Ameriabank cjsc

Financial Statements

For the first quarter of 2022

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Statement of comprehensive income

31-Mar-2022

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	Note	01/01/2022-31/03/2022	01/01/2021-31/03/2021
Interest income calculated using effective interest rate	4	18,340,362	17,699,960
Other interest income	4	899,003	650,415
Interest expenses	4	(8,521,285)	(7,684,667)
Net interest income		**10,718,080**	**10,665,708**
Fee and commission income	5	1,983,184	1,566,152
Fee and commission expense	5	(543,440)	(402,725)
Net fee and commission income		**1,439,744**	**1,163,427**
Net profit/loss on financial instruments at fair value through profit or loss	6	983,437	932,825
Net foreign exchange gain/(loss)	7	4,228,300	638,290
Net gain on financial assets at fair value through other comprehensive		63,281	(101,798)
Other operating income	8	242,495	175,685
Other operating expense	8	(1,124,096)	(958,490)
Operating income		**16,551,240**	**12,515,647**
Net impairment losses on financial instruments	9	(1,074,209)	(3,090,559)
Other impairments and provisions	9	308	6,790
Personnel expenses		(4,406,168)	(2,908,162)
Other general administrative expenses	10	(1,852,458)	(1,597,487)
Profit before income tax		**9,218,713**	**4,926,229**
Income tax expense	11	(1,714,035)	(960,167)
Profit for the period		**7,504,678**	**3,966,062**
Other comprehensive income, net of income tax			
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income			
net change in fair value		(452,344)	(57,905)
net amount reclassified to profit or loss		(51,890)	83,474
Other comprehensive income/(loss) for the period, net of income tax		**(504,234)**	**25,569**
Total comprehensive income for the period		**7,000,444**	**3,991,631**

Validation date 15.04.22

seal

General Director-Chairman of the Management Board — Artak Hanesyan

Chief Accountant — Gohar Khachatry

Statement of Financial Position

31-Mar-2022

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

(thous. drams)

Item	Note	31/03/22	31/12/2021 (audited)
Assets			
Cash and cash equivalents	12	179,759,504	264,090,145
Banking standardized bullions of precious metals		698,033	1,031,181
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	17,015,859	8,223,960
- Pledged under sale and repurchase agreements	13	-	-
Financial assets at fair value through other comprehensive income			
- Held by the Bank	14	11,930,943	7,920,255
- Pledged under sale and repurchase agreements	14	-	4,096,530
Loans and advances to banks	15	66,117,929	43,333,261
Amounts receivable under reverse repurchase agreements	16	18,793,102	7,533,683
Loans and advances to customers at amortized cost	17	713,001,426	673,086,264
Debt securities at amortized cost			
- Held by the Bank	18	72,684,007	37,915,734
- Pledged under sale and repurchase agreements	18	-	15,770,574
Property, equipment and intangible assets	21	10,308,724	10,649,082
Right of use asset	22	11,084,872	11,163,102
Other assets	21	12,253,307	11,573,234
Total assets		**1,113,647,706**	**1,096,387,005**
Liabilities			
Financial instruments at fair value through profit or loss	13	1,071	92,827
Amounts payable under repurchase agreements			18,011,594
Deposits and balances from banks	22	56,838,450	56,649,761
Current accounts and deposits from customers	23	645,192,115	600,614,296
Debt securities issued	24	112,542,366	111,074,943
Subordinated borrowings	25	31,422,163	27,393,716
Other borrowed funds	25	107,779,935	127,712,418
Current tax liabilities	11	854,840	454,831
Deferred tax liability	11	527,664	664,044
Provision on contingent liabilities		221,877	244,929
Lease liabilities	20	12,120,521	12,106,310
Other liabilities	26	10,215,011	12,436,087
Total liabilities		**977,716,013**	**967,455,756**
Equity			
Share capital	27	54,385,935	54,385,935
Share premium		174,726	174,726
Revaluation reserve		(770,193)	(265,959)
Retained earnings		82,141,225	74,636,547
Total equity		**135,931,693**	**128,931,249**
Total liabilities and equity		**1,113,647,706**	**1,096,387,005**

Validation date 15.04.22

seal

General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

Statement of changes in equity
31-Mar-2022

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

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 2022	**54,385,935**	**174,726**	**(265,959)**	**74,636,547**	**128,931,249**
Net profit for the period	-	-	-	7,504,678	7,504,678
Other comprehensive income/(loss) for the period	-	-	(504,234)	-	(504,234)
Issue of share capital	-	-	-	-	-
Balance as of 31 March 2022	**54,385,935**	**174,726**	**(770,193)**	**82,141,225**	**135,931,693**

Validation date 15.04.22

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General Director-Chairman of the Management Board — Artak Hanesyan

Chief Accountant — Gohar Khachatryan

Statement of cash flows
31-Mar-2022

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

(thous. drams)

Item	01/01/2022-31/03/2022	01/01/2021-31/03/2021
Cash flows from operational activities	x	x
Interests receipts	17,259,040	16,260,225
Interests payments	(6,872,950)	(7,943,026)
Fee and commissions receipts	1,983,184	1,566,152
Fee and commissions payments	(543,440)	(402,725)
Net receipts from financial assets at fair value through profit and loss	272,516	(18,963)
Net receipts from foreign exchange	5,248,035	1,194,614
Other income/(expenses)	(881,601)	(440,886)
Salaries and other payments to employees	(9,258,856)	(4,171,712)
Other general administrative expense payments	(935,978)	(1,597,487)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	(8,840,927)	711,043
Loans and advances to banks	(22,652,041)	(28,862,653)
Amounts receivable under reverse repurchase agreements	(11,246,303)	6,347,968
Loans and advances to customers at amortized cost	(37,744,365)	1,963,660
Other assets	(140,399)	2,418,806
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	682,506	610,117
Deposits and balances from banks	(780,148)	(862,453)
Amounts payable under repurchase agreements	(17,999,995)	-
Current accounts and deposits from customers	41,114,989	(52,258,294)
Other liabilities	1,327,522	1,198,989
Net cash from (used in) operating activities before income tax paid	**(48,858,823)**	**(64,286,626)**
Income tax paid	(622,239)	(574,365)
Net cash flows from operational activities after profit tax	**(49,481,062)**	**(64,860,991)**
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(319,009)	(1,979,214)
Sales of property and equipment and intangible assets	-	-
Financial assets at fair value through other comprehensive income	(146,182)	(885,038)
Financial assets at amortized cost	(18,003,212)	(8,694,009)
Net cash flows from investing activities	**(19,618,791)**	**(11,558,261)**
Cash flows from financing activities	x	x
Dividends paid	-	-
Proceeds from issue of share capital	-	108,417
Net receipts of other borrowed funds	(15,898,604)	3,648,729
Receipts from issuance of debt securities	(484,224)	7,206,144
Net cash flows from financing activities	**(16,382,828)**	**10,963,290**
Effect of changes in exchange rates on cash and cash equivalents	1,172,525	577,011
Effect of changes in impairment allowance on cash and cash equivalents	(20,485)	(79,418)
Net increase/(decrease) in cash and cash equivalents	(84,330,641)	(64,958,369)
Cash and cash equivalents at the beginning of the period (Note 12)	264,090,145	232,026,738
Cash and cash equivalents at the end of the period (Note 12)	179,759,504	167,068,369

Validation date 15.04.22

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%.

During the years 2015-2020 Ameria Group (CY) sold part of its share to European Bank of Reconstruction and Development (EBRD), Asian Development Bank (ADB), ESPS Holding Limited and Afeyan Foundation for Armenia Inc.

On 14 July in 2020 Ameria Group (CY) was renamed to Imast Group (CY).

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

On 29 April 2021 the General Meeting of Shareholders of the Bank, approved increase of share capital by transferring share premium of AMD 16,891 million to share capital. After this transaction nominal value of 1 share increased from AMD 320 thousand to AMD 465 thousand.

On 1 March 2022, Shareholder's General Meeting approved additional 62 share purchase by ESPS Holding Limited with price of AMD 938,987 per share (nominal value of one share was AMD 465,000). The transaction as at reporting date was in process of approval by CBA.

As at 31 March 2022 and Bank as at 31 December 2021 the shareholders structure of the bank is as follows.

	2022	2021
Imast Group (CY)	48.90%	48.90%
Europian Bank for Reconstruction and Development (EBRD)	17.74%	17.74%
Asian Development Bank (ADB)	13.93%	13.93%
ESPS Holding Limited	11.92%	11.92%
Afeyan Foundation for Armenia Inc	7.51%	7.51%
	100.00%	**100.00%**

As at 31 March 2022 the Bank had no ultimate controlling party.

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

The Bank has 23 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia. The number of the Bank's employees for the first quarter of 2022 was 1,211 (2021: 1,157). Related party transactions are detailed in note 32.

(b) Armenian business environment

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

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Armenian Drams (AMD), which is the Bank's functional and presentation currency. Financial information presented in AMD is rounded to the nearest thousand. The official CBA exchange rates at 31 March 2022 and 31 December 2021 were 485.91 AMD and 480.14 AMD to 1 USD, and 539.21 AMD and 542.61 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 17 "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

(a) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Bank has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Bank applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Bank has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Bank had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption.

The details of the accounting policies are disclosed in Note 4.

(b) COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

The Bank has early adopted *COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16* issued in March 2021. Prior to this amendment IFRS 16 introduced an optional practical expedient with limited applicability period for leases in which the Bank is a lessee – i.e. for leases to which the Bank applies the practical expedient, the Bank is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Bank had adopted the optional practical expedient in 2020. The amendment in 2021 extended the availability of the practical expedient by one year.

4 Significant accounting policies

Except for the changes disclosed in Note 3 the accounting policies set out below are applied consistently to all periods presented in these financial statements. Other new standards and amendments to standards effective from 1 January 2021 did not have impact on the accounting policies of the Bank, presented below.

(a) Foreign currency transactions

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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Cash and cash equivalents

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

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

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

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

For information on when financial assets are credit-impaired, see Note 4(e)(iv).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

– interest on financial assets measured at amortised cost;
– interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

(d) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 4(c)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are generated based on actual transactions with customers. The Bank classifies expenses directly attributable to revenue generation and not resulting from actual transactions with customers as other operating expenses. All other expenses are classified as general administrative expenses.

(e) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

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

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

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

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

– interest income using the effective interest method;
– ECL and reversals; and
– foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Bank's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

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

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the CBA. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Bank considers these loans as in essence floating rate loans (Note 4(e)(iii)).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

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

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

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

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

iii. Modification of financial assets and financial liabilities

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applied the policies on accounting for modifications to the additional changes.

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
– other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the CBA key rate, if the loan agreement entitles the Bank to do so.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogizes to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial asset;
– change in collateral or other credit enhancement;
– change of terms of financial asset that lead to non-compliance with the SPPI criterion.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv. Impairment

See also Note 30(c).

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition (see Note 30(c)).

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
– *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 30(c).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 4(e)(ii)) and ECL are measured as follows.

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 30(c)).
– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

– The market's assessment of creditworthiness as reflected in the bond yields.
– The rating agencies' assessments of creditworthiness.
– The country's ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

– *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
– *loan commitments and financial guarantee contracts*: generally, as a provision;
– *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
– *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

– the guarantee is implicitly part of the contractual terms of the debt instrument;
– the guarantee is required by laws and regulations that govern the contract of the debt instrument;

- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on debt financial assets'.

(f) Loans and advances to customers

Loans and advances to customers caption in the statement of financial position include:

- loans to customers, receivables from factoring and receivables from letter of credit measured at amortised cost (see Note 4(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- net investments in finance leases.

(g) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

(h) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 4(e)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognises a loss allowance (see Note 4(e)(iv)) in accordance with IFRS 9.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(i) 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 recognised 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 recognised 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.

(j) 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:

– leasehold improvements	5-20 years
– computers and communication equipment	5 to 10 years
– fixtures and fittings	5 to 10 years
– motor vehicles	7 years

(k) Intangible assets

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

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation 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.

(l) Provisions

A provision is recognised 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.

(m) Share capital

(i) Ordinary shares

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

(ii) Share premium

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

(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.

(n) Repossessed property

Repossessed property is stated at lower of cost and net realisable value.

(o) Impairment of 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 air 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 recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

(p) Earnings per share

The Bank presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate and investment banking, Trading.

(r) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised 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 recognised 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 recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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.

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.

(s) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Bank has applied *COVID-19-Related Rent Concessions – Amendment to IFRS 16*. The Bank applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Bank applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Bank chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Bank assesses whether there is a lease modification.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

(t) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

(i) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Bank has determined that there will be no uncompleted contracts before the amendments become effective.

(ii) Improvement to IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

(iii) Other standards

The following new and amended standards are not expected to have a significant impact on the Bank’s financial statements.

- Annual Improvements to IFRS Standards 2018-2020.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts and amendments* to IFRS 17 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

4. Net interest income

	01/01/2022 31/03/2022 AMD'000	01/01/2021 31/03/2021 AMD'000
Interest income calculated using the effective interest method		
Financial assets measured at amortized cost		
Loans to customers	16,476,962	15,877,004
Investment securities measured at amortized cost	973,835	971,823
Income from factoring	253,165	242,545
Amounts receivable under reverse repurchase agreements	248,547	163,722
Receivables from letters of credit	119,334	176,205
Loans and advances to banks	58,756	38,445
Other	3,058	2,853
	18,133,657	**17,472,597**
Financial assets measured at fair value through other comprehensive income		
Investment securities measures at FVOCI	206,705	227,363
Interest income calculated using the effective interest method	**18,340,362**	**17,699,960**
Other interest income		
Receivables from finance leases	607,980	365,690
Investment securities measured at FVTPL	179,870	166,908
Derivative financial assets	111,153	117,817
	899,003	**650,415**
Total	**19,239,365**	**18,350,375**
Interest expense		
Current accounts and deposits from customers	4,319,246	3,399,880
Debt securities issued	1,581,875	1,553,668
Other borrowed funds and subordinated borrowing	1,519,059	1,620,844
Deposits and balances from banks	523,967	437,792
Lease payables	335,713	328,862
Amounts payable under repurchase agreements	158,022	216,023
Letters of credit and guarantee	83,403	120,048
Other	-	7,550
	8,521,285	**7,684,667**
Net interest income	**10,718,080**	**10,665,708**

5. Fee and commission income

	01/01/2022 31/03/2022 AMD'000	01/01/2021 31/03/2021 AMD'000
Credit card maintenance	1,173,166	772,003
Cash withdrawal, account service and distance system services	278,529	176,499
Money transfers	241,830	204,549
Guarantee and letter of credit issuance	153,627	145,249
Brokerage services	56,994	136,016
Settlement operations	50,300	37,986
Other	28,738	93,850
	1,983,184	**1,566,152**

5. Fee and commission expense

	01/01/2022 31/03/2022 AMD'000	01/01/2021 31/03/2021 AMD'000
Credit card maintenance	354,813	289,526
Money transfers	63,567	67,206
Guarantee and letter of credit issuance	10,583	29,125
Other	114,477	16,868
	543,440	**402,725**

6. 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.

7. Net foreign exchange income

	01/01/2022 31/03/2022 AMD'000	01/01/2021 31/03/2021 AMD'000
Net gain on spot transactions	5,248,035	1,194,614
Net gain from revaluation of financial assets and liabilities	(1,019,735)	(556,324)
	4,228,300	**638,290**

8. Other operating income/(expenses)

	01/01/2022 31/03/2022	01/01/2021 31/03/2021
Other operating income	**AMD'000**	**AMD'000**
Net income from sale of repossessed assets	69,837	63,890
Income from rendered services	55,326	30,717
Income from insurance agency services	42,795	17,589
Income from payment terminals	38,409	35,471
Income from deposit boxes	15,763	11,454
Income from reimbursement of legal cases	11,357	9,596
Income from advisory and arrangement services	1,488	5,808
Income from insurance	71	32
Other income	7,449	1,128
	242,495	**175,685**
Other operating expenses		
Payment system expenses	514,434	299,167
Guarantee payments to Armenian Deposit Guarantee Fund	177,632	152,360
Software maintenance	107,809	102,906
Collateral registration charges	69,140	21,842
ATM space charge	28,525	23,799
Credit register charges	27,821	28,842
Financial system mediator	27,397	27,504
Fees for brokerage services	27,218	54,564
Encashment	22,756	20,504
Depositary services	9,831	16,236
Paid fees and penalties	4,000	5,001
Agent fee	-	125,500
Insurance charges	-	15,292
Other expenses	107,533	64,973
	1,124,096	**958,490**

9. Impairment (losses) reversals

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for 31 March 2022:

AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	21,664	-	-	21,664
Amounts receivable under reverse repurchase agreements	-	-	-	-
Loans and advances to banks	(46,436)	-	-	(46,436)
Loans to legal entities and individuals	(918,823)	514,644	(643,296)	(1,047,475)
Receivables from finance leases	(628)	(26,924)	8,899	(18,653)
Receivables from factoring	(899)	-	-	(899)
Receivables from letter of credit	10,414	-	-	10,414
Investment securities measured at amortised cost	(9,673)	-	-	(9,673)

AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities measured at fair value through other comprehensive income	(2,523)	-	-	(2,523)
Other financial assets	(793)	(311)	(2,313)	(3,417)
Credit related commitments	20,006	962	1,823	22,791
Total credit loss expense	**(927,691)**	**488,371**	**(634,887)**	**(1,074,207)**

10. Other general administrative expenses

	01/01/2022 31/03/2022 AMD'000	**01/01/2021 31/03/2021 AMD'000**
Depreciation and amortization	916,480	834,184
Advertising and marketing	171,046	129,884
Staff training and other expenses	111,071	71,497
Unrecoverable taxes from lease agreements	90,700	85,664
Repairs and maintenance	89,381	96,457
Loan recovery charges	84,939	99,330
Security	62,949	56,220
Professional services	59,070	20,590
Other lease expense	47,398	48,710
Communications and information services	45,609	35,003
Electricity and utilities	37,819	27,420
Insurance	22,821	19,670
Office supplies	16,476	9,276
Charity and sponsorship	14,111	22,324
Taxes other than on payroll and income	13,472	13,032
Business trips and representation	12,009	4,535
Other	57,107	23,691
	1,852,458	**1,597,487**

11. Income tax expense

	01/01/2022 31/03/2022 AMD'000	**01/01/2021 31/03/2021 AMD'000**
Current tax expense		
Current year	1,739,729	916,866
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(25,694)	43,301
Total income tax expense	**1,714,035**	**960,167**

	01/01/2022 31/03/2022 AMD'000	%	01/01/2021 31/03/2021 AMD'000	%
Profit before tax	9,218,713		4,926,229	
Income tax at the applicable tax rate	1,659,368	18.00%	886,721	18.0%
Non-deductible costs	54,667	0.59%	73,446	1.5%
	1,714,035	**18.59%**	**960,167**	**19.5%**

(b) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 March 2022 and as at 31 March 2021.
The deductible temporary differences do not expire under current tax legislation.
Movements in temporary differences during the periods ended 31 March 2022 and as at 31 March 2021 are presented as follows:

2022	Balance 01 Jan 2022 AMD'000	Recognize in profit or loss AMD'000	Recognized in other comprehensive income AMD'000	Balance 31 March 2022 AMD'000
Financial instruments at fair value through profit or loss	1,011	(73,566)	-	(72,555)
Investment securities measures at FVOCI	66,849	454	110,686	177,989
Other financial instruments at amortised cost and provisions	(1,796,396)	(105,788)	-	(1,902,184)
Loans to customers	(168,926)	(21,256)	-	(190,182)
Property and equipment	34,526	-	-	34,526
Right of use of assets	169,777	16,640	-	186,417
Other assets	28,848	3,008	-	31,856
Other liabilities	1,089,650	198,058	-	1,287,708
Other borrowed funds	(89,383)	8,145	-	(81,238)
	(664,044)	**25,694**	**110,686**	**(527,664)**

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

12. Cash and cash equivalents

	31/03/2022 AMD'000	31/12/2021 AMD'000
Cash on hand	22,166,320	22,847,846
Nostro accounts with the CBA	129,432,707	227,124,335
Nostro accounts with other banks		
- rated Aa1 to Aa3+	16,496,795	6,006,225
- rated A1 to A3	7,241,290	4,476,989
- rated from Baa1 to Baa3	654,338	2,753,282
- rated from Ba1 to Ba3	334,181	853,311
- not rated	3,454,358	70,306
Total nostro accounts with other banks	**28,180,962**	**14,160,113**
Total gross cash and cash equivalents	**179,779,989**	**264,132,294**
Impairment	**(20,485)**	(42,149)
Total cash and cash equivalents	**179,759,504**	**264,090,145**

Movements in the impairment allowance of Cash and cash equivalents are as follows:

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(42,149)	-	-	(42,149)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	42,149	-	-	42,149
New financial assets originated or purchased	(20,485)			(20,485)
Balance at 31 March 2022	**(20,485)**			**(20,485)**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(18,043)	-	-	(18,043)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	18,043	-	-	18,043
New financial assets originated or purchased	(42,149)	-	-	(42,149)
Balance at 31 December 2021	**(42,149)**	-	-	**(42,149)**

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

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

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

As at 31 March 2022 the Bank has one bank (2021: no bank), whose balance exceeds 10% of equity. The amount of nostro account as at 31 March 2022 is AMD 16,496,795 thousand.(2021:0 AMD).

As at 31 March 2022 and as at 31 December 2021 the balances with the Central Bank of Armenia exceed 10% of equity.

13. Financial instruments at fair value through profit or loss

	31/03/2022 AMD'000	31/12/2021 AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	6,148,790	4,285,560
Government Eurobonds of the Republic of Armenia	6,081,376	637,242
Total government bonds	**12,230,166**	**4,922,802**
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	1,615,551	1,449,305
- rated from B1 to B3	709,489	714,740
- not rated	868,658	1,059,391
Total corporate bonds	**3,193,698**	**3,223,436**
Total investment securities measured at fair value through profit or loss	**15,423,864**	**8,146,238**
Derivative financial assets		
Interest swaps	332,733	-
Currency swaps	1,259,262	77,722
Total derivative financial assets	**1,591,995**	**77,722**
Total financial assets measured at fair value through profit or loss	**17,015,859**	**8,223,960**
Liabilities		
Derivative financial instruments		
Foreign currency contracts	1,071	92,827
	1,071	**92,827**

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

As at 31 March 2022 the Bank has three interest rate swap contracts, with USD 10,000,000, USD 909,091 and with USD 10,000,000 initial nominal value (2021: three interest rate swap contracts with USD 10,000,000, USD 1,818,182 and with USD 10,000,000).

14.Financial assets at fair value through other comprehensive income

	31/03/2022 AMD'000	31/12/2021 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	6,213,356	6,256,620
Government Eurobonds of the Republic of Armenia	5,475,902	616,137
Total government bonds	**11,689,258**	**6,872,757**
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	6,935	6,883
- rated from B1 to B3	-	-
- not rated	-	487,810
Corporate bonds of foreign companies		
- rated from B1 to B3	-	474,498
- not rated	156,443	-
Total corporate bonds	**163,378**	**969,191**
Total debt and other fixed-income instruments	**11,852,636**	**7,841,948**
Equity investments		
- Unquoted equity securities at cost	78,307	78,307
	11,930,943	**7,920,255**
Pledged under sale and repurchase agreements		
Government Eurobonds of the Republic of Armenia	-	4,096,530
	-	**4,096,530**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at fair value through other comprehensive income.

Investment securities measured at fair value through other comprehensive income are fully in Stage 1 as at 31 March 2022 and 31 December 2021.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the years ended 31 March 2022 and 31 December 2021. The loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities measured at fair value through other comprehensive income is their fair value.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	(30,960)	-	-	(30,960)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	379	-	-	379
Assets repaid	1,260	-	-	1,260
Assets sold	56,673	-	-	56,673
New assets originated or purchased	(60,836)	-	-	(60,836)
Balance at 31 March	**(33,484)**	-	-	**(33,484)**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	(52,998)	-	-	(52,998)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	25,492	-	-	25,492
Assets repaid	10,558	-	-	10,558
Assets sold	12,008	-	-	12,008
New assets originated or purchased	(26,020)	-	-	(26,020)
Balance at 31 December	**(30,960)**	-	-	**(30,960)**

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 2022**	**% Controlled 2021**	**2022 AMD'000**	**2021 AMD'000**
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	44,841	44,841
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					78,307	**78,307**

15.Loans and advances to banks

	31/03/2022	31/12/2021
	AMD'000	AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	1,107,000	3,364,500
Deposit with the Central Bank of Armenia, obligatory reserves	55,318,602	31,416,814
Loans and deposits with other banks		
Armenian banks		
- rated from Ba1 to Ba3	502,205	487,895
Other banks		
- rated from Ba1 to Ba3	9,256,292	8,145,003
- not rated	61,218	-
Total loans and advances to other banks	**9,256,292**	**8,632,898**
Total gross loans and advances to banks	**66,245,317**	**43,414,212**
Impairment	(127,388)	(80,951)
Total net loans and advances to banks	**66,117,929**	**43,333,261**

(c) 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 4% and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 10% is maintained in AMD and 8% in the respective currency of funds attracted. The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 13) as these funds are readily available for withdrawal.
For the obligatory reserve maintained in foreign currencies the Bank is required to maintain a minimum balance at the end of each day.

Concentration of loans and advances to banks

As at 31 March 2022 the Bank has no bank (2021: no bank), whose balances exceed 10% of equity.

No loans and advances to banks are past due or impaired and are fully in Stage 1 as at 31 March 2022 and 31 December 2021. All the loans and advance to banks are measured at amortized cost as at 31 March 2022 and 31 December 2021.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans and advances to banks for 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks at amortized cost				
Balance at 1 January	(80,951)	-	-	(80,951)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Assets repaid	80,951	-	-	80,951
Amounts written off		-	-	
Foreign currency adjustments		-	-	
New assets originated or purchased	(127,388)	-	-	(127,388)
Balance at 31 March	**(127,388)**	**-**	**-**	**(127,388)**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks at amortised cost				
Balance at 1 January	(88,092)	-	-	(88,092)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Assets repaid	88,092	-	-	88,092
Amounts written off	-	-	-	-
Foreign currency adjustments	-	-	-	-
New assets originated or purchased	(80,951)	-	-	(80,951)
Balance at 31 December	**(80,951)**	**-**	**-**	**(80,951)**

16. Amounts receivable under reverse repurchase agreements

	31/03/2022	**31/12/2021**
	AMD'000	**AMD'000**
Amounts receivable from medium and small Armenian financial institutions	18,793,102	7,533,683
Total amounts receivable under reverse repurchase agreements	**18,793,102**	**7,533,683**
Impairment allowance	-	-
Total net amounts receivable under reverse repurchase agreements	**18,793,102**	**7,533,683**

Collateral

As at 31 March 2022 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 20,020,041 thousand (2021: 8,478,694 thousand).

17.Loans and advances to customers

	31/03/2022 AMD'000	31/12/2021 AMD'000
Loans to legal entities	456,522,058	428,111,574
Loans to individuals	234,816,707	220,437,296
Receivables from factoring	10,678,412	10,820,379
Receivables from letter of credit	8,259,337	10,702,129
Total gross loans and advances to customers at amortised cost	**710,276,514**	**670,071,378**
Receivables from finance lease	20,430,191	19,900,741
Impairment allowance	(17,705,279)	(16,885,855)
Net loans and advances to customers	**713,001,426**	**673,086,264**

(d) Loans to legal entities and individuals

	31/03/2022 AMD'000	31/12/2021 AMD'000
Loans to corporate customers		
Loans to large corporates	294,574,534	278,128,033
Loans to small and medium size companies	161,947,524	149,983,541
Total loans to corporate customers	**456,522,058**	**428,111,574**
Loans to retail customers		
Mortgage loans	153,677,148	141,193,211
Other loans to individuals	81,139,559	79,244,085
Total loans to retail customers	**234,816,707**	**220,437,296**
Gross loans to customers	**691,338,765**	**648,548,870**
Impairment allowance	(17,276,001)	(16,405,548)
Net loans to customers	**674,062,764**	**632,143,322**

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to legal entities for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	400,834,628	10,060,482	17,216,464	428,111,574
New assets originated or purchased	118,514,874	-	-	118,514,874
Assets repaid	(99,689,700)	(1,781,554)	(933,611)	(102,404,865)
Transfer to Stage 1	1,330,983	(1,238,231)	(92,752)	-
Transfer to Stage 2	(76,084)	77,276	(1,192)	-
Transfer to Stage 3	(1,773,584)	(600,055)	2,373,639	-
Recoveries	-	-	135,025	135,025
Amounts written off	-	-	(579,445)	(579,445)
Net change in asset from interest and foreign exchange revaluation	11,666,128	493,754	585,013	12,744,895
Balance at 31 March	**430,807,245**	**7,011,672**	**18,703,141**	**456,522,058**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	446,950,704	15,682,799	23,585,021	486,218,524
New assets originated or purchased	173,960,921	-	-	173,960,921
Assets repaid	(200,569,161)	(1,718,048)	(1,218,871)	(203,506,080)
Transfer to Stage 1	2,282,319	(2,236,410)	(45,909)	-
Transfer to Stage 2	(2,645,707)	2,645,707	-	-
Transfer to Stage 3	(3,774,867)	(1,916,985)	5,691,852	-
Recoveries	-	-	1,792,329	1,792,329
Amounts written off	-	-	(9,098,554)	(9,098,554)
Net change in asset from interest and foreign exchange revaluation	(15,369,581)	(2,396,581)	(3,489,404)	(21,255,566)
Balance at 31 December	**400,834,628**	**10,060,482**	**17,216,464**	**428,111,574**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to legal entities for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	3,539,121	1,422,497	6,518,486	11,480,104
New assets originated or purchased	840,116	-	-	840,116
Assets repaid	(635,783)	(660,605)	(538,064)	(1,834,452)
Transfer to Stage 1	10,221	(9,597)	(624)	-
Transfer to Stage 2	(17,002)	17,263	(261)	-
Transfer to Stage 3	(208,313)	(125,668)	333,981	-
Unwinding of discount	-	-	98,621	98,621

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Recoveries	-	-	135,025	135,025
Amounts written off	-	-	(579,445)	(579,445)
Foreign exchange adjustments	13,243	902	45,855	60,000
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations and impact of transfer between the stages	944,804	368,389	1,054,814	2,368,007
Balance at 31 March	**4,486,407**	**1,013,181**	**7,068,388**	**12,567,976**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Balance at 1 January	3,721,879	3,217,165	7,408,239	14,347,283
New assets originated or purchased	1,352,666	-	-	1,352,666
Assets repaid	(1,559,563)	(163,609)	(164,632)	(1,887,804)
Transfer to Stage 1	761,324	(713,967)	(47,357)	-
Transfer to Stage 2	(57,942)	57,942	-	-
Transfer to Stage 3	(100,758)	(971,034)	1,071,792	-
Unwinding of discount	-	-	874,702	874,702
Recoveries	-	-	1,792,329	1,792,329
Amounts written off	-	-	(9,098,554)	(9,098,554)
Foreign exchange adjustments	(228,403)	(24,411)	(479,207)	(732,021)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations and impact of transfer between the stages	(350,082)	20,411	5,161,174	4,831,503
Balance at 31 December	**3,539,121**	**1,422,497**	**6,518,486**	**11,480,104**

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to individuals for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to individuals				
Balance at 1 January	209,136,862	6,876,696	4,423,738	220,437,296
New assets originated or purchased	45,374,038	-	-	45,374,038
Assets repaid	(31,863,250)	(3,264,665)	(992,874)	(36,120,789)
Transfer to Stage 1	40,142	(27,415)	(12,727)	-
Transfer to Stage 2	(857,931)	881,942	(24,011)	-
Transfer to Stage 3	(235,856)	(624,255)	860,111	-
Recoveries	-	-	866,318	866,318
Amounts written off	-	-	(848,920)	(848,920)

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Change in balance of asset from interest and foreign exchange	2,420,409	2,423,127	265,227	5,108,763
Balance at 31 March	**224,014,414**	**6,265,430**	**4,536,862**	**234,816,706**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to individuals				
Balance at 1 January	183,194,635	7,215,470	6,212,539	196,622,644
New assets originated or purchased	83,482,559	-	-	83,482,559
Assets repaid	(42,308,626)	(71,777)	(429,322)	(42,809,725)
Transfer to Stage 1	149,569	(149,569)	-	-
Transfer to Stage 2	(5,426,429)	5,426,429	-	-
Transfer to Stage 3	(3,693,103)	(3,815,989)	7,509,092	-
Recoveries	-	-	1,388,061	1,388,061
Amounts written off	-	-	(6,937,279)	(6,937,279)
Change in balance of asset from interest and foreign exchange	(6,261,743)	(1,727,868)	(3,319,353)	(11,308,964)
Balance at 31 December	**209,136,862**	**6,876,696**	**4,423,738**	**220,437,296**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to individuals for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to individuals				
Balance at 1 January	1,625,275	1,867,085	1,433,084	4,925,444
New assets originated or purchased	1,214,663	-	-	1,214,663
Assets repaid	(852,979)	(1,305,866)	(781,392)	(2,940,237)
Transfer to Stage 1	20,893	(10,966)	(9,927)	-
Transfer to Stage 2	(22,967)	41,864	(18,897)	-
Transfer to Stage 3	(6,314)	(249,702)	256,016	-
Impact on period end ECL of exposures transferred between stages during the period	(368,516)	1,420,244	347,650	1,399,378
Unwinding of discount	-	-	51,690	51,690
Recoveries	-	-	866,318	866,318
Amounts written off	-	-	(848,920)	(848,920)
Foreign exchange adjustments	11,524	100	28,064	39,688
Balance at 31 March	**1,621,579**	**1,762,759**	**1,323,686**	**4,708,025**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to individuals				
Balance at 1 January	3,573,341	1,509,225	3,536,814	8,619,380
New assets originated or purchased	2,413,070	-	-	2,413,070

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Assets repaid	(1,702,753)	(63,193)	(136,503)	(1,902,449)
Transfer to Stage 1	8,662	(8,662)	-	-
Transfer to Stage 2	(180,549)	180,549		-
Transfer to Stage 3	(457,945)	(747,552)	1,205,497	-
Impact on period end ECL of exposures transferred between stages during the period	(1,882,741)	1,013,307	2,505,302	1,635,868
Unwinding of discount	-	-	251,952	251,952
Recoveries	-	-	1,388,061	1,388,061
Amounts written off	-	-	(6,937,279)	(6,937,279)
Foreign exchange adjustments	(145,810)	(16,589)	(380,760)	(543,159)
Balance at 31 December	**1,625,275**	**1,867,085**	**1,433,084**	**4,925,444**

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 March 2022:

	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
Loans to large corporate customers				
- not overdue	275,136,377	6,217,190	5,307,343	286,660,910
- overdue less than 30 days	1,201,252	-	-	1,201,252
- overdue more than 90 days	-	-	6,712,37	6,712,372
Total gross loans to large corporate customers	**276,337,630**	**6,217,190**	**12,019,714**	**294,574,534**
Credit loss allowance	(2,923,036)	(793,376)	(5,068,456)	(8,784,868)
Total net loans to large corporate customers	**273,414,593**	**5,423,815**	**6,951,258**	**285,789,666**
Loans to small and medium size companies				
- not overdue	153,373,877	535,855	679,262	154,588,994
- overdue less than 30 days	1,095,739	9,308	4,624	1,109,671
- overdue more than 30 days and less than 90 days	-	249,319	253,939	503,257
- overdue more than 90 days	-	-	5,745,602	5,745,602
Total gross loans to small and medium size companies	**154,469,616**	**794,481**	**6,683,427**	**161,947,524**
Credit loss allowance	(1,563,371)	(219,805)	(1,999,932)	(3,783,108)
Total net small and medium size companies	**152,906,245**	**574,676**	**4,683,495**	**158,164,416**
Total gross loans to corporate customers	**430,807,245**	**7,011,672**	**18,703,141**	**456,522,058**
Total net loans to corporate customers	**426,320,838**	**5,998,491**	**11,634,753**	**443,954,082**
Mortgage loans				
- not overdue	148,139,295	2,551,189	721,536	151,412,021
- overdue less than 30 days	322,279	74,028	175,931	572,238
- overdue more than 30 days and less than 90 days	-	226,653	35,066	261,718
- overdue more than 90 days	-	-	1,431,170	1,431,170
Total gross mortgage loans	**148,461,575**	**2,851,869**	**2,363,704**	**153,677,148**

	AMD'000	AMD'000	AMD'000	AMD'000
Credit loss allowance	(339,299)	(218,040)	(451,714)	(1,009,053)
Total net mortgage loans	**148,122,276**	**2,633,829**	**1,911,990**	**152,668,095**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Other consumer loans to retail customers*				
- not overdue	74,977,545	2,786,767	615,170	78,379,482
- overdue less than 30 days	571,114	46,871	121,283	739,268
- overdue more than 30 days and less than 90 days	4,180	579,923	44,416	628,518
- overdue more than 90 days	-	-	1,392,290	1,392,290
Total gross other consumer loans to retail customers	**75,552,839**	**3,413,561**	**2,173,159**	**81,139,559**
Credit loss allowance	(1,282,280)	(1,544,719)	(871,972)	(3,698,972)
Total net other consumer loans to retail customers	**74,270,559**	**1,868,842**	**1,301,187**	**77,440,587**
Total gross loans to retail customers	**224,014,414**	**6,265,430**	**4,536,863**	**234,816,707**
Total net loans to retail customers	**222,392,835**	**4,502,671**	**3,213,177**	**230,108,682**
Total gross loans to customers	**654,821,659**	**13,277,102**	**23,240,004**	**691,338,765**
Total net loans to customers	**648,713,673**	**10,501,162**	**14,847,930**	**674,062,764**

* Other consumer loans to retail customers mainly include credit cards and overdrafts to retail customers, online consumer loans and loans to retail customers for credit purchases.

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large corporate customers				
- not overdue	257,737,871	7,827,475	5,653,431	271,218,777
- overdue more than 90 days	-	-	6,909,256	6,909,256
Total gross loans to large corporate customers	**257,737,871**	**7,827,475**	**12,562,687**	**278,128,033**
Credit loss allowance	(1,850,687)	(893,832)	(4,756,167)	(7,500,686)
Total net loans to large corporate customers	**255,887,184**	**6,933,643**	**7,806,520**	**270,627,347**
Loans to small and medium size companies				
- not overdue	141,150,683	1,503,444	587,321	143,241,448
- overdue less than 30 days	1,939,995	82,918	51,031	2,073,944
- overdue more than 30 days and less than 90 days	6,079	646,645	97,378	750,102
- overdue more than 90 days	-	-	3,918,047	3,918,047
Total gross loans to small and medium size companies	**143,096,757**	**2,233,007**	**4,653,777**	**149,983,541**
Credit loss allowance	(1,688,434)	(528,665)	(1,762,319)	(3,979,418)
Total net small and medium size companies	**141,408,323**	**1,704,342**	**2,891,458**	**146,004,123**
Total gross loans to corporate customers	**400,834,628**	**10,060,482**	**17,216,464**	**428,111,574**
Total net loans to corporate customers	**397,295,507**	**8,637,985**	**10,697,978**	**416,631,470**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Mortgage loans				
- not overdue	135,500,246	2,776,866	717,052	138,994,164
- overdue less than 30 days	246,899	15,193	43,194	305,286
- overdue more than 30 days and less than 90 days	-	408,797	139,827	548,624
- overdue more than 90 days	-	-	1,345,137	1,345,137
Total gross mortgage loans	**135,747,145**	**3,200,856**	**2,245,210**	**141,193,211**
Credit loss allowance	(306,522)	(249,640)	(454,615)	(1,010,777)
Total net mortgage loans	**135,440,623**	**2,951,216**	**1,790,595**	**140,182,434**
Other consumer loans to retail customers*				
- not overdue	72,905,482	3,218,589	733,287	76,857,358
- overdue less than 30 days	481,031	43,474	38,547	563,052
- overdue more than 30 days and less than 90 days	3,204	413,777	92,045	509,026
- overdue more than 90 days	-	-	1,314,649	1,314,649
Total gross other consumer loans to retail customers	**73,389,717**	**3,675,840**	**2,178,528**	**79,244,085**
Credit loss allowance	(1,318,753)	(1,617,445)	(978,469)	(3,914,667)
Total net other consumer loans to retail customers	**72,070,964**	**2,058,395**	**1,200,059**	**75,329,418**
Total gross loans to retail customers	**209,136,862**	**6,876,696**	**4,423,738**	**220,437,296**
Total net loans to retail customers	**207,511,587**	**5,009,611**	**2,990,654**	**215,511,852**
Total gross loans to customers	**609,971,490**	**16,937,178**	**21,640,202**	**648,548,870**
Total net loans to customers	**604,807,094**	**13,647,596**	**13,688,632**	**632,143,322**

Key assumptions and judgments for estimating the loan impairment

Loans to customers

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

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

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

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

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

Analysis of collateral

Loans to corporate customers

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

The main types of collateral obtained are as follows:

For securities lending and reverse repurchase transactions, cash or securities;

For commercial lending, charges over real estate properties, inventory and trade receivables; cash collateral

For retail lending, mortgages over residential properties.

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

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

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

Loans to retail customers

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

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. As of 31 March 2022 consumer loans are secured by real estate, movable property, salary, cash and guarantees

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 March 2022 and 31 December 2021.

31 March 2022	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
Loans to legal entities	18,703,141	12,531,845	430,006	6,784,969	(1,249,708)	18,497,112	206,029	7,068,388
Mortgage loans	2,363,704	2,611,930	17,703	28,759	(550,727)	2,107,665	256,039	451,714
Other consumer loans	2,173,159	1,950,275	105,227	112,222	(462,342)	1,705,382	467,777	871,972
Total	**23,240,004**	**17,094,050**	**552,936**	**6,925,950**	**(2,262,778)**	**22,310,159**	**929,845**	**8,392,074**

31 December 2021	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
Loans to legal entities	17,216,464	11,635,063	1,744,565	6,029,044	(3,443,417)	15,965,255	1,251,209	6,518,486
Mortgage loans	2,245,210	2,668,337	84,730	12,590	(936,170)	1,829,487	415,723	454,615
Consumer loans	2,178,528	1,464,602	166,886	54,009	(593,110)	1,092,387	1,086,141	978,469
Total	**21,640,202**	**15,768,002**	**1,996,181**	**6,095,643**	**(4,972,697)**	**18,887,129**	**2,753,073**	**7,951,570**

Industry and geographical analysis of the loan portfolio

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

	31/03/2022 AMD'000	31/12/2021 AMD'000
Wholesale trade	58,938,161	60,088,783
Construction	55,241,038	48,905,283
Agriculture, forestry and timber	45,560,900	42,468,352
Food and beverage	43,395,915	37,974,102
Transportation	26,909,885	37,835,056
Retail trade	36,148,672	33,958,590
Hotel service	31,279,073	31,295,097
Energy	35,192,861	29,210,379
Mining/Metallurgy	42,372,642	29,142,735
Real estate	22,458,098	22,686,452
Communication services	21,255,563	20,400,077
Finance and investment	12,277,150	9,931,454
Manufacturing	10,460,202	9,849,730
Other	15,031,899	14,365,484
Loans to retail customers	234,816,707	220,437,296
	691,338,765	**648,548,870**
Impairment allowance	(17,276,001)	(16,405,548)
	674,062,764	**632,143,322**

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

	31/03/2022 AMD'000	31/12/2021 AMD'000
Armenia	442,125,468	415,181,330
OECD and EU	-	-
Other foreign countries	1,828,614	1,450,140
	443,954,082	**416,631,470**

Significant credit exposures

As at 31 March 2022 Bank has six borrowers or groups of connected borrowers (2021:one) , whose loan balances exceed 10% of equity. The gross value of these loans as at 31 March 2022 is AMD 86,868,751 thousand (31 December 2021: AMD 14,216,785 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.

(e) Receivables from letters of credit

	31/03/2022 AMD'000	31/12/2021 AMD'000
Receivables from letters of credit of other organizations	8,259,337	10,702,129
Impairment allowance	(32,185)	(42,599)
	8,227,152	**10,659,530**

As at 31 March 2022 the Bank has no customer (2021: none), whose balances exceed 10% of equity.

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from letters of credit for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from letters of credit				
Balance at 1 January	10,702,129	-	-	10,702,129
New assets originated or purchased	407,911	-	-	407,911
Assets repaid	(2,850,703)	-	-	(2,850,703)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	
Balance at 31 March	**8,259,337**	-	-	**8,259,337**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from letters of credit				
Balance at 1 January	12,859,539	-	-	12,859,539
New assets originated or purchased	17,750,093	-	-	17,750,093
Assets repaid	(19,907,503)	-	-	(19,907,503)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	**10,702,129**	-	-	**10,702,129**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from letters of credit for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from letters of credit				
Balance at 1 January	42,599	-	-	42,599
New assets originated or purchased	1,590	-	-	1,590
Assets repaid	(12,004)	-	-	(12,004)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Balance at 31 March	**32,185**	-	-	**32,185**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from letters of credit				
Balance at 1 January	55,462	-	-	55,462
New assets originated or purchased	88,750	-	-	88,750
Assets repaid	(101,613)	-	-	(101,613)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Balance at 31 December	**42,599**	-	-	**42,599**

(f) Receivables from finance leases

	31/03/2022 AMD'000	31/12/2021 AMD'000
Gross investment in finance leases receivable:		
Less than one year	6,832,235	6,477,120
Between one and five years	16,577,293	16,339,246
More than five years	2,242,648	2,028,022
	25,652,176	**24,844,388**
Unearned finance income	(5,221,985)	(4,943,647)
Impairment allowance	(382,816)	(424,329)
Net investment in finance leases	**20,047,375**	**19,476,412**
The net investment in finance leases comprises:		
Less than one year	5,339,445	5,072,802
Between one and two years	4,656,376	4,574,317
Between two and three years	3,852,487	3,755,284
Between three and four years	2,835,859	2,844,554
Between four and five years	1,610,562	1,641,133
More than five years	1,752,647	1,588,322
	20,047,375	**19,476,412**

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance leases for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	19,369,089	16,129	515,523	19,900,741
New assets originated or purchased	2,716,978	-	-	-
Assets repaid	(2,067,943)	(1,221)	(58,198)	(2,127,362)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(116,249)	116,249	-	-
Transfer to Stage 3	(22,515)	-	22,515	-
Written off	-	-	(271,460)	(271,460)
Recoveries	-	-	211,294	211,294
Balance at 31 March	**19,879,361**	**131,156**	**419,674**	**20,430,191**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	12,363,152	91,744	578,610	13,033,506
New assets originated or purchased	11,198,007	-	-	11,198,007
Assets repaid	(3,590,108)	(292,192)	-	(3,882,300)
Transfer to Stage 1	44,648	(25,936)	(18,712)	-
Transfer to Stage 2	(242,513)	242,513	-	-

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Transfer to Stage 3	(404,097)	-	404,097	-
Write off amounts	-	-	(586,870)	(586,870)
Recoveries	-	-	138,398	138,398
Balance at 31 December	**19,369,089**	**16,129**	**515,523**	**19,900,741**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance leases for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	148,683	3,620	272,026	272,026
New assets originated or purchased	21,057	-	-	-
Assets repaid	(15,730)	(333)	(29,690)	(29,690)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(27,089)	27,089	-	-
Transfer to Stage 3	(22,515)	-	22,515	22,515
Write off amounts	-	-	(271,460)	(271,460)
Recoveries	-	-	211,294	211,294
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	44,905	169	(1,724)	(1,724)
Balance at 31 March	**149,311**	**30,544**	**202,961**	**202,961**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from finance lease				
Balance at 1 January	161,774	18,937	368,205	548,916
New assets originated or purchased	55,990	-	-	55,990
Assets repaid	(41,344)	-	-	(41,344)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(31,380)	31,380	-	-
Transfer to Stage 3	(169,068)	-	169,068	-
Write off amounts	-	-	(586,870)	(586,870)
Recoveries	-	-	138,398	138,398
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	172,711	(46,697)	167,093	293,107
Unwinding of discount	-	-	16,132	16,132
Balance at 31 December	**148,683**	**3,620**	**272,026**	**424,329**

(i) Quality analysis of finance leases

The following table provides information on the credit quality of receivables from finance leases as at 31 March 2022:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
- not overdue	19,838,525	14,908	402,021	20,255,454
- overdue less than 30 days	40,837	-	17,652	58,489
- overdue more than 90 days		116,249	-	116,249
Total gross receivables from finance leases	**19,879,362**	**131,156**	**419,673**	**20,430,191**
Credit loss allowance	(149,311)	(30,544)	(202,961)	(382,816)
Total net receivables from finance leases	**19,730,050**	**100,612**	**216,712**	**20,047,375**

The following table provides information on the credit quality of receivables from finance leases as at 31 December 2021:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
− not overdue	19,251,813	16,129	-	19,267,942
− overdue less than 30 days	117,276	-	18,278	135,554
− overdue more than 90 days	-	-	497,245	497,245
Total gross receivables from finance leases	**19,369,089**	**16,129**	**515,523**	**19,900,741**
Credit loss allowance	(148,683)	(3,620)	(272,026)	(424,329)
Total net receivables from finance leases	**19,220,406**	**12,509**	**243,497**	**19,476,412**

Concentration of receivables from finance leases

As at 31 March 2022 the Bank has no customers whose balances exceed 10% of equity (2021: nil).

(g) Receivables from factoring

	31/03/2022 AMD'000	31/12/2021 AMD'000
Receivables from factoring	10,678,412	10,820,379
Impairment allowance	(14,277)	(13,379)
	10,664,135	**10,807,000**

As at 31 March 2022 the Bank has no customers whose balances exceed 10% of equity (2021: no customer).

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from factoring for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from factoring				
Balance at 1 January	10,820,379	-	-	10,820,379
New assets originated or purchased	10,678,412	-	-	10,678,412
Assets repaid	(10,820,379)	-	-	(10,820,379)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 March	**10,678,412**	**-**	**-**	**10,678,412**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from factoring				
Balance at 1 January	11,352,912	-	-	11,352,912
New assets originated or purchased	10,820,379	-	-	10,820,379
Assets repaid	(11,352,912)	-	-	(11,352,912)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	**10,820,379**	**-**	**-**	**10,820,379**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from factoring for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from factoring				
Balance at 1 January	13,379	-	-	13,379
New assets originated or purchased	14,277	-	-	14,277
Assets repaid	(13,379)	-	-	(13,379)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 March	**14,277**	**-**	**-**	**14,277**

AMD'000	2021 Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	20,561	-	-	20,561
New assets originated or purchased	13,379	-	-	13,379
Assets repaid	(20,561)	-	-	(20,561)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	**13,379**	-	-	**13,379**

18.Financial assets at amortized cost

	31/03/2022 AMD'000	31/12/2021 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	60,833,875	36,440,646
Eurobonds of the Republic of Armenia	10,525,301	639,897
- Corporate bonds		
- rated from B1 to B3	-	-
- no rating	1,465,206	965,804
Total corporate bonds	**1,465,206**	**38,046,347**
Total debt and other fixed-income instruments held by the Bank	**72,824,382**	**38,046,347**
Impairment	(140,375)	(130,613)
Total net debt and other fixed-income instruments held by the Bank	**72,684,007**	**37,915,734**
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	8,324,800
Eurobonds of the Republic of Armenia	-	7,445,774
Total government bonds		**15,770,574**

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at amortized cost.

Investment securities measured at amortised cost are fully in Stage 1 as at 31 March 2022 and 31 December 2021.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortized cost for 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities at amortized cost				
Balance at 1 January	(130,613)	-	-	(130,613)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	34,418	-	-	34,418
Assets repaid	-	-	-	-
Assets sold	-	-	-	-
New assets originated or purchased	(44,180)	-	-	(44,180)
Balance at 31 March	**(140,375)**	**-**	**-**	**(140,375)**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities at amortized cost				
Balance at 1 January	(97,688)	-	-	(97,688)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(28,604)	-	-	(28,604)
Assets repaid	24,979	-	-	24,979
Assets sold	-	-	-	-
New assets originated or purchased	(29,30	-	-	(29,300)
Balance at 31 December	**(130,613)**	**-**	**-**	**(130,613)**

19. 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 2022	**5,045,997**	**8,016,991**	**2,858,710**	**321,154**	**4,672,367**	**20,915,219**
Additions	17,685	43,327	10,262	-	247,736	319,009
Disposals/write-offs	(649,323)	(107)	(39)	-	(26,237)	(675,707)
Balance at 31 March 2022	**4,414,359**	**8,060,211**	**2,868,933**	**321,154**	**4,893,866**	**20,558,522**

Depreciation and amortization						
Balance at 1 January 2022	**2,058,943**	**5,040,776**	**1,000,033**	**168,612**	**1,997,773**	**10,266,137**
Depreciation and amortization for the year	69,918	244,710	61,470	10,397	269,925	656,421
Disposals/write-offs	(646,446)	(39)	(39)	-	(26,236)	(672,761)
Balance at 31 Marc 2022	**1,482,416**	**5,285,447**	**1,061,464**	**179,009**	**2,241,462**	**10,249,798**
Carrying amount						
At 31 March 2022	**2,931,943**	**2,774,764**	**2,774,764**	**142,145**	**2,652,405**	**10,308,724**

AMD'000	**Leasehold improvements**	**Computers and communication equipment**	**Fixtures and fittings**	**Motor vehicles**	**Intangible assets**	**Total**
Cost						
Balance at 1 January 2021	4,776,246	7,896,178	2,644,771	303,730	3,815,266	19,436,191
Additions	510,166	377,942	233,303	49,924	1,408,953	2,580,288
Disposals/write-offs	(240,415)	(257,129)	(19,364)	(32,500)	(551,852)	(1,101,260)
Balance at 31 December 2021	**5,045,997**	**8,016,991**	**2,858,710**	**321,154**	**4,672,367**	**20,915,219**
Depreciation and amortisation						
Balance at 1 January 2021	1,815,030	4,279,764	769,909	154,184	1,676,768	8,695,655
Depreciation and amortisation for the year	275,310	998,802	232,381	39,677	870,297	2,416,467
Disposals/write-offs	(31,397)	(237,790)	(2,257)	(25,249)	(549,292)	(845,985)
Balance at 31 December 2021	**2,058,943**	**5,040,776**	**1,000,033**	**168,612**	**1,997,773**	**10,266,137**
Carrying amount						
At 31 December 2021	**2,987,054**	**2,976,215**	**1,858,677**	**152,542**	**2,674,594**	**10,649,082**

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during the first quarter of 2022 (2021: nil).

20. Right of use assets

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

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

Right of use assets

AMD'000

Cost/Revalued amount	**31/03/2022**	**31/12/2021**
	AMD'000	**AMD'000**
Balance at 1 January 2021	11,163,103	10,643,891
Additions to right of use assets	181,729	763,001
Depreciation charge for the period	(261,030)	(1,017,247)
Lease contract modifications	1,070	773,457
Balance	**11,084,872**	**11,163,102**

(a) Amounts recognized in profit or loss

	31/03/2022	**31/03/2021**
	AMD'000	**AMD'000**
Depreciation of right of use asset	261,030	241,354
Interest on lease liabilities	335,713	328,862

21. Other assets

	31/03/2022	**31/12/2021**
	AMD'000	**AMD'000**
Receivables from unsettled transactions	377,033	1,753,611
Brokerage accounts	2,372,773	1,214,055
Restricted accounts with clearing houses	580,302	573,370
Credit loss allowance	(25,419)	(24,903)
Total other financial assets at amortised cost	**3,304,689**	**3,516,133**
Prepayments to suppliers	7,370,193	6,563,381
Repossessed assets	1,351,900	1,326,280
Inventories	175,887	153,669
Other	50,638	13,771
Total other non-financial assets	**8,948,618**	**8,057,101**
Total other assets	**12,253,307**	**11,573,234**

The following tables show reconciliations from the opening to the closing balances of the loss allowance for other financial assets for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets at amortized cost				
Balance at 1 January	14,932	648	9,322	24,902
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	793	312	2,313	3,418
Write offs	-	-	(6,096)	(6,096)
Recoveries	-	-	3,195	3,195
Balance at 31 March	**15,725**	**960**	**8,734**	**25,419**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets at amortised cost				
Balance at 1 January	10,278	344	59,812	70,434
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	4,654	304	(491,898)	(486,940)
Write offs	-	-	(67,099)	(67,099)
Recoveries	-	-	508,508	508,508
Balance at 31 December	**14,932**	**648**	**9,323**	**24,903**

22.Deposits and balances from banks

	31/03/2022 AMD'000	**31/12/2021 AMD'000**
Loans from the Central Bank of Armenia	20,841,944	21,216,786
Liabilities for letters of credit	16,519,940	16,364,003
Loans and term deposits from commercial banks		
− with initial maturity period of more than 12 months	14,709,034	14,414,774
− with initial maturity period of less than 12 months	4,397,781	4,331,441
Vostro accounts	369,751	322,757
	56,838,450	**56,649,761**

As at 31 March 2022 and 2021 the Bank has one counterparty, except for the Central Bank of Armenia, whose balances exceed 10% of equity. The gross value of the counterparty balances as 31 March 2022 is AMD 14,709,034 thousand (2021: AMD 14,414,774 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".

23. Current accounts and deposits from customers

	31/03/2022 AMD'000	31/12/2021 AMD'000
Current accounts and demand deposits		
- Retail	127,427,735	119,887,810
- Corporate	232,405,643	189,457,843
Term deposits		
- Retail	187,554,433	182,878,019
- Corporate	97,804,304	108,390,624
	645,192,115	**600,614,296**

As at 31 March 2021, the Bank has three customers (31 December 2021: three customers) whose balances exceed 10% of equity. The gross value of these balances as 31 March 2022 is AMD 87,033,255 thousand (2021: AMD 81,659,035 thousand).

24. Debt securities issue

	31/03/2022 AMD'000	31/12/2021 AMD'000
Domestic bonds issued	89,719,280	88,283,791
Green bonds issued to international financial institutions	22,823,086	22,791,152
	112,542,366	**111,074,943**

Domestic bonds issued: As at 31 March 2022 the Bank has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 36.4 billion and USD 108 million respectively (2021: AMD and USD denominated debt securities with nominal amount of AMD 35.5 billion and USD 52.0 million respectively). As at 31 March 2022 carrying value of the bonds is AMD 36,385,500 thousand and AMD 52,580,321 thousand accordingly (2021: AMD 36,017,636 thousand and AMD 52,266,155 thousand accordingly).

Bonds issued by the Bank are listed in Armenia Securities Exchange stock exchange

Green bonds issued: In 2020 the Bank issued green bonds in the amount of EUR 42 million with interest rate 3.05% maturing on 26 November 2025. The green bonds are issued in close cooperation with FMO, the Dutch Entrepreneurial Development that is also anchor investor in this transaction. The purpose of issued green bonds is financing green projects that contribute to environmental sustainability. As at 31 March 2022 carrying value of the green bonds is AMD 22,823,085 thousand.

25. Other borrowed funds and subordinated borrowings

	31/03/2022 AMD'000	31/12/2021 AMD'000
Borrowings from international financial institutions	107,779,935	127,712,418
	107,779,935	**127,712,418**
Subordinated borrowings from international financial institutions	31,422,163	27,393,716
	31,422,163	**27,393,716**

a. Concentration of borrowings from international financial institutions

(b) As at 31 March 2022, the Bank has loans from four financial institutions (31 December 2021: four), whose balances exceed 10% of equity. These balances as at 31 March 2022 are AMD 88,825,106 thousand (31 December 2021: AMD 94,968,710 thousand).

b. Subordinated borrowing

As at 31 March 2022 subordinated borrowings represent borrowings received from six financial institutions:

- AMD 4,392,655 thousand maturing on 15 January 2026,
- AMD 7,298,016 thousand maturing on 15 January 2027,
- AMD 7,236,277 thousand maturing on 3 January 2031,
- AMD 4,442,629 thousand maturing on 8 January 2029 ,
- AMD 4,004,465 thousand maturing on 02 January 2032
- AMD 4,048,122 thousand maturing on 02 February 2032

The Bank considers borrowings received as subordinated borrowings, if in case of bankruptcy, the repayment of the borrowing will be made after repayment in full of all other liabilities of the Bank.

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. The Bank was in compliance with all covenants as at 31 March 2022 and 31 December 2021.

26. Other liabilities

	31/03/2022 AMD'000	31/12/2021 AMD'000
Payables to staff	3,187,283	6,204,477
Payables in transit	2,037,206	2,544,251
Financial liabilities related to factoring contracts	718,232	726,794
Tarde payables	560,226	795,497
Payables to deposit guarantee fund	176,472	175,312
Other payables	682,397	434,309
Total other financial liabilities	**7,361,816**	**10,880,640**
Other taxes payable	2,776,036	1,524,071
Deferred income	18,942	31,376
Replenishment of regulatory capital not yet approved by CBA	58,217	-
Total other non-financial liabilities	**2,853,195**	**1,555,447**
Total other liabilities	**10,215,011**	**12,436,087**

27. Share capital and treasury shares

(a) Issued capital and share premium

As at 31 March 2022 the authorized, issued and outstanding share capital comprises 116,959 ordinary shares (2021: 116,959). All shares have a nominal value of AMD 465 thousand and are fully paid.

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

(b)Nature and purpose of reserves

Revaluation reserve for financial assets

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

(c)Dividends

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

During first quarter of 2022 the Bank has not paid dividends (During the first quarter of 2021 the Bank has not paid dividends).

(d)Earnings per share

The calculation of basic earnings per share at 31 March 2022 was based on the profit attributable to ordinary shareholders of AMD 7,504,678 thousand (2021: AMD 3,966,062 thousand), and a weighted-average number of ordinary shares outstanding of 116,959 (2020: 116,959), calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2022 AMD'000	2021 AMD'000
Issued shares at 1 January	116,959	116,834
Effect of shares issued in March	-	125
Weighted average number of shares for the period ended 31 March	**116,959**	**116,959**
Earnings per base share for the first quarter of 2022	**64.17**	**33.94**
Earnings per base share annualized	**256.66**	**135.74**

28. Impairment allowance on contingent liabilities

Movements in the impairment allowance for contingent liabilities for first quarter of 2022 are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year	**25,000**	**4,670**	**215,257**	**244,927**
Net charge	(3,703)	9,653	(29,001)	(23,051)
Write-offs	-	-	-	-
Balance at the end of the period	**21,297**	**14,324**	**186,257**	**221,877**

Movements in the impairment allowance for contingent liabilities for the year of 2021 are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year recalculated per IFRS 9	**47,750**	**21,480**	**289,988**	**359,218**
Net charge	(22,750)	(16,810)	(74,731)	(114,291)
Write-offs	-	-	-	-
Balance at the end of the period	**25,000**	**4,670**	**215,257**	**244,927**

29. 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.

(a) 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.

(b) 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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposures to IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Financial and Operational department monitors and manages the Bank's transition to alternative rates. The Financial and Operational department together with profit centres evaluates the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The Financial and Operational department reports to the Management Board and collaborates with other business functions as needed. It provides periodic reports to ALCO to support the management of interest rate risk.
For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the Bank has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate if such amendment is allowed by local legislation

The Bank approved a policy requiring that, with effect from 1 February 2022, all newly originated floating-rate loans to are linked to term SOFR rates published by CME for USD loans and EURIBOR for EUR loans.

The Bank monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an 'unreformed contract') when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

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*
31-March-22							
Assets							
Cash and cash equivalents	-	-	-	-	-	179,759,504	179,759,504
Investment securities measured at fair value through other comprehensive income	488,756	30,488	6,779	6,863,161	4,456,108	85,651	11,930,943
Loans and advances to banks	1,836,523			528,866		63,752,540	66,117,929
Amounts receivable under reverse repurchase agreements	18,793,102	-	-	-	-	-	18,793,102
Loans to customers	51,312,707	49,564,221	111,276,506	308,074,723	72,337,712	81,496,896	674,062,765
Receivables from letters of credit	4,148,687	351,165	1,114,555	2,612,746	-	-	8,227,152
Receivables from finance leases	1,429,280	1,363,968	2,532,875	12,955,283	1,752,647	13,322	20,047,374
Receivables from factoring	7,696,471	2,967,663	-	-	-	-	10,664,135
Investment securities measured at amortized cost	14,738,483	7,151,872	-	24,038,131	26,755,521	-	72,684,007
	100,444,009	**61,429,377**	**114,930,715**	**355,072,910**	**105,301,988**	**325,107,912**	**1,062,286,911**
Liabilities							
Deposits and balances from banks	(17,289,587)	(1,138,680)	(2,048,020)	(30,642,053)	(5,720,110)	-	(56,838,450)
Current accounts and deposits from customers	(69,457,045)	(51,561,919)	(107,168,752)	(54,538,761)	(2,632,260)	(359,833,378)	(645,192,115)
Debt securities issue	(6,737,879)	(9,848,103)	(25,106,994)	(70,849,390)	-	-	(112,542,366)
Subordinated borrowings	(220,050)	(44,897)	(767)	(11,443,584)	(19,712,866)	-	(31,422,163)
Other borrowed funds	(11,251,367)	(11,174,054)	(25,933,812)	(59,090,362)	(330,340)	-	(107,779,935)
Lease liabilities	(249,251)	(260,251)	(518,875)	(3,531,122)	(7,561,023)	-	(12,120,521)
	(105,205,178)	**(74,027,904)**	**(160,777,219)**	**(230,095,272)**	**(35,956,599)**	**(359,833,378)**	**(965,895,550)**
Net position	**(4,761,169)**	**(12,598,527)**	**(45,846,504)**	**124,977,637**	**69,345,389**	**(34,725,466)**	**96,391,361**

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-21							
Assets							
Cash and cash equivalents	-	-	-	-	-	234,412,812	234,412,812
Investment securities measured at fair value through other comprehensive income	27,463	1,865,238	-	6,195,773	3,050,488	69,039	11,208,001
Loans and advances to banks	1,836,523	-	-	528,866	-	35,423,495	37,788,884
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	17,258,217
Loans to customers	89,877,482	33,706,272	71,346,144	361,409,740	43,770,133	59,764,733	659,874,503
Receivables from letters of credit	4,930,058	110,052	3,239,373	4,524,595	-	-	12,804,077
Receivables from finance leases	815,912	755,359	1,510,856	8,656,763	738,020	7,682	12,484,592
Receivables from factoring	4,331,451	6,292,969	707,931	-	-	-	11,332,351
Investment securities measured at amortized cost	4,452,973	9,371,754	-	19,885,743	17,826,823	-	51,537,293
	123,530,078	**52,101,645**	**76,804,304**	**401,201,480**	**65,385,463**	**329,677,761**	**1,048,700,730**
Liabilities							
Deposits and balances from banks	(10,283,398)	(1,911,934)	(9,214,765)	(25,430,108)	(9,005,311)	-	(55,845,516)
Current accounts and deposits from customers	(58,226,135)	(60,611,865)	(99,720,380)	(27,842,363)	(25,451)	(352,413,473)	(598,839,667)
Debt securities issue	(1,569,588)	(7,876,116)	(11,405,996)	(86,064,613)	-	-	(106,916,313)
Subordinated borrowings	(485,590)	(35,022)	-	(26,278,836)	(21,617,384)	-	(48,416,832)
Other borrowed funds	(1,839,030)	(24,942,916)	(22,807,386)	(77,208,100)	(2,109,931)	-	(128,907,362)
Lease liabilities	(138,286)	(394,153)	-	(1,853,007)	(8,846,386)	-	(11,231,832)
	(72,542,027)	**(95,772,006)**	**(143,148,527)**	**(244,677,027)**	**(41,604,463)**	**(352,413,473)**	**(950,157,522)**
Net position	**50,988,051**	**(43,670,361)**	**(66,344,223)**	**156,524,453**	**23,781,000**	**(22,735,712)**	**98,543,208**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 March 2022 and 31 December 2021.

	2022 Average effective interest rate, %			**2021 Average effective interest rate, %**		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest earning assets						
Investment securities measured at fair value through profit or loss	10.4%	6.7%	2.7%	9.2%	6.4%	2.7%
Investment securities measured at fair value through other comprehensive income	8.9%	4.5%	-	8.9%	4.7%	-
Investment securities measured at amortized cost	8.0%	2.4%	-	8.0%	4.8%	-
Loans and advances to banks	-	2.3%	-	-	7.1%	0.7%
Amounts receivable under reverse repurchase agreements	10.5%	0.0%	1.8%	9.2%	-	-
Loans and advances to customers	14.1%	8.0%	6.4%	14.0%	8.1%	6.5%
Receivables from finance leases	11.4%	7.9%	6.1%	11.4%	8.0%	6.1%
Receivables from factoring	15.7%	10.0%	7.1%	15.9%	9.9%	19.1%
Receivables from letter of credit	-	5.2%	5.1%	-	5.0%	5.1%
Interest bearing liabilities						
Deposits and balances from banks	6.2%	2.9%	0.6%	6.2%	2.9%	0.6%
Amounts payable under reverse repurchase agreements	-	-	-	7.8%	-	-
Debt securities issued	10.1%	4.9%	3.2%	10.0%	4.9%	3.2%
Term deposits from customers	9.2%	3.4%	1.8%	9.3%	3.5%	1.8%
Subordinated borrowings	0.0%	7.6%	6.4%	-	6.4%	6.5%
Other borrowed funds	11.0%	4.2%	3.4%	11.0%	2.8%	3.3%

(ii) Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 March 2022:

2022	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	48,235,922	59,024,829	7,618,886	114,879,637
Investment securities at fair value through profit or loss	8,309,682	57,221	-	8,366,903
Investment securities at fair value through other comprehensive income	5,639,280	-	-	5,639,280
Investment securities at amortised cost	26,504,968	-	-	26,504,968
Loans and advances to banks	56,958,681	11,642,776	3,620,580	72,222,037
Loans and advances to customers	289,525,626	101,789,265	362,207	391,677,098
Amounts receivable under reverse repurchase agreements	-	2,160,046	-	2,160,046
Receivables from letters of credit	2,868,028	5,359,124	-	8,227,152
Receivables from finance leases	2,659,478	4,606,472	-	7,265,950
Receivables from factoring	6,474,319	3,051,041	71,372	9,596,732
Other financial assets	2,152,949	125,960	285,560	2,564,469
Total assets	**449,328,933**	**187,816,734**	**11,958,605**	**649,104,272**
LIABILITIES				
Deposits and balances from banks	31,022,086	8,630,524	3,299,964	42,952,574
Current accounts and deposits from customers	325,542,376	69,541,052	9,253,078	404,336,506
Debt securities issued	52,923,396	22,823,086	-	75,746,482
Subordinated borrowings	11,240,742	20,181,421	-	31,422,163
Other borrowed funds	67,673,418	29,699,740	-	97,373,158
Lease Liability	134,823	-	-	134,823
Other financial liabilities	1,096,864	667,208	24,456	1,788,528
Total liabilities	**489,633,705**	**151,543,031**	**12,577,498**	**653,754,234**
Net position	**(40,304,771)**	**36,273,703**	**(618,893)**	**(4,649,962)**
Effect of derivatives	36,075,906	(37,744,700)	(63,366)	(1,732,160)
Net position	**(4,228,866)**	**(1,470,997)**	**(682,259)**	**(6,382,121)**

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

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	132,971,234	59,480,233	4,190,504	196,641,971
Investment securities at fair value through profit or loss	2,738,543	57,407	-	2,795,950
Investment securities at fair value through other comprehensive income	5,681,858	-	-	5,681,858
Investment securities at amortised cost	9,051,475	-	-	9,051,475
Loans and advances to banks	28,977,049	11,596,034	97,334	40,670,417
Loans and advances to customers	260,854,673	102,480,675	1,896,971	365,232,319
Receivables from letters of credit	5,617,441	5,042,088	-	10,659,529
Receivables from finance leases	2,787,101	4,948,458	-	7,735,559
Receivables from factoring	6,434,437	3,289,391	46,912	9,770,740
Other financial assets	2,381,348	3,860	36,725	2,421,933
Total assets	**457,495,159**	**186,898,146**	**6,268,446**	**650,661,751**
LIABILITIES				
Investment securities at fair value through profit or loss	44,391	-	-	44,391
Deposits and balances from banks	28,419,464	7,514,023	17,547	35,951,034
Current accounts and deposits from customers	316,603,478	61,249,209	7,233,377	385,086,064
Debt securities issued	52,266,155	22,791,153	-	75,057,308
Subordinated borrowings	11,268,166	16,125,550	-	27,393,716
Other borrowed funds	75,235,761	41,916,172	-	117,151,933
Lease liability	146,840	-	-	146,840
Other financial liabilities	1,023,165	775,715	10,076	1,808,956
Total liabilities	**485,007,420**	**150,371,822**	**7,261,000**	**642,640,242**
Net position	**(27,512,261)**	**36,526,324**	**(992,554)**	**8,021,509**
Effect of derivatives	29,854,566	(37,982,700)	8,221	(8,119,913)
Net position	**2,342,305**	**(1,456,376)**	**(984,333)**	**(98,404)**

A weakening of the AMD, as indicated below, against the following currencies at 31 March 2022 and 2021, would have increased (decreased) equity and profit and 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 considers to be reasonably possible at the end of the reporting period. The income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2022		2021	
	Appreciation	*Profit or loss AMD'000*	*Appreciation*	*Profit or loss AMD'000*
AMD against USD	10.00%	(422,887)	10.00%	234,231
AMD against EUR	10.00%	(147,100)	10.00%	(145,638)

A strengthening of the AMD against the above currencies at 31 March 2022 and 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(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.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 March 2022:

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	179,759,504	-	-	-	-	-	-	179,759,504
Banking standardized bullions of precious metals	-	-	-	-	-	698,033	-	698,033
Financial instruments at fair value through profit or loss	628,070	18,938	1,705,016	12,153,492	2,510,344	-	-	17,015,859
Investment securities at fair value through other comprehensive income	478,441	10,315	37,266	6,863,161	4,456,108	85,651	-	11,930,943
Loans and advances to banks	9,455,305	-	121,478	242,955	-	56,298,191	-	66,117,929
Amounts receivable under reverse repurchase agreements	18,793,102	-	-	-	-	-	-	18,793,102
Loans and advances to customers	16,903,212	37,279,091	109,582,982	292,703,697	205,679,671	-	11,914,112	674,062,765
Receivables from letters of credit	27,981	4,120,706	1,465,720	2,612,746	-	-	-	8,227,152
Receivables from finance leases	509,193	920,087	3,896,843	12,955,283	1,752,647	-	13,322	20,047,374
Receivables from factoring	3,419,473	4,276,998	2,967,663	-	-	-	-	10,664,135
Debt securities at amortized cost	7,511,148	7,227,335	7,151,872	24,038,131	26,755,521	-	-	72,684,007
Property, equipment and intangible assets	-	-	-	-	-	10,308,724	-	10,308,724
Right of use asset	-	-	-	-	-	11,084,872	-	11,084,872
Other assets	2,721,713	228,480	7,366,943	-	-	1,936,172	-	12,253,307
Total assets	**240,207,143**	**54,081,948**	**134,295,783**	**351,569,465**	**241,154,291**	**80,411,643**	**11,927,434**	**1,113,647,706**
LIABILITIES								
Financial instruments at fair value through profit or loss	1,071	-	-	-	-	-	-	1,071
Deposits and balances from banks	9,719,536	7,570,051	3,186,700	30,642,053	5,720,110	-	-	56,838,450
Current accounts and deposits from customers	277,737,230	72,488,288	214,824,225	77,510,112	2,632,260	-	-	645,192,115
Debt securities issued	403,597	6,334,282	34,955,097	70,849,390	-	-	-	112,542,366
Subordinated borrowings	-	220,050	45,664	11,443,584	19,712,866	-	-	31,422,163
Other borrowed funds	2,425,314	8,826,053	37,107,866	59,090,362	330,340	-	-	107,779,935
Deffered tax liability	-	-	527,664	-	-	-	-	527,664
Current tax liability	-	-	854,840	-	-	-	-	854,840
Lease liabilty	196,203	53,048	779,125	3,531,122	7,561,023	-	-	12,120,521
Provision for commitments	221,877	-	-	-	-	-	-	221,877
Other liabilities	3,711,263	2,952,505	3,551,243	-	-	-	-	10,215,011
Total liabilities	**294,416,091**	**98,444,277**	**295,832,424**	**253,066,623**	**35,956,599**	**-**	**-**	**977,716,013**
Net position	**(54,208,948)**	**(44,362,328)**	**(161,536,642)**	**98,502,842**	**205,197,693**	**80,411,643**	**11,927,434**	**135,931,693**

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	264,090,145	-	-	-	-	-	-	264,090,145
Financial assets measured at fair value through profit or loss	100,781	238,861	2,128,106	5,048,285	707,927	-	-	8,223,960
Investment securities measured at fair value through other comprehensive income	-	599,712	890,335	6,362,801	4,127,105	36,832	-	12,016,785
Investment securities measured at amortized cost	-	168,420	9,202,239	25,558,858	18,756,791	-	-	53,686,308
Loans and advances to banks	8,142,953	-	244,424	240,070	-	34,705,814	-	43,333,261
Amounts receivable under reverse repurchase agreements	7,533,683	-	-	-	-	-	-	7,533,683
Loans to legal entities and individuals	16,142,251	26,281,774	114,696,923	274,659,773	188,505,427	-	11,857,174	632,143,322
Receivables from letters of credit	12,287	-	7,254,082	3,393,161	-	-	-	10,659,530
Receivables from finance leases	501,240	787,418	3,788,991	12,808,925	1,536,158	-	53,680	19,476,412
Receivables from factoring	1,822,319	5,015,987	3,968,694	-	-	-	-	10,807,000
Property, equipment and intangible assets	-	-	-	-	-	10,649,082	-	10,649,082
Right of use asset	-	-	-	-	-	11,163,102	-	11,163,102
Reposessed assets	-	-	-	-	-	1,326,280	-	1,326,280
Other assets	3,797,175	154,262	5,718,216	-	-	1,608,482	-	11,278,135
Total assets	**302,142,834**	**33,246,434**	**147,892,010**	**328,071,873**	**213,633,408**	**59,489,592**	**11,910,854**	**1,096,387,005**
LIABILITIES								
Derivative financial liabilities	48,436	3,415	3,415	37,561	-	-	-	92,827
Amounts payable under repurchase agreements	18,011,594	-	-	-	-	-	-	18,011,594
Deposits and balances from banks	1,073,040	386,129	18,478,015	31,798,407	4,914,170	-	-	56,649,761
Current accounts and deposits from customers	227,912,582	80,205,899	192,026,344	97,842,183	2,627,288	-	-	600,614,296
Debt securities issued	509,715	11,582,804	31,079,421	67,903,003	-	-	-	111,074,943
Subordinated borrowings	-	473,725	1,170,804	8,871,702	16,877,485	-	-	27,393,716
Other borrowed funds	24,380,554	10,003,838	43,012,382	47,236,012	3,079,632	-	-	127,712,418
Lease liability	278,947	-	649,879	2,218,529	8,958,955	-	-	12,106,310
Current tax liability	-	-	454,831	-	-	-	-	454,831
Deffered tax liability	-	-	664,044	-	-	-	-	664,044
Provision for commitments	244,929	-	-	-	-	-	-	244,929
Other liabilities	3,846,937	1,641,858	6,947,292	-	-	-	-	12,436,087
Total liabilities	**276,306,734**	**104,297,668**	**294,486,427**	**255,907,397**	**36,457,530**	**-**	**-**	**967,455,756**
Net position	**25,836,100**	**(71,051,234)**	**(146,594,417)**	**72,164,476**	**177,175,878**	**59,489,592**	**11,910,854**	**128,931,249**

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 March 2022 and during the reporting period are as follows:

	2022 AMD'000	**2021 AMD'000**
At 31 March (unaudited)	94.09%	118.5%
Average for March (unaudited)	97.9%	110.18%

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

30.Capital management

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

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

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2022 and 31 December 2021, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 March 2022 and 31 December 2021.

	31/03/2022 AMD'000 Unaudited	**31/12/2021 AMD'000 Unaudited**
Tier 1 capital	126,095,122	117,695,856
Tier 2 capital	22,969,730	26,136,335
Total capital	**149,064,852**	**143,832,191**
Total risk weighted assets	**975,608,150**	**940,874,175**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**15.28%**	**15.29%**

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.

31. Commitments

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

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

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

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

	31/03/2022 AMD'000	**31/12/2021 AMD'000**
Contracted amount		
Non-financial guarantees	22,313,619	17,939,675
Credit card commitments	20,180,709	19,626,093
Undrawn overdraft facilities	13,424,219	14,872,110
Financial guarantees and letters of credit	8,589,420	6,716,448
Undrawn loans and credit lines	3,334,114	8,068,230
	67,842,081	**67,222,556**
Impairment allowance	**(221,878)**	**(244,929)**

In addition to the above credit related commitments, the Bank has undrawn loans and credit lines the withdrawal of which is subject to additional approval by the Bank. The Bank considers such balances as uncommited. The total amount of such uncommited balances as at 31 March 2022 comprised AMD 28,935,014 thousand (2021: AMD 22,241,919 thousand).

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.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for commitments for the years ended 31 March 2022 and 31 December 2021.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments				
Balance at 1 January	238,772	1,670	4,488	244,929
New exposures originated	57,307	-	-	57,307
Exposures expired	(51,592)	-	-	(51,592)
Transfer to Stage 1	3,501	(1,180)	(2,320)	-
Transfer to Stage 2	(708)	708	-	-
Transfer to Stage 3	(15)	-	15	-
Net remeasurement of loss allowance	(28,498)	(490)	222	(28,765)
Balance at 31 March	**218,766**	**708**	**2,403**	**221,878**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments				
Balance at 1 January	325,743	14,145	19,331	359,219
New exposures originated	65,457	-	-	65,457
Exposures expired	(125,433)	(4,058)	(60)	(129,551)
Transfer to Stage 1	28,085	(8,814)	(19,271)	-
Transfer to Stage 2	(397)	397	-	-
Transfer to Stage 3	(4,202)	-	4,202	-
Net remeasurement of loss allowance	(50,482)	-	286	(50,196)
Balance at 31 December	**238,771**	**1,670**	**4,488**	**244,929**

Contingencies

(a) 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.

(b) 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.

(c) 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.

32. Related party transactions

(a) Control relationships

The shareholders of the Bank as at 31 March 2022 are Imast Group (CY) (48.90%),), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

As at 31 March 2022 the Bank had no ultimate controlling party.

(b) Transactions with the members of the Board of Directors, Management Board and other key management personnel of the Bank (hereafter Management)

Total remuneration included in personnel expenses for the first quarter of 2022 and 2021 are as follows:

	31/03/2022 AMD’000	**31/03/2021 AMD’000**
Short-term employee benefits	1,415,454	803,564

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

The outstanding balances and average interest rates as at 31 March 2022 and 31 December 2021 for transactions with the members of the Management are as follows:

	2022 AMD'000	Average effective interest rate, %	2021 AMD'000	Average effective interest rate, %
Statement of financial position				
Loans and advances to customers	1,162,688	8.38%	863,356	7.13%
Other assets	2,785	0.00%	1,697	0.00%
Term deposits from customers	209,169	6.14%	152,517	6.22%
Current accounts	2,104,936	0.02%	562,222	0.00%
Issued Bonds	2,186,083	5.66%	1,880,277	5.55%
Other liabilities	1,060,630	0.00%	2,580,000	0.00%

Amounts included in profit or loss in relation to transactions with the members of Management for the periods ending 31 March 2022 and 31 December 2021 are as follows:

	31/03/2022 AMD'000	31/03/2021 AMD'000
Profit or loss		
Interest income	26,978	25,432
Interest expense	(30,773)	(3,572)

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 March 2022 and related profit or loss amounts of transactions for the quarter ended 31 March 2022 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**Total AMD'000**
Statement of financial position									
Assets									
Loans and advances to customers	142	7.00%	-	-	-	-	2,257,635	8.97%	**2,257,776**
Other asset	-	-	-	-	-	-	4,800	-	**4,800**
Liabilities									
Current accounts and deposits from customers									
- Current accounts and demand deposits	86,162	0.00%	124,919	0.00%	263,517	0.00%	1,545,074	0.00%	**2,019,671**
- Term deposits	-	-	-	-	-	-	412,890	3.45%	**412,890**
Bonds issued	-	-	-	-	687,198	6.47%	718,677	4.85%	**1,405,875**
Other borrowed funds	-	-	4,095,297	3.86%	-	-	-	-	**4,095,297**
Other liabilities	-	-	79,737	0.0%	30	-	80	-	**79,737**

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Items not recognised in the statement of financial position									
Guarantees received	-	-	12,019,487	0.68%	-	-	-	-	**12,019,487**
Profit (loss)									
Interest income	-	-	986	-	-	-	49,263	-	**50,249**
Interest expense	-	-	(58,102)	-	(12,167)	-	(11,922)	-	**(82,191)**

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

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Statement of financial position									
Assets									
Loans and advances to customers	-	-	-	-	-	-	2,216,840	8.97%	**2,216,840**
Other asset	-	-	-	-	-	-	331	-	**331**
Liabilities									
Current accounts and deposits from customers									
− Current accounts and demand deposits	10,217	-	188,113	0.00%	84,382	0.00%	1,788,473	0.00%	**2,071,185**
− Term deposits			-	-	52,831	2.2%	408,390	3.50%	**461,221**
Bonds issued			-	-	768,761	6.86%	710,548	4.85%	**1,479,309**
Other borrowed funds			4,011,965	3.86%	-	-	-	-	**4,011,965**
Other liabilities			5,823	0.0%	28	-	-	-	**5,851**
Items not recognised in the statement of financial position									
Guarantees received	-	-	9,205,743	0.64%	-	-	-	-	**9,205,743**

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**Total AMD'000**
Profit/(loss)									
Interest income	-	-	445	-	-	-	33,880	-	**34,325**
Interest expense			(188,234)	-	(5,928)	-	(1,527)	-	**(195,689)**
Other expenses	-	-	-	-	-	-	-	-	**--**

33.Events after reporting period

On 1 March 2022, Shareholder's General Meeting approved additional 62 share purchase by ESPS Holding Limited with price of AMD 938,987 per share (nominal value of one share was AMD 465,000). As a result of the transaction, the shareholding structure of the Bank changed as follows: Imast Group (CY) (48.87%), EBRD (17.73%), ADB (13.92%), ESPS Holding Limited (11.97%) and Afeyan Foundation for Armenia Inc. (7.51%). The transaction as at reporting date was in process of approval by CBA.