46,358	1,396	27,160
overdue 30-90 days	-	29,580	15,817
overdue more than 90 days	1	-	137,083
Total gross credit cards and gold-secured loans	11,798,257	174,145	550,505
Expected credit loss allowance	(49,064)	(8,521)	(195,995)
Total net credit cards and gold-secured loans	11,749,193	165,624	354,510
Agricultural loans to retail customers			
not overdue	67,835,869	886,518	1,466,699
overdue less than 30 days	96,294	8,946	50,956
overdue 30-90 days	-	42,798	141,834
overdue more than 90 days	-	-	518,050
Total gross agricultural loans to retail customers	67,932,163	938,262	2,177,539
Expected credit loss allowance	(136,977)	(11,893)	(590,422)
Total net agricultural loans to retail customers	67,795,186	926,369	1,587,117
Agricultural loans to corporate customers			
not overdue	16,463,163	-	22,101
overdue less than 30 days	-	-	-
overdue 30-90 days	-	25,499	-
overdue more than 90 days	-	-	28,774
Total gross agricultural loans to corporate customers	16,463,163	25,499	50,875
Expected credit loss allowance	(19,856)	(2,695)	(9,327)
Total net agricultural loans to corporate customers	16,443,307	22,804	41,548
Total agricultural loans to customers	84,238,493	949,173	1,628,665
Gross loans to customers	437,868,214	7,191,299	13,133,818
Expected credit loss allowance	(1,414,674)	(258,629)	(3,591,939)
Net loans to customers at amortised cost	436,453,540	6,932,670	9,541,879

The following table provides information on the credit quality of loans to as at 31 December 2022.

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3
Loans to small and medium size companies			
not overdue	86,384,925	4,287,001	900,106
overdue less than 30 days	127,108	4,366	114,599
overdue 30-90 days	-	43,251	23,145
overdue more than 90 days	-	-	549,937
Total gross loans to small and medium size companies	86,512,033	4,334,618	1,587,787
Expected credit loss allowance	(261,861)	(62,434)	(466,584)
Total net loans to small and medium size companies	86,250,172	4,272,184	1,121,203
Loans to large corporate customers			
not overdue	50,803,148	155,344	1,313,954
overdue less than 30 days	-	-	91,520
overdue 30-90 days	-	-	524,666
overdue more than 90 days	-	-	1,017,974
Total gross loans to large corporate customers	50,803,148	155,344	2,948,114
Expected credit loss allowance	(149,821)	(673)	(652,402)
Total net loans to large corporate customers	50,653,327	154,671	2,295,712
Total loans to corporate customers	136,903,499	4,426,855	3,416,915
Consumer loans			
not overdue	95,941,375	1,828,803	2,234,252
overdue less than 30 days	205,000	91,851	175,562
overdue 30-90 days	17	191,696	143,136
overdue more than 90 days	-	-	1,159,937
Total gross consumer loans	96,146,392	2,112,350	3,712,887
Expected credit loss allowance	(668,819)	(116,532)	(1,405,801)
Total net consumer loans	95,477,573	1,995,818	2,307,086

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Mortgage loans			
not overdue	40,930,506	638,755	794,063
overdue less than 30 days	7,891	26,995	84,059
overdue 30-90 days	-	-	-
overdue more than 90 days	-	-	71,599
Total gross mortgage loans	40,938,397	665,750	949,721
Expected credit loss allowance	(40,524)	(11,385)	(295,151)
Total net mortgage loans	40,897,873	654,365	654,570
Credit cards and gold-secured loans			
not overdue	11,187,148	202,203	416,734
overdue less than 30 days	46,002	5,413	48,510
overdue 30-90 days	103	19,530	15,119
overdue more than 90 days	465	-	161,127
Total gross credit cards and gold-secured loans	11,233,718	227,146	641,490
Expected credit loss allowance	(62,781)	(8,911)	(212,268)
Total net credit cards and gold-secured loans	11,170,937	218,235	429,222
Agricultural loans to retail customers			
not overdue	90,782,869	1,305,924	1,663,449
overdue less than 30 days	66,281	29,924	41,770
overdue 30-90 days	-	54,695	87,738
overdue more than 90 days	-	-	680,176
Total gross agricultural loans to retail customers	90,849,150	1,390,543	2,473,133
Expected credit loss allowance	(294,178)	(22,374)	(641,182)
Total net agricultural loans to retail customers	90,554,972	1,368,169	1,831,951
Agricultural loans to corporate customers			
not overdue	13,996,827	-	22,101
overdue less than 30 days	-	-	-
overdue 30-90 days	-	-	30,793
overdue more than 90 days	-	-	19,876
Total gross agricultural loans to corporate customers	13,996,827	-	72,770
Expected credit loss allowance	(35,086)	-	(23,754)
Total net agricultural loans to corporate	13,961,741	-	49,016
Total agricultural loans to customers	104,516,713	1,368,169	1,880,967
Gross loans to customers	390,479,665	8,885,751	12,385,902
Expected credit loss allowance	(1,513,070)	(222,309)	(3,697,142)
Net loans to customers at amortised cost	388,966,595	8,663,442	8,688,760

Collateral and other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties, gold and guarantees;
- For credit card lines, cash, real estate and movable property, hard collateral, guarantee.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Description of collateral held for loans to customers is as follows as at 31 December 2023 and 31 December 2022:

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<i>In thousands of Armenian Drams</i>	2023	2022
Real Estate	252,193,985	198,337,349
Guarantees	90,965,548	111,231,203
Working capital/Goods (finished products, goods in circulation, agricultural animals)	21,903,407	19,300,717
Cash	4,992,854	18,091,929
Movables	7,763,250	7,776,606
Securities	5,676,969	1,956,613
Agricultural equipment	421,842	588,924
Movables (personal property, equipment)	133,413	173,013
Other	311	201
Gold pledge	-	120
Without Collateral	74,141,752	54,294,643
Total gross loan portfolio	458,193,331	411,751,318

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”).

The effect of collateral on credit impaired assets at 31 December 2023 and 31 December 2022 is as follows.

<i>In thousands of Armenian Drams</i>	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
2023				
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	1,565,682	6,372,084	234,642	-
Loans to large corporate customers	3,648,932	10,145,940	51,671	11,600
Loans to retail customers (other than agricultural and corporate loans)				
Consumer loans	653,739	4,031,713	3,091,240	94,959
Mortgage loans	1,107,463	2,486,306	1,530	-
Credit cards, Gold-secured loans	66,637	341,365	483,868	-
Agricultural loans to customers				
Agricultural loans retail	890,529	7,347,419	1,287,009	-
Agricultural loans corporate	50,404	94,977	471	-
Total	7,983,386	30,819,804	5,150,431	106,559
2022				
Credit impaired assets:				
Loans to corporate customers				
Loans to small and medium size companies	3,080,802	23,275,603	334,822	12,473
Loans to large corporate	1,120,277	4,854,609	-	-
Loans to retail customers (other than agricultural and corporate loans)				
Consumer loans	713,516	4,039,165	2,999,372	48,927
Mortgage loans	949,721	2,072,983	-	-
Credit cards, Gold-secured loans	126,792	4,852,881	514,698	-
Agricultural loans to customers				
Agricultural loans retail	383,307	2,172,272	1,468,835	-
Agricultural loans corporate	501,145	3,416,198	192,615	-
Total	6,875,560	44,683,711	5,510,342	61,400

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In absence of collateral or other credit enhancements, ECL for individually impairment in respect of Stage 3 loans to customers as at 31 December 2023 and 2022 would have been higher by:

<i>In thousands of Armenian Drams</i>	2023	2022
Corporate lending	3,378,154	2,985,445
Mortgage loans	29,681	70,262
Total	3,407,835	3,055,707

Assets under lien. As at 31 December 2023, loans to customers with a gross value of AMD 18,522,556 thousand (2022: AMD 20,083,903 thousand) serve as collateral for other borrowed funds (see Note 20).

Repossessed collateral. During the year, the Group took possession of collateral with an estimated value of AMD 228,766 thousand (2022: AMD 225,706 thousand), which the Group is in the process of selling. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Concentration of loans to customers. As at 31 December 2023, the Group had a concentration of loans represented by AMD 50,311,281 thousand due from the ten largest third-party borrowers (10.98% of gross loan portfolio) (2022: AMD 29,825,465 thousand or 7.2%). An allowance of AMD 109,034 thousand (2022: AMD 87,213 thousand) was recognised against these loans.

Loans are made principally within Armenia in the following industry sectors:

<i>In thousands of Armenian Drams</i>	2023	2022
Individuals	252,134,658	251,340,679
Food and beverage	52,728,234	43,802,720
Trade	40,633,968	38,320,765
Construction	40,810,661	31,050,322
Manufacturing	9,913,225	10,227,201
Agriculture	19,497,697	16,815,193
Transportation	5,281,665	4,939,521
Financial sector	8,271,891	4,519,114
Energy	8,936,603	3,763,173
Other	19,984,729	6,972,630
Impairment allowance	(5,265,242)	(5,432,521)
Net loans to customers at amortised cost	452,928,089	406,318,797

12 Receivables from finance leases

<i>In thousands of Armenian Drams</i>	2023	2022
Finance leases to corporate customers	78,235,588	47,807,779
Finance leases to retail customers	5,947,183	6,158,767
Net investments in finance leases	84,182,771	53,966,546
Impairment allowance	(776,345)	(543,325)
Net investments in finance leases, less impairment allowance	83,406,426	53,423,221

The Group provided leases to individuals, small and medium-sized enterprises, farms operating in various sectors of the economy in acquiring equipment and production resources.

In the amount of finance lease receivables as at 31 December 2023 the amount of equipment on the way, purchased in the scope of finance lease agreements is nil, (2022: AMD 601,995 thousand).

An analysis of changes in the gross carrying value and corresponding ECL in relation to receivables from finance lease during the year ended 31 December 2023 is as follows:

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<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	52,594,052	790,565	581,929	53,966,546
New assets originated or purchased	48,149,469	-	-	48,149,469
Assets repaid	(17,860,091)	206,038	(562,070)	(18,216,123)
Transfers to Stage 1	884,135	(860,958)	(23,177)	-
Transfers to Stage 2	(223,237)	230,976	(7,739)	-
Transfers to Stage 3	(702,073)	(156,894)	858,967	-
Foreign exchange adjustments	277,397	2,329	4,672	284,398
Write-off	-	-	(1,519)	(1,519)
At 31 December 2023	83,119,652	212,056	851,063	84,182,771

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	240,619	27,711	274,995	543,325
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	307,095	-	-	307,095
Assets repaid	(20,805)	(1,609)	84,706	62,292
Transfers to Stage 1	25,789	(18,085)	(7,704)	-
Transfers to Stage 2	(2,997)	7,694	(4,697)	-
Transfers to Stage 3	(29,999)	(6,810)	36,809	-
Impact on period end ECL of exposures transferred between stages during the period	(23,584)	(2,892)	207,139	180,663
Changes to models and inputs used for ECL calculations	(147,115)	(255)	(93,950)	(241,320)
Total movements with impact on credit loss allowance charge for the period	108,384	(21,957)	222,303	308,730

Movements without impact on credit loss allowance charge for the period:				
Unwinding of discount (recognised in interest revenue)	-	-	(78,209)	(78,209)
Write-off	-	-	(1,519)	(1,519)
Foreign exchange adjustments	1,128	39	2,851	4,018
At 31 December 2023	350,131	5,793	420,421	776,345

An analysis of changes in the gross carrying value and corresponding ECL in relation to receivables from finance lease during the year ended 31 December 2022 is as follows:

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	29,985,478	1,278,736	624,131	31,888,345
New assets originated or purchased	35,908,638	-	-	35,908,638
Assets repaid	(11,604,537)	(543,588)	(493,109)	(12,641,234)
Transfers to Stage 1	651,401	(651,401)	-	-
Transfers to Stage 2	(1,064,355)	1,098,742	(34,387)	-
Transfers to Stage 3	(154,357)	(340,380)	494,737	-
Foreign exchange adjustments	(1,128,216)	(51,544)	(8,648)	(1,188,408)
Recovery	-	-	-	-
Write-off	-	-	(795)	(795)
At 31 December 2022	52,594,052	790,565	581,929	53,966,546

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	213,741	32,171	409,366	655,278
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	73,514	-	-	73,514
Assets repaid	(17,962)	(2,663)	(70,504)	(91,129)
Transfers to Stage 1	13,758	(13,758)	-	-
Transfers to Stage 2	(16,282)	40,655	(24,373)	-
Transfers to Stage 3	(6,453)	(7,375)	13,828	-
Impact on period end ECL of exposures transferred between stages during the period	(11,064)	(17,878)	123,885	94,943
Changes to models and inputs used for ECL calculations	(1,894)	(2,343)	(190,726)	(194,963)
Total movements with impact on credit loss allowance charge for the period	33,617	(3,362)	(147,890)	(117,635)

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Movements without impact on credit loss

allowance charge for the period:

Unwinding of discount (recognised in interest revenue)	-	-	21,070	21,070
Write-off	-	-	(794)	(794)
Foreign exchange adjustments	(6,739)	(1,098)	(6,757)	(14,594)
At 31 December 2022	240,619	27,711	274,995	543,325

Quality of finance lease receivables. The following table provides information on the credit quality of finance lease receivables at 31 December 2023.

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3
Finance lease to retail customers			
not overdue	5,618,360	42,912	268,124
overdue less than 30 days	-	4,169	-
overdue 30-90 days	-	5,547	8,072
overdue more than 90 days	-	-	-
Total gross leases to retail customers	5,618,360	52,628	276,196
Expected credit loss allowance	(23,407)	(2,202)	(125,115)
Total net leases to retail customers	5,594,953	50,426	151,081
Finance lease to corporate customers			
not overdue	77,501,292	157,509	388,175
overdue less than 30 days	-	1,919	137,854
overdue 30-90 days	-	-	7,271
overdue more than 90 days	-	-	41,567
Total gross leases to large corporate customers	77,501,292	159,428	574,867
Expected credit loss allowance	(326,724)	(3,591)	(295,306)
Total net leases to large corporate customers	77,174,568	155,837	279,561
Total lease portfolio	82,769,521	206,263	430,642

The following table provides information on the credit quality of finance lease receivables at 31 December 2022.

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 2	Stage 3
Finance lease to retail customers			
not overdue	6,042,716	40,180	70,495
overdue less than 30 days	944	162	1,236
overdue 30-90 days	-	728	774
overdue more than 90 days	-	-	1,532
Total gross leases to retail customers	6,043,660	41,070	74,037
Expected credit loss allowance	(36,345)	(1,164)	(41,200)
Total net leases to retail customers	6,007,315	39,906	32,837
Finance lease to corporate customers			
not overdue	46,550,157	734,802	366,679
overdue less than 30 days	235	-	106,788
overdue 30-90 days	-	14,693	33,076
overdue more than 90 days	-	-	1,349
Total gross leases to large corporate customers	46,550,392	749,495	507,892
Expected credit loss allowance	(204,274)	(26,547)	(233,795)
Total net leases to large corporate customers	46,346,118	722,948	274,097
Total lease portfolio	52,353,433	762,854	306,934

Assets under lien. As at 31 December 2023, finance lease receivables with a gross value of AMD 15,101,748 thousand (2022: AMD 15,888,376 thousand) serve as collateral for other borrowed funds (see Note 20).

Repossessed assets. The carrying value of the assets repossessed during the period and held as at 31 December 2023 is AMD 24,770 thousand (2022: AMD 30,795 thousand).

Industry and geographical analysis of the finance lease portfolio. Finance lease to corporate customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

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<i>In thousands of Armenian Drams</i>	2023	2022
Construction	23,114,134	12,799,029
Food and beverages production	16,050,263	8,441,952
Agriculture	8,468,466	7,585,991
Finance leases to retail customers	5,879,346	6,158,767
Trade	8,672,738	6,404,628
Services	7,429,747	5,123,983
Manufacturing	9,416,904	4,623,227
Transportation	4,479,002	2,027,441
Hydropower plants	106,293	142,381
Manufacture of leather goods	104,377	173,284
Air transportation	-	149,466
Other	461,501	336,397
Impairment allowance	(776,345)	(543,325)
Net investments in finance leases	83,406,426	53,423,221

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2023:

<i>In thousands of Armenian Drams</i>	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years
Gross investment in finance leases	30,857,800	32,401,135	24,789,274	11,804,592	3,549,203	440,669
Unearned future finance income on finance leases	(8,697,907)	(6,341,551)	(3,235,181)	(1,130,625)	(229,132)	(25,506)
Net investment in finance leases before allowance	22,159,893	26,059,584	21,554,093	10,673,967	3,320,071	415,163

The table below provides the maturity profile of gross and net investment in leases as of 31 December 2022:

<i>In thousands of Armenian Drams</i>	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years
Gross investment in finance leases	18,688,857	18,279,144	14,662,938	10,057,619	4,857,855	1,230,283
Unearned future finance income on finance leases	(5,362,090)	(4,172,926)	(2,558,453)	(1,237,650)	(379,336)	(99,695)
Net investment in finance leases before allowance	13,326,767	14,106,218	12,104,485	8,819,969	4,478,519	1,130,588

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13 Property, equipment and intangible assets

The movements in property, equipment, right-of-use assets and intangible assets were as follows:

<i>In thousands of Armenian Drams</i>	Land and buildings	Constructi on in progress	Leasehold improve-ments	Equipment	Fixtures and fittings	Motor vehicles	Sub-total Property, equipment	Goodw ill	Software and licenses	Right-of-use assets	Total
Cost/revalued amount											
31 December 2022	15,520,458	367,180	812,734	9,522,712	3,295,862	537,600	30,056,546	18,132	7,966,795	3,846,303	41,887,776
Additions	448,737	1,209,398	547,668	2,177,770	509,655	134,807	5,028,035	-	785,185	1,340,678	7,153,898
Disposals and write-offs	(1,152,000)	-	-	(340,428)	(198,599)	(28,465)	(1,719,492)	(18,132)	(180,600)	(629,922)	(2,548,146)
Modification Effect of revaluation in OCI*	-	-	-	-	-	715	715	-	-	517,653	517,653
Impairment charge to profit or loss	-	-	-	-	-	-	-	-	(3,217)	-	(3,217)
31 December 2023	14,817,195	1,576,578	1,360,402	11,360,054	3,606,918	644,657	33,365,804	-	8,568,163	5,074,712	47,008,679
Accumulated depreciation, amortisation and impairment											
31 December 2022	20,444	-	418,759	5,196,117	2,159,878	6,977	7,802,175	-	3,020,188	2,116,745	12,939,108
Depreciation charge	246,289	-	122,043	985,827	320,078	73,458	1,747,695	-	832,913	737,007	3,317,615
Disposals and write-offs	(14,848)	-	-	(317,030)	(172,735)	(5,355)	(509,968)	-	(88,741)	(560,994)	(1,159,703)
Effect of revaluation in OCI	-	-	-	-	-	-	-	-	-	-	-
Modification	-	-	-	-	-	-	-	-	-	-	-
31 December 2023	251,885	-	540,802	5,864,914	2,307,221	75,080	9,039,902	-	3,764,360	2,292,758	15,097,020
Net book value											
31 December 2023	14,565,310	1,576,578	819,600	5,495,140	1,299,697	569,577	24,325,902	-	4,803,803	2,781,954	31,911,659

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<i>In thousands of Armenian Drams</i>	Land and buildings	Construction in progress	Leasehold improvements	Equipment	Fixtures and fittings	Motor vehicles	Sub-total Property, equipment	Goodwill	Software and licenses	Right-of-use assets	Total
Cost/revalued amount											
31 December 2021	10,819,578	318,439	768,481	8,493,992	3,114,522	512,165	24,027,177	18,132	7,036,434	3,719,303	34,801,046
Additions	241,410	48,741	44,253	1,208,873	330,687	32,699	1,906,663	-	1,617,839	239,085	3,763,587
Disposals and write-offs	(71,000)	-	-	(180,153)	(149,347)	(12,631)	(413,131)	-	(95,678)	(102,221)	(611,030)
Effect of revaluation in profit or loss*	1,198,699	-	-	-	-	14,118	1,212,817	-	-	-	1,212,817
Effect of revaluation in OCI*	3,331,771	-	-	-	-	(8,751)	3,323,020	-	-	-	3,323,020
Modification	-	-	-	-	-	-	-	-	-	(9,864)	(9,864)
Impairment charge to profit or loss	-	-	-	-	-	-	-	-	(591,800)	-	(591,800)
31 December 2022	15,520,458	367,180	812,734	9,522,712	3,295,862	537,600	30,056,546	18,132	7,966,795	3,846,303	41,887,776
Accumulated depreciation, amortisation and impairment											
31 December 2021	23,746	-	327,764	4,514,149	2,063,247	35,034	6,963,940	-	2,464,501	1,643,046	11,071,487
Depreciation charge	208,009	-	90,995	794,627	213,377	61,332	1,368,340	-	651,364	589,895	2,609,599
Disposals and write-offs	-	-	-	(112,659)	(116,746)	(9,306)	(238,711)	-	(95,677)	(102,221)	(436,609)
Effect of revaluation in OCI	(211,311)	-	-	-	-	(80,083)	(291,394)	-	-	-	(291,394)
Modification	-	-	-	-	-	-	-	-	-	(13,975)	(13,975)
31 December 2022	20,444	-	418,759	5,196,117	2,159,878	6,977	7,802,175	-	3,020,188	2,116,745	12,939,108
Net book value											
31 December 2022	15,500,014	367,180	393,975	4,326,595	1,135,984	530,623	22,254,371	18,132	4,946,607	1,729,558	28,948,668

* The main reason for the positive revaluation is the significant increase in fair values of real estate. For the items which had revaluation losses from previous and are revalued upward, only the amounts equal to the previously accumulated losses go to the statement of profit and losses.

In 2022 the Group engaged an independent valuer to determine the fair value of its land and buildings and motor vehicles. Fair value is determined by reference to market-based evidence.

As of 31 December 2023 the Group recognised Impairment charge to profit or loss in amount of AMD 3,217 thousand, (2022: AMD 591,800 thousand) (Note 31) for group's non-exploited Software. Impairment losses were recognised as a result of the impairment test.

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If the land, buildings and motor vehicles were measured using the cost model, the carrying amounts would be as follows:

<i>In thousands of Armenian Drams</i>	2023	2022
Cost	11,214,144	12,354,402
Accumulated depreciation and impairment	(2,898,869)	(3,062,320)
Net carrying amount	8,315,275	9,292,082

14 Taxation

The corporate income tax expense comprises:

<i>In thousands of Armenian Drams</i>	2023	2022
Current tax charge	6,498,202	6,198,921
Deferred tax credit	(125,065)	(451,700)
Income tax expense	6,373,137	5,747,221

In 2023 the applicable tax rate for current and deferred tax is 18% (2022: 18%). The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

<i>In thousands of Armenian Drams</i>	2023	2022
Profit before income tax	35,144,385	28,044,877
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	6,325,989	5,048,078
(Non-taxable income)/Non-deductible expenses, net	(26,404)	650,042
Change in unrecognized deferred tax assets	73,552	49,101
Income tax expense	6,373,137	5,747,221

Non-deductible expenses, net consist of non - deductible expenses difference with the tax base in the amount of AMD 664,484 thousand (2022: AMD 808,649 thousand) and non-taxable income differences with the tax base in the amount of AMD 690,888 thousand (2022: AMD 158,607 thousand). Non-deductible expenses/income mainly relate to the gains/losses from revaluation of assets and liabilities, other benefits to employees, some representation expenses, some membership fees, reserve for contingent liabilities. etc. Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

<i>In thousands of Armenian Drams</i>	Balance 1 January 2022	Origination and reversal of temporary differences		Balance 31 December 2022	Origination and reversal of temporary differences		Balance 31 December 2023
		In the statement of profit or loss	In other compre- hensive income		In the statement of profit or loss	In other compre- hensive income	
Deferred tax assets/ (liabilities)							
Cash and cash equivalents	-	9,575	-	9,575	(8,327)	-	1,248
Derivative financial assets	-	(52,883)	-	(52,883)	24,105	-	(28,778)
Loans and advances to banks	(9,358)	14,690	-	5,332	(32,306)	-	(26,974)
Investment securities	(713,292)	210,624	57,842	(444,826)	(240,815)	176,753	(508,888)
Loans to customers	(104,343)	(361,035)	-	(465,378)	(44,017)	-	(509,395)
Finance lease receivable	61,522	(52,953)	-	8,569	29,435	-	38,004
Investments in associates	(150,497)	(33,705)	9,562	(174,640)	(74,263)	(17,310)	(266,213)
Property, equipment, intangible and right-of-use assets	(736,103)	(231,241)	(330,678)	(1,298,022)	674,084	(127)	(624,065)
Other assets	49,532	34,003	-	83,535	(95,216)	-	(11,681)
Other borrowed funds	(30,374)	314,359	-	283,985	239,523	-	523,508
Other liabilities	369,671	694,306	-	1,063,977	(325,907)	-	738,070
Other financial instruments at amortised cost and provisions	58,286	(94,040)	-	(35,754)	(21,231)	-	(56,985)
Deferred tax liabilities, net	(1,204,956)	451,700	(263,274)	(1,016,530)	125,065	159,316	(732,149)

As recognized on the consolidated statement of financial position of the Group:

<i>In thousands of Armenian Drams</i>	2023	2022
Deferred tax assets	-	-
Deferred tax liabilities	(732,149)	(1,016,530)

15 Reversal of credit loss expense

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2023:

<i>In thousands of Armenian Drams</i>	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	46,192				46,192
Loans and advances to banks	9	54,709				54,709
Debt securities at amortised cost	10	-	28,335	-		28,335
Debt securities measured at FVOCI	10	155,115	(271,655)	-		(116,540)
Loans to customers at amortised cost	11	102,984	(35,216)	305,158	14,647	387,573
Receivables from finance leases	12	(108,384)	21,957	(222,303)		(308,730)
Other financial assets	16	(6,167)				(6,167)
Guarantees and letters of credit	25	(6,860)		-	-	(6,860)
Loan, credit line and credit card commitments	25	26,330	674	305		27,309
Recovery from written off loans				460,148		460,148
Total reversal of credit loss expense		263,919	(255,905)	543,308	14,647	565,969

Reversal of credit loss expense for the year ended 31 December 2023 mostly resulted by positive macroeconomic expectations.

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022:

<i>In thousands of Armenian Drams</i>	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	68,891	-	-	-	68,891
Loans and advances to banks	9	(55,158)	-	-	-	(55,158)
Debt securities at amortised cost	10	62,680	(79,196)	-	-	(16,516)
Debt securities measured at FVOCI	10	406,898	(651,461)	-	-	(244,563)
Loans to customers at amortised cost	11	710,533	392,895	1,182,756	38,563	2,324,747
Receivables from finance leases	12	(33,617)	3,362	147,890	-	117,635
Other financial assets	16	(5,983)	-	(11,005)	-	(16,988)
Guarantees and letters of credit	25	(744)	-	-	-	(744)
Loan, credit line and credit card commitments	25	109,355	2,224	1,560	-	113,139
Total reversal of credit loss expense		1,262,855	(332,176)	1,321,201	38,563	2,290,443

16 Other assets

Other assets comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Other receivables	2,812,029	1,557,207
Impairment allowance	(30,436)	(27,831)
Total other financial assets	2,781,593	1,529,376
Advances paid to leased property suppliers	7,372,935	8,062,460
Advances paid for construction of building	2,915,374	2,915,374
Deferred employee compensation - staff loans	2,603,822	-
Property to be leased	1,423,473	464,625
Repossessed assets	1,468,026	1,542,858
Prepayments to suppliers	1,200,198	910,537
VAT recoverable	593,542	943,755
Inventories	339,279	273,013
Returned lease property	24,770	30,795
Other	189,275	222,231
Total other non-financial assets	18,130,694	15,365,648
Less impairment allowance	(656,841)	(780,144)
Total other assets	20,255,446	16,114,880

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2023 is as follows:

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 3	Total
ECL at 1 January 2023	27,831	-	27,831
New assets originated or redeemed (net)	6,167	-	6,167
Transfers to Stage 3	(3,562)	3,562	-
Write-off	-	(3,562)	(3,562)
At 31 December 2023	30,436	-	30,436

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

<i>In thousands of Armenian Drams</i>	Stage 1	Stage 3	Total
ECL at 1 January 2022	21,848	-	21,848
New assets originated or redeemed (net)	16,988	-	16,988
Transfers to Stage 3	(11,005)	11,005	-
Write-off	-	(11,005)	(11,005)
At 31 December 2022	27,831	-	27,831

An analysis of Impairment allowance for non-financial assets as follows:

<i>In thousands of Armenian Drams</i>	2023	2022
Balance at the beginning of the year	780,144	755,150
Net charge	(123,303)	24,994
Balance at the end of the year	656,841	780,144

17 Deposits and balances from banks

Deposits and balances from banks include the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Loans from International banks	492,851	469,764
Correspondent accounts and overnight placements of other banks	590,422	417,662
Short-term placements of banks	69,621	19,951
Sale and repurchase agreements with other banks	-	6,026,642
Loans from other banks of Armenia	-	3,003,615
Total deposits and balances from banks	1,152,894	9,937,634

18 Current accounts and deposits from customers

Current accounts and deposits from customers include the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Current accounts and demand deposits		
Retail	81,657,650	65,375,020
Corporate	107,126,904	113,678,747
Unsettled transactions	1,791,580	6,278,586
Term deposits		
Retail	226,657,523	175,670,130
Corporate	85,369,264	62,909,841
Total	502,602,921	423,912,324
Held as security against guarantees	2,887,611	1,574,261

At 31 December 2023, current accounts and deposits from customers of AMD 98,508,356 thousand (20%) were due to the ten largest customers (2022: AMD 80,478,569 thousand (19%)).

As at 31 December 2023, the Group has two customers (31 December 2022: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2023 is AMD 59,546,811 thousand (31 December 2022: AMD 49,815,645 thousand).

Unsettled transactions include amounts that were not settled as of 31 December 2023 in Group's customers' accounts. This amount was settled in first working days of January 2024.

In accordance with the Armenian legislation, the Group is obliged to repay deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

19 Debt securities issued

Debt securities issued consisted of the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Domestic bonds issued	21,087,118	5,398,074
Promissory notes	-	807,986
Total debt securities issued	21,087,118	6,206,060

From 2023 March 1 to June 30, the Group issued AMD and USD denominated bonds with nominal amount of AMD 12,178,400 thousand (2022: AMD 3,000,000 thousand) AMD and USD 8,932,100(2022: USD 5,000,000) accordingly.

Carrying value of the domestic bonds issued consisted:

	2023	2022
AMD denominated bonds	15,399,023	3,192,719
USD denominated bonds	5,688,095	2,205,355
Total domestic bonds issued	21,087,118	5,398,074

Annual coupon interest rate and maturity dates for placed bonds are the following:

	AMD	USD	Maturity date
Bonds issued in 2023	11.5%	5.0%	2026
Bonds issued in 2022	11.0%	5.0%	2025

20 Other borrowed funds

Other borrowed funds consisted of the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Borrowings from international financial institutions	56,235,736	44,636,290
Borrowings from Government of Armenia	33,097,468	35,187,132
Borrowings from local financial institutions	2,895,519	2,926,091
Lease liabilities	2,896,371	1,573,639
Other borrowed funds	95,125,094	84,323,152

Borrowings from international financial institutions include AMD, USD and EUR denominated borrowings under several financing programs maturing from 2024 till 2041.

Borrowings from Government of Armenia mainly include AMD denominated borrowings provided under Central Bank of Armenia refinancing programs, maturing from 2024 to 2033.

Borrowings from local financial institutions comprise of AMD borrowings under mortgage refinancing programs, maturing from 2024 to 2035.

As at 31 December 2023, loans to customers and finance lease receivables with a gross value of AMD 33,624,305 thousand (2022: AMD 35,972,279 thousand) serve as collateral for secured borrowings from RA Government and Armenian financial institutions (see Notes 11 and 12).

As at 31 December 2023 the Group has other borrowed funds from two lenders (2022: five lenders), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is AMD 53,903,170 thousand (2022: AMD 77,167,285 thousand).

Breach of covenants. As at 31 December 2023 the Group was in compliance with all covenants.

Lease liabilities. Set out below are the carrying amounts of lease liabilities and the movements during the period:

<i>In thousands of Armenian Drams</i>	2023	2022
As at 1 January	1,573,639	2,091,196
Additions	1,340,678	239,085
Modification	517,653	156,815
Accretion of interest	234,652	107,690
Payments	(886,401)	(658,362)
Forex loss/gain	159,491	(260,564)
Termination of contract	(43,341)	(102,221)
As at 31 December	2,896,371	1,573,639

The Group had total cash outflows for leases of AMD 909,847 thousand in 2023 (2022: AMD 717,033 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AMD 1,340,678 thousand in 2023 (2022: AMD 239,085 thousand).

21 Subordinated loans

As at 31 December 2023 the Group has subordinated loans with gross amount of AMD 12,661,577 thousand (2022: AMD 7,805,036 thousand). Subordinated loans include USD and EUR denominated loans with maturity from 2027 till 2030 and with interest rate from 5.8% to 8.8%.

22 Other liabilities

<i>In thousands of Armenian Drams</i>	2023	2022
Accounts payable	3,603,247	3,998,386
Payables to employees	5,184,045	4,321,118
Provision for liabilities	-	2,666,591
Liabilities for pension payables	-	3,307,766
Provisions for guarantees and letters of credit	8,764	2,152
Provisions for credit-related commitments	65,987	92,611
Total other financial liabilities	8,862,043	14,388,624
Prepayments from lessees	2,876,064	2,982,241
Taxes payable other than on income	825,490	811,643
Payables to Deposit Guarantee fund	186,327	131,143
Other non-financial liabilities	149,916	114,288
Total other non-financial liabilities	4,037,797	4,039,315
Total other liabilities	12,899,840	18,427,939

As of 31 December 2022 provision for liabilities includes provision for certain legal claims brought against the Group in amount AMD 2,666,591 thousand. The bank's appeal was satisfied and is final. The amount is presented in Reversal/ (Charge for) of other impairment and provisions (see note 32). Movements in provisions for liabilities are as follows:

<i>In thousands of Armenian Drams</i>	Note	Total
Provision for legal claim		-
Carrying amount at 1 January 2022		-
Additions charged to profit or loss	32	2,666,591
Carrying amount at 31 December 2022		2,666,591
Reversal		(2,666,591)
Carrying amount at 31 December 2023		-

23 Equity

Issued capital

As at 31 December 2023 and 31 December 2022 the Group's share capital was AMD 22,312,000 thousand. The authorized, issued and outstanding share capital comprises 22,312,000 ordinary shares (2022: 22,312,000 ordinary shares) with a par value of AMD 1,000 (2022: AMD 1,000) each.

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

The list of shareholders of ACBA Federation CJSC is disclosed in Note 1.

Nature and purpose of reserves

Revaluation surplus for property and equipment

The revaluation surplus for land, buildings and motor vehicles comprises the cumulative positive revalued value of land, buildings and motor vehicles until the assets are derecognized or impaired.

Revaluation reserve for investment securities

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

23 Equity (continued)

Non-controlling interest of the Group

Share-based payments

In June 2021 the Group's employees received 147,530 ordinary shares of the Bank from ACBA Federation CJSC, each with a fair value of AMD 12,591 at grant date, with no consideration and conditions attached.

As a result of the transaction the non-controlling interest in the subsidiary increased to 7.95%, the company's share decreased to 92.05%.

In June 2023 the Group's employees received 134,430 ordinary shares of the Bank from ACBA Federation CJSC, each with a fair value of AMD 12,591 at grant date, with no consideration and conditions attached.

As a result of the transaction the non-controlling interest in the subsidiary increased to 2.44%, the company's share decreased to 81.35%. Refer to Note 24.

Increase in ownership in subsidiary

During the year, the Group's share in subsidiary decreased to 81.35% due to share based payments. In 2023, ACBA Federation CJSC also purchased 14,471 ordinary shares of ACBA Bank OJSC in the total amount of AMD 199,602 thousand with a nominal value of AMD 10,000. As a result of the transaction the non-controlling interest in the subsidiary decreased to 0.27% and Group's share in subsidiary equaled to 81.62%.

Dividends paid by subsidiary to non-controlling interests

The dividends paid to non-controlling interests by ACBA Bank OJSC in 2023 and 2022 amounted to AMD 712,838 thousand and AMD 537,421 thousand accordingly.

24 Share-based payments

The ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program

In 2021 ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC announced the commencement of ACBA BANK Open Joint-Stock Company's Employee Stock Ownership Program (hereinafter referred to as the "Program") as an integral part of the remuneration, rewards and promotion, human resources and talent management systems of the ACBA FEDERATION Closed Joint-Stock Company's, ACBA BANK Open Joint-Stock Company's and ACBA LEASING CO Closed Joint-Stock Company's key and loyal employees.

Under the Program ACBA Federation CJSC will give up to 300,000 (three hundred thousand) ordinary shares of the shares of the Bank, each with a nominal value of AMD 10,000), to the employees of ACBA Federation CJSC, ACBA Bank OJSC and ACBA Leasing CO CJSC.

In June 2021 the Group's employees received 145,980 ordinary shares of the Bank from ACBA Federation CJSC, and in June 2023 133,380 ordinary shares with a fair value of AMD 12,591 per share at grant date, with no consideration and conditions attached.

As of 30 June 2023, as a result of two phases of the project total fair value of shares granted to Group's employees in amount of AMD 3,517,422 thousand, from which 440,927 thousand AMD was recognized as personnel expense in the consolidated statement in 2023 (2022: AMD 624,238 thousand) and as shared-based payment reserve in the consolidated statement of changes in equity.

The Bank hired independent consultants for fair value estimation of its shares. Dividend discount approach was applied for valuation of the shares which included the following steps:

- Determination of general assumptions and structure of the financial model;
- Forecast of the balance sheet of the Bank and its subsidiaries;
- Forecast of the financial result of the Bank and its subsidiaries;
- Forecast of dividends with consideration of capital adequacy and liquidity requirements;

- Determination of discount rate;
- Determination of the Bank's terminal value;
- Analysis of assets and liabilities not included in forecast of the financial results;
- Calculation of 100% of the Bank's equity.

Discount rate was determined based on a peer bank's required rate of return on equity.

25 Commitments and contingencies

Operating environment. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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

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

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

Credit related commitments. As at 31 December the Group's commitments and contingencies comprised the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Credit related commitments		
Loan and credit line commitments, credit card commitments	29,184,533	30,658,218
Letters of credit	3,786,483	760,942
Loan commitments	23,660,835	23,004,352
Financial guarantees	4,676,098	121,867
Commitments and contingencies	61,307,949	54,545,379

An analysis of changes in the ECLs during the year ended 31 December 2023 is as follows:

Loans and credit lines and credit card commitments	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECLs as at 1 January 2023	89,281	(905)	4,483	92,859
New exposures	22,733			22,733
Expired exposures	(25,789)	(416)	(1,912)	(28,117)
Transfers to Stage 1	186	(186)	-	-
Transfers to Stage 2	(282)	282	-	-
Transfers to Stage 3	(845)	(67)	912	-
Impact on period end ECL of exposures transferred between stages during the period	(146)	190	1,346	1,390
Changes to models and inputs used for ECL calculations	(22,187)	(477)	(651)	(23,315)
Foreign exchange adjustments	406	6	25	437
At 31 December 2023	63,357	(1,573)	4,203	65,987

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An analysis of changes in the ECLs during the year ended 31 December 2022 is as follows:

Loans and credit lines and credit card commitments	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECLs as at 1 January 2022	202,626	1,407	6,212	210,245
New exposures	43,757	-	-	43,757
Expired exposures	(78,279)	(2,056)	(3,759)	(84,094)
Transfers to Stage 1	692	(692)	-	-
Transfers to Stage 2	(789)	789	-	-
Transfers to Stage 3	(1,185)	(43)	1,228	-
Impact on period end ECL of exposures transferred between stages during the period	(599)	256	1,085	742
Changes to models and inputs used for ECL calculations	(72,952)	(478)	(114)	(73,544)
Foreign exchange adjustments	(3,990)	(88)	(169)	(4,247)
At 31 December 2022	89,281	(905)	4,483	92,859

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit during the year ended 31 December 2023 is as follows:

Guarantees and letters of credit	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2023	23,551,514	8,800	326,847	23,887,161
New assets originated or purchased	27,997,976	-	-	27,997,976
Assets repaid	(19,444,488)	(8,800)	(308,433)	(19,761,721)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(573,493)	573,493	-	-
Transfers to Stage 3	(274,215)	-	274,215	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	31,257,294	573,493	292,629	32,123,416

Guarantees and letters of credit	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2023	1,896	-	8	1,904
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	9,558	-	-	9,558
Assets repaid	(2,637)	-	(8)	(2,645)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(13)	13	-	-
Transfers to Stage 3	(5)	-	5	-
Impact on period end ECL of exposures transferred between stages during the period	-	(4)	-	(4)
Changes to models and inputs used for ECL calculations	(49)	-	-	(49)
Foreign exchange adjustments	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	8,750	9	5	8,764

An analysis of changes in the gross carrying value and corresponding ECL in relation to guarantees and letters of credit during the year ended 31 December 2022 is as follows:

Guarantees and letters of credit	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
Gross carrying value as at 1 January 2022	13,888,264	5,000	237,458	14,130,722
New assets originated or purchased	20,904,641	-	-	20,904,641
Assets repaid	(10,871,975)	(5,000)	(154,983)	(11,031,958)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(8,800)	8,800	-	-
Transfers to Stage 3	(244,372)	-	244,372	-
Foreign exchange adjustments	(116,244)	-	-	(116,244)
At 31 December 2022	23,551,514	8,800	326,847	23,887,161

Guarantees and letters of credit	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of Armenian Drams</i>				
ECL as at 1 January 2022	1,609	-	9	1,618
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	1,833	-	-	1,833
Assets repaid	(1,476)	-	(6)	(1,482)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(6)	-	6	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Changes to models and inputs used for ECL calculations	(61)	-	-	(61)
Foreign exchange adjustments	(3)	-	-	(3)
Total movements with impact on credit loss allowance charge for the period	1,896	-	9	1,905

26 Net interest income

Net interest income comprises:

<i>In thousands of Armenian Drams</i>	2023	2022
Financial assets measured at amortized cost		
Loans to legal entities and individuals	63,207,307	50,140,816
Amounts receivable under reverse repurchase agreements	2,345,126	281,069
Loans and advances to banks	861,244	165,688
Other	190,862	1,460
	66,604,539	50,589,033
Financial assets measured at fair value through other comprehensive income		
Debt instruments	2,066,383	1,317,522
Interest revenue calculated using effective rate	68,670,922	51,906,555
Receivables from finance leases	10,190,524	5,722,526
Other interest income	254,916	130,240
Other interest revenue	10,445,440	5,852,766
Total interest revenue	79,116,362	57,759,321
Interest expense		
Current accounts and deposits from customers	22,474,872	15,565,133
Other borrowed funds and subordinated loans except lease liabilities	7,668,704	7,169,520
Debt securities issued	1,351,543	252,100
Amounts payable under repurchase agreements	199,908	475,780
Other	40,960	673,756
Interest expense calculated using effective interest rate	31,735,987	24,136,289
Lease liabilities	234,652	107,690
Interest expense	31,970,639	24,243,979
Net interest income	47,145,723	33,515,342

27 Net fee and commission income

Net fee and commission income comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Plastic card maintenance and transactions fees	9,081,044	6,031,224
Money transfers	1,183,662	1,404,119
Guarantee and letter of credit issuance	1,004,237	568,406
Current account fees	595,825	281,068
Cash withdrawal services	478,226	731,665
Commissions for acting as an insurance agent	368,697	225,424
Other	226,314	312,903
Commissions from lease equipment suppliers	252,715	148,649

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Fee and commission income	13,190,720	9,703,458
Plastic card maintenance	4,629,582	3,093,747
Other	316,835	241,179
Money transfers	146,893	316,813
Fee and commission expense	5,093,310	3,651,739
Net fee and commission income	8,097,410	6,051,719

28 Other income

<i>In thousands of Armenian Drams</i>	2023	2022
Net proceeds from sale of other assets	134,566	55,708
Net income from card transactions	117,195	1,937
Income from write-off payables	95,566	33,326
Compensation received	27,841	-
Dividends	3,185	9,199
Fines and penalties received	1,394	1,077
Gain from sale of land and buildings	-	1,212,817
Other	472,973	132,936
Total other income	852,720	1,447,000

29 Other operating expenses

Other operating expenses comprise:

<i>In thousands of Armenian Drams</i>	2023	2022
Guarantee fees on deposit insurance fund	693,668	485,210
Loan collection expenses	265,840	367,100
Loss on disposal of property, plant and equipment	209,150	150,469
Encashment expenses	205,715	232,930
Taxes other than on income	178,594	342,734
Financial system mediator payments	112,250	78,848
Membership fees	402,060	45,480
Securities registry maintenance fee	19,503	13,288
Fines and penalties paid	2,317	8,433
Other	959,582	721,903
Other operating expenses	3,048,679	2,446,395

30 Other general administrative expenses

<i>In thousands of Armenian Drams</i>	2023	2022
Advertising and marketing	903,930	876,962
Repairs and maintenance	1,280,072	854,530
Software maintenance expense	431,020	484,258
Communications	414,612	358,974
Security	324,206	303,442
Other managerial expenses	280,121	110,150
Utilities and office supplies	267,551	254,693
Insurance	221,553	191,136
Representative expenses	265,251	182,632
Operating lease expense	23,446	58,671
Other	537,156	380,446
Other general administrative expenses	4,948,918	4,055,894

The Group recognised rent expense from short-term leases of AMD 5,048 thousand and leases of low-value assets of AMD 18,398 thousand for the year ended 31 December 2023 (2022 – rent expense from short-term leases of AMD 6,381 thousand and leases of low-value assets of AMD 52,290 thousand).

“Other” line includes audit services provided to the Group for the financial year ending 31 December 2023 in the amount of AMD 88,518 thousand (2022: AMD 86,178 thousand), non-audit assurance services in the amount of AMD 7,200 thousand (2022: none) and non-audit other services in the amount of AMD 1,172 thousand (2022: none). For some components of the Group the mentioned amounts are VAT inclusive.

31 Reversal/(Charge for) of other impairment and provisions

<i>In thousands of Armenian Drams</i>	2023	2022
Provision reversal/(charge) for liabilities (note 22)	2,663,662	(2,666,591)
Impairment charge for intangible assets	(3,217)	(591,800)
Release on disposal of repossessed assets	123,303	(24,994)
Reversal (charge) for other impairment and provisions	2,783,748	(3,283,385)

32 Risk management

Introduction. Risk is inherent in the Group's activities, but it is managed through an ongoing process of identification, measurement, and monitoring, overseen by dedicated roles and departments within the organization. This process is subject to defined risk limits and reinforced by permanent controls. Accountability for managing risk exposures is distributed across the Group, with each individual responsible for risks within their purview.

The major risks that the Group faces include credit risk, liquidity risk, market risk (which encompasses trading and non-trading risks), and operational risk. Additionally, the Group remains vigilant regarding emerging risks, such as cybersecurity threats, and ensures compliance with regulatory standards governing risk management practices. Quantitative assessments of these risks are regularly conducted to inform decision-making and safeguard the Group's profitability and stability.

Risk management structure. The Board holds ultimate responsibility for identifying and controlling risks within the organization. Nevertheless, distinct independent bodies are designated with the specific duties of managing and monitoring these risks.

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

Risk Management Committee to the Board. Revises and approves the Standards and other documents governing the credit risk management. Sets appropriate limits for credit risk exposure, including limits that shall apply in crisis situations, in accordance with the organization's size, complexity and financial position, and designs appropriate approval procedures governing cases where the limit is exceeded.

Chief Executive Officer. The Chief Executive Officer has the responsibility to monitor and manage the overall risk process.

Risk Management Committee to the Executive management. The Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management and Compliance Department. The Risk Management and Compliance Department is primarily responsible for the identification, measurement, monitoring, and management of major risks within the organization, followed by comprehensive reporting after each step to ensure an independent control process.

Assets and Liabilities Management Division. The Assets and Liabilities Management Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

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

Risk measurement and reporting systems. The Group takes individual approach when analyzing and assessing different types of risks through applying statistical models, sensitivity analysis, as well

as analyzing the dynamics of various risk indicators and taking appropriate actions in case of necessity. The models are further back tested for checking the validity. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

Credit risk information related to all the business lines is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Chief Executive Officer, the Risk Management Committee, and the head of each business division. The report to Risk Management Committee includes aggregate credit exposure analysis, credit concentration limits monitoring results, GAP analysis, VaR estimations, liquidity ratios and benchmark analysis, stress test analysis, overall risk appetite control and risk profile changes. On a quarterly basis detailed reporting of industry, customer and business line risks takes place.

The Risk Management Committee convenes to discuss critical risk issues and endorses actions to mitigate and control them. The Board receives a comprehensive risk report on a quarterly basis, providing essential information to evaluate and make decisions regarding the Group's risks.

Tailored risk reports are meticulously prepared and disseminated throughout all levels of the organization, ensuring that every business division has access to relevant, current information.

Periodical alerts are issued in the event of breaches of risk limits, varying based on the type of breach and its urgency. These alerts are communicated to the relevant business divisions of the Group, as well as to the Chief Executive Officer, for discussion and implementation of corresponding actions.

Risk mitigation. As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

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

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

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting risk appetite limits for the Group and its separate business lines and concentration limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industrial concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks. The Group makes available to its customers financial guarantees and letters of credit which may require that the Group make payments on their behalf. Such payments are collected from customers based on the contractual terms. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk of financial instrument. The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 11 and 12.

Impairment assessment. The Group computes Expected Credit Loss (ECL) through the evaluation of three probability-weighted scenarios to measure anticipated cash shortfalls, discounted at the Effective Interest Rate (EIR) at origination. A cash shortfall is defined as the variance between the contractual cash flows owed to an entity and the anticipated cash flows the entity expects to receive, factoring in potential credit risk. The mechanics of the ECL calculations are detailed below, with key elements including:

PD	The Probability of Default (PD) represents an estimation of the likelihood of default occurring within a defined time horizon. Default may occur at any point within the assessed period if the facility remains in the portfolio and has not been derecognized previously.
EAD	The Exposure at Default (EAD) is an estimation of the exposure at a future default date, considering anticipated changes in exposure post-reporting date. This includes scheduled or unscheduled repayments of principal and interest, expected drawdowns on committed facilities, and accrued interest resulting from missed payments.
LGD	The Loss Given Default (LGD) represents an estimation of the loss arising in the event of default at a specific time. It is determined by comparing the contractual cash flows due with those expected to be received by the lender, considering any collateral realization or future expected recoveries. Typically, LGD is expressed as a percentage of the Exposure at Default (EAD).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LT ECL). In case there has been no significant increase in credit risk since financial instrument origination the allowance is based on the 12 months' expected credit loss. The 12m ECL is the part of the LT ECL that represents the ECLs that could arise from financial instrument default events within a year of the reporting date. LT ECL and 12m ECL are computed either individually or collectively, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to assess, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LT ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-

adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure. The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when:

- the borrower becomes 91 days past due on its contractual payments;
- all liabilities of the given borrower, if at least one of them has more than 90 overdue days in the Bank and/or other financial organizations (also includes the affiliation of a natural person and an individual entrepreneur);
- all the liabilities of the given borrower, if at least one of the liabilities of the affiliated persons is more than 90 days overdue in the Bank;
- refinanced or revised assets due to borrower's poor financial condition, for which there are more than 30 overdue days with the Bank.

The Group considers amounts due from banks defaulted and takes immediate action if counterparty at the end of reporting date fails to do payment of the accrued interest (coupon) and/or principal amount more than 15 business days.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as:

- the quality of credits due to affiliated parties;
- the state of being rescheduled;
- the outcome of financial monitoring, which are approved by the management;
- reduction of loan security - as a result of total or partial loss of collateral by the mortgagor, physical damage or illegal sale, or decrease in the loan security ratio due to a decrease in the market value
- concentration of loans to other persons, including concentration to family members. Refusal to repay loans by the borrower and presence of more than 30 overdue days. This criterion is assigned to all loans to which the monitoring conclusion applies;
- force majeure: death of the borrower or the sole owner, disability, serious illnesses. This criterion is applied to all loans of the customer, and
- natural disasters or epidemics. This criterion is assigned to all loans to which the monitoring conclusion applies.

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

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the debt service by the borrower and existence of other non-primary SICR criteria as of date of the assessment.

PD estimation process

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

Loans to customers

Bucketing. For stage 1 and stage 2 loans to customers, as well as for stage 3 exposures, which are not subject for individually impairment, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Bank, which, in order to evaluate the PD PIT matrices, are further sub-bucketed into smaller target groups.

- Corporate loans;
- Consumer loans;
- Agricultural loans;

- Mortgages loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters. Time series regression analysis are assessed by the following sectors: agriculture, business, consuming and mortgage, the outcome of which are then cascaded down to the predefined sub-buckets of loans to arrive to the PD PIT transition matrices.

Based on the estimated deviation of the historical forecasts of the selected macroeconomic parameters from the actual trends three scenarios of the forward-looking macroeconomic development are directed to the final outcome of three PD PIT transition matrices, which are weighted by 15%, 70% and 15% probabilities corresponding to the best, base and worst-case scenarios.

Exposure at default. The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default. The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. For the purposes of LGD rate calculation the initial bucketing used for PD PIT estimation is further sub-bucketed based on the type of collateral. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties;
- Significant difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- The outcome of the financial monitoring of the borrower's activity.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

2023

- Exchange rate USD/AMD, monthly average;
- Export, %;

- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Service annual growth;
- Industrial production annual growth;
- Exchange rate USD/AMD, end-period;
- GDP growth, %;

2022

- Industrial production annual growth;
- Consumer price inflation;
- Import annual growth;
- Service annual growth;
- Exchange rate USD/AMD, end-period
- Agricultural production annual growth;
- State budget of RA, deficit/ surplus;
- Stock of money M2 growth;.

The Group obtains the forward-looking information from third party sources (Economic Intelligence Unit, Central Bank of Republic of Armenia and RA MINFIN). 15%, 70% and 15% probabilities are attributed to each of the corresponding scenarios: best case, base and the worst-case scenarios.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations as at 31 December 2023. Macro Variables Selected by Backward selection method, and every parameter is selected based on its statistically significance. The reversal of ECL is attributed to favourable macroeconomic conditions and recoveries.

Key drivers	ECL scenario	Assigned probabilities, %	2024	2025	2026
Exchange rate USD/AMD, monthly average	Upside	15%	368.46	353.87	383.03
	Base case	70%	389.24	394.94	448.73
	Downside	15%	410.02	438.27	521.53
Export, %	Upside	15%	-5.76%	6.77%	8.44%
	Base case	70%	-9.50%	2.60%	4.00%
	Downside	15%	-13.24%	-1.57%	-0.44%
Agricultural production annual growth, %	Upside	15%	6.24%	7.07%	7.34%
	Base case	70%	2.50%	2.90%	2.90%
	Downside	15%	-1.24%	-1.27%	-1.54%
State budget of RA, deficit/ surplus, million AMD	Upside	15%	(115,920)	(131,975)	(146,097)
	Base case	70%	(302,500)	(319,700)	(334,500)
	Downside	15%	(489,080)	(507,425)	(522,903)
Service annual growth, %	Upside	15%	9.44%	9.67%	9.54%
	Base case	70%	5.70%	5.50%	5.10%
	Downside	15%	1.96%	1.33%	0.66%
Industrial production annual growth, %	Upside	15%	9.72%	9.10%	8.18%
	Base case	70%	6.20%	6.10%	5.50%
	Downside	15%	2.68%	3.10%	2.82%
Exchange rate USD/AMD, end-period	Upside	15%	368.52	353.92	383.09
	Base case	70%	389.30	395.00	448.80

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	Downside	15%	410.08	438.34	521.61
GDP growth, %	Upside	15%	9.84%	9.87%	9.84%
	Base case	70%	6.10%	5.70%	5.40%
	Downside	15%	2.36%	1.53%	0.96%

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations 31 December 2022.

Key drivers	ECL scenario	Assigned probabilities, %	2023	2024	2025
Industrial production annual growth, %	Upside	15%	9.92%	9.01%	7.81%
	Base case	70%	5.70%	5.90%	5.20%
	Downside	15%	1.48%	2.79%	2.59%
Consumer price inflation, % (cum)	Upside	15%	1.60%	1.29%	1.02%
	Base case	70%	3.90%	4.00%	4.00%
	Downside	15%	6.20%	6.71%	6.98%
Import annual growth, %	Upside	15%	5.56%	7.51%	8.40%
	Base case	70%	1.80%	3.30%	3.90%
	Downside	15%	-1.96%	-0.91%	-0.60%
Service annual growth, %	Upside	15%	7.76%	8.11%	8.50%
	Base case	70%	4.00%	3.90%	4.00%
	Downside	15%	0.24%	-0.31%	-0.50%
Exchange rate USD/AMD, end-period	Upside	15%	427.12	407.58	383.29
	Base case	70%	446.30	447.60	443.70
	Downside	15%	465.48	489.49	510.13
Agricultural production annual growth, %	Upside	15%	8.36%	8.61%	8.70%
	Base case	70%	1.40%	1.80%	2.70%
	Downside	15%	0.84%	0.19%	-0.30%
State budget of RA, deficit (-) / surplus (+), mln. AMD	Upside	15%	(116,679)	(78,440)	(17,090)
	Base case	70%	(292,200)	(273,300)	(225,567)
	Downside	15%	(467,721)	(468,160)	(434,043)
Stock of money M2 growth, %	Upside	15%	18.73%	13.28%	13.43%
	Base case	70%	14.90%	9.20%	9.20%
	Downside	15%	11.07%	5.12%	4.97%

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by AMD 15,471 thousand at 31 December 2023 (2022: by AMD 30,973). A corresponding change towards the upside assumptions would result in a decrease in ECL by AMD 13,793 thousand at 31 December 2023 (2022: by AMD 25,785 thousand).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of AMD 168,005 thousand at 31 December 2023 (2022: AMD 174,216 thousand). A 10% decrease in PD estimates would result in a decrease in total expected credit loss allowances of AMD 168,005 thousand at 31 December 2023 (2022: AMD 471,191 thousand). A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of AMD 497,460 thousand at 31 December 2023 (2022: AMD 376,340 thousand). A 10% decrease in LGD estimates would result in a decrease in total expected credit loss allowances of AMD 499,140 thousand at 31 December 2023 (2022: AMD 376,220 thousand).

Credit quality per class of financial assets. The following table provides information on the credit quality of net loans to legal entities and individuals and receivables from finance lease as at 31 December 2023 and 31 December 2022:

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2023 <i>In thousands of Armenian Drams</i>	Note	High grade	Standard Grade	Sub- standard Grade	Impaired	Total	
Loans to customers at amortized cost							
Corporate lending	12	Stage 1	171,666	179,647,978	-	-	179,819,644
		Stage 2	-	-	3,750,067	-	3,750,067
		Stage 3	-	-	-	4,738,955	4,738,955
		POCI	-	-	-	-	-
Agricultural loans		Stage 1	701,738	83,536,755	-	-	84,238,493
		Stage 2	-	-	949,173	-	949,173
		Stage 3	-	-	-	1,628,665	1,628,665
Consumer loans		Stage 1	3,212,308	104,992,424	-	-	108,204,732
		Stage 2	16,197	-	1,473,999	-	1,490,196
		Stage 3	19,006	-	-	2,002,259	2,021,265
Credit cards		Stage 1	863,206	10,885,987	-	-	11,749,193
		Stage 2	2,544	-	163,080	-	165,624
		Stage 3	6,188	-	-	348,322	354,510
Mortgage loans		Stage 1	-	52,441,478	-	-	52,441,478
		Stage 2	-	-	577,610	-	577,610
		Stage 3	-	-	-	768,803	768,803
		POCI	-	-	-	29,681	29,681
Gold-secured loans		Stage 3	-	-	-	-	-
Receivables from finance lease	12	Stage 1	-	82,769,521	-	-	82,769,521
		Stage 2	-	-	206,263	-	206,263
		Stage 3	-	-	-	430,642	430,642
Total			4,992,853	514,274,143	7,120,192	9,947,327	536,334,515

2022 <i>In thousands of Armenian Drams</i>	Note	High grade	Standard Grade	Sub- standard Grade	Impaired	Total	
Loans to customers at amortized cost							
Corporate lending	12	Stage 1	-	136,903,499	-	-	136,903,499
		Stage 2	-	-	4,426,855	-	4,426,855
		Stage 3	-	-	-	3,395,604	3,395,604
		POCI	-	-	-	21,311	21,311
Agricultural loans		Stage 1	-	104,516,713	-	-	104,516,713
		Stage 2	-	-	1,368,169	-	1,368,169
		Stage 3	-	-	-	1,880,967	1,880,967
Consumer loans		Stage 1	2,114,998	93,362,575	-	-	95,477,573
		Stage 2	-	-	1,995,818	-	1,995,818
		Stage 3	-	-	-	2,307,086	2,307,086
Credit cards		Stage 1	712,319	10,458,618	-	-	11,170,937
		Stage 2	-	-	218,235	-	218,235
		Stage 3	-	-	-	429,087	429,087
Mortgage loans		Stage 1	-	40,897,873	-	-	40,897,873
		Stage 2	-	-	654,365	-	654,365
		Stage 3	-	-	-	622,267	622,267
		POCI	-	-	-	32,303	32,303
Gold-secured loans		Stage 3	-	-	-	135	135
Receivables from finance lease	12	Stage 1	-	52,353,433	-	-	52,353,433
		Stage 2	-	-	762,854	-	762,854
		Stage 3	-	-	-	306,934	306,934
Total			2,827,317	438,492,711	9,426,296	8,995,694	459,742,018

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The tables below present average PDs per grades for loans to customers and receivables from finance lease under baseline scenario as of 31 December 2023 and 31 December 2022:

2023	Grade	Average PD
Corporate lending	Standard	1.0%
	Sub-standard	6.1%
	Impaired	100.0%
Agricultural loans	Standard	0.8%
	Sub-standard	4.6%
	Impaired	100.0%
Consumer loans	Standard	1.4%
	Sub-standard	17.7%
	Impaired	100.0%
Credit cards	Standard	1.1%
	Sub-standard	15.5%
	Impaired	100.0%
Mortgage loans	Standard	0.8%
	Sub-standard	9.1%
	Impaired	100.0%
Gold-secured loans	Standard	-
	Sub-standard	-
	Impaired	100.0%
Receivables from finance lease	Standard	1.1%
	Sub-standard	9.1%
	Impaired	100.0%

2022	Grade	Average PD
Corporate lending	Standard	1.2%
	Sub-standard	5.2%
	Impaired	100.0%
Agricultural loans	Standard	1.2%
	Sub-standard	5.5%
	Impaired	100.0%
Consumer loans	Standard	1.8%
	Sub-standard	12.9%
	Impaired	100.0%
Credit cards	Standard	1.4%
	Sub-standard	10.1%
	Impaired	100.0%
Mortgage loans	Standard	0.3%
	Sub-standard	8.4%
	Impaired	100.0%
Gold-secured loans	Standard	-
	Sub-standard	-
	Impaired	100.0%
Receivables from finance lease	Standard	1.3%
	Sub-standard	6.7%
	Impaired	100.0%

* High-grade loans, backed by cash collateral, do not carry Probability of Default (PD) as no Expected Credit Loss (ECL) calculation is necessary for them. The exposure of high grade loans as of 31 December 2023 is AMD 4,992,853 thousand (agreement amount: AMD 9,750,506 thousand, the cash collateral for this loans is AMD 11,079,765 thousand).

Credit quality per class of financial assets. The credit quality of financial assets below is managed by the Group based on external credit ratings. Not rated exposures are classified in Standard Grade, unless they are impaired.

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As at 31 December 2023:

<i>In thousands of Armenian Drams</i>	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	7	Stage 1	9,530,941	45,280,966	689,588	55,501,495
Loans and advances to banks	9	Stage 1	4,187,341	95,279,638	-	99,466,979
Debt securities at FVOCI	10	Stage 1	-	18,534,900	-	18,534,900
Total			13,718,282	159,095,504	689,588	173,503,374

As at 31 December 2022:

<i>In thousands of Armenian Drams</i>	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	7	Stage 1	897,726	65,820,809	-	66,718,535
Loans and advances to banks	9	Stage 1	-	50,917,404	-	50,917,404
Debt securities at amortised cost	10	Stage 2	-	-	169,536	169,536
Debt securities at FVOCI	10	Stage 1	-	21,285,791	-	21,285,791
Total			897,726	138,024,004	169,536	139,091,266

The table below shows the mapping of the Group's grading system and external ratings of the counterparties as at 31 December 2023 and 31 December 2022.

2023:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.17% -3.22%
Caa1 to Ca	Sub-standard grade	9.09%
C	Impaired	100%

2022:

International external rating agency (Moody's) rating	Internal rating description	PD
Aaa to A3	High grade	0-0.05%
Baa1 to B3	Standard	0.2-3.2%
Caa1 to Ca	Sub-standard grade	9.6%
C	Impaired	100%

Liquidity risk and funding management. Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Based on its own liquidity risk model, the bank employs a variety of tools to monitor and manage liquidity risks. The stress scenario within the Bank that underlies the model and is relevant for management purposes, takes into consideration of both a bank specific stress event and a broader market crisis.

To limit this risk, management has arranged diversified funding sources in addition to its core deposit base. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

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

The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Group, based on certain liquidity ratios established by the CBA. For this purpose, high liquid assets include cash, nostro accounts, debt

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securities issued by Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or use of which is not restricted in any way. Liabilities payable on demand include current accounts and demand deposits of customers, as well as any other liability that is payable on demand.

As at 31 December, these ratios of were as follows:

	Threshold	2023, %	2022, %
N2.1 "General Liquidity Ratio" (highly liquid assets / total assets)	min 15%	23.97%	20.51%
N2.2 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	min 60%	102.95%	72.5%

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

As at 31 December 2023					
<i>In thousands of Armenian Drams</i>	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Deposits and balances from banks	1,153,556	-	3,278	16,432	1,173,266
Current accounts and deposits from customers	259,169,479	173,990,944	82,311,753	14,019,859	529,492,035
Debt securities issued	150,974	119,102	20,817,043	-	21,087,119
Subordinated loans	162,275	599,589	10,212,355	5,223,430	16,197,649
Other borrowed funds except lease liabilities	4,609,294	20,471,538	65,204,618	16,425,210	106,710,660
Other financial liabilities	8,862,043	-	-	-	8,862,043
Total undiscounted financial liabilities	274,107,621	195,181,173	178,549,047	35,684,931	683,522,772
Loan and credit line commitments	29,184,533	-	-	-	29,184,533
Guarantees and letters of credit	32,123,416	-	-	-	32,123,416

As at 31 December 2022					
<i>In thousands of Armenian Drams</i>	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Deposits and balances from banks	9,663,807	199,387	78,254	-	9,941,448
Current accounts and deposits from customers	218,509,546	135,280,953	74,824,334	6,709,127	435,323,960
Debt securities issued	-	912,878	-	-	912,878
Subordinated loans	25,998	3,793,384	9,500,314	-	13,319,696
Other borrowed funds except lease liabilities	3,772,330	22,689,277	69,664,264	3,503,205	99,629,076
Other financial liabilities	13,358,184	1,030,440	-	-	14,388,624
Total undiscounted financial liabilities	245,329,865	163,906,319	154,067,166	10,212,332	573,515,682
Loan and credit line commitments	30,658,218	-	-	-	30,658,218
Guarantees and letters of credit	23,887,161	-	-	-	23,887,161

The analysis of lease liabilities at 31 December 2023 is as follows:

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<i>In thousands of Armenian Drams</i>	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years	Total
Lease liabilities	684,290	622,763	415,345	351,449	263,791	558,733	2,896,371

The analysis of lease liabilities at 31 December 2022 is as follows:

<i>In thousands of Armenian Drams</i>	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years	Total
Lease liabilities	141,021	163,982	76,090	668,774	2,252	521,520	1,573,639

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in due to customers in the table above are time deposits of individuals. In accordance with Armenia's legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. These deposits are classified in the table above in accordance with their stated maturity dates.

Market risk. Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations.

Interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets measured at FVOCI at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	2023		
	Increase in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	1.50%	53,509	53,509
USD	1.25%	(213,754)	(213,754)
EUR	1.25%	(97,248)	(97,248)

Currency	2023		
	Decrease in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	1.50%	(53,509)	(53,509)
USD	1.25%	213,754	213,754
EUR	1.25%	97,248	97,248

Currency risk. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set stricter limits on positions by currency compared to the CBA regulations. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 31 December. The analysis calculates the effect of a reasonably possible movement of the currency rate against AMD,

with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in statement of profit or loss or equity, while a positive amount reflects a net potential increase. The Management Board has set risk appetite limits on the currency and interest rate risk. The bank's Board also approved risk appetite, risk tolerance and risk capacity limits for different IRR and FX limits.

Currency	2023		2022	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	20.00%	(2,130,694)	20.00%	(681,457)
USD	(20.00%)	2,130,694	(20.00%)	681,457
EUR	20.00%	569,776	8.50%	151,054
EUR	(20.00%)	(569,776)	(8.50%)	(151,054)

Prior to the date of the event that the LIBOR stopped operating, the Group signed amendment agreements with all lenders to replace it with the alternative benchmark rate, all agreements have been updated. Floating-rate loans have been linked to 6-month term SOFR rates published by CME for USD loans and EURIBOR for EUR loans. The same benchmark rates are applied to the floating rate sub-loans provided by the Bank to the clients.

The table below shows the Group's exposure at the year ended 31 December 2023.

31 December 2023 <i>In thousands of Armenian Drams</i>	Non-derivative financial assets – carrying value	Non-derivative financial liabilities carrying value	Derivatives Nominal amount
EURLIBOR	1,166,833	8,946,688	946,688
SOFR USD (6 months)	11,157,803	28,258,147	9,829,575
AMD T-Bill	12,009,079	8,441,784	-

Operational risk. Operational risk is the risk of loss arising from systems failure, inadequate or failed internal processes, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. The Group has adopted the three lines of defence in the scope of the operational risk management; the first line of defence provided by the front line staff and operational management, the second line of defence provided by the risk management and compliance functions and the third line of defence provided by the internal audit function.

The operational risk management system includes the following key aspects: risk mapping, incident analysis and permanent controlling function. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. The Management Board has also set risk appetite limit on operational risk.

33 Fair value measurements

Fair value measurement procedures. The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and securities at FVTPL and at FVOCI, derivatives, investment property and buildings, vehicles and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as land and buildings, vehicles. Involvement of external valuers is decided by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value hierarchy. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<i>In thousands of Armenian Drams</i> At 31 December 2023	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	199,957	-	199,957
Equity instruments	2,775,053	-	-	2,775,053
Financial assets at fair value through other comprehensive income				
Debt instruments	-	18,534,900	-	18,534,900
Equity instruments	11,343	-	-	11,343
Unquoted equity securities – local companies	-	-	101,640	101,640
Non-financial assets				
Property and equipment –land and buildings, motor vehicles	-	-	16,711,465	16,711,465
Assets for which fair values are disclosed				
Cash and cash equivalents	22,665,289	55,494,560	-	78,159,849
Loans and advances to banks	-	32,832,740	66,577,774	99,410,514
Receivables from finance leases	-	-	83,406,426	83,406,426
Other financial assets	-	-	2,781,593	2,781,593
Loans to customers	-	-	452,928,089	452,928,089
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	189,413,283	313,189,638	502,602,921
Debt securities issued	-	21,087,118	-	21,087,118
Deposits and balances from banks	-	428,504	724,390	1,152,894
Subordinated loans	-	-	12,661,577	12,661,577
Other borrowed funds	-	-	95,125,094	95,125,094
Other financial liabilities	-	-	8,862,043	8,862,043

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In thousands of Armenian Drams At 31 December 2022	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
Derivative financial assets	-	363,284	-	363,284
Equity instruments	2,153,118	-	-	2,153,118
Financial assets at fair value through other comprehensive income				
Debt instruments	-	21,285,791	-	21,285,791
Equity instruments	10,638	-	-	10,638
Unquoted equity securities – local companies	-	-	101,640	101,640
Non-financial assets				
Property and equipment –land and buildings, motor vehicles	-	-	16,397,817	16,397,817
Assets for which fair values are disclosed				
Cash and cash equivalents	21,703,944	66,665,341	-	88,369,285
Loans and advances to banks	-	24,453,149	26,353,081	50,806,230
Debt securities at amortised cost	-	-	90,340	90,340
Receivables from finance leases	-	-	53,423,221	53,423,221
Other financial assets	-	-	1,529,376	1,529,376
Loans to customers	-	-	406,318,797	406,318,797
Liabilities for which fair values are disclosed				
Current accounts and deposits from customers	-	179,310,388	244,601,936	423,912,324
Debt securities issued	-	6,206,060	-	6,206,060
Deposits and balances from banks	-	6,444,304	3,493,330	9,937,634
Subordinated loans	-	-	7,805,036	7,805,036
Other borrowed funds	-	-	84,323,152	84,323,152
Other financial liabilities	-	-	14,388,624	14,388,624

Fair value of financial assets and liabilities not carried at fair value. Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

In thousands of Armenian Drams	2023			2022		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	78,159,849	78,159,849	-	88,369,285	88,369,285	-
Loans and advances to banks	99,410,514	99,410,514	-	50,806,230	50,806,230	-
Investment securities – debt securities at amortised cost	-	-	-	90,340	90,340	-
Loans to customers	452,928,089	452,928,089	-	406,318,797	405,374,629	(944,168)
Receivables from finance leases	83,406,426	83,406,426	-	53,423,221	53,423,221	-
Other financial assets	2,781,593	2,781,593	-	1,529,376	1,529,376	-
Financial liabilities						
Current accounts and deposits from customers	502,602,921	502,602,921	-	423,912,324	423,912,324	-
Debt securities issued –	21,087,118	21,087,118	-	6,206,060	6,206,060	-
Deposits and balances from banks	1,152,894	1,152,894	-	9,937,634	9,937,634	-
Subordinated loans	12,661,577	12,661,577	-	7,805,036	7,805,036	-
Other borrowed funds	95,125,094	95,125,094	-	84,323,152	84,323,152	-
Other financial liabilities	8,862,043	8,862,043	-	14,388,624	14,388,624	-
Total unrecognised change in fair value			-			(944,168)

As at 31 December 2023 the estimated fair values of all financial instruments approximate their carrying values.

Valuation techniques and assumptions. The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fair value measurement of non-financial assets

Fair value of the properties was determined by using market comparable method. The estimated fair values of the land and buildings are categorized within Level 3 of the fair value hierarchy. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Land and Buildings

The fair values of the office Land and buildings are estimated using income and market approaches. The income approach has been applied capitalizing the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property, including size, location, constructional-engineering features of the building, technical (physical) condition, encumbrances, and purpose of use.

The significant unobservable input is the adjustment for factors specific to the property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The fair value of buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. According to the accounting policy of the Bank, properties subject to evaluation are revaluated once in 3 years if there are no significant deviations in the market. A study was conducted for 2023 and no significant deviations were recorded according to the estimates. The weighted average deviation is 13.8% in the AMD 1,225,965 thousand total amount.

Derivatives. Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through other comprehensive income. Investment securities measured at fair value through other comprehensive income are valued using a valuation technique or pricing models primarily consist of Armenian Government debt securities. These securities are valued using yield curves which incorporate data observable in the market and published by CBA.

34 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

See Note 32 Risk management for the Group's contractual undiscounted repayment obligations.

<i>In thousands of Armenian Drams</i>	2023			2022		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	78,159,849	-	78,159,849	88,369,285	-	88,369,285
Derivative financial assets	199,957	-	199,957	36,273	327,011	363,284
Loans and advances to banks	62,018,357	37,392,157	99,410,514	25,255,153	25,551,077	50,806,230
Investment securities	5,860,266	15,562,670	21,422,936	6,472,071	17,169,456	23,641,527
Loans to customers	143,362,122	309,565,967	452,928,089	137,267,035	269,051,762	406,318,797
Receivables from finance leases	22,914,591	60,491,835	83,406,426	13,192,596	40,230,625	53,423,221
Investments in associates	-	1,775,530	1,775,530	-	1,362,224	1,362,224
Property, equipment and intangible assets	-	31,911,659	31,911,659	-	28,948,668	28,948,668
Other assets	14,736,249	5,519,197	20,255,446	13,199,506	2,915,374	16,114,880
Total	327,251,391	462,219,015	789,470,406	283,791,919	385,556,197	669,348,116

<i>In thousands of Armenian Drams</i>	2023			2022		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Deposits and balances from banks	1,152,894	-	1,152,894	9,863,194	74,440	9,937,634
Current accounts and deposits from customers	420,263,555	82,339,366	502,602,921	217,027,192	206,885,132	423,912,324
Debt securities issued	269,143	20,817,975	21,087,118	4,023,967	2,182,093	6,206,060
Other borrowed funds	24,413,714	70,711,380	95,125,094	23,311,073	61,012,079	84,323,152
Subordinated loans	105,126	12,556,451	12,661,577	89,389	7,715,647	7,805,036
Current income tax liabilities	3,813,513	-	3,813,513	4,698,987	-	4,698,987
Deferred tax liabilities	-	732,149	732,149	-	1,016,530	1,016,530
Other liabilities	12,899,840	-	12,899,840	18,427,939	-	18,427,939
Total	462,917,785	187,157,321	650,075,106	277,441,741	278,885,921	556,327,662
Net	(135,666,394)	275,061,694	139,395,300	6,350,178	106,670,276	113,020,454

The maturity analysis does not reflect the historical stability of current accounts and deposits from customers. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts within one year in the tables above.

In accordance with the Armenian legislation, Group is obliged to repay deposits upon demand of a depositor. Refer to Note 18.

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31 December 2023 <i>In thousands of Armenian Drams</i>	Non- performing/ overdue	Time	demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	No term	Total
Financial assets									
Cash and cash equivalents	-	-	78,159,849	-	-	-	-	-	78,159,849
Derivative financial assets	-	-	199,957	-	-	-	-	-	199,957
Loans and advances to banks	-	-	62,018,357	-	-	-	-	37,392,157	99,410,514
Investment securities	-	-	8,070	154,501	5,697,695	10,886,221	1,788,413	2,888,036	21,422,936
Loans to customers	644,010	8,250,895	15,114,543	21,538,345	97,814,329	188,368,353	121,197,614	-	452,928,089
Receivables from finance leases	18,284	903,685	3,530,502	4,218,431	14,243,689	54,803,538	5,688,297	-	83,406,426
Other financial assets	-	-	2,781,593	-	-	-	-	-	2,781,593
Total	662,294	9,154,580	161,812,871	25,911,277	117,755,713	254,058,112	128,674,324	40,280,193	738,309,364
Financial liabilities									
Deposits and balances from banks	-	-	851,071	-	301,823	-	-	-	1,152,894
Current accounts and deposits from customers	-	-	205,366,218	48,932,110	165,965,227	77,765,752	4,573,614	-	502,602,921
Debt securities issued – domestic bonds issued	-	-	-	150,042	119,101	20,817,975	-	-	21,087,118
Other borrowed funds	-	-	1,377,464	4,462,755	18,573,495	58,809,216	11,902,164	-	95,125,094
Other financial liabilities	-	-	3,613,435	-	5,248,608	-	-	-	8,862,043
Subordinated loans	-	-	-	-	105,126	1,791,600	10,764,851	-	12,661,577
Total	-	-	211,208,188	53,544,907	190,313,380	159,184,543	27,240,629	-	641,491,647
Net Liquidity GAP	662,294	9,154,580	(49,395,317)	(27,633,630)	(72,557,667)	94,873,569	101,433,695	40,280,193	96,817,717
Cumulative Liquidity GAP			(39,578,443)	(67,212,073)	(139,769,740)	(44,896,171)	56,537,524	96,817,717	

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31 December 2022 <i>In thousands of Armenian Drams</i>	Non-performing/overdue		demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	No term	Total
		time							
Financial assets									
Cash and cash equivalents	-	-	88,369,285	-	-	-	-	-	88,369,285
Derivative financial assets	-	-	36,273	-	-	327,011	-	-	363,284
Loans and advances to banks	-	-	25,255,153	-	-	1,097,928	-	24,453,149	50,806,230
Investment securities	-	-	8,033	4,799,078	1,664,960	14,208,066	695,994	2,265,396	23,641,527
Loans to customers	436,221	11,686,759	9,099,806	19,252,386	96,791,863	210,814,145	57,528,223	709,394	406,318,797
Receivables from finance leases	10,020	218,607	1,819,257	2,525,913	8,618,799	40,230,625	-	-	53,423,221
Other financial assets	-	-	1,529,376	-	-	-	-	-	1,529,376
Total	446,241	11,905,366	126,117,183	26,577,377	107,075,622	266,677,775	58,224,217	27,427,939	624,451,720
Financial liabilities									
Deposits and balances from banks	-	-	-	9,863,194	-	-	74,440	-	9,937,634
Current accounts and deposits from customers	-	-	-	194,123,474	22,903,718	130,493,026	71,613,816	4,778,290	423,912,324
Debt securities issued	-	-	-	-	4,023,967	2,182,093	-	-	6,206,060
Other borrowed funds	-	-	846,791	3,751,451	18,712,831	55,716,333	5,295,746	-	84,323,152
Other financial liabilities	-	-	7,628,884	3,998,386	2,761,354	-	-	-	14,388,624
Subordinated loans	-	-	-	77,345	12,044	7,715,647	-	-	7,805,036
Total			8,475,675	211,813,850	48,413,914	196,107,099	76,984,002	4,778,290	546,572,830
Net Liquidity GAP	446,241	11,905,366	117,641,508	(185,236,473)	58,661,708	70,570,676	(18,759,785)	22,649,649	77,878,890
Cumulative Liquidity GAP			129,993,115	(55,243,358)	3,418,350	73,989,026	55,229,241	77,878,890	

35 Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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The outstanding balances of related party transactions are as follows:

<i>In thousands of Armenian Drams</i>	2023		2022	
	Key management personnel and their close family members	Associates	Key management personnel and their close family members	Associates
Loans outstanding at 1 January, gross	971,585	-	346,064	-
Loans issued during the year	996,425	-	1,283,469	-
Loan repayments during the year	(762,049)	-	(658,991)	-
Other movements	3,490	-	1,043	-
Loans outstanding at 31 December, gross	1,209,451	-	971,585	-
Less: allowance for impairment at 31 December	(4,580)	-	(2,657)	-
Loans outstanding at 31 December, net	1,204,871	-	968,928	-
Weighted average effective interest rate for loans	6.6%	-	5.1%	-
Current accounts and deposits at 1 January	1,547,505	1,656,557	894,529	282,320
Current accounts and deposits received during the year	4,466,847	1,484,712	4,389,706	2,218,059
Current accounts and deposits repaid during the year	(4,400,884)	(991,300)	(3,750,199)	(849,483)
Other movements	63,703	2,041	13,469	5,661
Current accounts and deposits at 31 December	1,677,171	2,152,010	1,547,505	1,656,557

The balances from transactions with related parties include loans with maturity from 2024 till 2039 and with interest rate from 2% to 22%, the weighted average effective rate is 7,2%.

The income and expense arising from related party transactions are as follows:

<i>In thousands of Armenian Drams</i>	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Key management personnel and their close family members	Associates	Key management personnel and their close family members	Associates
Interest income on loans	49,049	-	46,223	-
Interest expense on deposits	121,975	153,363	117,999	76,854

Compensation of key management personnel was comprised of the following:

<i>In thousands of Armenian Drams</i>	2023	2022
Salaries and other short-term benefits	2,964,088	2,612,963
Share-based payments	275,941	1,140,099
Total key management personnel compensation	3,240,029	3,753,062

36 Investments in associates

The Group has an interest in Amundi-Acba Asset management CJSC where the Group owns 49% of shares (31 December 2022: 49%). The associate of the Group was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia. The principal activity of the associate is the management of mandatory pension funds. The associate's activities are supervised by the Central Bank of Armenia. As at 31 December 2023 the carrying value of the investment comprised AMD 1,775,530 thousand (2022: AMD 1,362,224 thousand).

The summarised financial information of material associates is presented below

<i>In thousands of Armenian Drams</i>	2023	2022
Assets		
Cash and cash equivalents	94,346	24,649
Amounts due from financial institutions	2,052,954	1,624,416
Financial assets at fair value through other comprehensive income	1,520,541	1,321,606
Property, equipment and intangible assets	150,710	26,363
Right-of-use assets	63,499	108,778
Deferred tax asset	11,589	9,086
Other assets	420,289	301,408
Total assets	4,313,928	3,416,306
Liabilities		
Lease liability	78,505	117,236
Income tax payables	423,786	296,100
Payables and accrued expenses	188,104	222,921
Total liabilities	690,395	636,257
Net assets	3,623,533	2,780,049
Group's share in net assets	1,775,530	1,362,224

<i>In thousands of Armenian Drams</i>	2023	2022
Income from management fees	3,858,149	2,906,850
Interest income	121,328	92,664
Income from financial advisory	24,890	20,246
Other income	1,539	1,707
Net loss from foreign currency transactions	(2,053)	(12,990)
Interest expense on lease liabilities	(12,453)	(16,068)
Staff costs	(289,911)	(187,793)
Fees and commission expenses	(580,633)	(499,171)
Administrative and other expenses	(546,794)	(451,239)
Profit before income tax	2,574,062	1,854,206
Income tax expense	(493,781)	(353,503)
Profit for the year	2,080,281	1,500,703
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Unrealised gain/(loss)s on investments measured at FVOCI	188,871	(108,401)
Other comprehensive income/(loss) for the year, net of tax	188,871	(108,401)
Profit and total comprehensive income for the year	2,269,152	1,392,302

The Group's share of profit or loss and other comprehensive income of the associate is as follows:

<i>In thousands of Armenian Drams</i>	2023	2022
Profit for the year	1,019,338	736,475
Other comprehensive income/(loss)	92,546	(53,122)
Total comprehensive income for the year	1,111,884	683,353

The Group received dividends in amount of AMD 701,763 thousand for the year ended 31 December 2023 (2022: AMD 539,806 thousand).

37 Changes in liabilities arising from financing activities

<i>In thousands of Armenian Drams</i>	Note	Debt securities issued	Other borrowed funds	Subordinated loans	Total liabilities from financing activities
Carrying amount at 31 December 2021	20, 21,22	5,068,908	92,331,761	9,794,000	107,194,669
Proceeds from issue		2,191,500	34,288,004	-	36,479,504
Redemption		(789,212)	(37,932,197)	-	(38,721,409)
Interest paid		(251,934)	(4,881,936)	(2,059,282)	(7,193,152)
Non-cash transactions					
Foreign currency translation		(265,302)	(5,052,890)	(1,968,650)	(7,286,842)
Lease liabilities (IFRS 16)		-	503,590	-	503,590
Interest accrued		252,100	5,066,820	2,038,968	7,357,888
Carrying amount at 31 December 2022	20, 21,22	6,206,060	84,323,152	7,805,036	98,334,248
Proceeds from issue		18,339,013	34,345,599	4,479,000	57,163,612
Redemption		(3,684,744)	(27,032,928)	-	(30,717,672)
Interest paid		(1,351,193)	(5,832,291)	(1,852,532)	(9,036,016)
Non-cash transactions					
Foreign currency translation		226,439	1,445,312	361,804	2,033,555
Lease liabilities (IFRS 16)		-	2,092,983	-	2,092,983
Interest expense		1,351,543	5,783,267	1,868,269	9,003,079
Carrying amount at 31 December 2023	20,21,22	21,087,118	95,125,094	12,661,577	128,873,789

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

38 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

Types of financial assets/liabilities	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
<i>In thousands of Armenian Drams</i>						
ASSETS						
Derivative financial assets						
Interest rate swap	194,548	(4,356)	190,192	190,192	-	-
Currency swap	9,765	-	9,765	9,765	-	-
Investment securities						
Pledged under sale and repurchase agreements	-	-	-	-	-	-
Loans and advances to banks						
Reverse sale and repurchase agreements with other banks	60,035,070	-	60,035,070	60,035,070	-	-
Loans to customers						
Reverse sale and repurchase agreements	5,676,969	-	5,676,969	5,676,969	-	-
Total assets subject to offsetting, master netting and similar arrangement	65,916,352	(4,356)	65,911,996	65,911,996	-	-
LIABILITIES						
Deposits and balances from banks						
Sale and repurchase agreements with other banks	-	-	-	-	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	-	-	-	-	-	-

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Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

Types of financial assets/liabilities	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
<i>In thousands of Armenian Drams</i>						
ASSETS						
Derivative financial assets						
Interest rate swap	333,748	(6,737)	327,011	327,011	-	-
Currency swap	36,273	-	36,273	36,273	-	-
Investment securities						
Pledged under sale and repurchase agreements	6,019,389	-	6,019,389	6,019,389	-	-
Loans and advances to banks						
Reverse sale and repurchase agreements with other banks	559,459	-	559,459	559,459	-	-
Loans to customers						
Reverse sale and repurchase agreements	1,956,613	-	1,956,613	1,956,613	-	-
Total assets subject to offsetting, master netting and similar arrangement	8,905,482	(6,737)	8,898,745	8,898,745	-	-
LIABILITIES						
Deposits and balances from banks						
Sale and repurchase agreements with other banks	(6,026,642)	-	(6,026,642)	(6,026,642)	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	(6,026,642)	-	(6,026,642)	(6,026,642)	-	-

39 Capital adequacy

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

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

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2023 this minimum level was 11% (31 December 2022: 12%). The Bank is in compliance with the statutory capital ratio as at 31 December 2023 and 31 December 2022.

The following table shows the composition of the capital position calculated in accordance with regulation of Central Bank of Armenia, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

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<i>In thousands of Armenian Drams</i>	2023	2022
	(unaudited)	(unaudited)
Tier 1 Capital	122,505,579	91,866,748
Tier 2 Capital	15,241,604	11,744,252
Total capital	137,747,183	103,611,000
Total risk weighted assets	698,734,440	610,690,247
Total capital expressed as a percentage of risk-weighted assets		
(total capital ratio)	19.71%	16.97%

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

40 Events after the reporting date

The Program Prospectus of "ACBA BANK" OJSC bonds was registered on 10 April 2024 with a maximum of thirty million US dollars and thirty billion AMD. The first allocations will be 5,000,000 USD and 3,000,000,000 AMD with respectively 4.5% and 9.5% coupon interest rates, with 30-month circulation periods.

There are no other significant events that occurred after the reporting period or as of the report's date that should be mentioned in this document.