ARMBROK OJSC

Financial statements

For the year ended 31 December 2024
together with independent auditor's report

Contents

Independent auditor's report

Financial statements

Notes to the financial statements

Կառուցելով
բարեկեցիկ աշխարհ

Ernst & Young CJSC
Vazgen Sargsyan St., 2 Building,
Yerevan, 0010 Armenia,
Kamar Business Center
Tel: +374 60 50 7777
www.ey.com/am

«Էրնսթ ընդ Յանգ» ՓԲԸ
ՀՀ, ք. Երևան, 0010,
Վազգեն Սարգսյան փող., 2 շենք
«Կամար» Բիզնես Կենտրոն
Հեռ.՝ +374 60 50 7777

Independent auditor's report

To the Shareholders of ARMBROK OJSC

Opinion

We have audited the financial statements of ARMBROK OJSC (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Կառուցելով բարելավված աշխարհ

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

Ernst & Young CJSC
Yerevan, Armenia

General Director Eric Hayrapetyan

Partner (Assurance) Dmytro Iurgelevych

25 April 2025

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

'000 AMD	Note	2024	2023
Interest revenue calculated using effective interest rate	5	3,799,829	2,006,438
Interest expense	5	(2,490,602)	(1,807,408)
Net interest income		**1,309,227**	**199,030**
Fee and commission income	6	6,087,515	12,602,984
Fee and commission expense	6	(1,494,080)	(1,685,854)
Net fee and commission income		**4,593,435**	**10,917,130**
Net trading gain	7	6,152,261	6,878,758
Net gain/(loss) from sale of financial assets at FVTOCI		27,710	(21,887)
Net (loss)/gain from foreign currency revaluation		(355,407)	611,921
Other income		128,912	40,539
Staff costs	8	(6,874,526)	(10,879,222)
Administrative expenses	9	(500,141)	(503,405)
Share of profits of associate	15	97,712	66,329
Share of results of joint venture	15	(16,359)	(6,474)
Credit loss expense	24	(38,764)	(162,923)
Profit before income tax		**4,524,060**	**7,139,796**
Income tax expense	10	(864,155)	(1,143,904)
Profit for the year		**3,659,905**	**5,995,892**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on investments measured at FVTOCI and changes in allowance for expected credit losses		1,289,505	539,722
Less: Cumulative (gain)/loss on investments reclassified to profit or loss upon sale		(27,710)	21,887
Income tax effects of the movement in other comprehensive income		(227,123)	(93,120)
Other comprehensive income, net of tax		**1,034,672**	**468,489**
Total comprehensive income for the year		**4,694,577**	**6,464,381**

These financial statements were approved and signed on 25 April 2025 by:

Aram Kayfajyan
Chief Executive Officer

Lida Tadeosyan
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 30.

Statement of financial position

As of 31 December 2024

'000 AMD	*Note*	*31 December 2024*	*31 December 2023*
Assets			
Cash and cash equivalents	11	5,210,299	6,569,219
Amounts receivable under reverse repurchase agreements	12	950,334	-
Financial assets at fair value through profit or loss			
- Held by the Company	13	4,894,628	6,549,058
- Pledged under repurchase agreements	13	2,502,354	1,504,482
- Pledged under borrowings from financial institutions	13	-	1,903,586
Financial assets at fair value through OCI			
-Held by the Company	14	5,429,814	2,802,376
-Pledged under repurchase agreements	14	38,003,618	23,882,741
-Pledged under borrowings from financial institutions	14	-	514,833
Investment in associate	15	308,329	210,617
Investment in joint venture	15	-	16,359
Property, equipment and intangible assets	16	374,739	245,025
Right-of-use assets	17	121,741	142,031
Other assets	18	582,282	688,608
Total assets		**58,378,138**	**45,028,935**
Equity			
Share capital	19	267,150	267,150
Share premium		208,011	208,011
Statutory general reserve		79,670	79,670
Financial assets at fair value through OCI reserve		1,450,628	415,956
Retained earnings		13,051,319	9,792,139
Total equity		**15,056,778**	**10,762,926**
Liabilities			
Amounts payable under repurchase agreements	20	37,710,716	23,854,597
Amounts due to financial institutions and individuals	21	2,243,443	3,132,345
Liabilities for unsettled transactions	22	855,247	3,930,608
Current income tax liabilities		52,027	914,914
Lease liabilities	17	150,711	132,155
Trade and other payables	23	1,949,810	2,265,301
Provisions		-	27,677
Deferred tax liabilities	10	359,406	8,412
Total liabilities		**43,321,360**	**34,266,009**
Total equity and liabilities		**58,378,138**	**45,028,935**

These financial statements were approved and signed on 25 April 2025 by:

Aram Kayfajyan
Chief Executive Officer

Lida Tadeosyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 30.

Statement of changes in equity

For the year ended 31 December 2024

'000 AMD	***Share capital***	***Share premium***	***Statutory general reserve***	***Financial assets at fair value through OCI reserve***	***Retained earnings***	***Total***
As of 1 January 2023	**267,150**	**208,011**	**79,670**	**(52,533)**	**4,063,397**	**4,565,695**
Profit for the year	–	–	–	–	5,995,892	**5,995,892**
Other comprehensive income for the year						
Net change in fair value of financial assets at fair value through OCI and changes in allowance for expected credit losses, net of tax	–	–	–	468,489	–	**468,489**
Total comprehensive income for the year	**–**	**–**	**–**	**468,489**	**5,995,892**	**6,464,381**
Dividends declared (Note 19)	**–**	**–**	**–**	**–**	(267,150)	**(267,150)**
As of 31 December 2023	**267,150**	**208,011**	**79,670**	**415,956**	**9,792,139**	**10,762,926**
Profit for the year	–	–	–	–	3,659,905	**3,659,905**
Other comprehensive income for the year						
Net change in fair value of financial assets at fair value through OCI and changes in allowance for expected credit losses, net of tax	–	–	–	1,034,672	–	**1,034,672**
Total comprehensive income for the year	–	–	–	**1,034,672**	**3,659,905**	**4,694,577**
Dividends declared (Note 19)	–	–	–	–	(400,725)	**(400,725)**
As of 31 December 2024	**267,150**	**208,011**	**79,670**	**1,450,628**	**13,051,319**	**15,056,778**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 30.

Statement of cash flows

For the year ended 31 December 2024

'000 AMD	***Note***	***2024***	***2023***
Operating activities			
Interest received		3,896,658	1,683,516
Interest paid		(2,459,581)	(1,759,953)
Fee and commissions received		6,103,541	12,424,796
Fee and commissions paid		(1,620,154)	(1,675,423)
Net realized trading gain		5,466,816	6,059,569
Net gain from foreign currency purchase or sales transactions		547,976	300,089
Other operating income		128,912	40,539
Salary and other related payments		(7,017,912)	(12,283,615)
Other operating expenses paid		(427,294)	(434,200)
Operating cash flows before working capital changes		**4,618,962**	**4,355,318**
Working capital changes in:			
Deposits		–	6,189
Reverse repurchase agreements		(935,164)	995,604
Investment securities		(12,559,093)	(23,520,899)
Other assets		6,692	(87,509)
Amounts due to financial institutions and individuals		(707,548)	1,950,428
Repurchase agreements		14,036,409	15,458,779
Liabilities for unsettled transactions		(3,003,658)	3,627,306
Trade and other payables		(139,375)	89,999
Operating cash flows before income tax paid		**1,317,225**	**2,875,215**
Income tax paid		(1,603,171)	(761,892)
Net cash flows (used in)/from operating activities		**(285,946)**	**2,113,323**
Investing activities			
Acquisition of property and equipment and intangible assets		(120,885)	(156,302)
Sale of fixed assets		6,000	–
Net cash flows used in investing activities		**(114,885)**	**(156,302)**
Financing activities			
Repayment of lease liabilities	17	–	(34,000)
Dividends paid	19	(400,725)	(267,150)
Net cash flows used in financing activities		**(400,725)**	**(301,150)**
Net increase in cash and cash equivalents		**(801,556)**	**1,655,871**
Net foreign exchange differences on cash and cash equivalents		(552,985)	304,809
Allowance for impairment losses		(4,379)	1,745
Cash and cash equivalents at 1 January		6,569,219	4,606,794
Cash and cash equivalents at 31 December	11	**5,210,299**	**6,569,219**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 30.

(thousands of Armenian drams)

1. Reporting entity

(a) Organisation and operations

“Armbrok” OJSC (the Company), is an investment company regulated by the legislation of RA. The Company was registered on 4 November 2008 by the Central Bank of Armenia under license number 10. “Armbrok” OJSC is an Armenian open joint stock company as defined in the Civil Code of the Republic of Armenia. Following the rebranding by the Company “Armbrok” OJSC replaced previously used “Armenbrok” OJSC. During March 2025 Fitch Ratings has assigned the Company a Long-Term Issuer Default Rating of 'B-' with a Stable Outlook as well as Short-term Issuer Default Rating of 'B'.

The Company’s major shareholder is Aram Kayfajyan, who holds 43.07% of total shares issued. The Company does not have ultimate controlling party.

The Company carries out its activities in the securities and foreign currency markets, in particular:

- Securities placements;
- Trust management of securities;
- Securities brokerage and dealing;
- Registrar, custody and depository services;
- Consultations on securities market;
- Non-cash foreign currency trading operations.

The Company’s registered office is 39 Hanrapetutyan street, 0010, Yerevan, Republic of Armenia.

(b) Armenian business environment

The Company’s operations are primarily located in the Republic of Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax, regulatory frameworks and overall business practices and environment continue developing and improving. However still varying interpretations and frequent changes of legislation together with other legal impediments contribute to the challenges faced by entities operating in Armenia.

As a result of the war in Ukraine many leading countries and economic unions have announced severe economic sanctions against Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in overseas markets. As a result of the above, there have been an influx of non-residents and relocation of many businesses (especially from Russia) to Armenia, which have played a vital role in stimulating economic growth of the country in general. As the war is still waging, it is impossible to reliably assess the final impact this may have on the Company’s business as there is uncertainty over the magnitude of the impact on the economy in general.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

(b) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Company’s functional currency and the currency in which these financial statements are presented. These financial statements are presented in thousands of Armenian Dram (“AMD”), and all values are rounded to the nearest thousands, except when otherwise indicated.

(thousands of Armenian drams)

2. Basis of preparation (continued)

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at fair value.

(d) Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation. These reclassifications had no impact on net profit or equity as previously reported.

Certain amounts in the statement of cash flows for the year ended 31 December 2023 have been reclassified.

	As previously reported	*Reclassification*	*As reclassified*
Net realized trading gain	–	6,059,569	6,059,569
Operating cash flows before working capital changes			
Working capital changes in investment securities	(17,461,330)	(6,059,569)	(23,520,899)
Net cash flows from operating activities	**(17,461,330)**	**–**	**(17,461,330)**

3. Accounting policies

(a) Fair value measurement

The Company measures investment securities at fair value at each balance sheet date.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(b) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date:

	31 December 2024	*31 December 2023*
AMD / 1 US dollar	396.56	404.79
AMD / 1 Euro	413.89	447.9
AMD / 1 RUB	3.71	4.5

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period under the line “Net gain/(loss) from foreign currency revaluation”.

(c) Financial Instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through PL.

The Company’s financial assets at amortised cost includes other financial assets and cash and cash equivalents.

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Interest income is recognized in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is included in the 'interest revenue calculated using effective interest rate ' line item.

(thousands of Armenian drams)

3. Accounting policies (continued)

(c) Financial Instruments (continued)

Debt instruments classified as at FVTOCI

The government bonds held by the Company are usually classified as at FVTOCI. The RA government bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these government bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these government bonds had been measured at amortised cost. All other changes in the carrying amount of these government bonds are recognised in other comprehensive income and accumulated under the heading of´Financial assets at fair value through OCI reserve´. When these government bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in ‘Net gain/(loss) from sale of financial assets at FVTOCI’ line item.

Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

The Company has not designated the investments in equity instruments as at FVTOCI on initial recognition.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the company manages together; and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI to are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities, the corporate debt securities, RA government bonds denominated in USD and investments in fund units are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘net trading gain’ line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

(thousands of Armenian drams)

3. Accounting policies (continued)

(c) Financial Instruments (continued)

Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in ‘Net gain/(loss) from foreign currency revaluation ’ line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the ‘net gain/(loss) from FVTPL’ line item. Other exchange differences are recognised in financial assets at fair value through OCI reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘‘Net gain/(loss) from foreign currency revaluation’ line item; and
- For equity instruments measured at FVTPL, exchange differences are recognised in ‘net trading gain’ line item.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all the following debt instruments not held at fair value through PL:

- Financial assets at fair value through OCI that are debt instruments;
- Cash and cash equivalents and other financial assets measured at amortised cost.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to 12-month ECL for debt investment securities and cash and cash equivalents as these balances have been determined to have low credit risk at the reporting date.

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

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

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

The Company does not have financial assets classified at Stage 2 or Stage 3.

ECL are a probability-weighted estimate of credit losses. For Financial assets that are not credit-impaired at the reporting date they are measured as the present value of all cash shortfalls (i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For other financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

- *Cash and cash equivalents and other financial assets* – as a deduction from the gross carrying amount of the assets;
- *Debt instruments measured at FVOCI*: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

(thousands of Armenian drams)

3. Accounting policies (continued)

(c) Financial Instruments (continued)

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities measured at amortised cost

The Company's financial liabilities measured subsequently at amortised cost include amounts payable under repurchase agreements, amounts due to financial institutions and individuals, liabilities for unsettled transactions, lease liabilities and other financial liabilities.

The Company has determined that liabilities for unsettled transactions represent financial liabilities as the Company has contractual obligation to deliver securities (financial assets) to the counterparties in exchange for the received advances.

Interest expense on the financial liabilities is recognised in profit or loss using the effective interest method for financial liabilities measured subsequently at amortised cost and is included in the 'interest expense' line item.

(d) Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

There is no other contractual arrangements stating that both the Company and other shareholder of Invest in AM CJSC have interests in its assets, they are not liable for its liabilities in a specific proportion and there is no additional agreement to specifically segregate operational and strategic management. The analysis performed confirms that Invest in AM CJSC is a joint venture between the Company and other shareholder (Note 15).

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

(e) Transactions with securities and related investment income

Transactions with securities under dealing activity are accounted for on settlement date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The securities that represent unit holdings in investment funds are transacted at net asset value per unit as published or reported by the respective funds.

In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income, which is recognized when the Company's right to receive the payment is established.

The gain or loss from units held in funds reflects the changes in net asset values per units held.

Transactions with securities under brokerage activities are not recorded on the statement of financial position of the Company as the risks and rewards of the ownership are borne by the brokerage customers.

(thousands of Armenian drams)

3. Accounting policies (continued)

(f) Fee and commission income and expense

The Company earns fee and commission income from a diverse range of services it provides to its customers, such as provision of brokerage and depositary services, securities account opening and maintenance, securities registration and maintenance services and other similar services.

The brokerage service commissions and depositary fees are accrued at a point in time at the moment the respective transaction is performed on behalf of the clients by applying contractually agreed fee rates to the total transaction values and issuing settlement instructions or orders.

Securities account maintenance, securities registration and maintenance services are accrued over one or three months.

All the amounts receivables are usually repaid within a month following the delivery of the respective service.

The Company's fee and commission expense mainly include agent fees and depositary fees. Agent fees are calculated based on marginal income earned by the Company from the services provided to clients introduced by agents. Consequently, acceptance acts are concluded between the Company and agents and agent fees are generally recognised quarterly. Commission expenses related to depositary services depend on the volume of transactions recorded, expenses usually are accrued on a monthly based as the services are received.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent current accounts with banks and clearing systems and cash on hand.

(h) Operating taxes

The RA has various other taxes, which may be assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

(i) Property, equipment and intangible assets

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

The estimated useful lives of significant items of property, equipment and intangible assets are as follows.

Leasehold improvements	20 years
Communication devices and computers	1-5 years
Motor vehicles	8 years
Other	1-8 years
Intangible assets	3-10 years

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term or renew the lease term.

(j) New and amended standards and interpretations

The following amendments to existing IFRS accounting standards become effective for annual periods beginning on 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16;
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

(thousands of Armenian drams)

3. Accounting policies (continued)

(j) New and amended standards and interpretations (continued)

None of these amendments have had a material impact on the Company's financial statements for the year ended 31 December 2024.

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the consolidated financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

- *IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

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

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

- *Amendments to IFRS 9 and IFRS 7* - Amendments to the Classification and Measurement of Financial Instruments. The Company is currently assessing the impact the amendment will have on the primary financial statements and notes to the financial statements;
- *Amendments to IAS 21* - Lack of exchangeability - which specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are not expected to have a material impact on the Company's financial statements;
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures,* which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. The Company is currently assessing the impact the amendment will have on the primary financial statements and notes to the financial statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made judgements, which have the most significant effect on the amounts recognised in the financial statements.

Control over fund

Although the Company holds more than 50% of the units in one of the funds, it has concluded that it does not exercise control over the fund. In accordance with the fund's rules, overall management and decision-making authority resides with the appointed fund manager. Amendments to the fund's rules may only be initiated by the fund manager and require approval by a simple majority of unitholders, irrespective of the size of each unitholder's interest. Additionally, the fund's rules require minimum of three unitholders; as at 31 December 2024 the fund had five unitholders. Based on these factors, the Company has determined that it does not have the power to direct the relevant activities of the fund, and therefore, the fund is not consolidated in these financial statements.

(thousands of Armenian drams)

4. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurements

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value are the price quotations in an active market. In the absence of quoted prices in an active market, the management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets, and the actual prices of sales transactions occurred close to the reporting date. See *Notes 13, 14, 25.*

5. Net Interest Income

	2024	*2023*
Interest income:		
Financial assets at fair value through other comprehensive income	3,674,855	1,974,126
Interest income from bank accounts and deposits	117,566	27,193
Reverse repurchase agreements	5,067	4,784
Other assets	2,341	335
Total interest income	**3,799,829**	**2,006,438**
Interest expense:		
Repurchase agreements	(2,357,467)	(1,668,347)
Amounts due to financial institutions	(27,280)	(61,134)
Borrowings from individuals	(85,823)	(57,522)
Interest expense on lease liabilities	(18,556)	(20,405)
Other	(1,476)	–
Total interest expense	**(2,490,602)**	**(1,807,408)**
Net interest income	**1,309,227**	**199,030**

6. Fee and Commission Income and Expense

	2024	*2023*
Fee and commission income:		
Brokerage services	4,232,811	9,129,536
Securities account opening and maintenance	1,193,177	594,748
Depositary services	393,827	2,695,269
Maintenance of securities registry	112,857	96,955
Securities registration	85,372	47,705
Securities placement and pricing	43,373	35,271
Other commission income	26,098	3,500
Total fee and commission income	**6,087,515**	**12,602,984**
Fee and commission expense:		
Services provided by the depositaries	(911,857)	(822,366)
Agent fees	(531,760)	(860,998)
Stock exchange commission	(1,596)	(2,129)
Other commission expense	(48,867)	(361)
Total fee and commission expense	**(1,494,080)**	**(1,685,854)**
Net fee and commission income	**4,593,435**	**10,917,130**

Included in commission income are AMD 564,344 thousand received from the funds under management of the Company's associate Glocal CJSC (2023: AMD 1,745,851 thousand).

(thousands of Armenian drams)

7. Net Trading Gain

	2024	*2023*
Net gain from trading and revaluation of securities	5,609,010	6,578,623
Net gain from foreign currency purchase or sales transactions	547,976	300,089
Net (loss)/gain on derivative financial instruments	(4,725)	46
	6,152,261	**6,878,758**

Net (loss)/ gain from foreign currency revaluation includes a net loss of AMD 107,685 thousand from foreign exchange revaluation of debt instruments measured at fair value through profit or loss (2023: AMD 509,018 thousand loss).

8. Staff Costs

Included in staff costs are bonus compensation of AMD 5,666,334 thousand (2023: 9,303,608 thousand) paid to employees for the market expansion activities and development of new business segment.

9. Administrative Expenses

	2024	*2023*
Maintenance of premises, equipment and intangible assets	124,557	51,144
Representative expenses	81,411	25,098
Professional services	80,787	156,225
Depreciation	74,218	69,205
Travel and trainings	39,669	29,237
Office utility expense	33,719	13,205
Subscriptions	14,825	47,515
Advertising expenses	7,302	3,816
Taxes other than income tax	1,283	87,069
Other	42,370	20,891
Total administrative expenses	**500,141**	**503,405**

In 2023, non-recoverable VAT expense amounting to AMD 70,509 was presented under the line item *Taxes other than income tax.* In 2024, the company revised its approach on presentation by allocating non-recoverable VAT directly to the related expense line items, in line with the nature of the underlying transactions.

10. Income tax

The Company's applicable tax rate is the income tax rate of 18% (2023: 18%). The major components of income tax expense for the years ended 31 December 2024 and 2023 are:

	2024	*2023*
Current tax	740,284	1,177,583
Deferred tax	123,871	(33,679)
Total	**864,155**	**1,143,904**

Reconciliation of effective tax rate:

	2024		*2023*	
	'000 AMD	*%*	*'000 AMD*	*%*
Profit before income tax	**4,524,060**		**7,139,796**	
Income tax at applicable tax rate	814,331	18.0%	1,285,163	18.0%
Correction of prior period current tax	(10,370)	(0.2%)	(25,198)	(0.4%)
Foreign exchange (gains)/losses	63,973	1.4%	(110,146)	(1.5%)
Other (non-taxable)/non-deductible items	(3,779)	(0.1%)	(5,915)	(0.1%)
	864,155	**19.1%**	**1,143,904**	**16.0%**

(thousands of Armenian drams)

10. Income tax (continued)

The movement of deferred income taxes is disclosed below:

	2024	*2023*
Balance at the beginning of year	**(8,412)**	**51,029**
Charged to profit or loss	(123,871)	33,679
Charged in other comprehensive income	(227,123)	(93,120)
Balance at the end of year	**(359,406)**	**(8,412)**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	1 January 2024	*Recognized in other comprehensive income*	*Recognized in profit or loss*	*31 December 2024*
Trade and other payables	74,294	–	(22,539)	51,755
Lease liabilities	23,788	–	3,340	27,128
Property, equipment and intangible assets	–	–	713	713
Reverse repurchase agreements	–	–	311	311
Other assets	20,688	–	(1,312)	19,376
Cash and cash equivalents	443	–	788	1,231
Right-of-use assets	(25,566)	–	3,652	(21,914)
Investment securities	(102,059)	(227,123)	(108,824)	(438,006)
Tax assets/(liabilities)	**(8,412)**	**(227,123)**	**(123,871)**	**(359,406)**

	1 January 2023	*Recognized in other comprehensive income*	*Recognized in profit or loss*	*31 December 2023*
Trade and other payables	35,839	–	38,455	74,294
Lease liabilities	26,235	–	(2,447)	23,788
Reverse repurchase agreements	48	–	(48)	–
Other assets	848	–	19,840	20,688
Cash and cash equivalents	757	–	(314)	443
Right-of-use assets	(29,218)	–	3,652	(25,566)
Investment securities	16,520	(93,120)	(25,459)	(102,059)
Tax assets/(liabilities)	**51,029**	**(93,120)**	**33,679**	**(8,412)**

11. Cash and Cash equivalents

	31 December 2024	*31 December 2023*
Current accounts with banks	4,862,980	1,034,950
Current accounts with clearing systems	354,157	5,536,728
Cash and cash equivalents in the statement of cash flows	**5,217,137**	**6,571,678**
Less: allowance for impairment losses	(6,838)	(2,459)
Total cash and cash equivalents in the statement of financial positions	**5,210,299**	**6,569,219**

As at 31 December 2024 the Company has amounts placed in one Armenian bank (as at 31 December 2023: one clearing system) the balances of which exceeded 10% of Company's equity. The gross value of these balances as at 31 December 2024 is AMD 3,042,655 thousand (31 December 2023: AMD 4,642,918 thousand).

(thousands of Armenian drams)

11. Cash and Cash equivalents (continued)

Cash and cash equivalents by geographical exposure is presented below:

	2024	*2023*
Armenia	4,880,276	1,513,623
Russia	42,993	12,112
Other countries	287,030	5,043,484
	5,210,299	**6,569,219**

None of the balances are past due or impaired. A reconciliation of the impairment loss allowance is as follows:

	2024		*2023*	
	Stage 1	*Total*	*Stage 1*	*Total*
Impairment loss allowance at January 1	**2,459**	**2,459**	**4,204**	**4,204**
Charge for the year (reversal)	4,379	4,379	(1,745)	(1,745)
Impairment loss allowance at 31 December	**6,838**	**6,838**	**2,459**	**2,459**

12. Amounts receivable under reverse repurchase agreements

	31 December 2024	*31 December 2023*
Armenian financial institutions, not rated	952,062	–
Total Amounts receivable under reverse repurchase agreements	**952,062**	**–**
Less: allowance for impairment losses reverse repurchase agreements	(1,728)	–
Total Amounts receivable under reverse repurchase agreements	**950,334**	**–**

As at 31 December 2024, amounts receivable under reverse repurchase agreements are pledged by government securities of the Republic of Armenia and other countries, with a fair value of AMD 1,027,162 thousand.

None of the balances are past due or impaired. A reconciliation of the impairment loss allowance is as follows:

	2024		*2023*	
	Stage 1	*Total*	*Stage 1*	*Total*
Impairment loss allowance at January 1	–	–	–	–
Charge for the year	1,728	1,728	–	–
Impairment loss allowance at 31 December	**1,728**	**1,728**	–	–

13. Financial assets at fair value through profit or loss

	31 December 2024	*31 December 2023*
Held by the Company		
Corporate debt instruments with fixed maturity	1,022,278	732,995
Government securities of Armenia	867,336	–
Corporate equity instruments	553,468	4,272,100
Investments in fund units under management of Company's associate	1,046,279	463,042
Government securities - other countries	1,405,267	1,080,921
Total held by the Company	**4,894,628**	**6,549,058**
Pledged under repurchase agreements		
Government securities of Armenia	2,502,354	1,504,482
Total pledged under repurchase agreements	**2,502,354**	**1,504,482**
Pledged under borrowings from financial institutions		
Government securities of Armenia	–	1,903,586
Total pledged under borrowings from financial institutions	**–**	**1,903,586**
Total financial assets FVTPL	**7,396,982**	**9,957,126**

Investments in fund units represent unit holdings in funds under the Company's associate's investment management. These units are carried at Company's share of the net asset value of the funds as at reporting date.

(thousands of Armenian drams)

13. Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss by countries of the issuer comprise:

	2024	*2023*
Armenia	5,202,779	4,122,781
Russia	511,344	2,170,684
Other countries	1,682,859	3,663,661
Trading securities	**7,396,982**	**9,957,126**

Securities issued by companies or governments of foreign countries are actively traded in the international markets. Pledged assets are discussed in notes 20 and 21. Fair value measurements are presented in note 25.

14. Financial assets at fair value through other comprehensive income

	31 December 2024	*31 December 2023*
Held by the Company		
Government securities of Armenia	5,429,814	2,802,376
Total held by the Company	**5,429,814**	**2,802,376**
Pledged under repurchase agreements		
Government securities of Armenia	38,003,618	23,882,741
Total pledged under repurchase agreements	**38,003,618**	**23,882,741**
Pledged under borrowings from financial institutions		
Government securities of Armenia	–	514,833
Total pledged under borrowings from financial institutions	**–**	**514,833**
Total financial assets at fair value through other comprehensive income	**43,433,432**	**27,199,950**

Government debt securities at fair value through other comprehensive income represent securities issued by the Ministry of Finance of Armenia bearing fixed coupon interest rates between 7% to 13% p.a. (2023: 7% to 13% p.a.) and expiring between 2025-2052 (2023: 2025 to 2052). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

The movement of allowance for impairment losses for financial assets at fair value through other comprehensive income

	2024	*2023*
	Stage 1	*Stage 1*
At 1 January	**57,597**	16,872
Net charge of provision for impairment	25,487	40,725
At 31 December	**83,084**	**57,597**

Fair value measurements are presented in Note 25.

15. Investment in Associates and Joint ventures

Investments in Associates

	Principal activity	*Place of incorporation and principal place of business*	*Proportion of ownership interest and voting rights held by the Company as at 31 December*	
			2024	*2023*
Glocal CJSC	Fund Manager	Yerevan, Armenia	33%	33%

In 2018 the Company made an investment in - Glocal CJSC, whose primary operations comprise of non-public fund management services.

(thousands of Armenian drams)

15. Investment in Associates and Joint ventures (continued)

Summarised financial information in respect of this investment is set out below, prepared from the associate's IFRS financial statements:

"Glocal" CJSC	***2024***	***2023***
Balance at the beginning of the period	210,617	144,288
Company's share of the associate's profit for the year	97,712	66,329
Total	**308,329**	**210,617**

"Glocal" CJSC	***2024***	***2023***
Revenue	287,632	127,823
Profit and other comprehensive income for the year	292,597	195,249
Total assets	961,862	653,306
Total liabilities	36,780	20,822
Equity	925,082	632,485

Investments in Joint Ventures

Details of the Company's joint venture at the end of the reporting period are as follows:

Name of joint venture	**Principal activity**	**Place of incorporation and principal place of business**	**Proportion of ownership interest and voting rights held by the Company** ***31 December 2024***	***31 December 2023***
Invest in AM CJSC	Consulting firm	Yerevan, Armenia	50%	50%

Invest in AM CJSC	***31 December 2024***	***31 December 2023***
Balance at the beginning of the period	**16,359**	22,833
Company's share of the joint venture's loss for the year	(16,359)	(6,474)
Total	–	**16,359**

Summarised financial information in respect of this investment is set out below, prepared from the joint venture's IFRS financial statements.

Invest in AM CJSC	***31 December 2024***	***31 December 2023***
Loss and other comprehensive loss for the year	(31,235)	(6,376)
Total assets	**1,716**	**32,975**
Total liabilities	**233**	**257**
Equity	1,483	32,718

On 17 August, 2020 Armbrok OJSC and Hovsep Patvakanian have established a legal entity with the name Invest in AM registered at 39, Hanrapetutyun street, Armenia. The authorized capital of Invest in AM is defined AMD 48,000 thousand, which is divided into 10,000 shares, each with a nominal value of AMD 4,800. Invest in AM is a private consulting company which helps investors with offers and Armenian exporting companies with potential buyers. Invest in AM is principally engaged in developing a platform for startup projects. The above joint venture is accounted for using the equity method in these financial statements as set out in the Company's accounting policies in Note 3.

(thousands of Armenian drams)

16. Property, Equipment and Intangible Assets

	Leasehold improve-ments	*Communi-cation devices and computers*	*Motor vehicles*	*Office equipment, fixtures, fittings and other*	*Total property and equipment*	*Intangible assets*	*Total*
Cost							
At 1 January 2023	**116,297**	**10,349**	**49,927**	**99,022**	**275,595**	**6,367**	**281,962**
Additions	–	32,023	–	27,561	59,584	29,333	**88,917**
Reclassification	–	–		–	–	(6,367)	(6,367)
At 31 December 2023	**116,297**	**42,372**	**49,927**	**126,583**	**335,179**	**29,333**	**364,512**
Additions	–	18,124	137,916	26,656	182,696	5,574	**188,270**
Disposals	–	(1,218)	(17,580)	(3,206)	(22,004)	–	**(22,004)**
At 31 December, 2024	**116,297**	**59,278**	**170,263**	**150,033**	**495,871**	**34,907**	**530,778**
Accumulated depreciation							
At 1 January 2023	**6,336**	**8,166**	**36,022**	**20,048**	**70,572**	**6,367**	**76,939**
Charge for the year	5,813	27,437	5,837	5,951	45,038	3,877	**48,915**
Disposals	–	–	–	–	–	(6,367)	**(6,367)**
At 31 December 2023	**12,149**	**35,603**	**41,859**	**25,999**	**115,610**	**3,877**	**119,487**
Charge for the year	5,812	10,726	16,635	10,899	44,072	9,856	53,928
Disposals	–	(1,218)	(13,157)	(3,001)	(17,376)	–	(17,376)
At 31 December, 2024	**17,961**	**45,111**	**45,337**	**33,897**	**142,306**	**13,733**	**156,039**
At 31 December, 2023	**104,148**	**6,769**	**8,068**	**100,584**	**219,569**	**25,456**	**245,025**
At 31 December, 2024	**98,336**	**14,167**	**124,926**	**116,136**	**353,565**	**21,174**	**374,739**

At 31 December 2024 property and equipment included fully depreciated assets with original cost of AMD 42,926 thousand (31 December 2023: AMD 29,383 thousand).

17. Leases

The Company leases office premise. The agreement term is 10 years and is non-cancellable for that period. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office premise the Company must keep those property in a good state of repair and return the property in it’s original condition at the end of the lease.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company’s statement of cash flows as cash flows from financing activities. Interest expense paid was classified as operating activity in the statement of cash flows.

	1 January 2024	*Recognized during the year*	*Net proceeds /repayments - cash flows*	*Interest expense*	*31 December 2024*
Lease liabilities	132,155	–	–	18,556	150,711
	132,155	**–**	**–**	**18,556**	**150,711**

	1 January 2023	*Recognized during the year*	*Net proceeds /repayments - cash flows*	*Interest expense*	*31 December 2023*
Lease liabilities	145,750	–	(34,000)	20,405	132,155
	145,750	**–**	**(34,000)**	**20,405**	**132,155**

The lease payment of AMD 34,000 relating to 2024 was settled in January 2025.

(thousands of Armenian drams)

17. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	***Total***
Cost		
Balance at 1 January, 2023	**210,510**	**210,510**
Transfer	–	–
Balance at 31 December, 2023	**210,510**	**210,510**
Additions	–	**–**
Balance at 31 December, 2024	**210,510**	**210,510**
Accumulated depreciation		
Balance at 1 January, 2023	**48,189**	**48,189**
Depreciation expense	20,290	**20,290**
Balance at 31 December, 2023	**68,479**	**68,479**
Depreciation expense	20,290	**20,290**
Balance at 31 December, 2024	**88,769**	**88,769**
Carrying amount		
31 December 2023	**142,031**	**142,031**
31 December 2024	**121,741**	**121,741**

Impact on profit or loss	***2024***	***2023***
Impact on profit/(loss) for the year		
Increase in depreciation of right-of-use asset	20,290	20,290
Increase in finance costs (Note 5)	18,556	20,405
Decrease in profit for the year	**38,846**	**40,695**

Lease liabilities

Maturity analysis:	***2024***	***2023***
Year 1	68,000	34,000
Year 2	34,000	34,000
Year 3	34,000	34,000
Year 4	34,000	34,000
Year 5	34,000	34,000
Year 6 and beyond	–	34,000
	204,000	**204,000**
Less: unearned interest	(53,289)	(71,845)
	150,711	**132,155**
Analysed as:		
Non-current	99,051	116,711
Current	51,660	15,444
	150,711	**132,155**

(thousands of Armenian drams)

18. Other Assets

	31 December 2024	*31 December 2023*
Other financial assets		
Receivables on services provided	467,619	483,646
Receivables on transactions with securities	110,802	118,199
Receivables from banks and clearing systems	70,768	115,632
Loans to employees	635	1,008
Less: allowance for impairment loss	(107,644)	(114,930)
	542,180	**603,555**
Other non-financial assets		
Prepayment for property, equipment and intangible assets	–	67,385
Other	40,102	17,668
	40,102	**85,053**
Total other assets	**582,282**	**688,608**

Included in other assets are AMD 21,059 thousand receivable from the funds under management of the Company's associate Glocal CJSC.

Set out below is the information about the credit risk exposure on the Company's other financial assets:

As at 31 December 2024	*Non overdue*	*Past due less than 3 months*	*3-6 months*	*More than 6 months*	*Total*
Gross carrying amount	430,274	43,697	20,588	155,265	649,824
Expected credit loss	(4,879)	(10,996)	(5,181)	(86,588)	(107,644)
Net carrying amount	**425,395**	**32,701**	**15,407**	**68,677**	**542,180**

As at 31 December 2023	*Non overdue*	*Past due less than 3 months*	*3-6 months*	*More than 6 months*	*Total*
Gross carrying amount	505,790	44,032	89,045	79,618	718,485
Expected credit loss	(11,594)	(6,748)	(23,495)	(73,093)	(114,930)
Net carrying amount	**494,196**	**37,284**	**65,550**	**6,525**	**603,555**

Allowance for impairment losses is recognised based on simplified method. A reconciliation of the impairment loss allowance in accordance with IFRS 9 is as follows:

	31 December 2024	*31 December 2023*
Beginning of year	114,930	4,710
Net charge for the year	7,170	124,210
Net write-offs	(14,456)	(13,990)
Closing balance at the end of the year	**107,644**	**114,930**

19. Equity

As of 31 December 2024 and 2023 the Company's registered and paid-in share capital was AMD 267,150 thousand represented by 267,150 ordinary shares of AMD 1,000 each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. The share capital of the Company was contributed by the participants in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams. In 2024 AMD 400,725 thousand dividends were declared and paid, dividends per share comprised AMD 1,500 (2023: AMD 267,150 thousand and dividend per share – AMD 1,000).

(thousands of Armenian drams)

19. Equity (continued)

The respective shareholders at December 31, 2024 and December 31, 2023 were as follows:

	31 December 2024		*31 December 2023*	
	Paid-in share capital	**Paid-in share capital**	**Paid-in share capital**	**% of total paid in capital**
Aram Kayfajyan	115,058	43.07%	113,058	42.32%
GERMAN CAUCASIAN TRADING LTD	65,292	24.44%	65,292	24.44%
Ashot Chagharyan	24,328	9.11%	24,328	9.11%
Other shareholders	62,472	23.38%	64,472	24.13%
	267,150	**100.00%**	**267,150**	**100.00%**

The Company's distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA. Non-distributable reserves are represented by statutory general reserve, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Company and its subsidiary that provide for the creation of a reserve for these purposes a minimum of 15% of share capital.

Financial assets at fair value through OCI reserve comprises the cumulative net change in the fair value of investment securities measured at fair value through OCI, until the assets are derecognised through transfer to profit or loss.

20. Amounts payable under repurchase agreements

The Company has transactions under repurchase or reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Company. These financial assets may be re-pledged or resold by counterparties in the absence of default, but the counterparty has an obligation to return the securities at the maturity of the contract. The Company has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities,.

Repurchase agreements

	31 December 2024	*31 December 2023*
Fair value of own financial assets at fair value through other comprehensive income transferred and pledged under repurchase agreements (Note 14)	38,003,618	23,882,741
Fair value of own financial assets at fair value through profit or loss transferred and pledged under repurchase agreements (Note 13)	2,502,354	1,504,482
Total financial assets transferred and pledged under repurchase agreements	**40,505,972**	**25,387,223**
Amounts payable to Armenian banks under repurchase agreements	**37,710,716**	**23,854,597**

21. Amounts Due to Financial Institutions and Individuals

	31 December 2024	*31 December 2023*
Short-term borrowings from individual	2,243,443	858,548
Loans and overdrafts from Armenian bank	–	2,273,797
Total amounts due to financial institutions	**2,243,443**	**3,132,345**

As at 31 December 2024 Amounts due to individuals represent short-term borrowing which bear fixed interest rate from 3%. and maturity of January 2025 (31 December 2023: 3% to 3.5%, and maturity of February 2024). These liabilities are denominated in US dollars. Amounts due to individual are not secured.

(thousands of Armenian drams)

21. Amounts Due to Financial Institutions and Individuals (continued)

As at 31 December 2023 amounts due to financial institutions bear fixed interest rate 2.5% and maturity from December 2023 to January 2024. These liabilities are denominated in US dollars. The overdraft facilities as per signed agreements are available through to 2025.

As at 31 December 2023 financial assets measured at FVTPL and FVTOCI pledged against amounts due to financial institutions, represented by government and corporate bonds, at 31 December 2023 amounted to AMD 2,418,419 thousand (Note 13,14).

22. Liabilities for unsettled transactions

In the course of its business, the Company receives advances from customers for the purpose of acquiring securities with view of their subsequent transfer to customers. Liabilities for unsettled transactions represent consideration received from customers for unsettled security acquisitions as of the end of the reporting period. All the balances have been properly settled after the end of the reporting period.

23. Trade and Other Payables

	31 December 2024	***31 December 2023***
Other financial liabilities:		
Salary payable	1,186,076	1,357,991
Unused vacation accrual	280,404	251,875
Accounts payable	119,149	245,558
	1,585,629	**1,855,424**
Other non-financial liabilities:		
Prepayments received from customers	68,574	56,380
Tax payable, other than income tax	295,607	353,497
	364,181	**409,877**
Total trade and other payable	**1,949,810**	**2,265,301**

(thousands of Armenian drams)

24. Risk management

Introduction

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

a) Risk management policies and procedures

The risk management policies aim to identify, analyses and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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

The management of the Company is responsible for monitoring and implementing risk mitigation measures and ensuring that the Company operates within established risk parameters.

The Executive Director is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the shareholders.

Both external and internal risk factors are identified and managed throughout the company. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments).

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

Credit quality per class of financial assets

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

As at 31 December 2024 and as at 31 December 2023 amounts receivable under reverse repurchase agreements, financial assets measured at fair value through OCI and cash and cash equivalents - excluding exposures to Russian banks are classified as standard grade and included in Stage 1 for the purposes of expected credit loss calculation. Cash and cash equivalents held with Russian banks are classified as sub-standard grade and included in Stage 1 for the purposes of expected credit loss calculation.

The table below shows the mapping of the Company's grading system and external ratings of the counterparties as at 31 December 2024 and 31 December 2023.

31 December 2024: ***International external rating agency (Moody's) rating***	***Internal rating description***	***PD***
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.09-4.43%
Caa1 to C	Sub-standard grade	6.82-35.82%
D and below	Impaired	100%

31 December 2023: ***International external rating agency (Moody's) rating***	***Internal rating description***	***PD***
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.1-4.52%
Caa1 to C	Sub-standard grade	6.93-33.62.0%
D and below	Impaired	100%

(thousands of Armenian drams)

24. Risk management (continued)

Introduction (continued)

The Company's exposure for each category of financial assets, presented by internal credit ratings, as at 31 December 2024 and 31 December 2023,is disclosed below.

	31 December 2024			*31 December 2023*		
Internal credit rating	*Standard*	*Sub-standard*	*Total*	*Standard*	*Sub-standard*	*Total*
Stage	*Stage 1*	*Stage 1*		*Stage 1*	*Stage 1*	
Cash and cash equivalents	5,167,306	42,993	5,210,299	6,557,107	12,112	6,569,219
Amounts receivable under reverse repurchase agreements	950,334	–	950,334	–	–	–
Financial assets at fair value through OCI	43,433,432	–	43,433,432	27,199,950	–	27,199,950
	49,551,072	**42,993**	**49,594,065**	**33,757,057**	**12,112**	**33,769,169**

The movement of expected credit loss allowance against financial assets is presented below:

	Financial assets at fair value through OCI	*Cash and cash equivalents*	*Reverse repurchase agreements*	*Other financial assets*	*Total*
At 1 January 2023	**16,872**	**4,204**	**267**	**4,710**	**26,053**
Net charge/(recovery) of loss allowance	40,725	(1,745)	(267)	124,210	**162,923**
Write off	–	–	–	(13,990)	(13,990)
At 31 December 2023	**57,597**	**2,459**	**–**	**114,930**	**174,986**
Net charge of loss allowance	25,487	4,379	1,728	7,170	**38,764**
Write off	–	–	–	(14,456)	**(14,456)**
At 31 December 2024	**83,084**	**6,838**	**1,728**	**107,644**	**199,294**

Liquidity risk and companying management

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

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity management policy requires:

- Projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans.

(thousands of Armenian drams)

24. Risk management (continued)

Liquidity risk and companying management (continued)

The tables below summarize the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

	31 December 2024					
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***
Financial liabilities						
Amounts payable under repurchase agreements	37,788,774	–	–	–	–	37,788,774
Amounts due to financial institutions and individuals	2,246,030	–	–	–	–	2,246,030
Liabilities for unsettled transactions	855,247	–	–	–	–	855,247
Lease liabilities	34,000	–	34,000	136,000	–	204,000
Trade and other payables	1,305,225	–	280,404	–	–	1,585,629
Total undiscounted financial liabilities	**42,229,276**	**–**	**314,404**	**136,000**	**–**	**42,679,680**

	31 December 2023					
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***
Financial liabilities						
Amounts payable under repurchase agreements	23,899,874	–	–			**23,899,874**
Amounts due to financial institutions and individuals	3,136,914	–	–	–	–	**3,136,914**
Liabilities for unsettled transactions	3,930,608	–	–	–	–	**3,930,608**
Lease liabilities	2,833	5,667	25,500	136,000	34,000	**204,000**
Trade and other payables	1,603,549	–	251,875	–	–	**1,855,424**
Total undiscounted financial liabilities	**32,573,778**	**5,667**	**277,375**	**136,000**	**34,000**	**33,026,820**

Operational risk

Operational risk is the risk of loss arising from systems failure, 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 Company 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. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Market risk

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

(thousands of Armenian drams)

24. Risk management (continued)

Market risk (continued)

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company manages its market risk by hedging the positions.

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 (calculation is based on durations of instruments) to a reasonable possible change in interest rates, with all other variables held constant, of the financial assets at fair value through profit or loss and financial assets at fair value through OCI as at 31 December 2024 and as at 31 December 2023:

Currency	*Increase in basis points 2024*	*Sensitivity of net interest income 2024*	*Sensitivity of equity 2024*
AMD	1.00%	(539)	(2,105,978)
USD	1.00%	(236,560)	–
EUR	1.00%	(2,132)	–

Currency	*Decrease in basis points 2024*	*Sensitivity of net interest income 2024*	*Sensitivity of equity 2024*
AMD	1.00%	539	2,105,978
USD	1.00%	236,560	–
EUR	1.00%	2,132	–

Currency	*Increase in basis points 2023*	*Sensitivity of net interest income 2023*	*Sensitivity of equity 2023*
AMD	1.00%	–	(1,256,159)
USD	1.00%	(234,692)	–

Currency	*Decrease in basis points 2023*	*Sensitivity of net interest income 2023*	*Sensitivity of equity 2023*
AMD	1.00%	–	1,256,159
USD	1.00%	234,692	–

Currency risk

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

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2024 and 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Armenian Dram, with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss statement, while a positive amount reflects a net potential increase.

AMD'000	*Change in currency rate in % 2024*	*Effect on profit before tax 2024*	*Change in currency rate in % 2023*	*Effect on profit before tax 2023*
Currency				
	6.60%	19,226	10%	23,881
EUR	-3.17%	(9,234)	-10%	(23,881)
	3.40%	182,649	10%	142,724
USD	-3.84%	(206,286)	-10%	(142,724)
	9.56%	20,205	10%	17,732
RUB	-21.45%	(45,335)	-10%	(17,732)

(thousands of Armenian drams)

25. Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial instruments that are not measured at fair value

Cash and cash equivalents, term deposits, amounts receivable under reverse repurchase agreements, other financial assets, amounts payable under repurchase agreements and amounts due to financial institutions and individuals are liquid or have a short term maturity (less than three months) therefore it is assumed that the carrying amounts approximate to their fair values.

Lease liabilities

The fair value of lease liabilities is close to its carrying value and is estimated using discounted cash flow techniques, applying the market interest rates that the Company would have to pay as of the reporting date to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use assets.

(a) Financial instruments that are measured at fair value

As of 31 December 2024

'000 AMD	***Level 1***	***Level 2***	***Level 3***	***Total fair values***
Financial assets at fair value through profit or loss	1,405,266	5,991,716	−	7,396,982
Financial assets at fair value through other comprehensive income	−	43,433,432	−	43,433,432

As of 31 December 2023

'000 AMD	***Level 1***	***Level 2***	***Level 3***	***Total fair values***
Financial assets at fair value through profit or loss	−	9,957,126	−	9,957,126
Financial assets at fair value through other comprehensive income	−	27,199,950	−	27,199,950

Armenian government securities are classified as level 2 as they have been valued using discounted cash flow techniques at a rate that reflects market yield of specific time to maturity. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Corporate securities issued in Armenia and fund units held are classified as level 2 in the fair value hierarchy as they are measured at quoted price in a market that is not active.

The fair value of USA government securities is classified as level 1 as they have been valued using quoted prices (unadjusted) in active markets for identical assets. The fair value of securities issued in other countries is classified as level 2, which are based on quoted market prices in an international market, except certain securities mostly issued by Russian companies, which are reflected at subsequent sale price if such sale occurs close to the reporting date due to non-availability of quoted prices and which are classified under level 2 fair value hierarchy, as the sales of securities have taken place after the reporting date, the management considers that the fair value of these securities approximate the selling price.

(thousands of Armenian drams)

26. 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 24 Risk management for the Company's contractual undiscounted repayment obligations.

	2024			*2023*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	5,210,299	–	5,210,299	6,569,219	–	6,569,219
Amounts receivable under reverse repurchase agreements	950,334	–	950,334	–	–	–
Financial assets at fair value through profit or loss	7,396,982	–	7,396,982	9,957,126	–	9,957,126
Financial assets at fair value through OCI	43,433,432	–	43,433,432	27,199,950	–	27,199,950
Investment in associate	–	308,329	308,329	–	210,617	210,617
Investment in joint venture	–	–	–	–	16,359	16,359
Property, equipment and intangible assets	–	374,739	374,739	–	245,025	245,025
Right-of-use assets	–	121,741	121,741	–	142,031	142,031
Other assets	544,466	37,816	582,282	688,608		688,608
Total	**57,535,513**	**842,625**	**58,378,138**	**44,414,903**	**614,032**	**45,028,935**
Amounts payable under repurchase agreements	37,710,716	–	37,710,716	23,854,597	–	23,854,597
Amounts due to financial institutions and individuals	2,243,443	–	2,243,443	3,132,345	–	3,132,345
Liabilities for unsettled transactions	855,247	–	855,247	3,930,608	–	3,930,608
Current income tax liabilities	52,027	–	52,027	914,914	–	914,914
Lease liabilities	51,660	99,051	150,711	15,444	116,711	132,155
Trade and other payables	1,949,810	–	1,949,810	2,265,301	–	2,265,301
Provisions	–	–	–	–	27,677	27,677
Deferred tax liabilities	–	359,406	359,406	–	8,412	8,412
Total	**42,862,903**	**458,457**	**43,321,360**	**34,113,209**	**152,800**	**34,266,009**
Net	**14,672,610**	**384,168**	**15,056,778**	**10,301,694**	**461,232**	**10,762,926**

The Company management considers the financial assets at fair value through OCI and financial assets at fair value through profit or loss as liquid assets which the Company is able to convert to cash hence the Company has presented these assets as maturing within one year.

27. Capital management

For the purpose of the Company's capital management, capital includes issued capital, all other equity reserves attributable to the equity holders of the Company and net debt. Net debt is defined as sum of borrowings and lease liabilities after deducting cash and cash equivalents. The primary objective of the Company's capital management is to maximise the shareholder value.

Management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and profit, and long-term investment plans mainly financed by the Company's operating cash flows. With these measures the Company aims for steady profits growth. There were no changes in the Company's approach to capital management during the year.

The Central Bank of Armenia sets and monitors capital requirements for the Company. Under the current capital requirements set by the Central Bank of Armenia, the Company has to maintain a minimum total capital of AMD 300,000 thousand (2023: AMD 300,000 thousand). The Company is in compliance with minimum total capital requirements as at 31 December 2024 and 2023.

(thousands of Armenian drams)

28. Contingencies

(a) Insurance

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

(b) Litigation

The Company does not have litigations that may have a material effect on the Company's results of operations or financial position.

(c) Taxation

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

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

Transfer pricing legislative contingency

The Company is subject to transfer pricing regulations in Armenia, which require the submission of notification on controlled transactions and preparation of transfer pricing documentation in relation to controlled transactions in accordance with Tax code of Republic of Armenia. Although the Company is committed to complying with these requirements, including submitting the relevant notification and maintaining proper documentation when required by the tax authorities, the applicable legislation and enforcement mechanisms in Armenia are still in the early stages of development.

As a result, there is a degree of uncertainty surrounding the interpretation and practical application of transfer pricing rules. While management believes that the Company's identified controlled transactions are complete and aligned with the arm's length principle, it is possible that the tax authorities may take a different view. If the authorities successfully challenge the Company's transfer pricing positions, this could result in additional tax liabilities, which may have a material impact on the financial statements.

29. Related parties

The Company's related parties include its shareholders, key management and the associate..

As at December 31, 2024 and 2023, the major shareholder of the Company is Aram Kayfajyan who is also the Chief Executive Officer of the Company. Transactions with Aram Kayfajyan are presented under 'Key management personnel' category below.

(thousands of Armenian drams)

29. Related parties (continued)

Transactions with related parties

As of the years ended 31 December 2024 and 31 December 2023 the Company had the following transactions with the related parties and outstanding balances.

	31 December 2024		
	Non-executive shareholders	***Key management personnel***	***Other***
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	4,901	9,281	184
Net trading gain	1,535	1,114	–
Other income (sub-lease)	–	–	3,924
Statement of financial position			
Other assets	820	513	429

	31 December 2023		
	Non-executive shareholders	***Key management personnel***	***Other***
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	10,485	16,891	3,634
Other income (sub-lease)	–	–	3,924
Expenses			
Administrative and other expenses	–	4,593	–
Statement of financial position			
Other assets	1,758	380	413

Key management compensation for the year amounted to AMD 1,966,448 thousand (2023: AMD 3,238,704 thousand).