



Ameriabank cjsc

Financial Statements

For the second quarter of 2022

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Statement of comprehensive income
30-Jun-2022

Name of the Bank Ameriabank CJSC

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

Item	Note	01/04/2022- 30/06/2022	01/01/2022- 30/06/2022	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021
Interest income calculated using effective interest rate	4	19,312,155	37,652,517	17,429,921	35,129,881
Other interest income	4	822,921	1,721,924	667,555	1,317,971
Interest expenses	4	(9,042,015)	(17,563,300)	(7,852,482)	(15,536,192)
Net interest income		11,093,061	21,811,141	10,244,995	20,911,659
Fee and commission income	5	2,872,779	4,855,963	1,733,146	3,299,298
Fee and commission expense	5	(661,722)	(1,205,162)	(500,142)	(902,867)
Net fee and commission income		2,211,057	3,650,801	1,233,004	2,396,431
Net profit/loss on financial instruments at fair value through profit or loss	6	4,305,333	5,288,770	216,133	1,148,958
Net foreign exchange gain/(loss)	7	5,055,008	9,283,308	1,783,003	2,421,292
Net gain on financial assets at fair value through other comprehensive		22,260	85,542	(4,659)	(106,457)
Other operating income	8	325,077	567,572	113,296	288,026
Other operating expense	8	(1,151,194)	(2,275,290)	(789,579)	(1,748,068)
Operating income		21,860,603	38,411,844	12,796,193	25,311,841
Net impairment losses on financial instruments	9	1,190,307	116,098	(1,057,142)	(4,140,912)
Other impairments and provisions	9	-	308	6,790	6,790
Personnel expenses		(6,754,173)	(11,160,341)	(3,214,549)	(6,122,711)
Other general administrative expenses	10	(1,999,955)	(3,852,414)	(1,730,530)	(3,328,017)
Profit before income tax		14,296,782	23,515,495	6,800,762	11,726,991
Income tax expense	11	(2,691,883)	(4,405,918)	(1,285,583)	(2,245,750)
Profit for the period		11,604,899	19,109,577	5,515,179	9,481,241
Other comprehensive income, net of income tax					
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income		(1,109,328)	(1,613,562)	1,364	26,933
net change in fair value		(1,091,074)	(1,543,418)	(2,457)	(60,361)
net amount reclassified to profit or loss		(18,254)	(70,144)	3,820	87,294
Other comprehensive income/(loss) for the period, net of income tax		(1,109,328)	(1,613,562)	1,364	26,933
Total comprehensive income for the period		10,495,571	17,496,015	5,516,543	9,508,174

Validation date 19.07.22

seal

General Director-Chairman of the Management Board

Chief Accountant



Artak Hanesyan

Gohar Khachatryan

Statement of Financial Position
30-Jun-2022

Name of the Bank Ameriabank CJSC

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

Item	Note	30/06/22	31/12/2021 (audited)
Assets			
Cash and cash equivalents	12	194,619,673	264,090,145
Banking standardized bullions of precious metals		311,399	1,031,181
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	14,483,182	8,223,960
- Pledged under sale and repurchase agreements	13	-	-
Financial assets at fair value through other comprehensive income			
- Held by the Bank	14	38,112,211	7,920,255
- Pledged under sale and repurchase agreements	14	-	4,096,530
Loans and advances to banks	15	58,842,118	43,333,261
Amounts receivable under reverse repurchase agreements	16	13,898,391	7,533,683
Loans and advances to customers at amortized cost	17	684,501,859	673,086,264
Debt securities at amortized cost			
- Held by the Bank	18	72,372,920	37,915,734
- Pledged under sale and repurchase agreements	18	-	15,770,574
Property, equipment and intangible assets	19	10,493,700	10,649,082
Right of use asset	20	10,891,101	11,163,102
Other assets	21	13,189,569	11,573,234
Total assets		1,111,716,123	1,096,387,005
Liabilities			
Financial instruments at fair value through profit or loss	13	9,236	92,827
Amounts payable under repurchase agreements		1,752,455	18,011,594
Deposits and balances from banks	22	52,913,524	56,649,761
Current accounts and deposits from customers	23	658,437,327	600,614,296
Debt securities issued	24	98,997,832	111,074,943
Subordinated borrowings	25	28,537,287	27,393,716
Other borrowed funds	25	92,162,771	127,712,418
Current tax liabilities	11	2,779,577	454,831
Deferred tax liability	11	842,026	664,044
Provision on contingent liabilities		216,144	244,929
Lease liabilities	20	11,997,364	12,106,310
Other liabilities	26	16,585,099	12,436,087
Total liabilities		965,230,642	967,455,756
Equity			
Share capital	27	54,414,765	54,385,935
Share premium		204,113	174,726
Revaluation reserve		(1,879,521)	(265,959)
Retained earnings		93,746,124	74,636,547
Total equity		146,485,481	128,931,249
Total liabilities and equity		1,111,716,123	1,096,387,005

Validation date 19.07.22

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General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant

Gohar Khachatryan

Statement of changes in equity
30-Jun-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	-	-	-	9,481,241	9,481,241
Other comprehensive income/(loss) for the period			26,933		26,933
Issue of share capital	16,999,055	(16,890,638)	-	-	108,417
Balance as of 30 June 2021	54,385,935	174,726	59,811	64,701,722	119,322,193

Interim period of current financial year (cumulative)					
Balance as of 01 January 2022	54,385,935	174,726	(265,959)	74,636,547	128,931,249
Net profit for the period				19,109,577	19,109,577
Other comprehensive income/(loss) for the period			(1,613,562)		(1,613,562)
Issue of share capital	28,830	29,387			58,217
Balance as of 30 June 2022	54,414,765	204,113	(1,879,521)	93,746,124	146,485,481

Validation date 19.07.22

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General Director-Chairman of the Management Board

Chief Accountant




Artak Hanesyan

Gohar Khachatryan

Statement of cash flows
30-Jun-2022

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	01/01/2022- 30/06/2022	01/01/2021- 30/06/2021
Cash flows from operational activities	x	x
Interests receipts	41,124,707	35,751,902
Interests payments	(17,874,941)	(13,275,480)
Fee and commissions receipts	4,855,963	3,299,298
Fee and commissions payments	(1,205,162)	(902,867)
Net receipts from financial assets at fair value through profit and loss	2,241	70,933
Net receipts from foreign exchange	15,783,979	2,853,926
Other income/(expenses)	(1,707,718)	(816,880)
Salaries and other payments to employees	(12,042,411)	(5,859,805)
Other general administrative expense payments	(2,015,540)	(1,648,259)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	(7,510,368)	418,172
Loans and advances to banks	(17,717,808)	8,553,593
Amounts receivable under reverse repurchase agreements	(6,677,851)	5,596,926
Loans and advances to customers at amortized cost	(76,926,036)	(15,884,833)
Other assets	(1,717,737)	(1,074,967)
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	4,641,648	717,750
Deposits and balances from banks	671,291	2,101,261
Amounts payable under repurchase agreements	(16,247,539)	(9,999,998)
Current accounts and deposits from customers	107,047,807	(36,247,522)
Other liabilities	22,932,520	13,535,088
Net cash from (used in) operating activities before income tax paid	35,417,045	(12,811,763)
Income tax paid	(1,555,643)	(3,564,324)
Net cash flows from operational activities after profit tax	33,861,402	(16,376,087)
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(1,172,598)	(1,250,610)
Sales of property and equipment and intangible assets	10,926	
Financial assets at fair value through other comprehensive income	(30,081,243)	(217,449)
Financial assets at amortized cost	(22,853,466)	7,168,127
Net cash flows from investing activities	(54,096,381)	5,700,069
Cash flows from financing activities	x	x
Dividends paid		-
Proceeds from issue of share capital	58,217	108,417
Net receipts of other borrowed funds	(16,648,865)	(5,997,657)
Receipts from issuance of debt securities	733,187	7,332,658
Net cash flows from financing activities	(15,857,461)	1,443,418
Effect of changes in exchange rates on cash and cash equivalents	(33,355,412)	(10,494,956)
Effect of changes in impairment allowance on cash and cash equivalents	(22,621)	(54,400)
Net increase/(decrease) in cash and cash equivalents	(69,470,472)	(19,781,957)
Cash and cash equivalents at the beginning of the period (Note 12)	264,090,145	234,412,812
Cash and cash equivalents at the end of the period (Note 12)	194,619,673	214,630,855

Validation date 19.07.22

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 25 April 2022 ESPS Holding Limited purchased 62 shares additionally issued by the Bank with price of AMD 938,987 per share (nominal value of one share was AMD 465,000).

As at 30 June 2022 and Bank as at 31 December 2021 the shareholders structure of the bank is as follows.

	2022	2021
Imast Group (CY)	48.87%	48.90%
European Bank for Reconstruction and Development (EBRD)	17.73%	17.74%
Asian Development Bank (ADB)	13.92%	13.93%
ESPS Holding Limited	11.97%	11.92%
Afeyan Foundation for Armenia Inc	7.51%	7.51%
	100.00%	100.00%

As at 30 June 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 second quarter of 2022 was 1,281 (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 30 June 2022 and 31 December 2021 were 407.21 AMD and 480.14 AMD to 1 USD, and 423.54 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 and advances 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

Reposessed 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 fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is 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

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Interest income calculated using the effective interest method				
Financial assets measured at amortized cost				
Loans to customers	17,039,667	33,516,629	15,743,221	31,620,225
Investment securities measured at amortized cost	1,084,841	2,058,676	873,520	1,845,343
Amounts receivable under reverse repurchase agreements	373,198	621,745	138,766	302,488
Income from factoring	223,686	476,851	258,792	501,337
Receivables from letters of credit	104,836	224,170	179,753	355,958
Loans and advances to banks	131,231	189,987	23,396	61,841
Other	4,033	7,091	2,813	5,666
	18,961,492	37,095,149	17,220,261	34,692,858
Financial assets measured at fair value through other comprehensive income				
Investment securities measures at FVOCI	350,663	557,368	209,660	437,023
Interest income calculated using the effective interest method	19,312,155	37,652,517	17,429,921	35,129,881
Other interest income				
Receivables from finance leases	554,796	1,162,776	388,568	754,258
Investment securities measured at FVTPL	247,120	426,990	161,126	328,034
Derivative financial assets	21,005	132,158	117,861	235,679
Other interest income	822,921	1,721,924	667,555	1,317,971
Total	20,135,076	39,374,441	18,097,477	36,447,851
Current accounts and deposits from customers	4,513,619	8,832,865	3,452,112	6,851,991
Other borrowed funds and subordinated borrowing	1,743,117	3,262,176	1,558,654	3,179,498
Debt securities issued	1,674,992	3,256,867	1,653,744	3,207,412
Deposits and balances from banks	598,676	1,122,643	457,495	895,287
Lease payables	336,274	671,987	334,821	663,683
Amounts payable under repurchase agreements	100,594	258,616	283,225	499,248
Letters of credit and guarantee	74,743	158,146	108,298	228,346
Other	-	-	4,133	10,727
Total	9,042,015	17,563,300	7,852,482	15,536,192
Net interest income	11,093,061	21,811,141	10,244,995	20,911,659

5. Fee and commission income

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Credit card maintenance	1,487,940	2,661,106	920,630	1,692,633
Cash withdrawal, account service and distance system services	333,806	838,060	222,161	392,264
Money transfers	559,531	575,636	215,765	426,710
Settlement operations	66,988	327,176	121,933	299,846
Brokerage services	94,024	144,324	55,582	93,568
Guarantee and letter of credit issuance	173,549	123,982	154,597	257,949
Other	156,941	185,679	42,478	136,328
	2,872,779	4,855,963	1,733,146	3,299,298

Fee and commission expense

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Credit card maintenance	383,665	738,478	383,105	672,631
Money transfers	82,610	146,177	68,308	135,514
Guarantee and letter of credit issuance	11,830	22,413	19,633	48,758
Other	183,617	298,094	29,096	45,964
	661,722	1,205,162	500,142	902,867

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.

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Net gain/(loss) on currency and interest rate derivative instruments	4,284,035	5,055,274	196,286	887,376
Net gain/(loss) on financial instruments at fair value through profit or loss	21,298	233,496	19,847	261,582
	4,305,333	5,288,770	216,133	1,148,958

7. Net foreign exchange income

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Net gain on spot transactions	10,535,944	15,783,979	1,659,312	2,853,926
Net gain from revaluation of financial assets and liabilities	(5,480,936)	(6,500,671)	123,691	(432,634)
	5,055,008	9,283,308	1,783,003	2,421,292

8. Other operating income/(expenses)

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Other operating income				
Income from rendered services	93,499	171,593	34,928	65,645
Net income from sale of repossessed assets	96,879	166,716	5,499	69,389
Income from insurance agency services	43,046	81,455	13,899	49,370
Income from deposit boxes	17,853	33,616	12,442	23,896
Income from payment terminals	9,629	29,656	8,288	13,186
Income from reimbursement of legal cases	16,099	27,456	5,732	15,328
Income from insurance	1,236	1,307	538	570
Income from advisory and arrangement services	288	1,776	17,371	23,179
Other income	46,548	53,997	14,599	27,463
	325,077	567,572	113,296	288,026

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Other operating expenses				
Payment system expenses	502,521	1,016,955	220,492	519,659
Guarantee payments to Armenian Deposit Guarantee Fund	209,122	386,754	182,324	334,684
Software maintenance	113,129	220,938	106,470	209,377
Collateral registration charges	84,766	153,906	32,085	58,672
ATM space charge	29,265	57,790	24,348	48,147
Credit register charges	28,966	56,787	25,408	54,250
Financial system mediator	27,397	54,794	27,505	55,010
Encashment	19,631	46,849	28,711	83,275
Fees for brokerage services	23,646	46,402	21,159	41,663
Depository services	19,076	28,907	16,538	32,774
Paid fees and penalties	281	4,281	3,444	8,444
Agent fee	-	-	-	125,500
Insurance charges	-	-	29,288	44,580
Other expenses	93,394	200,927	71,807	132,033
	1,151,194	2,275,290	789,579	1,748,068

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 30 June 2022:

AMD'000	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	19,528	-	-	19,528
Amounts receivable under reverse repurchase agreements	-	-	-	-
Loans and advances to banks	(28,568)	-	-	(28,568)
Loans to legal entities and individuals	58,357	1,428,231	(1,390,220)	91,367
Receivables from finance leases	29,424	(16,893)	56,892	69,423
Receivables from factoring	1,387	-	-	1,387
Receivables from letter of credit	18,945	-	-	18,945
Investment securities measured at amortised cost	(40,932)	-	-	(40,932)
Investment securities measured at fair value through other comprehensive income	(25,764)	-	-	(25,764)
Other financial assets	(7,384)	180	(10,868)	(18,072)
Credit related commitments	(17,366)	3,994	42,156	28,784
Total credit loss expense	7,627	1,415,512	(1,302,040)	116,098

10. Other general administrative expenses

	01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Depreciation and amortization	920,392	1,836,872	845,576	1,679,760
Advertising and marketing	200,677	371,723	165,070	294,955
Staff training and other expenses	104,954	216,025	69,184	140,682
Repairs and maintenance	105,174	194,555	101,996	191,993
Unrecoverable taxes from lease agreements	91,058	181,758	87,264	172,928
Professional services	114,168	173,238	27,987	48,577
Loan recovery charges	78,803	163,742	86,662	185,992
Security	63,410	126,359	59,189	115,409
Communications and information services	59,542	105,151	33,711	68,713
Other lease expense	46,524	93,923	48,951	97,661
Electricity and utilities	28,460	66,279	24,976	52,396
Insurance	25,859	48,680	22,574	42,244
Business trips and representation	32,717	44,726	6,565	10,858
Office supplies	21,250	37,726	33,253	42,529
Charity and sponsorship	13,507	27,618	50,560	61,471
Taxes other than on payroll and income	10,281	23,752	10,656	23,688
Other	83,179	140,287	56,356	98,161
	1,999,955	3,852,414	1,730,530	3,328,017

11. Income tax expense

01/04/2022/ 30/06/2022	01/01/2022/ 30/06/2022	01/04/2021/ 30/06/2021	01/01/2021/ 30/06/2021
AMD'000	AMD'000	AMD'000	AMD'000

Current tax expense				
Current year	2,134,011	3,873,740	357,333	1,274,199
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	557,872	532,178	928,250	971,551
Total income tax expense	2,691,883	4,405,918	1,285,583	2,245,750

	01/01/2022		01/01/2021	
	30/06/2022	%	30/06/2021	%
	AMD'000		AMD'000	
Profit before tax	23,515,495		11,726,991	
Income tax at the applicable tax rate	(4,232,789)	18.00%	(2,110,858)	18.0%
Non-deductible costs	173,129	0.74%	134,892	1.2%
	(4,405,918)	18.74%	(2,245,750)	19.2%

(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 30 June 2022 and as at 30 June 2021.

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

Movements in temporary differences during the periods ended 30 June 2022 and as at 30 June 2021 are presented as follows:

2022	Balance 01 Jan 2022	Recognize in profit or loss	Recognized in other comprehensive income	Balance 30 June 2022
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	1,011	74,969	-	75,980
Investment securities measures at FVOCI	66,849	(48,272)	354,197	372,774
Other financial instruments at amortised cost and provisions	(1,796,396)	922,733	-	(873,663)
Loans to customers	(168,926)	(2,291)	-	(171,217)
Property and equipment	34,526	(41,421)	-	(6,895)
Right of use of assets	169,777	(69,543)	-	100,234
Other assets	28,848	-	-	28,848
Other liabilities	1,089,650	(1,336,196)	-	(246,546)
Other borrowed funds	(89,383)	(32,158)	-	(121,541)
	(664,044)	(532,179)	354,197	(842,026)

2021	Balance 01 Jan 2021	Recognize in profit or loss	Recognized in other comprehensive income	Balance 30 June 2021
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	74,577	-	-	74,577
Investment securities measures at FVOCI	24,889	(3,303)	(4,561)	17,025
Loans to customers	11,126	(14,208)		(3,082)
Allowance for other receivables and other provisions	294,337	(1,116,766)	-	(822,429)
Property and equipment	119,497	(1,784)	-	117,713
Other assets	32,175	-	-	32,175
Other liabilities	569,337	164,511	-	733,848
Other borrowed funds	(97,529)	-	-	(97,529)
	1,028,409	(971,550)	(4,561)	52,299

12. Cash and cash equivalents

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Cash on hand	21,853,976	22,847,846
Nostro accounts with the CBA	148,216,284	227,124,335
Nostro accounts with other banks		
- rated Aa1 to Aa3+	12,156,266	6,006,225
- rated A1 to A3	7,640,999	4,476,989
- rated from Baa1 to Baa3	1,200,841	2,753,282
- rated from Ba1 to Ba3	374,989	853,311
- not rated	3,198,939	70,306
Total nostro accounts with other banks	24,572,034	14,160,113
Total gross cash and cash equivalents	194,642,294	264,132,294
Impairment	(22,621)	(42,149)
Total cash and cash equivalents	194,619,673	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	22,621	-	-	22,621
Balance at 30 June 2022	22,621	-	-	22,621

AMD'000	2021			
	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 15) which are readily available for withdrawal.

As at 30 June 2022 the Bank has no balances with banks (2021: no bank), which exceed 10% of equity.

As at 30 June 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

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,530,033	4,285,560
Government Eurobonds of the Republic of Armenia	4,598,139	637,242
Total government bonds	9,128,172	4,922,802
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	2,253,444	1,449,305
- rated from B1 to B3	903,935	714,740
- not rated	1,069,100	1,059,391
Total corporate bonds	4,226,479	3,223,436
Total investment securities measured at fair value through profit or loss	13,354,651	8,146,238

Derivative financial assets

Currency swaps	1,128,531	77,722
Total derivative financial assets	1,128,531	77,722
Total financial assets measured at fair value through profit or loss	14,483,182	8,223,960
Liabilities		
Derivative financial instruments		
Foreign currency contracts	9,236	99,827
	9,236	99,827

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 30 June 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

	30/06/2022 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	12,171,691	6,256,620
Government Eurobonds of the Republic of Armenia	11,444,222	616,137
Total government bonds	23,615,913	6,872,757
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	-	6,883
- rated from B1 to B3	-	-
- not rated	-	487,810
Corporate bonds of foreign companies		
- rated from Aaa1 to Aaa3	8,227,545	-
- rated from B1 to B3	-	-
- not rated	6,190,445	474,498
Total corporate bonds	14,417,990	969,191
Total debt and other fixed-income instruments	38,033,904	7,841,948
Equity investments		
- Unquoted equity securities at cost	78,307	78,307
	38,112,211	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 30 June 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 30 June 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.

AMD'000	2022			
	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	(52,984)	-	-	(52,984)
Assets repaid	(1,987)	-	-	(1,987)
Assets sold	(57,656)	-	-	(57,656)
New assets originated or purchased	138,391	-	-	138,391
Balance at 30 June	56,726	-	-	56,726

AMD'000	2021			
	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	2021
			2022	2021	AMD'000	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

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	1,113,000	3,364,500
Deposit with the Central Bank of Armenia, obligatory reserves	50,160,470	31,416,814
Loans and deposits with other banks		
Armenian banks		
- rated from Ba1 to Ba3	310,280	487,895
Other banks		
- rated from Ba1 to Ba3	7,367,888	8,145,003
Total loans and advances to other banks	7,678,168	8,632,898
Total gross loans and advances to banks	58,951,638	43,414,212
Impairment	(109,520)	(80,951)
Total net loans and advances to banks	58,842,118	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 6% is maintained in AMD and 12% 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 12) as these funds are readily available for withdrawal.

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

Concentration of loans and advances to banks

As at 30 June 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 30 June 2022 and 31 December 2021. All the loans and advance to banks are measured at amortized cost as at 30 June 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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	109,520	-	-	109,520
Balance at 30 June	109,520	-	-	109,520

AMD'000	2021			
	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

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Amounts receivable from medium and small Armenian financial institutions	13,898,391	7,533,683
Total amounts receivable under reverse repurchase agreements	13,898,391	7,533,683
Impairment allowance	-	-
Total net amounts receivable under reverse repurchase agreements	13,898,391	7,533,683

Collateral

As at 30 June 2022 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 15,069,487 thousand (2021: 8,478,694 thousand).

17. Loans and advances to customers

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Loans to legal entities	420,694,528	428,111,574
Loans to individuals	245,125,156	220,437,296
Receivables from factoring	8,877,933	10,820,379
Receivables from letter of credit	4,161,235	10,702,129
Total gross loans and advances to customers at amortised cost	678,858,852	670,071,378
Receivables from finance lease	20,413,677	19,900,741
Impairment allowance	(14,770,670)	(16,885,855)
Net loans and advances to customers	684,501,859	673,086,264

(a) Loans to legal entities and individuals

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Loans to corporate customers		
Loans to large corporates	259,825,124	278,128,033
Loans to small and medium size companies	160,869,404	149,983,541
Total loans to corporate customers	420,694,528	428,111,574
Loans to retail customers		
Mortgage loans	161,292,536	141,193,211
Other loans to individuals	83,832,620	79,244,085
Total loans to retail customers	245,125,156	220,437,296
Gross loans to customers	665,819,684	648,548,870
Impairment allowance	(14,439,879)	(16,405,548)
Net loans to customers	651,379,805	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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	279,511,141	-	-	279,511,141
Assets repaid	(224,278,507)	(1,635,150)	(889,048)	(226,802,705)
Transfer to Stage 1	6,080,187	(6,002,234)	(77,953)	-
Transfer to Stage 2	(3,478,483)	3,485,516	(7,033)	-
Transfer to Stage 3	(1,739,022)	(488,233)	2,227,255	-
Recoveries	-	-	789,859	789,859
Amounts written off	-	-	(1,112,782)	(1,112,782)
Net change in asset from interest and foreign exchange revaluation	(57,068,804)	(771,143)	(1,962,612)	(59,802,559)
Balance at 30 June	399,861,140	4,649,238	16,184,150	420,694,528

AMD'000	2021			
	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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	1,816,822	-	-	1,816,822
Assets repaid	(1,457,810)	(326,866)	(301,387)	(2,086,064)
Transfer to Stage 1	1,226,273	(1,199,847)	(26,426)	-
Transfer to Stage 2	(22,610)	24,994	(2,384)	-
Transfer to Stage 3	(11,304)	(97,158)	108,462	-
Unwinding of discount	-	-	239,756	239,756
Recoveries	-	-	789,859	789,859
Amounts written off	-	-	(1,112,782)	(1,112,782)

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Foreign exchange adjustments	(161,507)	(22,805)	(1,430,768)	(1,615,080)
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	1,506,487)	1,057,453	1,655,586	1,206,552
Balance at 30 June	3,422,498	858,268	6,438,401	10,719,167

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to legal entities</i>				
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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to individuals</i>				
Balance at 1 January	209,136,862	6,876,696	4,423,738	220,437,296
New assets originated or purchased	103,427,309	-	-	103,427,309
Assets repaid	(67,160,245)	(995,529)	(1,049,727)	(69,205,502)
Transfer to Stage 1	869,656	(594,939)	(274,717)	-
Transfer to Stage 2	(830,731)	839,823	(9,092)	-
Transfer to Stage 3	(1,040,457)	(656,382)	1,696,839	-
Recoveries	-	-	1,415,978	1,415,978
Amounts written off	-	-	(1,447,746)	(1,447,746)
Change in balance of asset from interest and foreign exchange	(7,442,169)	(1,319,849)	(740,160)	(9,502,179)
Balance at 30 June	236,960,224	4,149,820	4,015,112	245,125,156

AMD'000	2021			
	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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	2,290,915	-	-	2,290,915
Assets repaid	(1,487,599)	(467,899)	(796,743)	(2,752,241)
Transfer to Stage 1	19,263	(5,949)	(13,313)	-
Transfer to Stage 2	(18,401)	25,302	(6,901)	-
Transfer to Stage 3	(23,046)	(308,499)	331,545	-
Impact on period end ECL of exposures transferred between stages during the period	(884,641)	(129,762)	446,782	(567,620)
Unwinding of discount	-	-	208,784	208,784
Recoveries	-	-	1,415,978	1,415,978
Amounts written off	-	-	(1,447,746)	(1,447,746)
Foreign exchange adjustments	(27,327)	(16,746)	(308,729)	(352,802)
Balance at 30 June	1,494,439	963,532	1,262,741	3,720,712

AMD'000	2021			
	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
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	-

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
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 30 June 2022:

	AMD'000	AMD'000	AMD'000	AMD'000
Loans to large corporate customers				
- not overdue	246,300,200	3,954,230	4,593,262	254,847,692
- overdue more than 90 days	-	-	4,977,432	4,977,432
Total gross loans to large corporate customers	246,300,200	3,954,230	9,570,694	259,825,124
Credit loss allowance	(1,600,280)	(670,400)	(4,596,986)	(6,867,666)
Total net loans to large corporate customers	244,699,920	3,283,830	4,973,708	252,957,458
Loans to small and medium size companies				
- not overdue	152,630,050	439,194	205,444	153,274,688
- overdue less than 30 days	920,302	16,098	278,832	1,215,232
- overdue more than 30 days and less than 90 days	10,588	239,716	259,414	509,718
- overdue more than 90 days	-	-	5,869,766	5,869,766
Total gross loans to small and medium size companies	153,560,940	695,008	6,613,456	160,869,404
Credit loss allowance	(1,822,218)	(187,868)	(1,841,415)	(3,851,501)
Total net small and medium size companies	151,738,722	507,140	4,772,041	157,017,903
Total gross loans to corporate customers	399,861,140	4,649,238	16,184,150	420,694,528
Total net loans to corporate customers	396,438,642	3,790,970	9,745,749	409,975,361
Mortgage loans				
- not overdue	156,701,041	2,154,998	628,401	159,484,440
- overdue less than 30 days	92,993	32,250	25,103	150,346
- overdue more than 30 days and less than 90 days	-	136,594	-	136,594
- overdue more than 90 days	-	-	1,521,156	1,521,156
Total gross mortgage loans	156,794,034	2,323,842	2,174,660	161,292,536
Credit loss allowance	(262,271)	(181,937)	(425,714)	(869,922)
Total net mortgage loans	156,531,763	2,141,905	1,748,946	160,422,614

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Other consumer loans to retail customers*				
- not overdue	79,578,730	1,496,282	430,180	81,505,192
- overdue less than 30 days	576,278	58,041	52,896	687,215
- overdue more than 30 days and less than 90 days	11,182	271,655	93,797	376,634
- overdue more than 90 days	-	-	1,263,579	1,263,579
Total gross other consumer loans to retail customers	80,166,190	1,825,978	1,840,452	83,832,620
Credit loss allowance	(1,232,168)	(781,595)	(837,027)	(2,850,790)
Total net other consumer loans to retail customers	78,934,022	1,044,383	1,003,425	80,981,830
Total gross loans to retail customers	236,960,224	4,149,820	4,015,112	245,125,156
Total net loans to retail customers	235,465,785	3,186,288	2,752,371	241,404,444
Total gross loans to customers	636,821,364	8,799,058	20,199,262	665,819,684
Total net loans to customers	631,904,427	6,977,258	12,498,120	651,379,805

* 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 30 June 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 30 June 2022 and 31 December 2021.

30 June 2022	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
Loans to legal entities	16,184,150	11,919,176	399,185	5,970,071	(4,430,319)	13,858,114	2,326,037	6,438,401
Mortgage loans	2,174,660	2,440,144	17,714	28,778	(779,934)	1,706,703	467,957	425,714
Other consumer loans	1,840,452	1,290,694	105,216	112,203	(634,829)	873,284	967,169	837,027
Total	20,199,262	15,650,014	522,115	6,111,052	(5,845,082)	16,438,101	3,761,163	7,701,142

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:

	30/06/2022 AMD'000	31/12/2021 AMD'000
Wholesale trade	48,470,005	60,088,783
Construction	60,400,007	48,905,283
Agriculture, forestry and timber	44,614,449	42,468,352
Food and beverage	43,121,712	37,974,102
Transportation	22,278,597	37,835,056
Retail trade	39,464,900	33,958,590
Mining/Metallurgy	33,475,804	29,142,735
Energy	29,538,625	29,210,379
Hotel service	25,589,538	31,295,097
Real estate	19,160,936	22,686,452
Communication services	17,867,401	20,400,077
Manufacturing	10,531,075	9,849,730
Finance and investment	2,203,346	9,931,454
Other	23,978,132	14,365,484
Loans to retail customers	245,125,156	220,437,296
	665,819,684	648,548,870
Impairment allowance	(14,439,879)	(16,405,548)
	651,379,805	632,143,322

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

	30/06/2022 AMD'000	31/12/2021 AMD'000
Armenia	407,583,946	415,181,330
OECD and EU	-	-
Other foreign countries	2,391,415	1,450,140
	409,975,361	416,631,470

Significant credit exposures

As at 30 June 2022 Bank has no borrowers or groups of connected borrowers (2021: one), whose loan balances exceed 10% of equity. The gross value of these loans as at 30 June 2022 is AMD 0 (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.

(d) Receivables from letters of credit

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Receivables from letters of credit of other organizations	4,161,235	10,702,129
Impairment allowance	(23,654)	(42,599)
	4,137,581	10,659,530

As at 30 June 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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	3,675,963	-	-	3,675,963
Assets repaid	(8,710,149)	-	-	(8,710,149)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
The effect of changes in foreign exchange rate	(1,506,708)	-	-	(1,506,708)
Balance at 30 June	4,161,235	-	-	4,161,235

AMD'000	2021			
	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	-	-	-	-

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	20,953	-	-	20,953
Assets repaid	(39,898)	-	-	(39,898)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Balance at 30 June	23,654	-	-	23,654

AMD'000	2021			
	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

(e) Receivables from finance leases

	30/06/2022 AMD'000	31/12/2021 AMD'000
Gross investment in finance leases receivable:		
Less than one year	6,626,887	6,477,120
Between one and five years	16,849,445	16,339,246
More than five years	2,487,127	2,028,022
	25,963,460	24,844,388
Unearned finance income	(5,549,782)	(4,943,647)

Impairment allowance	(295,145)	(424,329)
Net investment in finance leases	20,118,533	19,476,412
The net investment in finance leases comprises:		
Less than one year	5,135,034	5,072,802
Between one and two years	4,609,737	4,574,317
Between two and three years	3,850,510	3,755,284
Between three and four years	2,878,008	2,844,554
Between four and five years	1,718,022	1,641,133
More than five years	1,927,222	1,588,322
	20,118,533	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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	6,587,536	-	-	6,587,536
Assets repaid	(4,448,781)	(14,237)	(56,964)	(4,519,982)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(84,909)	84,909	-	-
Transfer to Stage 3	(7,072)	-	7,072	-
Written off	-	-	(631,049)	(631,049)
Recoveries	-	-	571,288	571,288
The effect of changes in foreign exchange rate	(1,476,917)	9,389	(27,328)	(1,494,856)
Balance at 30 June	19,938,945	96,191	378,542	20,413,678

AMD'000	2021			
	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	-	-
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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	148,683	3,620	272,026	424,329
New assets originated or purchased	55,994	-	-	55,994
Assets repaid	(37,815)	(3,387)	(21,525)	(62,727)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(18,113)	18,113	-	-
Transfer to Stage 3	(3,546)	-	3,546	-
Write off amounts	-	-	(631,049)	(631,049)
Recoveries	-	-	571,288	571,288
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(25,944)	2,167	(38,912.65)	(62,690)
Balance at 30 June	119,259	20,512	155,373	295,145

AMD'000	2021			
	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 30 June 2022:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
- not overdue	19,912,759	11,282	16,159	19,940,199
- overdue less than 30 days	26,187	-	-	26,187
- overdue more than 30 days and less than 90 days	-	84,909	355,311	440,221
- overdue more than 90 days	-	-	7,072	7,072
Total gross receivables from finance leases	19,938,945	96,191	378,542	20,413,678
Credit loss allowance	(119,259)	(20,512)	(155,373)	(295,145)
Total net receivables from finance leases	19,819,686	75,678	223,168	20,118,533

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 30 June 2022 the Bank has no customers whose balances exceed 10% of equity (2021: nil).

(f) Receivables from factoring

	30/06/2022 AMD'000	31/12/2021 AMD'000
Receivables from factoring	8,877,933	10,820,379
Impairment allowance	(11,992)	(13,379)
	8,865,941	10,807,000

As at 30 June 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 30 June 2022 and 31 December 2021.

	2022			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Receivables from factoring				
Balance at 1 January	10,820,379	-	-	10,820,379
New assets originated or purchased	8,877,933	-	-	8,877,933
Assets repaid	(10,820,379)	-	-	(10,820,379)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 30 June	8,877,933	-	-	8,877,933

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
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 30 June 2022 and 31 December 2021.

	2022			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Receivables from factoring				
Balance at 1 January	13,379	-	-	13,379
New assets originated or purchased	11,992	-	-	11,992
Assets repaid	(13,379)	-	-	(13,379)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 30 June	11,992	-	-	11,992

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

	30/06/2022 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	58,284,599	36,440,646
Eurobonds of the Republic of Armenia	8,928,028	639,897
- Corporate bonds		
- rated from B1 to B3	-	-
- no rating	5,331,838	965,804
Total corporate bonds	5,331,838	38,046,347
Total debt and other fixed-income instruments held by the Bank	72,544,465	38,046,347
Impairment	(171,545)	(130,613)
Total net debt and other fixed-income instruments held by the Bank	72,372,920	37,915,734
s 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 30 June 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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	(15,315)	-	-	(15,315)
Assets repaid	(30,461)	-	-	(30,461)
Assets sold	-	-	-	-
New assets originated or purchased	86,707	-	-	86,707
Balance at 30 June	171,545	-	-	171,545

AMD'000	2021			
	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	(29,300)	-	-	(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	137,867	265,588	73,011	-	696,132	1,172,598
Disposals/write-offs	(649,323)	(123,985)	(39)	-	(443,878)	(1,217,226)
Balance at 30 June 2022	4,534,540	8,158,594	2,931,681	321,154	4,924,621	20,870,591

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	143,256	489,469	122,921	20,792	534,461	1,310,899
Disposals/write-offs	(646,446)	(109,784)	(39)	-	(443,876)	(1,200,145)
Balance at 30 June 2022	1,555,753	5,420,461	1,122,915	189,404	2,088,358	10,376,891
Carrying amount At 30 June 2022	2,978,787	2,738,133	1,808,767	131,750	2,836,263	10,493,700

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 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	30/06/2022 AMD'000	31/12/2021 AMD'000
Balance at 1 January 2021	11,163,103	10,643,891
Additions to right of use assets	253,467	763,001
Depreciation charge for the period	(531,206)	(1,017,247)
Lease contract modifications	5,737	773,457
Balance	10,891,101	11,163,102

(a) Amounts recognized in profit or loss

	30/06/2022 AMD'000	30/06/2021 AMD'000
Depreciation of right of use asset	531,206	499,135
Interest on lease liabilities	671,987	663,683

21. Other assets

	30/06/2022 AMD'000	31/12/2021 AMD'000
Receivables from unsettled transactions	2,604,411	1,753,611
Brokerage accounts	178,811	1,214,055
Restricted accounts with clearing houses	726,293	573,370
Credit loss allowance	(34,127)	(24,903)
Total other financial assets at amortised cost	3,475,384	3,516,133
Prepayments to suppliers	8,093,645	6,563,381
Reposessed assets	1,362,212	1,326,280
Inventories	252,557	153,669
Other	5,771	13,771
Total other non-financial assets	9,714,185	8,057,101
Total other assets	13,189,569	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 30 June 2022 and 31 December 2021.

AMD'000	2022			
	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	7,384	(180)	10,868	18,072
Write offs	-	-	(22,276)	(22,276)
Recoveries	-	-	13,429	13,429
Balance at 30 June	22,316	468	11,343	34,127

AMD'000	2021			
	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

	30/06/2022 AMD'000	31/12/2021 AMD'000
Loans from the Central Bank of Armenia	23,114,440	21,216,786
Liabilities for letters of credit	7,363,290	16,364,003
Loans and term deposits from commercial banks		
– with initial maturity period of more than 12 months	12,267,704	14,414,774
– with initial maturity period of less than 12 months	9,182,586	4,331,441
Vostro accounts	985,505	322,757
	52,913,524	56,649,761

As at 30 June 2022 and 2021 the Bank has no counterparty, except for the Central Bank of Armenia, whose balances exceed 10% of equity. The gross value of the counterparty balances as 30 June 2022 is AMD 0 (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

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Current accounts and demand deposits		
- Retail	148,654,181	119,887,810
- Corporate	241,997,784	189,457,843
Term deposits		
- Retail	180,860,785	182,878,019
- Corporate	86,924,577	108,390,624
	658,437,327	600,614,296

As at 30 June 2022, the Bank has two customers (31 December 2021: three customers) whose balances exceed 10% of equity. The gross value of these balances as 30 June 2022 is AMD 46,569,119 thousand (2021: AMD 81,659,035 thousand).

24. Debt securities issue

	30/06/2022	31/12/2021
	AMD'000	AMD'000
Domestic bonds issued	81,205,623	88,283,791
Green bonds issued to international financial institutions	17,792,209	22,791,152
	98,997,832	111,074,943

Domestic bonds issued: As at 30 June 2022 the Bank has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 38.2 billion and USD 42.3 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 30 June 2022 carrying value of the bonds is AMD 38,692,716 thousand and AMD 42,512,900 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 30 June 2022 carrying value of the green bonds is AMD 17,792,209 thousand.

25. Other borrowed funds and subordinated borrowings

	30/06/2022 AMD'000	31/12/2021 AMD'000
Borrowings from international financial institutions	92,162,771	127,712,418
	92,162,771	127,712,418
Subordinated borrowings from international financial institutions	28,537,287	27,393,716
	28,537,287	27,393,716

a. Concentration of borrowings from international financial institutions

- (b) As at 30 June 2022, the Bank has loans from two financial institutions (31 December 2021: four), whose balances exceed 10% of equity. These balances as at 30 June 2022 are AMD 47,206,364 thousand (31 December 2021: AMD 94,968,710 thousand).

b. Subordinated borrowing

As at 30 June 2022 subordinated borrowings represent borrowings received from seven financial institutions:

- AMD 3,395,025 thousand maturing on 15 January 2026,
- AMD 5,645,895 thousand maturing on 15 January 2027,
- AMD 6,179,309 thousand maturing on 3 January 2031,
- AMD 3,544,216 thousand maturing on 8 January 2029 ,
- AMD 4,768,385 thousand maturing on 02 January 2032
- AMD 1,590,759 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 30 June 2022 and 31 December 2021.

d. Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2022	127,712,418	27,393,716
Changes from financing cash flows		
Receipt	29,564,921	3,326,025
Repayments	(43,302,148)	-
Total changes from financing cash flows	(13,737,227)	3,326,025
The effect of changes in foreign exchange rates	(21,665,624)	(2,203,533)
Other changes		
Interest expense	2,353,703	908,473
Interest paid	(2,500,500)	(887,394)
Balance at 30 June 2022	92,162,771	28,537,287

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2021	128,907,362	48,416,832
Changes from financing cash flows		
Receipt	51,265,871	9,176,598
Repayments	(63,438,777)	-
Total changes from financing cash flows	(12,172,906)	9,176,598
The effect of changes in foreign exchange rates	(15,055,988)	(4,157,705)
Transfer from subordinated borrowings to other borrowed funds	26,322,960	(26,322,960)
Other changes		
Interest expense	4,971,972	1,548,167
Interest paid	(5,260,982)	(1,267,216)
Balance at 31 December 2021	127,712,418	27,393,716

26. Other liabilities

	30/06/2022 AMD'000	31/12/2021 AMD'000
Payables to staff	7,090,931	6,204,477
Payables in transit	5,132,592	2,544,251
Financial liabilities related to factoring contracts	562,081	726,794
Tarde payables	653,555	795,497
Payables to deposit guarantee fund	195,331	175,312
Other payables	1,381,642	434,309
Total other financial liabilities	15,016,132	10,880,640
Other taxes payable	1,518,652	1,524,071
Deferred income	50,315	31,376
Total other non-financial liabilities	1,568,967	1,555,447
Total other liabilities	16,585,099	12,436,087

27. Share capital and treasury shares

(a) Issued capital and share premium

As at 30 June 2022 the authorized, issued and outstanding share capital comprises 117,021 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.

(c) 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.

(d) Dividends

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

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

(d) Earnings per share

The calculation of basic earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of AMD 19,109,577 thousand (2021: AMD 9,481,241 thousand), and a weighted-average number of ordinary shares outstanding of 117,021 (2021: 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 during first semester	62	125
Weighted average number of shares for the period ended 30 June	117,021	116,959
Earnings per base share for the second quarter of 2022	163.32	81.09
Earnings per base share annualized	326.65	162.19

28. Impairment allowance on contingent liabilities

Movements in the impairment allowance for contingent liabilities for second 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	17,366	(3,994)	(42,156)	(28,784)
Write-offs	-	-	-	-
Balance at the end of the period	42,366	677	173,101	216,144

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

AMD'000

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
30-June-22							
Assets							
Cash and cash equivalents	-	-	-	-	-	194,619,673	194,619,673
Investment securities measured at fair value through other comprehensive income	6,571,981	188,453	8,251,650	19,432,713	3,580,999	86,414	38,112,211
Loans and advances to banks	1,836,523	-	-	528,866	-	56,476,729	58,842,118
Amounts receivable under reverse repurchase agreements	13,898,391	-	-	-	-	-	13,898,391
Loans to customers	108,933,250	55,285,634	123,922,627	297,911,098	55,463,931	9,863,264	651,379,804
Receivables from letters of credit	3,995	-	1,676,851	2,456,735	-	-	4,137,581

Receivables from finance leases	1,394,498	1,244,463	2,475,255	13,056,727	1,927,289	20,301	20,118,533
Receivables from factoring	5,873,812	2,992,129	-	-	-	-	8,865,941
Investment securities measured at amortized cost	12,289,622	6,468,804	9,274,096	14,969,604	29,370,794	-	72,372,920
	150,802,073	66,179,483	145,600,480	348,355,742	90,343,012	261,066,382	1,062,347,172
Liabilities							
Deposits and balances from banks	(3,232,911)	(10,702,771)	(3,140,681)	(31,012,045)	(4,825,116)	-	(52,913,524)
Current accounts and deposits from customers	(60,862,108)	(54,138,555)	(114,222,845)	(35,924,613)	(2,637,241)	(390,651,965)	(658,437,327)
Debt securities issue	-	(175,821)	-	(98,822,011)	-	-	(98,997,832)
Subordinated borrowings	(222,535)	(77,382)	-	(8,991,257)	(19,246,113)	-	(28,537,287)
Other borrowed funds	(9,938,289)	(17,045,329)	(10,530,856)	(54,588,279)	(60,018)	-	(92,162,771)
Lease liabilities	(493,004)	(488,939)	(928,332)	(5,073,430)	(5,013,659)	-	(11,997,364)
	(74,748,847)	(82,628,797)	(128,822,714)	(234,411,636)	(31,782,146)	(390,651,965)	(943,046,105)
Net position	76,053,226	(16,449,314)	16,777,767	113,944,106	58,560,866	(129,585,583)	119,301,067

AMD'000

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
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 30 June 2022 and 31 December 2021.

	2022			2021		
	Average effective interest rate, %			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	10.7%	7.0%	2.68%	9.2%	6.4%	2.7%
Investment securities measured at fair value through other comprehensive income	10.1%	3.7%	-	8.9%	4.7%	-
Investment securities measured at amortized cost	8.6%	1.9%	-	8.0%	4.8%	-
Loans and advances to banks	-	2.9%	-	-	7.1%	0.7%
Amounts receivable under reverse repurchase agreements	10.7%	2.3%	-	9.2%	-	-
Loans and advances to customers	13.9%	8.1%	6.5%	14.0%	8.1%	6.5%
Receivables from finance leases	11.5%	7.9%	6.2%	11.4%	8.0%	6.1%
Receivables from factoring	16.0%	9.8%	7.9%	15.9%	9.9%	19.1%
Receivables from letter of credit	-	7.2%	4.6%	-	5.0%	5.1%

	2022			2021		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing liabilities						
Deposits and balances from banks	6.2%	4.2%	0.8%	6.2%	2.9%	0.6%
Amounts payable under reverse repurchase agreements	-	-	-	7.8%	-	-
Debt securities issued	9.9%	4.6%	3.2%	10.0%	4.9%	3.2%
Term deposits from customers	9.4%	3.3%	1.8%	9.3%	3.5%	1.8%
Subordinated borrowings	-	7.6%	6.3%	-	6.4%	6.5%
Other borrowed funds	12.7%	5.2%	3.0%	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 30 June 2022:

	USD	EUR	Other currencies	Total
2022	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	71,342,766	49,455,587	7,233,283	128,031,636
Investment securities at fair value through profit or loss	7,723,406	44,019	-	7,767,425
Investment securities at fair value through other comprehensive income	25,862,213	-	-	25,862,213
Investment securities at amortised cost	28,358,542	-	-	28,358,542
Loans and advances to banks	48,370,939	12,331,044	77,433	60,779,416
Loans and advances to customers	253,490,142	80,827,791	631,917	334,949,851
Amounts receivable under reverse repurchase agreements	2,118,759	-	-	2,118,759
Receivables from letters of credit	785,890	3,351,691	-	4,137,581
Receivables from finance leases	2,197,280	3,431,655	-	5,628,935
Receivables from factoring	5,036,063	2,383,410	170,383	7,589,855
Other financial assets	2,389,112	260,967	50,857	2,700,936
Total assets	447,675,112	152,086,164	8,163,873	607,925,149
LIABILITIES				
Deposits and balances from banks	27,591,112	5,077,452	555,865	33,224,429
Current accounts and deposits from customers	325,947,624	55,774,684	14,836,762	396,559,070
Debt securities issued	42,512,907	17,792,209	-	60,305,116
Subordinated borrowings	9,593,005	18,944,282	-	28,537,287
Other borrowed funds	61,387,547	20,538,255	-	81,925,802
Lease Liability	101,257	-	-	101,257
Other financial liabilities	5,079,327	735,316	37,920	5,852,563
Total liabilities	472,212,779	118,862,198	15,430,547	606,505,524
Net position	(24,537,667)	33,223,966	(7,266,674)	1,419,625
Effect of derivatives	22,073,376	(33,352,976)	6,988,081	(4,291,519)
Net position	(2,464,291)	(129,010)	(278,593)	(2,871,894)

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 30 June 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	
	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>
AMD against USD	10.00%	246,429	10.00%	234,231
AMD against EUR	10.00%	(12,901)	10.00%	(145,638)

A strengthening of the AMD against the above currencies at 30 June 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 liquidity risk.

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

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

The liquidity management policy requires:

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

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

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

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 30 June 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	194,619,673	-	-	-	-	-	-	194,619,673
Banking standardized bullions of precious metals	-	-	-	-	-	311,399	-	311,399
Financial instruments at fair value through profit or loss	84,649	271,405	3,203,662	6,129,017	4,794,449	-	-	14,483,182
Investment securities at fair value through other comprehensive income	287,166	6,284,815	8,440,103	19,432,713	3,580,999	86,414	-	38,112,211
Loans and advances to banks	7,262,794	-	-	305,854	-	51,273,470	-	58,842,118
Amounts receivable under reverse repurchase agreements	13,898,391	-	-	-	-	-	-	13,898,391
Loans and advances to customers	13,147,059	29,897,859	156,125,129	316,504,764	125,841,729	-	9,863,264	651,379,804
Receivables from letters of credit	3,995	-	1,676,851	2,456,735	-	-	-	4,137,581
Receivables from finance leases	509,491	885,007	3,719,718	13,056,727	1,927,289	-	20,301	20,118,533
Receivables from factoring	803,857	5,069,955	2,992,129	-	-	-	-	8,865,941
Debt securities at amortized cost	6,122,533	6,167,089	15,742,900	14,969,604	29,370,794	-	-	72,372,920
Property, equipment and intangible assets	-	-	-	-	-	10,493,700	-	10,493,700
Right of use asset	-	-	-	-	-	10,891,101	-	10,891,101
Other assets	3,001,962	252,656	7,844,599	-	-	2,090,353	-	13,189,569
Total assets	239,741,570	48,828,786	199,745,091	372,855,415	165,515,259	75,146,437	9,883,565	1,111,716,123
LIABILITIES								
Financial instruments at fair value through profit or loss	9,236	-	-	-	-	-	-	9,236
Amounts receivable under repurchase agreements	1,752,455	-	-	-	-	-	-	1,752,455
Deposits and balances from banks	2,115,720	1,117,191	13,843,452	31,012,045	4,825,116	-	-	52,913,524
Current accounts and deposits from customers	270,743,444	109,190,425	194,905,773	80,960,445	2,637,241	-	-	658,437,327
Debt securities issued	-	-	175,821	98,822,011	-	-	-	98,997,832
Subordinated borrowings	-	222,535	77,382	8,991,257	19,246,113	-	-	28,537,287
Other borrowed funds	82,416	9,855,873	27,576,185	54,588,279	60,018	-	-	92,162,771
Deffered tax liability	-	-	842,026	-	-	-	-	842,026
Current tax liability	-	-	2,779,577	-	-	-	-	2,779,577
Lease liability	388,837	103,571	1,430,066	5,067,294	5,007,596	-	-	11,997,364
Provision for commitments	216,144	-	-	-	-	-	-	216,144
Other liabilities	3,411,196.45	1,713,984.26	11,459,918.29	-	-	-	-	16,585,099
Total liabilities	278,719,448	122,203,578	253,090,200	279,441,332	31,776,083	-	-	965,230,642
Net position	(38,977,878)	(73,374,793)	(53,345,109)	93,414,083	133,739,176	75,146,437	9,883,565	146,485,481

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 30 June 2022 and during the reporting period are as follows:

	2022 AMD'000	2021 AMD'000
At 30 June (unaudited)	94.69%	118.5%
Average for June (unaudited)	92.0%	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 30 June 2022 and 31 December 2021, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 30 June 2022 and 31 December 2021.

	30/06/2022 AMD'000 Unaudited	31/12/2021 AMD'000 Unaudited
Tier 1 capital	134,835,084	117,695,856
Tier 2 capital	22,770,738	26,136,335
Total capital	157,605,822	143,832,191
 Total risk weighted assets	 973,072,993	 940,874,175
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	16.20%	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.

	30/06/2022 AMD'000	31/12/2021 AMD'000
Contracted amount		
Non-financial guarantees	21,226,234	17,939,675
Credit card commitments	20,823,460	19,626,093
Undrawn overdraft facilities	13,051,452	14,872,110
Financial guarantees and letters of credit	9,708,968	6,716,448
Undrawn loans and credit lines	2,794,107	8,068,230
	67,604,221	67,222,556
Impairment allowance	(216,144)	(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 uncommitted. The total amount of such uncommitted balances as at 30 June 2022 comprised AMD 24,405,727 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 30 June 2022 and 31 December 2021.

	2022			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Commitments				
Balance at 1 January	238,772	1,670	4,488	244,929
New exposures originated	522,514	-	-	522,514
Exposures expired	(542,615)	-	(14,160)	(556,775)
Transfer to Stage 1	34	(19)	(15)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(4,206)	(1,651)	11,334	5,476
Balance at 30 June	214,499	-	1,646	216,144

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
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 30 June 2022 are Imast Group (CY) (48.87%), EBRD (17.73%), ADB (13.92%), ESPS Holding Limited (11.97%) and Afeyan Foundation for Armenia Inc. (7.51%).

As at 30 June 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 second quarter of 2022 and 2021 are as follows:

	30/06/2022 AMD'000	30/06/2021 AMD'000
Short-term employee benefits	3,997,098	1,761,507

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

The outstanding balances and average interest rates as at 30 June 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	1,085,797	8.56%	863,356	7.13%
Other assets	4,057	0.00%	1,697	0.00%
Term deposits from customers	1,448,679	6.59%	152,517	6.22%
Current accounts	230,097	0.02%	562,222	0.00%
Issued Bonds	2,217,557	6.22%	1,880,277	5.55%
Other liabilities	3,253,801	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 30 June 2022 and 31 December 2021 are as follows:

	30/06/2022 AMD'000	30/06/2021 AMD'000
Profit or loss		
Interest income	49,801	24,818
Interest expense	(71,407)	(3,375)

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 30 June 2022 and related profit or loss amounts of transactions for the quarter ended 30 June 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		Total AMD'000
	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	
Statement of financial position									
Assets									
Loans and advances to customers	142	7.00%	-	-	-	-	1,872,781	8.98%	1,873,076
Other asset	-	-	-	-	-	-	42	-	42
Liabilities									
Current accounts and deposits from customers									
- Current accounts and demand deposits	86,505	0.00%	652,677	0.00%	86,716	0.00%	1,938,766	0.00%	2,764,664
- Term deposits	-	-	-	-	-	-	194,294	3.70%	194,294
Bonds issued	-	-	-	-	379,742	5.12%	629,413	4.83%	1,009,155
Other borrowed funds	-	-	12,430,800	3.86%	-	-	-	-	12,430,800
Other liabilities	-	-	19,719	0.0%	31	-	2	-	19,752

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		Total
	AMD'000		AMD'000		AMD'000		AMD'000		AMD'000
Items not recognised in the statement of financial position									
Guarantees received	-	-	8,929,009	0.68%	-	-	-	-	8,929,009
Profit (loss)									
Interest income	-	-	2,284	-	-	-	95,920	-	98,203
Interest expense	-	-	(215,230)	-	(20,549)	-	(22,056)	-	(257,835)
Other expense	-	-	-	-	(13,674)	-	-	-	(13,674)

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		
	Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		Total
	AMD'000		AMD'000		AMD'000		AMD'000		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
Profit/(loss)									

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