



Ameriabank cjsc

Financial Statements

For the first quarter of 2021

Contents

Statement of profit or loss and other comprehensive income	3
Statement of financial position	4
Statement of changes in equity.....	5
Statement of cash flows	6
Notes to the financial statements	7

Statement of comprehensive income

31-Mar-2021

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Note	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
Interest income	4	18,142,503	16,102,986
Interest expenses	4	(7,734,682)	(7,754,064)
Net interest income		10,407,821	8,348,921
Fee and commission income	5	1,566,152	1,219,064
Fee and commission expense	6	(402,725)	(443,834)
Net fee and commission income		1,163,427	775,230
Net profit/loss on financial instruments at fair value through profit or loss	7	932,825	43,008
Net foreign exchange gain/(loss)	8	638,290	1,039,119
Net gain on financial assets at fair value through other comprehensive income and financial assets at amortised cost		(101,798)	48,378
Other operating income	9	433,573	414,331
Other operating expense	9	(958,490)	(815,981)
Operating income		12,515,648	9,853,008
Impairment losses	10	(3,083,769)	(2,725,585)
Personnel expenses		(2,908,162)	(1,768,381)
Other general administrative expenses	11	(1,597,487)	(1,684,966)
Profit before income tax		4,926,229	3,674,075
Income tax expense	12	(960,167)	(691,377)
Profit for the period		3,966,062	2,982,698
Other comprehensive income, net of income tax			
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income		25,569	(90,472)
Other comprehensive income/(loss) for the period, net of income tax		25,569	(90,472)
Total comprehensive income for the period		3,991,631	2,892,226

Validation date 14.04.21

seal

General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant






Gohar Khachatryan

Statement of Financial Position
31-Mar-2021

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Note	3/31/2021	12/31/2020
Assets			
Cash and cash equivalents	13	167,068,369	232,026,738
Banking standardized bullions of precious metals		996,166	1,215,094
Financial instruments at fair value through profit or loss			
- Held by the Bank	14	8,810,491	9,476,566
- Pledged under sale and repurchase agreements	14	-	-
Financial assets at fair value through other comprehensive income			
- Held by the Bank	15	12,113,105	8,026,999
- Pledged under sale and repurchase agreements	15	-	3,181,002
Loans and advances to banks	16	33,538,878	37,788,884
Amounts receivable under reverse repurchase agreements	17	10,998,521	17,258,217
Loans and advances to customers at amortized cost	18	692,334,259	696,495,523
Debt securities at amortized cost			
- Held by the Bank	19	30,003,252	33,722,305
- Pledged under sale and repurchase agreements	19	21,132,381	17,814,988
Property, equipment and intangible assets	20	10,648,878	10,740,536
Right of use asset	21	11,237,593	10,643,891
Deferred tax asset	12	987,001	1,028,409
Other assets	22	10,636,101	11,222,572
Total assets		1,010,504,995	1,090,641,724
Liabilities			
Financial instruments at fair value through profit or loss	14	270,186	504,412
Amounts payable under repurchase agreements		20,003,030	20,005,910
Deposits and balances from banks	23	55,476,160	55,845,516
Current accounts and deposits from customers	24	503,055,404	598,839,667
Debt securities issued	25	114,333,618	106,916,313
Subordinated borrowings	26	21,405,063	48,416,832
Other borrowed funds	26	159,975,151	128,907,362
Current tax liabilities	12	2,964,421	2,610,472
Provision on contingent liabilities		233,892	359,219
Lease liabilities	21	11,895,817	11,231,832
Other liabilities	27	7,086,603	7,298,587
Total liabilities		896,699,345	980,936,122
Equity			
Share capital	28	37,426,880	37,386,880
Share premium		17,133,781	17,065,364
Revaluation reserve		58,447	32,878
Retained earnings		59,186,542	55,220,480
Total equity		113,805,650	109,705,602
Total liabilities and equity		1,010,504,995	1,090,641,724

Validation date 14.04.21

seal

General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant

Gohar Khachatryan



(Handwritten signatures of Artak Hanesyan and Gohar Khachatryan)

Statement of changes in equity
31-Mar-2021

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Share capital	Share premium	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of previous financial year (cumulative)					
Balance as of 01 January 2020	37,347,200	17,009,560	650,042	46,220,276	101,227,078
Balance after recalculation	37,347,200	17,009,560	650,042	46,220,276	101,227,078
Issue of share capital	39,680	55,804			95,484
Other comprehensive income/(loss) for the period	-	-	(90,472)	-	(90,472)
Net profit for the period	-	-	-	2,982,698	2,982,698
Balance as of 31 March 2020	37,386,880	17,065,364	559,569	49,202,974	104,214,788

Interim period of current financial year (cumulative)					
Balance as of 01 January 2021	37,386,880	17,065,364	32,878	55,220,480	109,705,602
Balance after recalculation	37,386,880	17,065,364	32,878	55,220,480	109,705,602
Net profit for the period	-	-	-	3,966,062	3,966,062
Other comprehensive income/(loss) for the period			25,569		25,569
Issue of share capital	40,000	68,417	-	-	108,417
Balance as of 31 March 2021	37,426,880	17,133,781	58,447	59,186,542	113,805,650

Validation date 14.04.21

seal
General Director-Chairman of the Management Board

Chief Accountant



(Handwritten signature of Artak Hanesyan)
(Handwritten signature of Gohar Khachatryan)

Artak Hanesyan

Gohar Khachatryan

Statement of cash flows
31-Mar-2021

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
Cash flows from operational activities	x	x
Interests receipts	16,260,225	15,355,287
Interests payments	(7,943,026)	(7,847,613)
Fee and commissions receipts	1,566,152	1,219,064
Fee and commissions payments	(402,725)	(443,834)
Net receipts from financial assets at fair value through profit and loss	(18,963)	178,005
Net receipts from foreign exchange	1,194,614	1,220,995
Other income/(expenses)	(440,886)	(401,650)
Salaries and other payments to employees	(4,171,712)	(1,049,835)
Other general administrative expense payments	(1,597,487)	(1,684,966)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	711,043	99,936
Loans and advances to banks	1,979,207	1,453,977
Amounts receivable under reverse repurchase agreements	6,347,968	11,144,330
Loans and advances to customers at amortized cost	1,963,660	(8,693,374)
Other assets	2,418,806	2,180,799
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	610,117	441,471
Deposits and balances from banks	(862,453)	13,104,016
Amounts payable under repurchase agreements	-	-
Current accounts and deposits from customers	(83,100,154)	(86,524,250)
Other liabilities	1,198,989	(10,654,864)
Net cash from (used in) operating activities before income tax paid	(64,286,626)	(70,902,504)
Income tax paid	(574,365)	(600,655)
Net cash flows from operational activities after profit tax	(64,860,991)	(71,503,159)
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(1,979,214)	(268,907)
Sales of property and equipment and intangible assets	-	-
Financial assets at fair value through other comprehensive income	(885,038)	(45,015)
Financial assets at amortized cost	(8,694,009)	(13,094,117)
Net cash flows from investing activities	(11,558,261)	(13,408,039)
Cash flows from financing activities	x	x
Dividends paid	-	-
Proceeds from issue of share capital	108,417	95,484
Net receipts of other borrowed funds	3,648,729	(645,358)
Receipts from issuance of debt securities	7,206,144	(499,749)
Net cash flows from financing activities	10,963,290	(1,049,623)
Effect of changes in exchange rates on cash and cash equivalents	577,011	2,804,870
Effect of changes in impairment allowance on cash and cash equivalents	(79,418)	(67,840)
Net increase/(decrease) in cash and cash equivalents	(64,958,369)	(83,223,792)
Cash and cash equivalents at the beginning of the period (Note 13)	232,026,738	247,353,690
Cash and cash equivalents at the end of the period (Note 13)	167,068,369	164,129,899

Validation date 14.04.21

seal

General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant

Gohar Khachatryan

1 Background

(a) Organisation and operations

Ameriabank cjsc (formerly Armimpexbank cjsc) (the Bank) was established on 8 December 1992 under the laws of the Republic of Armenia. In 2007 the Bank was acquired by TDA Holdings Limited, which purchased a shareholding of 96.15%. TDA Holdings Limited was renamed to Ameria Group (CY) during 2011. In 2013 Ameria Group (CY) Limited increased its share in the Bank to 100%. On December 23, 2015 European Bank for Reconstruction and Development purchased in full additionally issued shares of the Bank for AMD 14,366,288 thousand.

On December 21, 2016 ESPS Holding Limited purchased 13.5% of Bank shares as a result of which Ameria Group (CY) holds 65.8% of Bank shares.

On February 14, 2018 Asian Development Bank purchased additionally issued all 16.291 shares of the Bank for AMD 14,426,665 thousand.

On 4 March 2020 ESPS Holding Limited purchased in full additionally issued 146 shares of the Bank with nominal value of AMD 320,000 per share for AMD 770,031 per share.

On 6 December 2020 the General Meeting of Shareholders of the Bank, approved two transactions:

- acquisition of 8,788 ordinary shares, owned by Ameria Group (CY) Limited and comprising to 7.52% of share capital, by Noubar Afeyan
- transfer of stated shares by Noubar Afeyan to Afeyan Foundation for Armenia Inc.
-

On 14 July in 2021 Ameria Group (CY) was renamed to Imast Group (CY).

On 9 March 2021, ESPS Holding Limited purchased in full additionally issued 125 shares of the Bank with nominal value of AMD 320,000 per share for AMD 867,339 per share.

The shareholders of the Bank as at 31 March 2021 are Imast Group (CY) (48.90%), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

As at 31 March 2021 the Bank had no ultimate controlling party.

The principal activities of the Bank are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has 20 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia. The number of the Bank's employees for the first quarter of 2021 was 1,132 (2020: 1,109). Related party transactions are detailed in note 34.

(b) Armenian business environment

The Bank's operations are primarily located in Armenia. Consequently, the Bank is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development and tend to improve over last couple of years.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The financial statements are presented in Armenian Drams (AMD), which is the Bank's functional and presentation currency. Financial information presented in AMD is rounded to the nearest thousand. The official CBA exchange rates at 31 March 2021 and 31 December 2020 were 531.17 AMD and 622.96 AMD to 1 USD, and 522.59 AMD and 641.11 AMD to 1 EUR, respectively.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 18 "Loans to customers".

(e) Changes in accounting policies and presentation

Changes in accounting policies

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

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognized in other comprehensive income.

(b) Cash and cash equivalents

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

(c) Financial instruments

Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a “basic lending arrangement”, such as instruments containing embedded conversion options or “non-recourse” loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- ▶ Instruments that are managed on a “hold to collect” basis are measured at amortized cost;
- ▶ Instruments that are managed on a “hold to collect and for sale” basis are measured at fair value through other comprehensive income (FVOCI);
- ▶ Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realized and unrealized gains and losses, except for dividend income, are recognized in other comprehensive income with no subsequent reclassification to profit and loss. The Bank measures all financial liabilities, except for financial guarantees at FVTPL or amortized cost.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the trade date.

Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- ▶ A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss. Interest in relation to an debt financial asset at fair value through profit or loss is recognized in profit or loss as interest income using the effective interest method;
- ▶ A gain or loss on Financial instruments at fair value through profit or loss is recognized as other comprehensive income in equity (except for foreign exchange gains and losses on debt financial instruments at fair value through profit or loss) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to Financial instruments at fair value through profit or loss is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

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

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

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

Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized immediately in profit or loss.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

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

Buildings and leasehold improvements	20 years
Computers and communication equipment	5 to 10 years
Fixtures and fittings	10 to 20 years
Motor vehicles	7 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

(e) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(f) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(g) Impairment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortized cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

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

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. In this stage are grouped all those assets which have less than or equal to 30 overdue days at the Bank or less than or equal to 60 overdue days in other financial institutions of RA.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. In this stage are grouped all those assets which have more than 30 overdue days but less than or equal to 90 overdue days at the Bank or more than 60 overdue days but less than or equal to 120 overdue days in other financial institutions of RA, unless there is no management decision to move the loan to other stage.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECL. In this stage are grouped all those assets which have more than 90 overdue days at the Bank or more than 120 overdue days in other financial institutions of RA unless there is no management decision to move the loan to other stage.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The Bank's Management can reclassify the asset to more strict stage despite of overdue days if there is enough evidence that credit risk of the asset has increased materially.

For estimation of ECLs, the Bank considers three scenarios: base, optimistic and pessimistic scenarios. Final ECL is probability weighted average of these scenarios discounted by a weighted average EIR. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

In calculation of PD the Bank considers those macroeconomic parameters that had material impact on the probability of default. For calculation of PD and LGD of loans and advances in the Banks, reserve repo agreements, securities measured at amortized cost or FVTOCI the Bank uses information published by international rating agencies such as Moody's, Fitch and S&P.

For stages 1 and 2 the Bank is doing collective impairment, while for the assets included in stage 3 and for POCI assets the Bank is doing both and Collective and Individual impairment. For some assets, taking into account specific features of those assets, the Bank do also individual impairment for stages 1 and 2.

(i) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

(j) Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined

by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Future operating costs are not provided for.

(k) Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, 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.

(l) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognized, except for the followings:

- ▶ Loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- ▶ If the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- ▶ Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;

- ▶ Commitments to provide a loan at a below-market interest rate.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) *Share premium*

Any amount paid in excess of par value of shares issued is recognized as a share premium.

(ii) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) *Dividends*

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared and such decision is effective according to legislation of the Republic of Armenia.

(n) Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Trading and Investment Banking (IB).

(o) Taxation

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

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

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(p) Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(q) Leases

Finance – Bank as lessee

The Bank recognises finance leases as assets and liabilities in the statement of financial position at

the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

Finance – Bank as lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. At the commencement date the Bank recognizes a right-of-use asset and lease liability, except for short-term lease and lease of low-value asset recognition exemptions in IFRS 16.

Initial recognition

At a commencement date, the Bank measures the right-of-use asset at cost which comprises:

- The amount of initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located.

At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset at cost:

- Less any accumulated depreciation and accumulated impairment losses; and
- Adjusted for the remeasurement of the lease liability

After the commencement date, a lessee measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and

- Remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Operating – Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

4 Net interest income

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Interest income		
Loans to customers	15,673,406	13,952,554
Income from factoring	242,166	247,123
Investment securities measures at FVOCI	394,271	388,739
Receivables from finance leases	361,793	175,417
Investment securities measured at amortized cost	971,823	907,983
Loans and advances to banks	38,445	36,728
Amounts receivable under reverse repurchase agreements	163,722	237,708
Receivables from letters of credit	176,205	93,108
Other	120,671	63,626
	18,142,503	16,102,986
Interest expense		
Current accounts and deposits from customers	3,449,895	3,779,619
Other borrowed funds and subordinated borrowing	1,620,844	2,180,324
Deposits and balances from banks	437,792	545,499
Amounts payable under repurchase agreements	216,023	42,797
Letters of credit and guarantee	120,048	74,443
Debt securities issued	1,553,668	789,758
Lease payables	328,862	341,624
Other	7,550	-
	7,734,682	7,754,064
Net interest income	10,407,821	8,348,921

5 Fee and commission income

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Credit card maintenance	772,003	620,511
Money transfers	204,549	189,146
Guarantee and letter of credit issuance	145,249	97,586
Cash withdrawal, account service and distance system services	176,499	188,782
Settlement operations	37,986	10,030
Brokerage services	136,016	49,459
Other	93,850	63,550
	1,566,152	1,219,064

6 Fee and commission expense

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Guarantee and letter of credit issuance	29,125	32,608
Credit card maintenance	289,526	298,834
Money transfers	67,206	58,115
Other	16,867	54,277
	402,725	443,834

7 Net gain/(loss) on financial instruments at fair value through profit or loss

Net gain/(loss) on financial instruments at fair value through profit or loss includes revaluation of currency and interest rate derivative instruments, which are used for hedging open currency positions.

8 Net foreign exchange income

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Net gain on spot transactions	1,194,614	1,220,995
Net gain from revaluation of financial assets and liabilities	(556,324)	(181,876)
	638,290	1,039,119

9 Other operating income/(expenses)

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Other operating income		
Income from fines and penalties	258,462	218,757
Financial consulting	5,808	711
Other income	169,303	194,863
	433,573	414,331
Other operating expenses		
Expenses on fines and penalties	(5,001)	(10)
Encashment	(20,504)	(25,220)

Trading and brokerage activities	(54,564)	(31,477)
Guarantee payments to Armenian Deposit Guarantee Fund	(152,360)	(170,464)
Software maintenance	(102,906)	(112,193)
Payment system expenses	(299,167)	(231,847)
Other expenses	(323,988)	(244,770)
	(958,490)	(815,981)

10 Impairment (losses) reversals

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Loans to customers	3,117,225	2,565,960
Other assets	(33,455)	159,625
	3,083,770	2,725,585

11 Other general administrative expenses

	01/01/2021- 31/03/2021	01/01/2020- 31/03/2020
	AMD'000	AMD'000
Operating lease expense	134,374	124,967
Advertising and marketing	129,884	216,020
Depreciation and amortization	834,184	747,129
Repairs and maintenance	96,457	101,232
Communications and information services	35,003	55,431
Travel expenses	4,293	15,063
Security	56,220	54,798
Professional services	20,590	19,672
Electricity and utilities	27,420	38,325
Insurance	19,670	11,294
Charity and sponsorship	22,324	35,204
Representation expenses	242	663
Office supplies	9,276	14,851
Taxes other than on payroll and income	13,032	8,127
Other	194,518	242,189
	1,597,487	1,684,965

12 Income tax expense

	01/01/2021- 31/03/2021 AMD'000	01/01/2020- 31/03/2020 AMD'000
Current tax expense		
Current year	916,866	773,966
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	43,301	(82,589)
Total income tax expense	960,167	691,377

	01/01/2021- 31/03/2021 AMD'000	%	01/01/2020- 31/03/2020 AMD'000	%
Profit before tax	11,182,129		15,969,514	
Income tax at the applicable tax rate	2,012,783	18.0%	3,193,903	20.0%
Non-deductible costs	169,142	1.5%	660,643	4.14%
	2,181,925	19.5%	3,854,546	24.1%

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 March 2021 and as at 31 December 2020.

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

Movements in temporary differences during the periods ended 31 March 2021 and as at 31 December 2020 are presented as follows:

2021	Balance 01 Jan 2021 AMD'000	Recognize in profit or loss AMD'000	Recognized in other comprehensive income AMD'000	Balance 31 March 2021 AMD'000
Financial instruments at fair value through profit or loss	74,577	-	-	74,577
Investment securities measures at FVOCI	24,889	(1,893)	1,893	24,889
Allowance for other receivables and other provisions	11,126	(85,593)	-	(74,467)
Loans to customers	294,337	(96,313)	-	198,024
Property and equipment	119,497	(16,473)	-	103,024
Other assets	32,175	(3,088)	-	29,087
Other liabilities	569,337	152,511	-	721,848
Other borrowed funds	(97,528)	7,549	-	(89,980)
	1,028,409	(43,301)	1,893	987,002

2020	Balance 01 Jan 2020	Recognize in profit or loss	Recognized in other comprehensive income	Balance 31 March 2020
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	(70,940)	40,716	-	(30,225)
Investment securities measures at FVOCI	(103,227)	(305)	(14,465)	(117,998)
Allowance for other receivables and other provisions	(138,415)	119,194	-	(19,222)
Loans to customers	(1,257,594)	63,323	-	(1,194,271)
Property and equipment	72,783	19,526	-	92,308
Other assets	82,733	(50,558)	-	32,175
Other liabilities	601,295	(109,307)	-	491,988
Other borrowed funds	(105,077)	-	-	(105,077)
	(918,444)	82,588	(14,465)	(850,321)

13 Cash and cash equivalents

	31/03/21 AMD'000	31/12/20 AMD'000
Cash on hand	21,800,131	20,782,469
Nostro accounts with the CBA	122,928,211	195,714,628
Nostro accounts with other banks		
- rated A- to A+	18,264,753	11,325,535
- rated from B- to BBB+	3,996,324	4,114,154
- not rated	90,278	107,995
Total nostro accounts with other banks	22,351,355	15,547,684
Impairment	(11,328)	(18,043)
Total cash and cash equivalents	167,068,369	232,026,738

Movements in the impairment allowance of Cash and cash equivalents for first quarter 2021 are as follows:

	AMD'000
Balance at the beginning of the year	18,043
Net charge	(6,715)
Net write offs	-
Balance at the end of the period	11,328

The nostro accounts with the CBA represent balances for settlement activities and also obligatory reserves allocated with CBA. There are no withdrawal restrictions on them and these amounts can be used by the Bank for settlement purposes.

No cash and cash equivalents are impaired or past due and are included in Stage 1, low credit risk assets. The above ratings are per Fitch rating agency.

Nostro accounts with Central Bank of Armenia are related to settlement activity and obligatory reserves (see Note 16) which are readily available for withdrawal.

As at 31 March 2021 the Bank has no bank (2020: no bank), whose balance exceeds 10% of equity.

As at 31 March 2021 and as at 31 December 2020 the balances with the Central Bank of Armenia exceed 10% of equity.

14 Financial instruments at fair value through profit or loss

	31/03/21	31/12/20
	AMD'000	AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,391,670	5,499,944
Eurobonds of the Republic of Armenia	590,420	511,995
Corporate bonds of the Republic of Armenia	3,471,264	3,447,112
Derivative financial instruments		
Foreign currency contracts	357,137	17,515
	8,810,491	9,476,566
Liabilities		
Derivative financial instruments		
Foreign currency contracts	270,186	504,412
	270,186	504,412

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are past due or impaired.

Interest rate swaps

The table below summarizes the contractual amounts of interest rate swap contracts outstanding as at 31 March 2021 and 31 December 2020 with details of the fair values and notional amounts. Foreign currency amounts presented below are translated at rates effective at the reporting date. The resultant unrealized gains and losses on these immature contracts are recognized in profit or loss, as appropriate.

	Fair value		Notional amount	
	2021	2020	2021	2020
	AMD'000	AMD'000	AMD'000	AMD'000
Pay fixed in USD, receive floating in USD	-	-	12,072,046	11,544,237

As at 31 March 2021 the Bank has three interest rate swap contracts, with USD 10,000,000, USD 2,727,273 and with USD 10,000,000 initial nominal value (2020: three interest rate swap contracts with USD 10,000,000, USD 3,636,364 and with USD 10,000,000).

15 Financial assets at fair value through other comprehensive income

	31/03/21 AMD'000	31/12/20 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	7,008,380	4,967,983
Eurobonds of the Republic of Armenia	2,463,646	978,804
- Corporate bonds		
Corporate bonds of the Republic of Armenia	2,558,114	1,997,247
Equity investments		
- Unquoted equity securities at cost	82,965	82,965
	12,113,105	8,026,999

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

Name	Country of incorporation	Main activity	% Controlled		2021 AMD'000	2020 AMD'000
			2021	2020		
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	49,500	49,500
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,465	33,465
					82,965	82,965

16 Loans and advances to banks

	31/03/21 AMD'000	31/12/20 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	798,000	2,312,500
Deposit with CBA	31,320,293	33,196,263
Loans and deposits with other banks		
Armenian banks	1,505,527	2,365,389
OECD banks	311	2,824
Total loans and advances to banks	1,505,838	2,368,213
	33,624,131	37,876,976
Impairment	(85,253)	(88,092)
Total loans and advances to banks	33,538,878	37,788,884

(a) Balances with the Central Bank of Armenia

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

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 2% and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 10% is maintained in AMD and 8% in the respective currency of funds attracted. The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 13) as these funds are readily available for withdrawal.

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

Concentration of loans and advances to banks

As at 31 March 2021 the Bank has no bank (2020: no bank), whose balances exceed 10% of equity.

17 Amounts receivable under reverse repurchase agreements

	31/03/21	31/12/20
	AMD'000	AMD'000
Amounts receivable from medium and small Armenian financial institutions	10,998,521	17,258,218
Total amounts receivable under reverse repurchase agreements	10,998,521	17,258,218
Impairment allowance	(0)	(1)
Total net amounts receivable under reverse repurchase agreements	10,998,521	17,258,217

Collateral

As at 31 March 2021 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 12,072,820 thousand (2020: 18,956,896 thousand).

18 Loans and advances to customers

	31/03/21 AMD'000	31/12/20 AMD'000
Loans to legal entities	480,548,827	486,218,523
Loans to individuals	197,324,404	196,622,643
Receivables from finance lease	14,287,853	13,033,506
Receivables from factoring	12,591,052	11,352,912
Receivables from letter of credit	10,973,474	12,859,539
Gross loans and advances to customers	715,725,610	720,087,124
Impairment allowance	(23,391,351)	(23,591,601)
Net loans and advances to customers	692,334,259	696,495,523

(a) Loans to legal entities and individuals

	31/03/21 AMD'000	31/12/20 AMD'000
Loans to corporate customers		
Loans to large corporates	340,950,794	353,785,213
Loans to small and medium size companies	139,598,033	132,433,310
Total loans to corporate customers	480,548,827	486,218,523
Loans to retail customers		
Mortgage loans	119,547,198	116,987,086
Other loans to individuals	77,777,206	79,635,557
Total loans to retail customers	197,324,404	196,622,643
Gross loans to customers	677,873,232	682,841,167
Impairment allowance	(22,751,426)	(22,966,664)
Net loans to customers	655,121,805	659,874,503

Movements in the loan impairment allowance by classes of loans to legal entities and individuals for the first quarter of 2021:

2021	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the period	14,347,283	8,619,381	22,966,664
Net charge	2,269,813	847,412	3,117,225
Recovery of loans previously written off	61,481	221,114	282,595
Write-offs	(1,642,361)	(2,038,752)	(3,681,113)
Transfer to Interest income	54,655	11,400	66,055
Balance at the end of the period	15,090,871	7,660,555	22,751,426

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 March 2021.

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to corporate customers						
Loans to large corporates						
Not impaired	310,972,591	2,476,398	12,479,054	2,222,072	-	-
Impaired	-	-	-	-	17,499,751	5,876,244
Individually impaired	-	-	-	-	17,499,751	5,876,244
Total loans to large corporates	310,972,591	2,476,398	12,479,054	2,222,072	17,499,751	5,876,244
Loans to SME						
Not impaired	130,619,865	1,653,385	3,493,678	840,185	-	-
Impaired	-	-	-	-	5,483,888	2,022,586
Individually impaired	-	-	-	-	4,838,534	1,488,238
Collectively impaired	-	-	-	-	645,354	534,348
Total Loans to SME	130,619,865	1,653,385	3,493,678	840,185	5,483,888	2,022,586
Total Loans to corporate customers	441,592,456	4,129,783	15,972,732	3,062,258	22,983,639	7,898,830

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to Individuals						
Mortgage						
Not impaired	115,761,333	405,462	1,708,300	156,557	-	-
Impaired	-	-	-	-	2,077,566	506,324
Individually impaired	-	-	-	-	1,966,382	451,510
Collectively impaired	-	-	-	-	111,184	54,814
Total Mortgage	115,761,333	405,462	1,708,300	156,557	2,077,566	506,324
Other loans to Individuals						

Not impaired	71,371,298	3,379,174	2,813,634	1,009,518	-	-
Impaired	-	-	-	-	3,592,274	2,203,519
Individually impaired	-	-	-	-	1,285,699	200,409
Collectively impaired	-	-	-	-	2,306,574	2,003,111
Total Other loans to Individuals	71,371,298	3,379,174	2,813,634	1,009,518	3,592,274	2,203,519
Total Loans to Individuals	187,132,631	3,784,637	4,521,934	1,166,075	5,669,840	2,709,843

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2020.

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to corporate customers						
Loans to large corporates						
Not Impaired	324,731,835	2,302,726	10,644,203	1,960,147	-	-
Impaired	-	-	-	-	18,409,777	5,274,548
Individually impaired	-	-	-	-	18,409,777	5,274,548
Total Loans to large corporates	324,731,835	2,302,726	10,644,203	1,960,147	18,409,777	5,274,548
Loans to SME						
Not Impaired	122,219,471	1,419,153	5,038,596	1,257,018	-	-
Impaired	-	-	-	-	5,174,642	2,133,691
Individually impaired	-	-	-	-	4,649,652	1,703,515
Collectively impaired	-	-	-	-	524,990	430,176
Total Loans to SME	122,219,471	1,419,153	5,038,596	1,257,018	5,174,642	2,133,691
Total Loans to corporate customers	446,951,306	3,721,880	15,682,799	3,217,164	23,584,418	7,408,239

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to Individuals						
Mortgage						
Not Impaired	111,146,754	228,404	3,917,152	313,343	-	-
Impaired	-	-	-	-	1,923,180	557,268
Individually impaired	-	-	-	-	1,750,058	468,216
Collectively impaired	-	-	-	-	173,122	89,052
Total Mortgage	111,146,754	228,404	3,917,152	313,343	1,923,180	557,268
Other loans to Individuals						
Not Impaired	72,047,880	3,344,937	3,298,318	1,195,882	-	-
Impaired	-	-	-	-	4,289,359	2,979,546
Individually impaired	-	-	-	-	1,105,803	199,731
Collectively impaired	-	-	-	-	3,183,556	2,779,816
Total Other loans to Individuals	72,047,880	3,344,937	3,298,318	1,195,882	4,289,359	2,979,546
Total Loans to Individuals	183,194,634	3,573,341	7,215,470	1,509,225	6,212,539	3,536,815

Key assumptions and judgments for estimating the loan impairment

Loans to customers

The Bank records loan allowances based on expected credit losses (ECL) principle.

The ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL. For ECL calculation the Bank takes into account following criteria:

- ▶ Overdue days of the loan agreement at the Bank or in banking system of RA,
- ▶ Significant increase in credit risk of the loan
- ▶ Deterioration of macroeconomic indicators and their possible effect on the borrower financial performance.

For stages 1 and 2 the Bank is doing collective impairment, while for the loans included in stage 3 and for POCI loans the Bank is doing both and collective and individual impairment.

For evaluation of individual impairment the Bank's management takes into account following considerations:

- The Bank discounts from 10% to 20% liquidation value of the pledge,
- Expected period of cash inflows from the realization of the pledge is assumed to be 18 months.

Analysis of collateral

Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be important indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

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; cash collateral

For retail lending, mortgages over residential properties.

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

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

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

Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 70%.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. As of 31 March 2021 consumer loans are secured by real estate, movable property, salary, cash and guarantees

Industry and geographical analysis of the loan portfolio

Loans to customers were issued to customers who operate in the following economic sectors:

	31/03/21 AMD'000	31/12/20 AMD'000
Wholesale trade	102,517,219	107,520,522
Finance and investment	6,853,910	6,588,265
Mining/Metallurgy	41,074,553	34,392,138
Hotel service	38,209,155	36,438,293
Construction	35,128,677	29,940,834
Agriculture, forestry and timber	25,908,268	29,530,102
Food and beverage	37,832,059	38,329,741
Retail trade	38,134,567	31,209,552
Power generation	39,439,240	51,052,777

Real estate	25,495,160	26,125,399
Communication services	26,882,793	26,957,558
Manufacturing	9,522,537	9,134,331
Transportation	38,736,998	43,796,861
Other	14,813,689	15,202,151
Loans to retail customers	197,324,405	196,622,644
	677,873,232	682,841,168
Impairment allowance	(22,751,426)	(22,966,663)
	655,121,805	659,874,505

The geographical concentration of Bank's loans to corporate customers (net loans) is set out below:

	31/03/21	31/12/20
	AMD'000	AMD'000
Armenia	439,254,259	440,711,659
OECD and EU	9,040,956	13,619,101
Other foreign countries	17,162,742	17,540,480
	465,457,957	471,871,240

Significant credit exposures

As at 31 March 2021 the Bank has eight borrowers or groups of connected borrowers (2020: eleven), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 March 2021 is AMD 121,806,475 thousand (31 December 2020: AMD 141,058,700 thousand).

Loan maturities

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

(a) Receivables from letters of credit

	31/03/21	31/12/20
	AMD'000	AMD'000
Receivables from letters of credit of other organizations	10,973,474	12,859,539
Impairment allowance	(58,536)	(55,462)
	10,914,938	12,804,077

As at 31 March 2021 the Bank has no customer (2020: none), whose balances exceed 10% of equity.

Movements in impairment allowance for the first quarter of 2021 and for the year of 2020 are as follows:

	31/03/21	31/12/20
	AMD'000	AMD'000
Balance at the beginning of the year	55,462	14,537
Net charge	3,074	40,925
Write-offs	-	-
Balance at the end of the year	58,536	55,462

(b) Receivables from finance leases

	31/03/21	31/12/20
	AMD'000	AMD'000
Gross investment in finance leases receivable:		
Less than one year	4,349,200	3,841,013
Between one and five years	11,756,672	10,788,243
More than five years	1,322,635	1,122,662
	17,428,507	15,751,919
Unearned finance income	(3,140,654)	(2,718,413)
Impairment allowance	(562,642)	(548,914)
Net investment in finance leases	13,725,211	12,484,592
The net investment in finance leases comprises:		
Less than one year	3,425,060	3,044,295
Between one and five years	9,258,556	8,550,502
More than five years	1,041,595	889,795
	13,725,211	12,484,592

Quality analysis of finance leases

The following table provides information on the quality analysis of finance leases as at 31 March 2021:

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Leasing						
Neither past due nor impaired	13,137,323	130,136	99,996	21,874	-	-
Individually impaired	-	-	-	-	1,050,533	410,632
Total Leasing	13,137,323	130,136	99,996	21,874	1,050,533	410,632

The following table provides information on the quality analysis of finance leases as at 31 December 2020:

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Leasing						
Neither past due nor impaired	12,363,152	161,772	91,744	18,937	-	-
Individually impaired	-	-	-	-	578,610	368,205
Total Leasing	12,363,152	161,772	91,744	18,937	578,610	368,205

Concentration of receivables from finance leases

As at 31 March 2021 the Bank has no customers whose balances exceed 10% of equity (2020: nil).

Movement in impairment allowance

Movements in impairment allowance for the first quarter of 2021 and for the year of 2020 are as follows:

	31/03/21 AMD'000	31/12/20 AMD'000
Balance at the beginning of the year	548,914	247,162
Net charge	2,900	303,830
Write-offs	9,942	-
Transfer to Interest income	886	(2,077)
Balance at the end of the period	562,642	548,914

Finance lease maturities

The maturity of the Bank's finance lease portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the receivables from finance leases.

Geographical analysis of the finance lease portfolio

The majority of finance leases are with customers located within the Republic of Armenia.

(c) Receivables from factoring

	31/03/21 AMD'000	31/12/20 AMD'000
Receivables from factoring	12,591,052	11,352,912
Impairment allowance	(18,747)	(20,561)
	12,572,305	11,332,351

As at 31 March 2021 the Bank has no customers whose balances exceed 10% of equity (2020: 0).

As at 31 March 2021 the Bank has no impaired or overdue receivables from factoring.

Movements in impairment allowance of 2021 and 2020 are as follows:

	31/03/21	31/12/20
	AMD'000	AMD'000
Balance at the beginning of the year	20,561	7,012
Net charge	(1,814)	9,731
Write-offs	-	3,818
Balance at the end of the year	18,747	20,561

19 Financial assets at amortized cost

	31/03/21	31/12/20
	AMD'000	AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	29,946,834	33,667,392
- Corporate bonds		
Corporate bonds of armenian companies	156,130	152,601
	30,102,964	33,819,993
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	21,132,381	17,814,988
	21,132,381	17,814,988
Total financial asset at amortized cost	51,235,345	51,634,981
Impairment	(99,712)	(97,688)
Total net financial asset at amortized cost	51,135,633	51,537,293

Movements in impairment allowance of financial assets at amortized cost for the first quarter 2021 are as follows:

	AMD'000
Balance at the beginning of the year	97,688
Net charge	2,024
Write-offs	-
Balance at the end of the period	99,712

20. Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2021	4,776,246	7,912,537	2,628,411	303,730	3,815,266	19,436,190
Additions	173,857	55,453	102,584	6,423	362,813	701,130
Disposals/write-offs	(229,204)	-	(2,082)	-	(2,554)	(233,840)
Balance at 31 March 2021	4,720,899	7,967,990	2,728,913	310,153	4,175,526	19,903,481
Depreciation and amortization						
Balance at 1 January 2021	1,815,030	4,296,128	753,545	154,184	1,676,768	8,695,655
Depreciation and amortization for the year	69,319	237,040	55,158	10,026	221,402	592,944
Disposals/write-offs	(31,397)	-	(58)	-	(2,542)	(33,996)
Balance at 31 March 2021	1,852,952	4,533,168	808,645	164,209	1,895,628	9,254,603
Carrying amount						
At 31 March 2021	2,867,947	3,434,822	1,920,268	145,943	2,279,897	10,648,878

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2020	4,759,365	7,643,527	2,506,023	303,730	3,151,701	18,364,346
Additions	116,029	597,581	224,248	-	1,037,870	1,975,728
Disposals/write-offs	(99,145)	(328,572)	(101,863)	-	(374,304)	(903,883)
Balance at 31 December 2020	4,776,246	7,912,537	2,628,411	303,730	3,815,266	19,436,190
Depreciation and amortization						
Balance at 1 January 2020	1,545,436	3,616,602	605,485	114,429	1,320,000	7,201,951
Depreciation and amortization for the year	279,714	901,309	209,802	39,755	722,332	2,152,913
Disposals/write-offs	(10,120)	(221,783)	(61,742)	-	(365,564)	(659,209)

Balance at 31 December 2020	1,815,030	4,296,128	753,545	154,184	1,676,768	8,695,655
Carrying amount						
At 31 December 2020	2,961,216	3,616,409	1,874,866	149,547	2,138,498	10,740,536

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during the first quarter of 2021 (2020: nil).

21. Right of use assets

The Bank leases assets such as head office, branch offices and other spaces. The lease of head office, branch office and other spaces typically run for a period of 10 to 20 years.

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

Right of use assets

AMD'000

Cost/Revalued amount	Total
Balance at 1 January 2021	10,643,891
Additions	120,410
Depreciation and amortization for the year	(241,354)
Changes	714,647
Balance at 31 March 2021	11,237,593

22. Other assets

	31/03/21	31/12/20
	AMD'000	AMD'000
Brokerage accounts	545,435	765,568
Receivables from banking services	1,811,499	1,839,832
Restricted accounts with clearing houses	632,759	622,671
Impairment loss	(69,659)	(70,434)
Total other financial assets	2,920,034	3,157,637
Prepayments to suppliers	5,373,806	6,030,644
Reposessed assets	1,848,864	1,916,765
Small value assets	197,878	194,032
Other tax asset	362,561	98
Other	19,045	16,273
Impairment loss	(86,087)	(92,877)
Total other non-financial assets	7,716,067	8,064,935
Total other assets	10,636,101	11,222,572

Movements in the impairment allowance for other assets for 2021 and 2020 are as follows:

	31/03/21	31/12/20
	AMD'000	AMD'000
Balance at the beginning of the year	163,311	167,462
Net charge	(7,565)	31,988
Write-offs	-	-
Balance at the end of the year	155,746	163,311

23. Deposits and balances from banks

	31/03/21	31/12/20
	AMD'000	AMD'000
Short term loans and term deposits from commercial banks	10,129,643	7,352,076
Long term loans and term deposits from commercial banks	16,067,049	15,676,267
Borrowings from CBA (through international programs)	16,166,236	15,496,687
Liabilities for letters of credit	12,791,766	17,058,096
Vostro accounts	321,466	262,390
	55,476,160	55,845,516

As at 31 March 2021 the Bank has one banks (2020: one bank), whose balance exceeds 10% of equity. The gross value of the balance as at 31 March 2021 is AMD 16,067,049 thousand (2020: AMD 15,496,687 thousand).

Borrowings from CBA

According to the agreement the CBA provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the “Directing Office of the “German Armenian Foundation” program”.

24. Current accounts and deposits from customers

	31/03/21	31/12/20
	AMD'000	AMD'000
Current accounts and demand deposits		
- Retail	99,478,344	90,550,554
- Corporate	149,291,118	261,862,919
Term deposits		

- Retail	157,308,151	157,045,702
- Corporate	96,977,791	89,380,492
	503,055,404	598,839,667

As at 31 March 2021, the Bank has one customers (31 December 2020: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 March 2021 is AMD 41,282,168 thousand (As at 31 December 2020 is AMD 149,643,186 thousand).

25. Debt securities issue

	31/03/21	31/12/20
	AMD'000	AMD'000
Promissory notes	1,011,563	1,990,453
Green bonds issued to international financial institutions	26,372,676	26,959,811
Domestic bonds issued	86,949,379	77,966,049
	114,333,618	106,916,313

Promissory notes: In 2016 Bank placed USD denominated promissory notes with four Luxembourg-based funds via its investment manager ResponsAbility Investments AG in amount of USD 20,000,000 with maturity in 2021. As at 31 March 2021 carrying value of the promissory notes is AMD 1,011,563 thousand.

Domestic bonds issued: As at 31 March 2021 the Bank has issued debt securities denominated in AMD and USD, which nominal amount is AMD 27.1 billion and USD 111.2 million. As at 31 March 2021 carrying value of the bonds is AMD'000 27,100,000 and AMD'000 59,849,379 accordingly.

Green bonds issued: In 2021 the Bank has issued a green bond denominated in EUR for the equivalent of EUR 42 million. The Green Bond is issued in close cooperation FMO, the Dutch Entrepreneurial Development that is also anchor investor in this transaction.

26. Other borrowed funds and subordinated borrowings

	31/03/21	31/12/20
	AMD'000	AMD'000
Borrowings from international and other financial institutions	159,975,151	128,907,362
	159,975,151	126,685,607
Subordinated borrowings	21,405,063	48,416,832
	21,405,063	48,416,832

a. Concentration of borrowings from international financial institutions

As at 31 March 2021, the Bank has eight financial institutions (31 December 2020: six), whose balances exceed 10% of equity. These balances as at 31 March 2021 are AMD 207,035,520 thousand (31 December 2020: AMD 143,194,095 thousand).

b. Subordinated borrowing

As at 31 March 2021 subordinated borrowing represents:

- Borrowing received from other financial institution
5,074,000 AMD'000 maturing on 15 January 2026,
8,430,830 AMD'000 maturing on 15 January 2027,
7,900,232 AMD'000 maturing on 03 January 2031

In case of bankruptcy, the repayment of the subordinated borrowing will be made after repayment in full of all other liabilities of the Bank.

c. Covenants

The Bank is required to meet certain covenants in connection with borrowing agreements.

27. Other liabilities

	31/03/20	31/12/20
	AMD'000	AMD'000
Payables to staff	1,354,875	2,664,955
Accrued expenses	529,477	819,175
Other financial liabilities	4,069,930	2,656,913
Total other financial liabilities	5,954,281	6,141,043
Deferred income	18,996	29,362
Other taxes payable	1,113,321	1,128,182
Total other non-financial liabilities	1,132,317	1,157,544
Total other liabilities	7,086,598	7,298,587

28. Share capital and treasury shares

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 116,959 ordinary shares (2020: 116,834). All shares have a nominal value of AMD 320 thousand.

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

(b) Nature and purpose of reserves

Revaluation reserve for financial assets

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

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia.

During first quarter of 2021 the Bank has not paid dividends (During first quarter of 2020 the Bank has not paid dividends).

29. Impairment allowance on contingent liabilities

Movements in the impairment allowance for contingent liabilities for first quarter of March are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year	47,750	21,480	289,988	359,219
Net charge	(3,921)	(5,610)	(115,796)	(125,327)
Write-offs	-	-	-	-
Balance at the end of the period	43,829	15,870	174,193	233,892

30. Risk management

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

(d) Risk management policies and procedures

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

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

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, 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 Management Board and indirectly to the Board of Directors.

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

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

(e) 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, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

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

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Asset and Liabilities Department in its day-to-day monitoring activities. A summary of the interest gap position for major financial instruments is as follows:

AMD'000

31-March-21

Assets

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
Cash and cash equivalents	-	-	-	-	-	167,068,369	167,068,369
Investment securities measured at fair value through other comprehensive income	2,005,643	20,402	514,083	6,074,668	3,417,207	81,102	12,113,105
Loans and advances to banks	1,836,523	-	-	528,866	-	31,173,489	33,538,878
Amounts receivable under reverse repurchase agreements	10,998,521	-	-	-	-	-	10,998,521
Loans to customers	37,394,672	41,494,957	91,507,791	357,932,857	41,235,719	85,555,810	655,121,805
Receivables from letters of credit	107,394	5,258,712	181,145	5,367,687	-	-	10,914,938
Receivables from finance leases	899,420	835,184	1,729,609	9,364,393	858,017	38,587	13,725,211
Receivables from factoring	8,843,951	3,728,355	-	-	-	-	12,572,305
Investment securities measured at amortized cost	10,387,363	2,434	-	22,913,370	17,832,465	-	51,135,633
	72,473,486	51,340,045	93,932,627	402,181,841	63,343,408	283,917,358	967,188,765

Liabilities

Deposits and balances from banks	(2,378,230)	(10,156,970)	(7,675,864)	(25,894,358)	(9,370,738)	-	(55,476,160)
Current accounts and deposits from customers	(55,762,000)	(43,490,200)	(127,091,561)	(27,916,082)	(26,099)	(248,769,462)	(503,055,404)
Debt securities issue	(8,936,800)	(7,312,799)	(15,555,540)	(82,528,479)	-	-	(114,333,618)
Subordinated borrowings	(240,629)	(9,592)	-	(4,964,484)	(16,190,358)	-	(21,405,063)
Other borrowed funds	(26,072,401)	(10,361,280)	(49,178,687)	(68,172,081)	(6,190,701)	-	(159,975,151)
Lease liabilities	(41,125)	(226,351)	(450,001)	(3,232,363)	(7,945,977)	-	(11,895,817)
	(93,431,186)	(71,557,193)	(199,951,652)	(212,707,847)	(39,723,873)	(248,769,462)	(866,141,213)

Net position

	(20,957,700)	(20,217,148)	(106,019,025)	189,473,994	23,619,535	35,147,896	101,047,552
--	---------------------	---------------------	----------------------	--------------------	-------------------	-------------------	--------------------

AMD'000

31-Dec-20

Assets

Cash and cash equivalents	-	-	-	-	-	232,026,738	232,026,738
---------------------------	---	---	---	---	---	-------------	-------------

Available-for-sale financial assets	27,463	1,865,238	-	6,195,773	3,050,488	69,039	11,208,001
Loans and advances to banks	1,836,523			528,866		35,423,495	37,788,884
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	17,258,217
Loans to customers	89,877,482	33,706,272	71,346,144	361,409,740	43,770,133	59,764,733	659,874,503
Receivables from letters of credit	4,930,058	110,052	3,239,373	4,524,595	-	-	12,804,077
Receivables from finance leases	815,912	755,359	1,510,856	8,656,763	738,020	7,682	12,484,592
Receivables from factoring	4,331,451	6,292,969	707,931	-	-	-	11,332,351
Held-to-maturity investments	4,452,973	9,371,754	-	19,885,743	17,826,823	-	51,537,293
	123,530,078	52,101,645	76,804,304	401,201,480	65,385,463	327,291,686	1,046,314,656
Liabilities							
Deposits and balances from banks	(10,283,398)	(1,911,934)	(9,214,765)	(25,430,108)	(9,005,311)	-	(55,845,516)
Current accounts and deposits from customers	(58,226,135)	(60,611,865)	(99,720,380)	(27,842,363)	(25,451)	(352,413,473)	(598,839,667)
Debt securities issue	(1,569,588)	(7,876,116)	(11,405,996)	(86,064,613)	-	-	(106,916,313)
Subordinated borrowings	(485,590)	(35,022)	-	(26,278,836)	(21,617,384)	-	(48,416,832)
Other borrowed funds	(1,839,030)	(24,942,916)	(22,807,386)	(77,208,100)	(2,109,931)	-	(128,907,362)
	(72,403,740)	(95,377,852)	(143,148,527)	(242,824,020)	(32,758,076)	(352,413,473)	(938,925,690)
Net position	51,126,338	(43,276,207)	(66,344,223)	158,377,459	32,627,387	(25,121,787)	107,388,966

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 March 2021 and 31 December 2020.

	2021			2020		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Investment securities measured at fair value through profit or loss	8.32%	7.31%	3.44%	9.50%	6.70%	4.80%
Investment securities measured at fair value through other comprehensive income	8.88%	7.82%		10.20%	7.50%	-
Loans and advances to banks	-	6.22%	-	-	5.30%	-
Amounts receivable under reverse repurchase agreements	6.57%	3.62%	-	6.10%	3.40%	0.50%
Loans to customers	11.78%	7.95%	6.17%	12.70%	8.90%	6.20%
Receivables from finance leases	10.79%	7.14%	5.81%	13.90%	7.90%	6.50%
Receivables from factoring	12.03%	8.48%	5.86%	14.20%	8.80%	6.10%

Receivables from LC	—	4.82%	4.35%	0.00%	8.70%	5.30%
Debt securities at amortized cost	7.99%	—	—	8.60%	6.20%	—
Interest bearing liabilities						
Deposits and balances from banks	6.26%	2.12%	0.49%	6.50%	2.20%	1.70%
Term deposits	9.53%	5.03%	3.05%	8.97%	4.09%	1.79%
Debt securities issue	8.75%	3.55%	1.48%	9.70%	5.20%	-
Subordinated borrowings		3.64%	6.26%	—	10.20%	6.30%
Other borrowed funds	8.04%	3.00%	2.77%	8.40%	5.00%	2.80%

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 March 2021:

	USD	EUR	Other currencies	Total
2021	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	54,742,336	37,438,975	4,251,268	96,432,579
Banking standardized bullions of precious metals	-	-	996,166	996,166
Financial instruments at fair value through profit or loss	3,011,915	33,785	-	3,045,700
Investment securities at fair value through other comprehensive income	4,907,085	-	-	4,907,085
Loans and advances to banks	29,236,635	4,936,869	80,284	34,253,788
Amounts receivable under reverse repurchase agreements	3,729,712	934,632	-	4,664,344
Loans to customers	327,215,280	114,198,876	2,085,907	443,500,063
Receivables from letters of credit	223,140	10,691,799	-	10,914,939
Receivables from finance leases	3,368,919	4,603,467	-	7,972,386
Receivables from factoring	8,469,639	3,509,244	-	12,005,979
Other financial assets	1,939,721	154,006	41,657	2,135,384
Total assets	436,844,382	176,501,653	7,482,378	620,828,413
LIABILITIES				
Deposits and balances from banks	27,997,202	12,581,256	80,117	40,658,575
Current accounts and deposits from customers	250,702,327	65,037,846	7,803,402	323,543,575
Subordinated borrowings	7,900,232	13,504,831	-	21,405,063
Other borrowed funds	99,756,175	47,677,501	-	147,433,676
Financial instruments at fair value through profit or loss	257,840	-	-	257,840
Debt securities issue	60,524,937	26,372,676	-	86,897,613
Other financial liabilities	361,449	49,632	1,724	412,805
Total liabilities	447,500,162	165,223,742	7,885,243	620,609,147
Net position	(10,655,780)	11,277,911	(402,865)	219,266
Effect of derivatives	6,003,108	(15,574,000)	174,631	(9,396,261)
Net position	(4,652,672)	(4,296,089)	(228,234)	(9,176,995)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

	USD	EUR	Other currencies	Total
2020	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	155,290,662	21,242,173	4,394,666	180,927,501
Banking standardized bullions of precious metals	-	-	1,215,094	1,215,094
Financial instruments at fair value through profit or loss	2,928,048	87,445	-	3,015,493
Available-for-sale financial assets	2,863,402	-	-	2,863,402
Loans and advances to banks	29,210,609	6,271,141	32,050	35,513,800
Loans to customers	7,699,295	-	-	7,699,295
Receivables from letters of credit	311,549,981	129,309,804	2,026,516	442,886,301
Receivables from finance leases	5,069,483	7,734,594	-	12,804,077
Receivables from factoring	7,162,697	3,603,282	10,376	10,776,355
Held-to-maturity investments	2,995,076	4,737,101	-	7,732,177
Other financial assets	1,807,199	79,843	35,341	1,922,383
Total assets	526,576,452	173,065,383	7,714,043	707,355,878
LIABILITIES				
Deposits and balances from banks	30,251,908	9,980,597	707	40,233,212
Current accounts and deposits from customers	344,121,375	66,911,822	7,756,645	418,789,842
Subordinated borrowings	34,731,326	13,685,506	-	48,416,832
Other borrowed funds	72,121,982	44,120,071	-	116,242,053
Financial instruments at fair value through profit or loss	424,588	-	-	424,588
Debt securities issue	57,571,078	26,959,811	-	84,530,889
Other financial liabilities	857,489	609,531	45,017	1,512,037
Total liabilities	540,079,746	162,267,338	7,802,369	710,149,453
Net position	(13,503,294)	10,798,045	(88,326)	(2,793,575)
Effect of derivatives	6,724,532	(16,668,860)	21,182	(9,923,146)
Net position	(6,778,762)	(5,870,815)	(67,144)	(12,716,721)

A strengthening of the AMD, as indicated below, against the following currencies as at 31 March 2021 and 31 December 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

A weakening of the AMD against the above currencies at 31 March 2021 and 31 December 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	2021		2020	
	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>
AMD against USD	10.00%	(465,267)	10.00%	(677,876)
AMD against EUR	10.00%	(429,609)	10.00%	(587,081)

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing control and monitoring of loans and other credit exposures.

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

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Subdivisions.

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

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

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

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 18.

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

Offsetting financial assets and financial liabilities

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

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

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

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

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

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

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

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

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

(e) The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 March 2021:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<i>Notes 10, and forming part of, the financial statements for the first quarter 2021</i>								
ASSETS								
Cash and cash equivalents	167,068,369	-	-	-	-	-	-	167,068,369
Banking standardized bullions of precious metals	-	-	-	-	-	996,166	-	996,166
Financial instruments at fair value through profit or loss	240,638	246,355	918,566	6,368,190	1,036,742	-	-	8,810,491
Investment securities at fair value through other comprehensive income	612,750	1,392,893	534,485	6,074,668	3,417,207	81,102	-	12,113,105
Loans and advances to banks	-	1,836,523	-	528,866	-	31,173,489	-	33,538,878
Amounts receivable under reverse repurchase agreements	10,998,521	-	-	-	-	-	-	10,998,521
Loans to customers	12,791,995	28,250,276	115,057,162	316,496,725	160,197,247	-	22,328,400	655,121,805
Receivables from letters of credit	87,487	19,907	5,439,857	5,367,687	-	-	-	10,914,938
Receivables from finance leases	337,667	551,587	2,535,806	9,258,556	848,320	-	193,275	13,725,211
Receivables from factoring	4,071,330	4,772,620	3,728,355	-	-	-	-	12,572,305
Debt securities at amortized cost	10,387,363	-	2,434	22,913,370	17,832,465	-	-	51,135,633
Property, equipment and intangible assets	-	-	-	-	-	10,648,878	-	10,648,878
Right of use asset	-	-	-	-	-	11,237,593	-	11,237,593
Deferred tax asset	-	-	987,001	-	-	-	-	987,001
Other assets	2,305,260	198,470	5,732,866	-	-	2,399,505	-	10,636,101
Total assets	208,901,379	37,268,633	134,936,531	367,008,062	183,331,981	56,536,734	22,521,675	1,010,504,995
LIABILITIES								
Financial instruments at fair value through profit or loss	10,576	1,770	36,834	221,006	-	-	-	270,186
Amounts payable under repurchase agreements	20,003,030	-	-	-	-	-	-	20,003,030
Deposits and balances from banks	1,592,859	785,371	17,832,834	25,894,358	9,370,738	-	-	55,476,160
Current accounts and deposits from customers	173,007,162	50,707,449	231,861,553	47,453,140	26,099	-	-	503,055,404
Debt securities issue	290,052	8,646,748	22,868,339	82,528,479	-	-	-	114,333,618
Subordinated borrowings	-	240,629	9,592	4,964,484	16,190,358	-	-	21,405,063
Other borrowed funds	19,304,575	6,767,826	59,539,967	68,172,081	6,190,701	-	-	159,975,151
Current tax liability	-	-	2,964,421	-	-	-	-	2,964,421
Lease liability	8,648	32,477	676,352	3,232,363	7,945,977	-	-	11,895,817
Provision for commitments	233,892	-	-	-	-	-	-	233,892
Other liabilities	4,191,272	1,177,762	1,717,569	-	-	-	-	7,086,603
Total liabilities	218,642,066	68,360,033	337,507,462	232,465,910	39,723,873	-	-	896,699,345
Net position	(9,740,686)	(31,091,401)	(202,570,931)	134,542,152	143,608,108	56,536,734	22,521,675	113,805,651

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2020:

Ameriabank cjsc
Notes to, and forming part of, the financial statements for the first quarter 2021

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	232,026,738	-	-	-	-	-	-	232,026,738
Banking standardized bullions of precious metals	-	-	-	-	-	1,215,094	-	1,215,094
Financial instruments at fair value through profit or loss	24,074	231,429	923,703	6,209,678	2,087,682	-	-	9,476,566
Investment securities at fair value through other comprehensive income	-	27,463	1,865,238	6,195,773	3,050,488	69,039	-	11,208,001
Loans and advances to banks		1,836,523	-	528,866	-	35,423,495	-	37,788,884
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	-	17,258,217
Loans to customers	28,948,628	35,955,330	104,829,225	307,555,342	160,860,344	-	21,725,634	659,874,503
Receivables from letters of credit	30,071	4,899,987	3,349,425	4,524,595	-	-	-	12,804,077
Receivables from finance leases	297,048	508,849	2,238,398	8,550,502	728,961	-	160,835	12,484,592
Receivables from factoring	110,107	4,221,343	7,000,900	-	-	-	-	11,332,351
Debt securities at amortized cost	-	4,452,973	9,371,754	19,885,743	17,826,823	-	-	51,537,293
Property, equipment and intangible assets	-	-	-	-	-	10,740,536	-	10,740,536
Right of use asset	-	-	-	-	-	10,643,891	-	10,643,891
Deferred tax asset	-	-	1,028,409	-	-	-	-	1,028,409
Other assets	2,759,333	194,624	6,389,465	-	-	1,879,150	-	11,222,572
	281,454,216	52,328,521	136,996,517	353,450,499	184,554,298	59,971,205	21,886,469	1,090,641,724
LIABILITIES								
Financial instruments at fair value through profit or loss	13,464	74,373	8,013	408,561	-	-	-	504,412
	20,005,910	-	-	-	-	-	-	20,005,910
Deposits and balances from banks	389,201	9,894,197	11,126,699	25,430,108	9,005,311	-	-	55,845,516

Current accounts and deposits from customers	282,978,547	52,473,620	194,408,287	68,953,762	25,451	-	-	598,839,667
Debt securities issue	201,919	1,367,669	19,282,112	86,064,613	-	-	-	106,916,313
Subordinated borrowings	352,428	133,162	35,022	26,278,836	21,617,384	-	-	48,416,832
Other borrowed funds	44,820	1,794,210	47,750,301	77,208,100	2,109,931	-	-	128,907,362
Current tax liability	-	--	2,610,472	-	-	-	-	2,610,472
Lease liabilities	-	-	-	-	-	11,231,832	-	11,231,832
Provision on contingent liabilities	359,219	-	-	-	-	-	-	359,219
Other liabilities	2,694,114	1,595,189	3,009,284	-	-	11,231,832	-	7,298,587
Total liabilities	307,039,622	67,332,421	278,230,190	284,343,980	32,758,076	48,739,373	21,886,469	980,936,122
Net	(25,585,406)	(15,003,900)	(141,233,674)	69,106,518	151,796,221	48,739,373	21,886,469	109,705,603

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 March 2021 and during the reporting period are as follows:

	2021 AMD'000	2020 AMD'000
At 31 March (unaudited)	97.0%	105.5%
Average for March (unaudited)	104.1%	85.2%

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

31. Capital management

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

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

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

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 March 2021 and 31 December 2020, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 March 2021 and 31 December 2020.

	31/03/21 AMD'000 Unaudited	31/12/20 AMD'000 Unaudited
Tier 1 capital		
Share capital	37,426,880	37,386,880
Share premium	17,133,781	17,065,364
General reserve	5,608,146	5,608,146
Retained earnings	58,006,923	46,267,934
Deductions	(3,978,449)	(3,924,794)

Total tier 1 capital	114,197,281	102,403,530
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	185,130	212,974
Subordinated borrowing (not greater than 50% of tier 1 capital)	20,054,776	26,507,464
Total tier 2 capital	20,239,906	26,720,438
Total capital	134,437,187	129,123,968
Total risk weighted assets	952,796,774	951,662,619
Total capital expressed as a percentage of risk-weighted assets	14.11%	13.57%
(total capital ratio)		

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

32. Commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

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

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

	31/03/21	31/12/20
	AMD'000	AMD'000
Contracted amount		
Guarantees	9,044,906	12,085,764
Letters of credit	18,486,670	16,357,723
Credit card commitments	17,065,697	17,191,180
Loan and credit line commitments	12,937,553	9,094,265
Undrawn overdraft facilities	5,420,338	8,489,195
	62,955,164	63,218,127

Impairment loss

(233,892)

(359,218)

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

33. Contingencies

(f) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of accidents on the Bank's property or related to operations.

(g) Litigation

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

(h) Taxation contingencies

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.

34. Related party transactions

(i) Control relationships

The shareholders of the Bank as at 31 March 2021 are Imast Group (CY) (48.90%), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

As at 31 March 2021 the Bank had no ultimate controlling party.

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

Total remuneration included in personnel expenses for the first quarter of 2021 and 2020 are as follows:

	2021 AMD'000	2020 AMD'000
Short-term employee benefits	1,066,411	1,073,716

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

The outstanding balances and average interest rates as at 31 March 2021 and 31 December 2020 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2021 AMD'000	Average interest rate, %	2020 AMD'000	Average interest rate, %
Statement of financial position				
Loans issued	814,770	7.27%	1,177,319	8.24%
Other asset	2,424	0.00%	2,552	0.00%
Term deposits received	223,903	5.45%	240,560	5.72%
Demand deposits received	1,114,403	0.00%	576,670	0.01%
Other liabilities	555.033	0.00%	1,184,620	0.00%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the periods ending 31 March 2021 and 31 December 2020 are as follows:

	2021 AMD'000	2020 AMD'000
Profit or loss		
Interest income	14,562	21,212
Interest expense	(3,308)	(4,272)

(k) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 March 2021 and 31 December 2020 and related profit or loss amounts of transactions for the first quarter of 2021 and 2020 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Other subsidiaries of the parent company		Other		Total
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
Statement of financial position									
ASSETS									
Loans to customers	-	-	-	-	-	-	1,554,537	8.99%	1,554,537
Other asset	-	-	-	-	-	-	985	-	985
LIABILITIES									
Current accounts and deposits from customers									
- Current accounts and demand deposits	23,378	0.00%	155,821	0.00%	196,023	0.00%	1,776,309	0.00%	2,151,531
- Term deposits	-	-	-		440,869	5.02%	14,584	3.16%	455,452
Other borrowing	-	-	25,345,961	2.67%	-	-	-		25,345,961
Other liabilities	-	-	21,722	0.0%	6	0.0%	-	0.0%	21,728
Items not recognised in the statement of financial position									
Guarantees given	-	-	565,025	2.08%	-	-	-	-	565,025
Profit (loss)									
Interest income	-		445	-	-		33,880	-	34,325
Interest expense	-		(188,234)	-	(5,928)		(1,501)	-	(195,663)

	Parent company		Shareholder with significant influence		Other subsidiaries of the parent company		Other		Total
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
Statement of financial position									
ASSETS									
Financial instruments at fair value through profit or loss									-
Loans to customers	-		-		-		1,535,799	8.98%	1,535,799
Other asset	-		-		-		364		364
LIABILITIES									
Current accounts and deposits from customers									
- Current accounts and demand deposits	22,369	0.00%	570,317	0.00%	119,459	0.00%	1,017,087	0.00%	1,729,233
- Term deposits	-		-		520,051	5.64%	223,520	3.16%	743,571
Other borrowing	-		24,812,076	2.68%	-	-	-		24,812,076
Other liabilities	-		77,936	0.0%	6	0.0%	-	0.0%	77,943
Items not recognised in the statement of financial position									
Guarantees given	-		5,090,815	1.00%	-		-		5,090,815
Profit (loss)									
Interest income	-		724		-		30,716		31,440
Interest expense	-		(215,891)		(12,222)		(4,369)		(232,482)
Other expense	-		-		(7,677)		-		(7,677)