Ameriabank cjsc

Financial Statements

For the second quarter of 2020

Contents

Statement of comprehensive income

30-Jun-2020

Name of the Bank Ameriabank CJSC

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

Item	Note	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
Interest income	4	15,739,344	31,842,330	15,078,863	29,442,712
Interest expenses	4	(7,973,851)	(15,727,915)	(7,468,095)	(14,598,222)
Net interest income		**7,765,494**	**16,114,415**	**7,610,767**	**14,844,489**
Fee and commission income	5	1,110,501	2,329,565	1,210,156	2,300,905
Fee and commission expense	6	(279,512)	(723,346)	(364,884)	(665,731)
Net fee and commission income		**830,989**	**1,606,219**	**845,272**	**1,635,174**
Net profit/loss on financial instruments at fair value through profit or loss	7	171,213	214,221	276,101	648,669
Net foreign exchange gain/(loss)	8	953,343	1,992,463	775,191	1,384,520
Net gain on financial assets at fair value through other comprehensive income and financial assets at amortised cost		260,911	309,289	265,954	266,167
Other operating income	9	464,161	878,492	337,842	1,012,664
Other operating expense	9	(804,739)	(1,620,720)	(1,038,702)	(1,436,231)
Operating income		**9,641,371**	**19,494,379**	**9,072,425**	**18,355,452**
Impairment losses	10	(3,316,349)	(6,041,934)	(1,849,550)	(3,352,891)
Personnel expenses		(2,884,814)	(4,653,195)	(2,382,094)	(4,811,045)
Other general administrative expenses	11	(1,535,361)	(3,220,327)	(1,698,912)	(3,161,813)
Profit before income tax		**1,904,848**	**5,578,923**	**3,141,869**	**7,029,703**
Income tax expense	12	(314,418)	(1,005,795)	(659,696)	(1,460,063)
Profit for the period		**1,590,430**	**4,573,128**	**2,482,173**	**5569639.364**
Other comprehensive income, net of income tax					
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income		(55,259)	(145,732)	(133,252)	(15,966)
Other comprehensive income/(loss) for the period, net of income tax		**(55,259)**	**(145,732)**	**(133,252)**	**(15,966)**
Total comprehensive income for the period		**1,535,171**	**4,427,396**	**2,348,922**	**5,553,674**

Validation date 17.07.20

seal

General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

Statement of Financial Position
30-Jun-2020

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

(thous. drams)

Item	Note	30/06/20	31/12/19
Assets			
Cash and cash equivalents	13	145,162,452	247,353,690
Banking standardized bullions of precious metals		1,315,473	863,805
Financial instruments at fair value through profit or loss			
- Held by the Bank	14	8,095,695	8,255,606
- Pledged under sale and repurchase agreements	14	-	-
Financial assets at fair value through other comprehensive income			
- Held by the Bank	15	8,278,450	10,848,985
- Pledged under sale and repurchase agreements	15	-	-
Loans and advances to banks	16	25,535,258	27,014,640
Amounts receivable under reverse repurchase agreements	17	22,217,762	23,549,559
Loans and advances to customers at amortized cost	18	597,247,962	585,741,899
Debt securities at amortized cost			
- Held by the Bank	19	39,811,126	33,510,890
- Pledged under sale and repurchase agreements	19	6,039,461	-
Property, equipment and intangible assets	20	10,857,466	11,162,394
Right of use asset	21	10,858,263	11,235,119
Other assets	22	9,973,692	8,544,630
Total assets		**885,393,060**	**968,081,217**
Liabilities			
Financial instruments at fair value through profit or loss	14	466,653	35,314
Amounts payable under repurchase agreements		6,008,876	-
Deposits and balances from banks	23	44,842,623	34,488,813
Current accounts and deposits from customers	24	486,628,433	593,223,433
Debt securities issued	25	63,918,141	54,573,055
Subordinated borrowings	26	36,673,602	36,495,281
Other borrowed funds	26	123,235,156	126,685,607
Current tax liabilities	12	899,778	279,389
Provision on contingent liabilities	29	197,235	116,222
Deferred tax liability	12	502,987	918,445
Lease liabilities	21	11,210,688	11,373,257
Other liabilities	27	5,058,930	8,665,323
Total liabilities		**779,643,102**	**866,854,139**
Equity			
Share capital	28	37,386,880	37,347,200
Share premium		17,065,364	17,009,560
Revaluation reserve		504,310	650,042
Retained earnings		50,793,404	46,220,276
Total equity		**105,749,958**	**101,227,078**
Total liabilities and equity		**885,393,060**	**968,081,217**

Validation date 17.07.20

seal

General Director-Chairman of the Management Board   Artak Hanesyan

Chief Accountant   Gohar Khachatryan

Statement of changes in equity
30-Jun-2020

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 2019	37,300,480	16,968,725	333,435	35,155,308	89,757,948
Balance after recalculation	37,300,480	16,968,725	333,435	35,155,308	89,757,948
Issue of share capital	46,720	40,835			87,555
Other comprehensive income/(loss) for the period	-	-	(15,966)	-	(15,966)
Net profit for the period	-	-	-	5,569,639	5,569,639
Dividends				(2,100,000)	(2,100,000)
Balance as of 30 June 2019	37,347,200	17,009,560	317,469	38,624,947	93,299,176

Interim period of current financial year (cumulative)

Item	Share capital	Share premium	Revaluation reserve for financial assets	Retained earnings	Total
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
Net profit for the period	-	-	-	4,573,128	4,573,128
Other comprehensive income/(loss) for the period			(145,732)		(145,732)
Issue of share capital	39,680	55,804	-	-	95,484
Dividends	-	-	-	-	-
Balance as of 30 June 2020	37,386,880	17,065,364	504,310	50,793,404	105,749,958

Validation date 17.07.20

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General Director-Chairman of the Management Board   Artak Hanesyan

Chief Accountant   Gohar Khachatryan

AMERIABANK

Statement of cash flows

30-Jun-2020

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	01/01/2020-30/06/2020	01/01/2019-30/06/2019
Cash flows from operational activities	x	x
Interests receipts	31,823,168	27,056,592
Interests payments	(15,387,393)	(13,520,970)
Fee and commissions receipts	2,329,565	2,300,905
Fee and commissions payments	(723,346)	(665,731)
Net receipts from financial assets at fair value through profit and loss	504,433	532,724
Net receipts from foreign exchange	2,688,721	1,837,066
Other income/(expenses)	(742,228)	(423,567)
Salaries and other payments to employees	(6,412,968)	(6,168,746)
Other general administrative expense payments	(1,700,998)	(2,644,444)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	142,486	(1,089,696)
Loans and advances to banks	1,499,171	2,006,846
Amounts receivable under reverse repurchase agreements	1,486,564	2,820,624
Loans and advances to customers at amortized cost	(14,052,590)	(20,881,240)
Other assets	(1,923,365)	(407,497)
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	449,481	364,420
Deposits and balances from banks	11,063,614	9,979,596
Amounts payable under repurchase agreements	6,003,691	(2,999,994)
Current accounts and deposits from customers	(108,355,357)	23,652,294
Other liabilities	(1,956,802)	967,356
Net cash from (used in) operating activities before income tax paid	**(93,264,152)**	**22,716,538**
Income tax paid	(860,655)	(2,332,655)
Net cash flows from operational activities after profit tax	**(94,124,807)**	**20,383,883**
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(981,675)	(1,502,626)
Sales of property and equipment and intangible assets	-	-
Financial assets at fair value through other comprehensive income	2,321,515	241,083
Financial assets at amortized cost	(12,344,966)	(4,632,171)
Net cash flows from investing activities	**(11,005,126)**	**(5,893,714)**
Cash flows from financing activities	x	x
Dividends paid	-	(1,050,000)
Proceeds from issue of share capital	95,484	87,554
Net receipts of other borrowed funds	(3,635,499)	(17,556,380)
Receipts from issuance of debt securities	9,116,858	4,728,036
Net cash flows from financing activities	**5,576,843**	**(13,790,790)**
Effect of changes in exchange rates on cash and cash equivalents	(2,571,162)	(928,001)
Effect of changes in impairment allowance on cash and cash equivalents	(66,987)	(47,266)
Net increase/(decrease) in cash and cash equivalents	**(102,191,239)**	**(275,888)**
Cash and cash equivalents at the beginning of the period (Note 13)	**247,353,690**	**144,353,912**
Cash and cash equivalents at the end of the period (Note 13)	**145,162,452**	**144,078,024**

Validation date 17.07.20

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 2019 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 2019 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.

The shareholders of the Bank as at 30 June 2020 are Ameria Group (CY) (48.95%), EBRD (17.76%), ADB (13.94%), ESPS Holding Limited (11.83%) and Afeyan Foundation for Armenia Inc. (7.52%).

The principal activities 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 19 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 second quarter of 2020 was 1,083 (2019: 1,050).

Related party transactions are detailed in note 34.

(b) Armenian business environment

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

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 30 June 2020 and 31 December 2019 were 482.36 AMD and 479.7 AMD to 1 USD, and 540.44 AMD and 537.26 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

	01/04/2020-30/06/2020 AMD'000	01/01/2020-30/06/2020 AMD'000	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000
Interest income				
Loans to customers	13,703,913	27,656,466	13,331,533	26,040,855
Income from factoring	259,747	506,870	239,035	474,282
Investment securities measures at FVOCI	328,145	716,884	359,621	717,360
Receivables from finance leases	195,168	370,585	78,869	128,495
Investment securities measured at amortized cost	890,386	1,798,369	762,723	1,507,103
Loans and advances to banks	25,310	62,038	27,066	73,517
Amounts receivable under reverse repurchase agreements	157,070	394,778	74,130	144,496
Receivables from letters of credit	105,320	198,428	129,766	243,158
Other	74,286	137,912	76,120	113,446
	15,739,344	31,842,330	15,078,863	29,442,712
Interest expense				
Current accounts and deposits from customers	3,897,706	7,677,325	2,667,209	5,673,120
Other borrowed funds and subordinated borrowing	2,053,428	4,233,752	1,984,511	4,520,300
Deposits and balances from banks	654,631	1,200,130	1,058,621	1,506,036
Amounts payable under repurchase agreements	29,694	72,491	218,924	459,619
Letters of credit and guarantee	81,402	155,845	127,762	264,793
Debt securities issued	917,449	1,707,207	796,504	1,546,795
Lease payables	339,541	681,165	613,496	613,496
Other	-	-	1,069	14,063
	7,973,851	15,727,915	7,468,096	14,598,222
Net interest income	7,765,494	16,114,415	7,610,767	14,844,489

5 Fee and commission income

	01/04/2020-30/06/2020 AMD'000	01/01/2020-30/06/2020 AMD'000	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000
Credit card maintenance	497,662	1,118,173	614,115	1,128,961
Money transfers	155,086	344,232	231,485	439,986
Guarantee and letter of credit issuance	111,893	209,479	67,455	127,382
Cash withdrawal, account service and distance system services	195,744	384,525	186,569	412,346
Settlement operations	20,453	30,483	29,535	56,980
Brokerage services	121,391	170,850	54,957	97,903
Other	8,273	71,823	26,040	37,347
	1,110,501	2,329,565	1,210,156	2,300,905

6 Fee and commission expense

	01/04/2020-30/06/2020 AMD'000	01/01/2020-30/06/2020 AMD'000	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000
Guarantee and letter of credit issuance	8,010	40,618	12,906	28,684
Credit card maintenance	206,682	505,516	287,621	499,591
Money transfers	46,610	104,725	51,482	108,266
Other	18,209	72,486	12,874	29,190
	279,512	**723,346**	**364,884**	**665,731**

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

	01/04/2020-30/06/2020 AMD'000	01/01/2020-30/06/2020 AMD'000	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000
Net gain on spot transactions	1,536,004	2,756,999	977,027	1,837,066
Net gain from revaluation of financial assets and liabilities	(582,661)	(764,536)	(201,836)	(452,546)
	953,343	**1,992,463**	**775,191**	**1,384,520**

9 Other operating income/(expenses)

	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
Other operating income	**AMD'000**	**AMD'000**	**AMD'000**	**AMD'000**
Income from fines and penalties	242,599	461,356	223,862	379,471
Financial consulting	3,393	4,104	4,167	400,126
Other income	218,169	413,032	109,813	233,067
	464,161	**878,492**	**337,842**	**1,012,664**
Other operating expenses				
Expenses on fines and penalties	-	(10)	(46,917)	(47,695)
Encashment	(21,285)	(46,505)	(19,747)	(38,574)
Trading and brokerage activities	(41,802)	(73,279)	(17,893)	(45,552)
Guarantee payments to Armenian Deposit Guarantee Fund	(146,455)	(316,919)	(227,442)	(322,896)
Software maintenance	(102,656)	(214,849)	(99,123)	(195,427)
Payment system expenses	(190,249)	(422,096)	(232,208)	(363,738)
Other expenses	(302,292)	(547,062)	(395,372)	(422,349)
	(804,739)	**(1,620,720)**	**(1,038,702)**	**(1,436,231)**

10 Impairment (losses) reversals

	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to customers	3,194,252	5,760,213	1,842,431	3,288,993
Other assets	122,097	281,721	7,118	63,897
	3,316,349	**6,041,934**	**1,849,550**	**3,352,891**

11 Other general administrative expenses

	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
	AMD'000	AMD'000	AMD'000	AMD'000
Operating lease expense	99,386	224,353	95,620	191,289
Advertising and marketing	189,859	405,879	281,966	439,726

Depreciation and amortization	772,199	1,519,329	741,320	1,454,584
Repairs and maintenance	87,460	188,692	92,582	170,062
Communications and information services	26,224	81,655	33,068	76,643
Travel expenses	-1,312	13,751	40,489	59,089
Security	55,045	109,843	51,509	94,488
Professional services	47,738	67,410	26,347	54,467
Electricity and utilities	4,357	42,682	26,906	58,387
Insurance	16,608	27,902	11,029	22,156
Charity and sponsorship	21,483	56,687	14,616	46,991
Representation expenses	15	678	2,483	5,862
Office supplies	6,307	21,158	21,324	36,493
Taxes other than on payroll and income	8,247	16,374	4,941	11,177
Other	201,745	443,934	254,712	440,399
	1,535,361	**3,220,327**	**1,698,912**	**3,161,813**

12 Income tax expense

	01/04/2020-30/06/2020 AMD'000	01/01/2020-30/06/2020 AMD'000	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000
Current tax expense				
Current year	649,078	1,423,044	463,825	1,044,888
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	(334,660)	(417,249)	195,871	455,175
Total income tax expense	**314,418**	**1,005,795**	**659,696**	**1,460,063**

	01/01/2020-30/06/2020 AMD'000	%	01/01/2019-30/06/2019 AMD'000	%
Profit before tax	5,578,923		7,029,703	
Income tax at the applicable tax rate	1,004,206	18.00%	1,405,941	20.0%
Non-deductible costs	1,589	0.0%	54,122	0.77%
	1,005,795	**18.00%**	**1,460,063**	**20.77%**

(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 30 June 2020 and as at 31 December 2019.
The deductible temporary differences do not expire under current tax legislation.
Movements in temporary differences during the periods ended 30 June 2020 and as at 31 December 2019 are presented as follows:

2020	Balance 01 Jan 2020	Recognize in profit or loss	Recognized in other comprehensive income	Balance 30 June 2020
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	(70,940)	76,405	-	5,465
Investment securities measures at FVOCI	(103,227)	(751)	(1,792)	(105,770)
Allowance for other receivables and other provisions	(138,415)	4,991	-	(133,424)
Loans to customers	(1,257,594)	340,248	-	(917,346)
Property and equipment	72,783	37,524	-	110,307
Other assets	82,733	(41,598)	-	41,135
Other liabilities	601,294	429	-	601,724
Other borrowed funds	(105,077)	-	-	(105,077)
	(918,445)	**417,249**	**(1,792)**	**(502,987)**

2019	Balance 01 Jan 2019	Recognize in profit or loss	Recognized in other comprehensive income	Balance 31 December 2019
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	(36,011)	11,587	-	(24,424)
Investment securities measures at FVOCI	(54,470)	2,877	2,888	(48,705)
Allowance for other receivables and other provisions	(18,770)	(863)	-	(19,633)
Loans to customers	(179,080)	(649,913)	-	(828,993)
Property and equipment	(51,740)	51,081	-	(659)
Other assets	44,296	(17,263)	-	27,033
Other liabilities	594,242	51,966	-	646,208
Other borrowed funds	(112,569)	95,356	-	(17,213)
	185,898	**(455,172)**	**2,888**	**(266,386)**

13 Cash and cash equivalents

	30/06/20	31/12/19
	AMD'000	AMD'000
Cash on hand	21,494,612	30,542,976
Nostro accounts with the CBA	106,678,733	192,296,163
Nostro accounts with other banks		
- rated A- to A+	13,029,262	-
- rated from B- to BBB+	3,961,273	17,433,332
- not rated	65,559	7,104,568
Total nostro accounts with other banks	**17,056,094**	**24,537,900**
Impairment	**(66,987)**	**(23,349)**
Total cash and cash equivalents	**145,162,452**	**247,353,690**

Movements in the impairment allowance of Cash and cash equivalents for second quarter 2020 are as follows:

	AMD'000
Balance at the beginning of the year	23,349
Net charge	43,638
Net write offs	-
Balance at the end of the period	**66,987**

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 30 June 2020 the Bank has no bank (2019: 1), whose balance exceeds 10% of equity. The gross value of this account as at 31 December 2019 was AMD 15,619,437 thousands.

As at 30 June 2020 and as at 31 December 2019 the balances with the Central Bank of Armenia exceed 10% of equity.

14 Financial instruments at fair value through profit or loss

	30/06/20 AMD'000	31/12/19 AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,170,952	5,639,623
Eurobonds of the Republic of Armenia	1,022,318	496,024
Corporate bonds of the Republic of Armenia	2,721,095	2,046,398
Derivative financial instruments		
Foreign currency contracts	181,330	73,561
	8,095,695	**8,255,606**
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	-
	-	**-**
Liabilities		
Derivative financial instruments		
Foreign currency contracts	466,653	35,314
	466,653	35,314

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 30 June 2020 and 31 December 2019 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	
	2020 AMD'000	2019 AMD'000	2020 AMD'000	2019 AMD'000
Pay fixed in USD, receive floating in USD	-	-	11,839,744	7,413,545

As at 30 June 2020 the Bank has three interest rate swap contracts, with USD 10,000,000, USD 4,545,455 and with USD 10,000,000 initial nominal value (2019: two interest rate swap contracts with USD 10,000,000 notional amount and USD 5,454,545).

15 Financial assets at fair value through other comprehensive income

	30/06/20 AMD'000	31/12/19 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	4,511,607	7,037,868
Eurobonds of the Republic of Armenia	1,635,737	1,631,418
- Corporate bonds		
Corporate bonds of the Republic of Armenia	2,061,211	2,109,804
Equity investments		
- Unquoted equity securities at cost	69,895	69,895
	8,278,450	**10,848,985**

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 2020	% Controlled 2019	2020 AMD'000	2019 AMD'000
ArCa	Republic of Armenia	Payment system	3.76%	3.76%	36,429	36,429
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					69,895	**69,895**

16 Loans and advances to banks

	30/06/20 AMD'000	31/12/19 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	493,500	3,293,500
Deposit with CBA	23,303,790	-
Debt instruments with local banks and credit organizations		
Bonds of local banks and credit organizations	-	-
Loans and deposits with other banks		
Armenian banks	1,795,388	1,684,372
OECD banks	193	-
Total loans and deposits with other banks	1,795,581	1,684,372
	25,592,871	27,081,662
Impairment	(57,614)	(67,022)
Total loans and advances to banks	25,535,257	27,014,640

(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 12% is maintained in AMD and 6% 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 30 June 2020 the Bank has no bank (2019: no bank), whose balances exceed 10% of equity.

17 Amounts receivable under reverse repurchase agreements

	30/06/20 AMD'000	31/12/19 AMD'000
Amounts receivable from medium and small Armenian financial institutions	22,217,767	23,549,561
Total amounts receivable under reverse repurchase agreements	22,217,767	23,549,561
Impairment allowance	(5)	(2)
Total net amounts receivable under reverse repurchase agreements	22,217,762	23,549,559

Collateral

As at 30 June 2020 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 24,039,839 thousand (2019: 25,466,203 thousand).

18 Loans and advances to customers

	30/06/20 AMD'000	31/12/19 AMD'000
Loans to legal entities	410,955,517	426,653,712
Loans to individuals	173,468,647	151,235,570
Receivables from finance lease	8,153,087	5,906,852
Receivables from factoring	11,305,292	10,707,784
Receivables from letter of credit	5,922,329	5,060,739
Gross loans and advances to customers	**609,804,872**	**599,564,659**
Impairment allowance	(12,556,910)	(13,822,758)
Net loans and advances to customers	**597,247,992**	**585,741,899**

(a) Loans to legal entities and individuals

	30/06/20 AMD'000	31/12/19 AMD'000
Loans to corporate customers		
Loans to large corporates	288,826,697	322,130,999
Loans to small and medium size companies	122,128,820	104,522,713
Total loans to corporate customers	**410,955,517**	**426,653,712**
Loans to retail customers		
Mortgage loans	98,582,360	78,403,125
Other loans to individuals	74,886,287	72,832,445
Total loans to retail customers	**173,468,647**	**151,235,570**
Gross loans to customers	**584,424,164**	**577,889,282**
Impairment allowance	(12,164,120)	(13,554,046)
Net loans to customers	**572,260,044**	**564,335,236**

Movements in the loan impairment allowance by classes of loans to legal entities and individuals for the second quarter of 2020:

2020	**Loans to corporate customers AMD'000**	**Loans to retail customers AMD'000**	**Total AMD'000**
Balance at the beginning of the period	10,375,583	3,178,463	13,554,046
Net charge	3,312,662	2,447,551	5,760,213
Recovery of loans previously written off	150,177	635,392	785,569
Write-offs	(5,736,656)	(2,036,205)	(7,772,861)
Transfer to Interest income	(154,249)	(8,598)	(162,847)
Balance at the end of the period	**7,947,517**	**4,216,603**	**12,164,120**

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 30 June 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	267,476,720	1,083,863	3,222,120	486,415	-	-
Impaired	-	-	-	-	18,127,858	4,144,835
Individually impaired	-	-	-	-	18,127,858	4,144,835
Total loans to large corporates	267,476,720	1,083,863	3,222,120	486,415	18,127,858	4,144,835
Loans to SME						
Not impaired	117,447,598	600,019	738,195	123,348	-	-
Impaired	-	-	-	-	3,943,027	1,509,038
Individually impaired	-	-	-	-	3,839,032	1,445,044
Collectively impaired	-	-	-	-	103,995	63,994
Total Loans to SME	117,447,598	600,019	738,195	123,348	3,943,027	1,509,038
Total Loans to corporate customers	384,924,318	1,683,882	3,960,315	609,763	22,070,884	5,653,873

	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	97,830,710	122,909	159,334	10,888	-	-
Impaired	-	-	-	-	592,317	202,184
Individually impaired	-	-	-	-	563,518	181,957
Collectively impaired	-	-	-	-	28,799	20,227
Total Mortgage	97,830,710	122,909	159,334	10,888	592,317	202,184
Other loans to Individuals						
Not impaired	71,769,607	2,090,776	398,998	108,023	-	-
Impaired	-	-	-	-	2,717,682	1,681,792
Individually impaired	-	-	-	-	936,461	166,768
Collectively impaired	-	-	-	-	1,781,221	1,515,024
Total Other loans to Individuals	71,769,607	2,090,776	398,998	108,023	2,717,682	1,681,792
Total Loans to Individuals	169,600,317	2,213,685	558,331	118,911	3,309,998	1,883,976

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2019.

	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	294,555,716	829,702	17,792,503	3,977,372	-	-
Impaired	-	-	-	-	9,782,780	3,675,775
Individually impaired	-	-	-	-	9,782,780	3,675,775
Total Loans to large corporates	294,555,716	829,702	17,792,503	3,977,372	9,782,780	3,675,775
Loans to SME						
Not Impaired	98,869,719	339,668	1,349,214	22,339	-	-
Impaired	-	-	-	-	4,303,779	1,530,727
Collectively impaired	-	-	-	-	4,240,380	1,486,511
Individually impaired	-	-	-	-	63,399	44,216
Total Loans to SME	98,869,719	339,668	1,349,214	22,339	4,303,779	1,530,727
Total Loans to corporate customers	393,425,435	1,169,370	19,141,718	3,999,711	14,086,559	5,206,502

	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	77,792,476	28,558	94,526	4,846	-	-
Impaired	-	-	-	-	516,124	196,218
Collectively impaired	-	-	-	-	485,064	175,465
Individually impaired	-	-	-	-	31,060	20,754
Total Mortgage	77,792,475	28,558	94,526	4,846	516,124	196,218
Other loans to Individuals						
Not Impaired	69,851,377	1,379,213	681,676	212,205	-	-
Impaired	-	-	-	-	2,299,391	1,357,423
Collectively impaired	-	-	-	-	795,790	246,768
Individually impaired	-	-	-	-	1,503,601	1,110,656
Total Other loans to Individuals	69,851,377	1,379,213	681,676	212,205	2,299,391	1,357,423
Total Loans to Individuals	147,643,853	1,407,771	776,202	217,051	2,815,515	1,553,642

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 30 June 2020 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:

	30/06/20 AMD'000	31/12/19 AMD'000
Wholesale trade	105,269,506	92,693,412
Finance and investment	7,191,909	6,144,886
Mining/Metallurgy	26,248,146	60,432,117
Hotel service	35,346,772	34,366,797
Construction	34,206,781	39,223,197
Agriculture, forestry and timber	18,126,978	19,177,522
Food and beverage	32,993,844	32,508,253
Retail trade	35,002,286	33,312,917
Power generation	28,096,252	30,213,023

Real estate	23,487,912	16,645,697
Communication services	8,683,588	8,294,421
Manufacturing	8,270,085	16,023,888
Transportation	33,699,249	27,187,452
Other	14,332,210	10,430,132
Loans to retail customers	173,468,647	151,235,570
	584,424,164	**577,889,282**
Impairment allowance	(12,164,120)	(13,554,046)
	572,260,044	**564,335,236**

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

	30/06/20 AMD’000	31/12/19 AMD’000
Armenia	370,397,354	372,080,229
OECD and EU	14,724,906	24,817,189
Other foreign countries	17,885,740	19,380,710
	403,008,000	**416,278,129**

Significant credit exposures

As at 30 June 2020 the Bank has eight borrowers or groups of connected borrowers (2019: eight), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2019 is AMD 101,059,599 thousand (31 December 2018: AMD 100,346,776 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

	30/06/20 AMD’000	31/12/19 AMD’000
Receivables from letters of credit of other organizations	5,922,329	5,060,739
Impairment allowance	(21,761)	(14,537)
	5,900,568	**5,046,202**

As at 30 June 2020 the Bank has no customer (2019: none), whose balances exceed 10% of equity.

Movements in impairment allowance for the second quarter of 2020 and for the year of 2019 are as follows:

	30/06/20 AMD'000	31/12/19 AMD'000
Balance at the beginning of the year	14,537	37,391
Net charge	7,224	(22,854)
Write-offs	-	-
Balance at the end of the year	**21,761**	**14,537**

(b) Receivables from finance leases

	30/06/20 AMD'000	31/12/19 AMD'000
Gross investment in finance leases receivable:		
Less than one year	2,422,829	1,620,206
Between one and five years	6,694,959	1,417,781
More than five years	1,202,377	4,345,955
	10,320,164	7,383,942
Unearned finance income	(2,167,077)	(1,477,090)
Impairment allowance	(359,561)	(247,162)
Net investment in finance leases	7,793,526	5,659,691
The net investment in finance leases comprises:		
Less than one year	1,829,659	1,241,865
Between one and five years	5,055,863	1,086,710
More than five years	908,004	3,331,115
	7,793,526	5,659,691

Quality analysis of finance leases

The following table provides information on the quality analysis of finance leases as at 30 June 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	7,665,174	33,170	-	-	-	-
Neither past due nor impaired	-	-	-	-	487,913	326,391
Individually impaired	-	-	-	-	487,913	326,391
Total Leasing	7,665,174	33,170	-	-	487,913	326,391

The following table provides information on the quality analysis of finance leases as at 31 December 2019:

	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	5,577,779	15,746	-	-	-	-
Individually impaired	-	-	-	-	329,072	231,415
Total Leasing	-	-	-	-	329,072	231,415

Concentration of receivables from finance leases

As at 30 June 2020 the Bank has no customers whose balances exceed 10% of equity (2019: nil).

Movement in impairment allowance

Movements in impairment allowance for the second quarter of 2020 and for the year of 2019 are as follows:

	30/06/20 AMD'000	31/12/19 AMD'000
Balance at the beginning of the year	247,162	277,625
Net charge	116,791	(46,204)
Write-offs	-	10,682
Transfer to Interest income	(4,391)	5,059
Balance at the end of the period	**359,561**	**247,162**

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

	30/06/20 AMD'000	31/12/19 AMD'000
Receivables from factoring	11,305,292	10,707,784
Impairment allowance	(11,469)	(7,012)
	11,293,823	10,700,772

As at 30 June 2020 the Bank has no customers whose balances exceed 10% of equity (2019: 0).

As at 30 June 2020 the Bank has no impaired or overdue receivables from factoring.

Movements in impairment allowance of 2020 and 2019 are as follows:

	30/06/20	31/12/19
	AMD'000	**AMD'000**
Balance at the beginning of the year	7,012	34,128
Net charge	639	(27,117)
Write-offs	3,818	-
Balance at the end of the year	11,469	7,012

19 Financial assets at amortized cost

	30/06/20	31/12/19
	AMD'000	**AMD'000**
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	36,644,947	30,880,481
Eurobonds of the Republic of Armenia	3,115,175	2,542,987
- Corporate bonds		
Corporate bonds of armenian companies	152,547	152,571
	39,912,669	33,576,039
Pledged under sale and repurchase agreements		
Eurobonds of the Republic of Armenia	4,906,435	-
Corporate bonds of armenian companies	1,133,026	-
	6,039,461	33,576,039
Total financial asset at amortized cost	45,952,130	33,576,039
Impairment	(101,543)	(65,149)
Total net financial asset at amortized cost	45,850,588	33,510,890

Movements in impairment allowance of financial assets at amortized cost for the second quarter 2020 are as follows:

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Balance at the beginning of the year	65,149
Net charge	36,394
Write-offs	-
Balance at the end of the period	**101,543**

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 2020	4,759,365	7,643,527	2,506,023	303,730	3,151,701	18,364,346
Additions	84,036	229,815	183,277	-	484,546	981,674
Disposals/write-offs	(99,147)	(141,615)	(35,484)	-	(119,165)	(395,412)
Balance at 30 June 2020	**4,744,254**	**7,731,727**	**2,653,816**	**303,730**	**3,517,082**	**18,950,609**
Depreciation and amortization						
Balance at 1 January 2020	1,545,436	3,616,602	605,485	114,429	1,320,000	7,201,952
Depreciation and amortization for the year	139,878	431,634	108,126	19,877	355,183	1,054,698
Disposals/write-offs	(10,120)	(29,059)	(6,401)	-	(117,927)	(163,506)
Balance at 30 June 2020	**1,675,194**	**4,019,177**	**707,210**	**134,306**	**1,557,256**	**8,093,143**
Carrying amount						
At 30 June 2020	**3,069,060**	**3,712,550**	**1,946,606**	**169,424**	**1,959,826**	**10,857,466**

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2019	4,531,055	6,267,277	2,321,987	298,130	2,570,230	15,988,679
Additions	279,476	1,448,953	232,688	30,271	856,192	2,847,580
Disposals/write-offs	(51,169)	(72,702)	(48,649)	(24,671)	(274,722)	(471,913)
Balance at 31 December 2019	**4,759,365**	**7,643,527**	**2,506,023**	**303,730**	**3,151,701**	**18,364,346**

Depreciation and amortization						
Balance at 1 January 2019	1,278,411	2,847,926	458,661	98,710	1,064,634	5,748,342
Depreciation and amortization for the year	318,194	807,793	187,465	38,110	479,817	1,831,379
Disposals/write-offs	(51,169)	(39,117)	(40,641)	(22,391)	(224,451)	(377,769)
Balance at 31 December 2019	**1,545,436**	**3,616,602**	**605,485**	**114,429**	**1,320,000**	**7,201,951**
Carrying amount						
At 31 December 2019	**3,213,926**	**4,026,926**	**1,900,541**	**189,301**	**1,831,700**	**11,162,394**

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during the second quarter of 2020 (2019: 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:

(a) Right of use assets

AMD'000

Cost/Revalued amount	**Total**
Balance at 1 January 2020	11,235,119
Additions	52,790
Depreciation and amortization for the year	(1,491,847)
Changes	1,062,201
Balance at 30 June 2020	**10,858,263**

(b) Lease liability

	Total
Less than one year	2,771,131
One to five years	1,009,186
More than five years	24,232,524
Total undiscounted lease payable	**28,012,841**
Unearned finance cost	(16,802,153)
Lease Liability	**11,210,688**

22. Other assets

	30/06/20 AMD'000	31/12/19 AMD'000
Brokerage accounts	596,523	244,954
Receivables from banking services	1,756,492	2,119,304
Restricted accounts with clearing houses	575,732	447,384
Impairment loss	(67,889)	(18,498)
Total other financial assets	**2,860,858**	**2,793,144**
Prepayments to suppliers	2,736,474	1,880,690
Repossessed assets	2,985,981	2,777,623
Small value assets	206,978	145,357
Other tax asset	24,481	154,476
Other	16,055	10,244
Impairment loss	(178,299)	(148,964)
Total other non-financial assets	**5,791,670**	**4,819,426**
Total other assets	**8,652,528**	**7,612,570**

Movements in the impairment allowance for other assets for 2020 and 2019 are as follows:

	30/06/20 AMD'000	31/12/19 AMD'000
Balance at the beginning of the year	167,462	184,246
Net charge	112,713	137,705
Write-offs	(33,987)	(153,970)
Balance at the end of the year	246,188	167,462

23. Deposits and balances from banks

	30/06/20 AMD'000	31/12/19 AMD'000
Short term loans and term deposits from commercial banks	9,420,231	10,674,325
Long term loans and term deposits from commercial banks	14,469,146	4,568,199
Borrowings from CBA (through international programs)	14,340,607	13,092,867
Liabilities for letters of credit	6,241,002	5,512,922
Vostro accounts	371,637	640,500
	44,842,623	34,488,813

As at 30 June 2020 the Bank has one banks (2019: one bank), whose balance exceeds 10% of equity. The gross value of the balance as at 30 June 2020 is AMD 14,469,146 thousand (2019: AMD 12,870,493 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

	30/06/20 AMD'000	31/12/19 AMD'000
Current accounts and demand deposits		
- Retail	80,338,553	77,232,696
- Corporate	147,310,436	260,795,880
Term deposits		
- Retail	174,399,784	171,586,444
- Corporate	84,579,660	83,608,413
	486,628,433	**593,223,433**

As at June 2020, the Bank has one customers (31 December 2019: two customers) whose balances exceed 10% of equity. The gross value of these balances as 30 June 2020 is AMD 36,973,840 thousand (As at 31 December 2019 is AMD 117,976,505 thousand).

25. Debt securities issue

	30/06/20 AMD'000	31/12/19 AMD'000
Promissory notes	3,675,621	4,572,709
Domestic bonds issued	60,242,520	50,000,346
	63,918,141	**54,573,055**

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 30 June 2020 carrying value of the promissory notes is AMD 3,675,620 thousand.

Domestic bonds issued: As at 30 June 2020 the Bank has issued debt securities denominated in AMD and USD, which nominal amount is AMD 16 billion and USD 90.71 million. As at 30 June 2020 carrying value of the bonds is AMD'000 15,969,200 and AMD'000 43,754,876accordingly.

Bonds issued by the Bank are listed in Armenia Securities Exchange.

26. Other borrowed funds and subordinated borrowings

	30/06/20 AMD'000	31/12/19 AMD'000
Borrowings from international and other financial institutions	123,235,156	126,685,607
	123,235,156	**126,685,607**
Subordinated borrowings	**36,673,602**	**36,495,281**

a. Concentration of borrowings from international financial institutions

As at 30 June 2020, the Bank has five financial institutions (31 December 2019: five), whose balances exceed 10% of equity. These balances as at 30 June 2020 are AMD 113,678,057 thousand (31 December 2019: AMD 113,019,657 thousand).

b. Subordinated borrowing

As at 30 June 2020 subordinated borrowing represents:

- Borrowing received from other financial institution
  4,330,506 AMD'000 maturing on 15 January 2026,
  7,202,985 AMD'000 maturing on 15 January 2027
- Borrowing received from international financial institutions (AMD 25,140,110 thousand) maturing on 11 January 2022.

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

	30/06/20 AMD'000	31/12/19 AMD'000
Payables to staff	1,627,605	3,433,379
Accrued expenses	748,629	1,205,569

Other financial liabilities	2,434,228	3,621,942
Total other financial liabilities	**4,810,462**	**8,260,890**
Deferred income	1,560	3,003
Other taxes payable	246,907	305,946
Replenishment of regulatory capital not yet approved by CBA	-	95,484
Total other non-financial liabilities	**248,467**	**404,433**
Total other liabilities	**5,058,929**	**8,665,323**

28. Share capital and treasury shares

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 116,834 ordinary shares (2019: 116,710). 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 second quarter of 2020 the Bank has not paid dividends (During second quarter of 2019 the Bank has dividends announced amounting to AMD 2,100,000 thousand and paid amounting to AMD 1,500,000 thousand).

29. Impairment allowance on contingent liabilities

Movements in the impairment allowance for contingent liabilities for second quarter of June are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year recalculated per IFRS 9	10,001	876	105,345	116,222
Net charge	7,168	4,813	69,032	81,013
Write-offs	-	-	-	-
Balance at the end of the period	**17,169**	**5,689**	**174,377**	**197,235**

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 Liabilites Department in its day-to-day monitoring activities. A summary of the interest gap position for major financial instruments is as follows:

AMD'000

	Less than 3 months	*3-6 months*	*6-12 months*	*1-5 years*	*More than 5 years*	*Non-interest bearing or overdue*	*Carrying amount*
30-Jun-20							
Assets							
Cash and cash equivalents	-	-	-	-	-	145,162,452	145,162,452
Investment securities measured at fair value through other comprehensive income	26,610	71,020	1,646,973	2,651,574	3,812,378	69,895	8,278,450
Loans and advances to banks	-	1,737,367	-			23,797,891	25,535,258
Amounts receivable under reverse repurchase agreements	22,217,762	-	-	-	-	-	22,217,762

Loans to customers	61,267,507	39,120,817	81,473,110	317,738,711	48,894,557	23,765,343	572,260,045
Receivables from letters of credit	284,660	362,916	1,368,670	3,884,322	-		5,900,568
Receivables from finance leases	466,544	462,798	900,317	5,055,863	794,094	113,911	7,793,526
Receivables from factoring	5,064,177	5,865,938	363,708	-	-	-	11,293,823
Investment securities measured at amortized cost	82,098	554,107	13,040,947	14,436,946	17,736,490		45,850,587
	89,409,359	48,174,962	98,793,724	343,767,416	71,237,519	192,909,491	844,292,472
Liabilities							
Deposits and balances from banks	(4,838,074)	(7,087,104)	(3,172,058)	(19,783,622)	(9,961,764)	-	(44,842,623)
Current accounts and deposits from customers	(55,597,745)	(82,790,061)	(93,862,562)	(26,689,207)	(39,870)	(227,648,989)	(486,628,433)
Debt securities issue	(1,405,988)	(5,763,586)	(8,105,808)	(48,642,759)	-		(63,918,141)
Subordinated borrowings	(1,108,384)	(26,505)	-	(24,056,606)	(11,482,107)		(36,673,602)
Other borrowed funds	(3,297,268)	(13,849,551)	(9,004,737)	(93,920,039)	(3,163,562)	-	(123,235,156)
	(66,247,459)	(109,516,806)	(114,145,165)	(213,092,233)	(24,647,303)	(227,648,989)	(755,297,955)
Net position	23,161,900	(61,341,843)	(15,351,440)	130,675,182	46,590,215	(34,739,498)	88,994,517

AMD'000

	Less than 3 months	*3-6 months*	*6-12 months*	*1-5 years*	*More than 5 years*	*Non-interest bearing or overdue*	*Carrying amount*
31-Dec-19							
Assets							
Cash and cash equivalents	-	-	-	-	-	247,353,690	247,353,690
Available-for-sale financial assets	84,032	98,307	1,857	4,470,121	6,055,524	139,145	10,848,985
Loans and advances to banks	22,023	-	-	-	-	26,992,617	27,014,640
Amounts receivable under reverse repurchase agreements	23,549,559	-	-	-	-	-	23,549,559
Loans to customers	78,509,423	52,543,834	50,487,596	305,379,831	65,709,944	11,704,607	564,335,234
Receivables from letters of credit	223,644	255,796	686,928	3,879,833	-	-	5,046,202
Receivables from finance leases	341,390	338,375	651,571	3,591,397	736,957	-	5,659,691
Receivables from factoring	6,315,014	3,404,937	980,821	-	-	-	10,700,772
Held-to-maturity investments	118,833	9,514,255	-	16,781,019	7,096,783	-	33,510,890
	109,163,918	66,155,505	52,808,774	334,102,201	79,599,208	286,190,058	928,019,663

Liabilities							
Deposits and balances from banks	(7,695,542)	(4,923,343)	(2,770,397)	(16,077,613)	(3,021,918)	-	(34,488,813)
Current accounts and deposits from customers	-	(152,281,598)	4,188,176	(107,019,739)	(81,696)	(338,028,576)	(593,223,433)
Debt securities issue	(5,209,996)	(2,400,923)	(5,516,808)	(36,648,103)	(4,797,224)	-	(54,573,055)
Subordinated borrowings	(1,152,994)	(28,651)	-	(23,907,119)	(11,406,517)	-	(36,495,281)
Other borrowed funds	(5,324,541)	(5,706,578)	(11,129,389)	(100,309,960)	(4,215,140)	-	(126,685,607)
	(19,383,073)	(165,341,092)	(15,228,418)	(283,962,533)	(23,522,496)	(338,028,576)	(845,466,189)
Net position	89,780,846	(99,185,587)	37,580,355	50,139,667	56,076,712	(51,838,518)	82,553,474

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 June 2020 and 31 December 2019.

	2020			**2019**		
	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	8.47%	6.64%	3.44%	9.5%	6.7%	4.8%
Investment securities measured at fair value through other comprehensive income	10.39%	7.96%	–	10.2%	7.5%	-
Loans and advances to banks	–	5.3%	–	–	5.3%	–
Amounts receivable under reverse repurchase agreements	6.1%	3.3%	0.60%	6.1%	3.4%	0.01
Loans to customers	12.0%	8.2%	6.2%	12.7%	8.9%	6.2%
Receivables from finance leases	12.1%	7.0%	5.8%	13.9%	7.9%	6.5%
Receivables from factoring	12.7%	8.5%	6.0%	14.2%	8.8%	6%
Debt securities at amortized cost	8.7%	6.3%	–	8.6%	6.2%	–
Interest bearing liabilities						
Deposits and balances from banks	6.4%	3.4%	1.1%	6.5%	2.2%	1.7%
Term deposits	9.0%	3.9%	1.7%	9.0%	4.1%	1.8%
Debt securities issue	9.7%	5.1%	-	9.7%	5.2%	-
Subordinated borrowings	–	9.9%	6.3%	–	10.2%	6.3%

Other borrowed funds	8.2%	4.8%	2.8%	8.4%	5.0%	2.8%

(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 30 June 2020:

	USD	EUR	Other currencies	Total
2020	**AMD'000**	**AMD'000**	**AMD'000**	**AMD'000**
ASSETS				
Cash and cash equivalents	62,258,917	16,780,445	2,655,188	81,694,550
Banking standardized bullions of precious metals	-	-	1,315,473	1,315,473
Financial instruments at fair value through profit or loss	3,040,322	74,351	-	3,114,673
Investment securities at fair value through other comprehensive income	3,370,498	-	-	3,370,498
Loans and advances to banks	20,863,000	4,404,586	39,358	25,306,944
Loans to customers	286,833,061	92,111,876	1,837,501	380,782,438
Receivables from letters of credit	1,370,443	4,530,125	-	5,900,568
Receivables from finance leases	2,588,153	1,643,932	-	4,232,085
Receivables from factoring	7,513,935	3,090,673	-	10,604,608
Debt securities at amortized cost	3,115,174	-	-	3,115,174
Other financial assets	2,317,689	1,198,620	222,212	3,738,521
Total assets	**396,737,381**	**135,465,022**	**6,069,732**	**538,272,135**
LIABILITIES				
Deposits and balances from banks	22,155,968	7,433,580	956,567	30,546,115
Current accounts and deposits from customers	245,406,298	58,047,441	7,643,144	311,096,883
Subordinated borrowings	24,140,110	11,533,492	-	35,673,602
Other borrowed funds	71,691,151	37,550,665	-	109,241,816
Debt securities issue	47,707,892	-	-	47,707,892
Other financial liabilities	854,225	643,751	13,254	1,511,230
Total liabilities	**411,955,644**	**115,208,929**	**8,612,965**	**535,777,538**
Net position	**(15,218,263)**	**20,256,093**	**(2,543,233)**	**2,494,597**
Effect of derivatives	13,836,891	(21,617,600)	2,629,365	(5,151,344)
Net position	**(1,381,372)**	**(1,361,507)**	**86,132**	**(2,656,747)**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

2019	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	31,370,523	136,945,002	5,668,474	173,983,999
Banking standardized bullions of precious metals	1,788,708	45,873	-	1,834,581
Financial instruments at fair value through profit or loss	3,353,097	-	-	3,353,097
Available-for-sale financial assets	20,101,586	4,824,324	-	24,925,910
Loans and advances to banks	1,346,506	7,524,129	-	8,870,635
Loans to customers	328,225,481	80,824,999	1,740,067	410,790,547
Receivables from letters of credit	1,574,039	3,472,163	-	5,046,202
Receivables from finance leases	1,994,946	948,658	-	2,943,604
Receivables from factoring	6,902,267	3,015,623	2,985	9,920,875
Held-to-maturity investments	2,542,987	-	-	2,542,987
Other financial assets	1,761,925	29,107	57,915	1,848,947
Total assets	400,962,065	237,629,878	7,469,441	646,061,384
LIABILITIES				
Deposits and balances from banks	13,556,167	4,869,901	1,018,054	19,444,161
Current accounts and deposits from customers	361,523,559	63,486,589	7,214,487	432,224,635
Subordinated borrowings	25,027,671	11,467,610		36,495,281
Other borrowed funds	74,938,072	36,480,965	0	111,419,037
Debt securities issue	46,447,112	-	-	46,447,112
Other financial liabilities	1,292,686	450,630	18,164	1,761,480
Total liabilities	522,785,267	116,755,695	8,250,744	647,791,706
Net position	(121,823,202)	120,874,183	(781,303)	(1,730,322)
Effect of derivatives	118,470,708	(122,495,280)	(239,651)	(4,264,223)
Net position	(3,352,494)	(1,621,097)	(1,020,954)	(5,994,545)

A strengthening of the AMD, as indicated below, against the following currencies as at 30 June 2020 and 31 December 2019 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 30 June 2020 and 31 December 2019 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.

	2020		2019	
	Appreciation	*Profit or loss AMD'000*	*Appreciation*	*Profit or loss AMD'000*
AMD against USD	1.00%	(138,137)	1.00%	(335,249)
AMD against EUR	1.00%	(136,151)	1.00%	(162,110)

(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 transitions 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 liquidty 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 30 June 2020:

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	145,162,452		-	-	-	-	-	145,162,452
Banking standardized bullions of precious metals	-		-	-	-	1,315,473	-	1,315,473
Financial instruments at fair value through profit or loss	15,994	19,059	1,194,269	5,254,634	1,611,739			8,095,695
Investment securities at fair value through other comprehensive income	-	26,610	1,717,993	2,651,574	3,812,378	69,895	-	8,278,450
Loans and advances to banks	-	-	1,737,367	-	-	23,797,891	-	25,535,258
Amounts receivable under reverse repurchase agreements	14,448,036	7,769,726	-	-	-	-	-	22,217,762
Loans to customers	10,830,236	21,524,459	107,988,363	263,619,695	144,313,061	-	23,765,343	572,260,045
Receivables from letters of credit	85,924	198,736	1,731,586	3,884,322	-		-	5,900,568
Receivables from finance leases	176,453	290,092	1,363,114	5,055,863	794,094	-	113,911	7,793,526
Receivables from factoring	2,810,183	2,253,994	6,229,646	-	-	-	-	11,293,823
Debt securities at amortized cost	-	82,098	13,595,054	14,436,946	17,736,490	-	-	45,850,587
Property, equipment and intangible assets	-	-	-	-	-	10,857,466	-	10,857,466
Right of use asset	-	-	-	-	-	10,858,263		10,858,263
Other assets	2,362,824	263,051	4,510,891			2,836,926	-	9,973,692
Total assets	175,892,103	32,427,825	140,068,283	294,903,034	168,267,762	49,735,914	23,879,253	885,393,060
LIABILITIES								
Financial instruments at fair value through profit or loss	466,653	-	-	-	-	-	-	466,653
Amounts payable under repurchase agreements	6,008,876	-						6,008,876
Deposits and balances from banks	733,745	4,104,330	10,259,162	19,783,622	9,961,764	-	-	44,842,623
Current accounts and deposits from customers	186,937,984	52,428,794	217,814,415	29,407,371	39,870	-	-	486,628,433
Debt securities issue	159,619	1,246,369	13,869,394	48,642,759	-	-	-	63,918,141
Subordinated borrowings	1,108,384	0	26,505	24,056,606	11,482,107	-	-	36,673,602
Other borrowed funds	33,123	3,264,145	22,854,287	93,920,039	3,163,562	-	-	123,235,156
Current tax liability	-	-	502,987	-	-	-	-	502,987
Deferred tax liability	-	-	899,778	-	-	-	-	899,778
Lease liability	-	-	-	-	-	11,210,688		11,210,688
Provision for commitments	197,235	-	-	-	-			197,235

Other liabilities	2,675,368	334,562	2,049,000	-	-	-	-	5,058,930
Total liabilities	198,320,987	61,378,199	268,275,529	215,810,397	24,647,303	11,210,688	-	779,643,102
Net position	(22,428,884)	(28,950,374)	(127,988,358)	79,092,637	143,620,458	38,525,226	24,988,781	105,749,958

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2019:

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	247,353,690	-	-	-	-	-	-	247,353,690
Banking standardized bullions of precious metals	-	-	-	-	-	863,805	-	863,805
Financial instruments at fair value through profit or loss	5,485	54,094	574,252	3,599,645	4,022,131	-	-	8,255,606
Investment securities at fair value through other comprehensive income	-	83,342	99,341	4,433,409	6,232,893	-	-	10,848,985
Loans and advances to banks	22,023	-	-	-	-	26,992,617	-	27,014,640
Amounts receivable under reverse repurchase agreements	20,528,934	3,020,624	-	-	-	-	-	23,549,559
Loans to customers	15,704,060	37,817,854	95,597,882	261,472,206	142,038,626	-	11,704,607	564,335,234
Receivables from letters of credit	57,125	166,518	942,725	3,879,833	-	-	-	5,046,202
Receivables from finance leases	119,183	222,207	989,947	3,591,397	736,957	-	-	5,659,691
Receivables from factoring	3,768,376	2,546,638	4,385,758	-	-	-	-	10,700,772
Debt securities at amortized cost	-	118,833	9,514,255	16,781,019	7,096,783	-	-	33,510,890
Property, equipment and intangible assets	-	-	-	-	-	11,162,394	-	11,162,394
Right of use asset	-	-	-	-	-	11,235,119		11,235,119
Other assets	2,080,176	189,450	2,672,653			3,602,352	-	8,544,631

	289,639,053	**44,219,561**	**114,776,813**	**293,757,508**	**160,127,390**	**53,856,287**	**11,704,607**	**968,081,217**
LIABILITIES								
Financial instruments at fair value through profit or loss	35,314					-	-	**35,314**
Deposits and balances from banks	7,377,655	317,887	7,693,740	16,077,613	3,021,918	-	-	**34,488,813**
Current accounts and deposits from customers	296,942,646	48,834,546	193,398,396	53,989,103	58,743	-	-	**593,223,433**
Debt securities issue	4,894,570	315,426	7,917,731	41,445,327	-	-	-	**54,573,055**
Subordinated borrowings	1,152,994	-	28,651	23,907,119	11,406,517	-	-	**36,495,281**
Other borrowed funds	1,990,215	3,334,326	16,835,966	100,309,960	4,215,140	-	-	**126,685,607**
Deferred tax liability	-	-	279,389	-	-	-	-	**279,389**
Current tax liability	-	-	-	918,445	-			**918,445**
Lease liabilities	-	-	-	-	-	11,373,257	-	**11,373,257**
Provision on contingent liabilities	116,222	-	-	-	-	-	-	**116,222**
Other liabilities	3,717,426	516,300	4,431,597	-	-	-	-	**8,665,323**
Total liabilities	**316,227,041**	**53,318,485**	**230,585,470**	**236,647,567**	**18,702,319**	**11,373,257**	**-**	**866,854,139**
Net	**(26,587,989)**	**(9,098,924)**	**(115,808,657)**	**57,109,941**	**141,425,071**	**42,483,030**	**11,704,607**	**101,227,078**

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 December 2019 and during the reporting period are as follows:

	2020 AMD'000	**2019 AMD'000**
At 30 June (unaudited)	106.4%	100.7%
Average for June (unaudited)	112.1%	94.5%

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 30 June 2020 and 31 December 2019, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 30 June 2020 and 31 December 2019.

	30/06/20 AMD'000 Unaudited	**31/12/19 AMD'000 Unaudited**
Tier 1 capital		
Share capital	37,386,880	37,347,200
Share premium	17,065,364	17,009,560
General reserve	5,608,146	5,335,146

Retained earnings	42,918,364	40,152,676
Deductions	(7,410,385)	(6,753,838)
Total tier 1 capital	**95,568,369**	**93,090,744**
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	367,215	510,818
Subordinated borrowing (not greater than 50% of tier 1 capital)	16,990,777	21,548,494
Total tier 2 capital	**17,357,991**	**22,059,312**
Total capital	**112,926,360**	**115,150,056**
Total risk weighted assets	**840,754,397**	**781,286,761**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**13.43%**	**14.74%**

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

32.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.

	30/06/20 AMD'000	31/12/19 AMD'000
Contracted amount		
Guarantees	6,897,408	15,015,345
Letters of credit	17,214,571	380,129
Credit card commitments	18,588,220	16,219,615
Loan and credit line commitments	8,492,430	0
Undrawn overdraft facilities	10,317,585	4,837,207
	61,510,214	**36,452,296**
Impairment loss	(197,235)	(166,222)

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 Bank's main company is Ameria Group (CY) Limited, which owns 48.95% of the share capital.

The ultimate controler and final beneficiary owner of the Bank is Ruben Vardanyan

No publicly available financial statements are produced by the Bank's parent company.

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

Total remuneration included in personnel expenses for the second quarter of 2020 and 2019 are as follows:

	2019 AMD'000	**2018 AMD'000**
Short-term employee benefits	2,102,215	2,053,084

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 30 June 2020 and 31 December 2019 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2020 AMD'000	**Average interest rate, %**	**2019 AMD'000**	**Average interest rate, %**
Statement of financial position				
Loans issued	1,078,527	8.40%	1,006,530	8.04%
Other asset	1,239	0.00%	2,188	0.00%
Term deposits received	321,078	5.88%	241,140	6.31%
Demand deposits received	651,247	0.00%	746,013	0.11%
Other liabilities	2,407,692	0.00%	1,185,957	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 30 June 2020 and 31 December 2019 are as follows:

	2020 AMD'000	2019 AMD'000
Profit or loss		
Interest income	42,789	45,752
Interest expense	(9,475)	(26,344)

(k) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 30 June 2020 and 31 December 2019 and related profit or loss amounts of transactions for the second quarter of 2020 and 2019 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									
Financial instruments at fair value through profit or loss									
Loans to customers		-		-		1,379,656	8.93%		1,379,656
Other asset		9,294		531	-	-			9,825
LIABILITIES									
Financial instruments at fair value through profit or loss									
Current accounts and deposits from customers									
- Current accounts and demand deposits	214,841	0.00%	128,339	0.00%	58,776	0.00%	847,339	0.00%	**1,249,295**
- Term deposits	-		-		751,268	5.50%	208,712	3.19%	**959,981**
Other borrowing			15,154,223	4.35%					**15,154,223**
Other liabilities	-		17,840	0.0%	-		18	0	**17,858**
Items not recognised in the statement of financial position									
Guarantees given	-	-	4,241,224	0.94%	-	-	-	-	**4,241,224**
Profit (loss)	-		953		-		63,001		**63,954**
Interest income	-		(451,020)		(23,076)		(6,658)		**(480,755)**
Interest expense									
					(7,677)		-		**(7,677)**
Other expense									

	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	-		-		-		1,371,580	8.89%	1,371,580
Other asset	-		9,243		4,375		119		13,737
LIABILITIES									
Current accounts and deposits from customers									
- Current accounts and demand deposits	378,387	0.00%	197,134	0.00%	133,145	0.00%	1,007,886	0.00%	1,716,552
- Term deposits	-		-		976,068	4.81%	381,946	5.70%	1,358,015
Other borrowing	-		13,585,997	5.89%	-		-		13,585,997
Other liabilities	-		10,443	0.0%	-		123		10,566
Items not recognised in the statement of financial position									
Guarantees given	-		8,870,606	1.10%	0		-		8,870,606
Profit (loss)									
Interest income	-		0		0		69,919		69,919
Interest expense	-		(746,324)		(15,943)		(3,110)		(765,377)
Other expense			-		(866,869)				(866,869)