



Ameriabank cjsc

Financial Statements

For the fourth quarter of 2021

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Statement of comprehensive income
31-Dec-2021

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

(thous. drams)

Item	Note	01/10/2021- 31/12/2021	01/01/2021- 31/12/2021	01/10/2020- 31/12/2020	01/01/2020- 31/12/2020
Interest income calculated using effective interest rate	4	17,402,843	70,254,721	17,254,287	65,387,533
Other interest income	4	909,308	2,882,294	568,411	1,873,340
Interest expenses	4	(8,751,637)	(32,662,210)	(7,811,261)	(31,179,929)
Net interest income		9,560,514	40,474,806	10,011,437	36,080,944
Fee and commission income	5	1,945,755	7,144,770	1,507,260	5,250,022
Fee and commission expense	5	(597,488)	(2,053,290)	(399,000)	(1,471,612)
Net fee and commission income		1,348,267	5,091,480	1,108,260	3,778,410
Net profit/loss on financial instruments at fair value through profit or loss	6	366,249	2,465,815	(2,439,101)	(3,602,132)
Net foreign exchange gain/(loss)	7	2,078,391	5,920,451	3,864,250	8,653,830
Net gain on financial assets at fair value through other comprehensive			(106,457)	46,126	365,430
Other operating income	8	101,413	588,831	2,331,037	2,877,652
Other operating expense	8	(1,122,806)	(3,805,377)	(932,762)	(3,376,726)
Operating income		12,332,029	50,629,550	13,989,248	44,777,407
Net impairment losses on financial instruments	9	(520,871)	(6,157,183)	(7,214,260)	(17,968,823)
Other impairments and provisions	9	43,520	(65,466)	23,275	85,872
Personnel expenses		(3,706,172)	(13,303,851)	(2,294,895)	(9,239,870)
Other general administrative expenses	10	(2,183,115)	(7,231,329)	(1,737,847)	(6,472,458)
Profit before income tax		5,965,391	23,871,721	2,765,520	11,182,128
Income tax expense	11	(1,045,087)	(4,455,654)	(617,479)	(2,181,925)
Profit for the period		4,920,304	19,416,067	2,148,041	9,000,203
Other comprehensive income, net of income tax					
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income					
net change in fair value		(88,475)	(211,542)	35,679	(317,511)
net amount reclassified to profit or loss			(87,295)	(618,957)	(299,653)
Other comprehensive income/(loss) for the period, net of income tax		(88,475)	(298,837)	(583,278)	(617,164)
Total comprehensive income for the period		4,831,830	19,117,230	1,564,763	8,383,039

Validation date 20.01.22

seal

General Director-Chairman of the Management Board

Deputy Chief Accountant




Artak Hanesyan

Mher Kandalyan

Statement of Financial Position
31-Dec-2021

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

(thous. drams)

Item	Note	31/12/21	31/12/2020 (audited)
Assets			
Cash and cash equivalents	12	264,090,145	234,412,812
Banking standardized bullions of precious metals		1,031,181	1,215,094
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	8,223,960	9,476,566
- Pledged under sale and repurchase agreements	13	-	-
Financial assets at fair value through other comprehensive income			
- Held by the Bank	14	7,920,255	8,026,999
- Pledged under sale and repurchase agreements	14	4,096,530	3,181,002
Loans and advances to banks	15	43,333,261	35,523,809
Amounts receivable under reverse repurchase agreements	16	7,533,683	17,258,217
Loans and advances to customers at amortized cost	17	673,086,264	696,495,523
Debt securities at amortized cost			
- Held by the Bank	18	37,915,734	33,722,305
- Pledged under sale and repurchase agreements	18	15,770,574	17,814,988
Property, equipment and intangible assets	21	10,649,082	10,740,536
Right of use asset	22	11,163,102	10,643,891
Current tax asset	11	334,045	-
Deferred tax asset	11		1,028,409
Other assets	21	11,573,234	11,222,572
Total assets		1,096,721,050	1,090,762,723
Liabilities			
Financial instruments at fair value through profit or loss	13	92,827	504,412
Amounts payable under repurchase agreements		18,011,594	20,005,910
Deposits and balances from banks	22	56,649,761	55,845,516
Current accounts and deposits from customers	23	600,614,296	598,960,666
Debt securities issued	24	111,074,943	106,916,313
Subordinated borrowings	25	27,393,716	48,416,832
Other borrowed funds	25	127,712,418	128,907,362
Current tax liabilities	11	-	2,610,472
Provision on contingent liabilities		244,929	359,219
Deferred tax liability	11	1,452,920	-
Lease liabilities	20	12,106,310	11,231,832
Other liabilities	26	12,436,087	7,298,587
Total liabilities		967,789,801	981,057,121
Equity			
Share capital	27	54,385,935	37,386,880
Share premium		174,726	17,065,364
Revaluation reserve		(265,959)	32,878
Retained earnings		74,636,547	55,220,480
Total equity		128,931,249	109,705,602
Total liabilities and equity		1,096,721,050	1,090,762,723

Validation date 20.01.22

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General Director-Chairman of the Management Board

Artak Hanesyan

Deputy Chief Accountant

Mher Kandalyan



Statement of changes in equity
31-Dec-2021

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	Share capital	Share premium	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of previous financial year (cumulative)					
Balance as of 01 January 2020	37,347,200	17,009,560	650,042	46,220,276	101,227,078
Issue of share capital	39,680	55,804	-	-	95,484
Other comprehensive income/(loss) for the period			(617,164)		(617,164)
Net profit for the period	-	-	-	9,000,204	9,000,204
Balance as of 31 December 2020	37,386,880	17,065,364	32,878	55,220,480	109,705,602

Interim period of current financial year (cumulative)					
Balance as of 01 January 2021	37,386,880	17,065,364	32,878	55,220,480	109,705,602
Net profit for the period	-	-	-	19,416,067	19,416,067
Other comprehensive income/(loss) for the period	-	-	(298,837)	-	(298,837)
Issue of share capital	16,999,055	(16,890,638)			108,417
Balance as of 31 December 2021	54,385,935	174,726	(265,959)	74,636,547	128,931,249

Validation date 20.01.22

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General Director-Chairman of the Management Board

Deputy Chief Accountant



Artak Hancsyan

Mher Kandalyan

Statement of cash flows
31-Dec-2021

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020
Cash flows from operational activities	x	x
Interests receipts	71,216,997	65,690,282
Interests payments	(25,913,599)	(29,533,354)
Fee and commissions receipts	7,144,770	5,250,022
Fee and commissions payments	(2,053,290)	(1,471,612)
Net receipts from financial assets at fair value through profit and loss	290,078	400,657
Net receipts from foreign exchange	7,647,683	6,120,126
Other income/(expenses)	631,590	407,760
Salaries and other payments to employees	(12,969,858)	(10,220,658)
Other general administrative expense payments	(3,798,652)	(3,376,062)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	1,022,948	(1,361,058)
Loans and advances to banks	23,720,575	(8,004,235)
Amounts receivable under reverse repurchase agreements	9,809,681	7,399,559
Loans and advances to customers at amortized cost	(62,885,266)	(76,194,832)
Other assets	(395,053)	(2,626,135)
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	1,676,826	(3,185,246)
Deposits and balances from banks	4,962,739	18,322,438
Amounts payable under repurchase agreements	(2,000,002)	19,997,109
Current accounts and deposits from customers	18,700,237	(27,258,508)
Other liabilities	1,021,422	(1,046,605)
Net cash from (used in) operating activities before income tax paid	37,829,827	(40,690,352)
Income tax paid	(5,154,960)	(1,667,413)
Net cash flows from operational activities after profit tax	32,674,867	(42,357,765)
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(2,580,288)	(1,979,214)
Sales of property and equipment and intangible assets	16,510	3,487
Financial assets at fair value through other comprehensive income	(2,618,466)	(383,377)
Financial assets at amortized cost	(13,449,612)	(17,476,652)
Net cash flows from investing activities	(18,631,855)	(19,835,756)
Cash flows from financing activities	x	x
Dividends paid	-	-
Proceeds from issue of share capital	108,417	95,484
Net receipts of other borrowed funds	29,032,248	(3,838,150)
Receipts from issuance of debt securities	6,570,422	45,091,696
Net cash flows from financing activities	35,711,087	41,349,030
Effect of changes in exchange rates on cash and cash equivalents	(20,034,617)	7,991,450
Effect of changes in impairment allowance on cash and cash equivalents	(42,149)	(87,837)
Net increase/(decrease) in cash and cash equivalents	29,677,333	(12,940,878)
Cash and cash equivalents at the beginning of the period (Note 12)	234,412,812	247,353,690
Cash and cash equivalents at the end of the period (Note 12)	264,090,145	234,412,812

Validation date 20.01.22

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General Director-Chairman of the Management Board

Deputy Chief Accountant

Artak Hanesyan

Mher Kandalyan

1 Background

(a) Organisation and operations

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

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

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

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

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

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

On 14 July in 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 two transactions:

- Increase of ordinary shares' nominal value amounting to 465,000 AMD
- Increase of shareholding equity amounting to 54,385,935 AMD.

As at 31 December 2021 and Bank as at 31 December 2020 the shareholders structure of the bank is as follows.

	2021	2020
Imast Group (CY)	48.90%	48.95%
European Bank for Reconstruction and Development (EBRD)	17.74%	17.76%
Asian Development Bank (ADB)	13.93%	13.94%
ESPS Holding Limited	11.92%	11.83%
Afeyan Foundation for Armenia Inc	7.51%	7.52%
	100.00%	100.00%

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

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

Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has 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 fourth quarter of 2021 was 1,157 (2020: 1,109). Related party transactions are detailed in note 33.

(b) Armenian business environment

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

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Armenian Drams (AMD), which is the Bank's functional and presentation currency. Financial information presented in AMD is rounded to the nearest thousand. The official CBA exchange rates at 31 December 2021 and 31 December 2020 were 480.14 AMD and 522.59 AMD to 1 USD, and 542.61 AMD and 641.11 AMD to 1 EUR, respectively.

(d) Use of estimates and judgments

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

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

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

(e) Changes in accounting policies and presentation

Changes in accounting policies

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

3 Significant accounting policies

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

(a) Foreign currency

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

(b) Cash and cash equivalents

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

(c) Financial instruments

Classification and measurement

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

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

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

Recognition

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

Amortized cost

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

Fair value measurement principles

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active

market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

Gains and losses on subsequent measurement

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

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

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

Derecognition

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

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

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

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

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

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

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

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

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

Derivative financial instruments

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

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

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

Offsetting

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

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

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

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

(e) Intangible assets

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

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

(f) Assets held for sale

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

(g) Impairment

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

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

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

credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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

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

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

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

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

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

(i) Non-financial assets

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

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

(j) Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or

constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Future operating costs are not provided for.

(k) Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

(l) Credit related commitments

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

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

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

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

Loan commitments are not recognized, except for the followings:

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

- ▶ Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- ▶ Commitments to provide a loan at a below-market interest rate.

(m) Share capital

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

(i) *Share premium*

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

(ii) *Repurchase of share capital*

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

(iii) *Dividends*

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

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

(n) Segment reporting

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

(o) Taxation

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates

enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(p) Income and expense recognition

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

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

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

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

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

(q) Leases

Finance – Bank as lessee

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

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

Finance – Bank as lessor

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

Operating – Bank as lessee

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

Initial recognition

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

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

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

Subsequent measurement

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

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

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

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Operating – Bank as lessor

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

4 Net interest income

	01/10/2021- 31/12/2021 AMD'000	01/01/2021- 31/12/2021 AMD'000	01/10/2020- 31/12/2020 AMD'000	01/01/2020- 31/12/2020 AMD'000
Interest income calculated using the effective interest method				
Financial assets measured at amortized cost				
Loans to customers	15,640,545	63,070,967	15,366,356	58,367,763
Investment securities measured at amortized cost	958,993	3,712,701	1,038,740	3,793,887
Income from factoring	212,690	949,037	222,446	967,301
Receivables from letters of credit	128,561	663,644	194,407	529,034
Amounts receivable under reverse repurchase agreements	171,875	664,777	127,458	654,823
Loans and advances to banks	28,471	104,483	47,791	135,159
Other	3,684	12,843	2,122	11,485
	17,144,819	69,178,452	16,999,320	64,459,453
Financial assets measured at fair value through other comprehensive income				
Investment securities measures at FVOCI	258,024	1,076,269	254,967	928,080
Interest income calculated using the effective interest method	17,402,843	70,254,721	17,254,287	65,387,533
Other interest income				
Receivables from finance leases	632,321	1,888,452	279,768	935,850
Derivative financial assets	162,790	547,670	127,283	344,965
Investment securities measured at FVTPL	114,197	446,172	161,360	592,525
	909,308	2,882,294	568,411	1,873,340
Total	18,312,151	73,137,015	17,822,698	67,260,873
Interest expense				
Current accounts and deposits from customers	4,063,268	14,605,028	3,488,278	14,893,638
Other borrowed funds and subordinated borrowing	1,679,548	6,520,139	2,535,401	8,537,676
Debt securities issued	1,624,431	6,471,167	954,092	3,880,180
Deposits and balances from banks	480,137	1,859,651	65,935	1,723,106
Amounts payable under repurchase agreements	482,513	1,343,129	327,636	455,751
Lease payables	339,280	1,444,073	337,868	1,359,428
Letters of credit and guarantee	82,460	408,246	101,816	329,915
Other	-	10,777	235	235
	8,751,637	32,662,210	7,811,261	31,179,929
Net interest income	9,560,514	40,474,805	10,011,437	36,080,944

5 Fee and commission income

	01/10/2021- 31/12/2021 AMD'000	01/01/2021- 31/12/2021 AMD'000	01/10/2020- 31/12/2020 AMD'000	01/01/2020- 31/12/2020 AMD'000
Credit card maintenance	1,166,404	3,949,186	700,266	2,466,956
Money transfers	258,105	925,905	211,450	788,726
Cash withdrawal, account service and distance system services	216,077	853,484	195,147	771,339
Guarantee and letter of credit issuance	156,408	426,030	195,623	561,626
Brokerage services	72,122	609,604	151,762	416,582
Settlement operations	59,338	212,819	43,272	160,277
Other	17,301	167,742	9,740	84,516
	1,945,755	7,144,770	1,507,260	5,250,022

6 Fee and commission expense

	01/10/2021- 31/12/2021 AMD'000	01/01/2021- 31/12/2021 AMD'000	01/10/2020- 31/12/2020 AMD'000	01/01/2020- 31/12/2020 AMD'000
Guarantee and letter of credit issuance	9,194	71,130	19,024	72,177
Credit card maintenance	489,928	1,610,638	272,332	1,032,296
Money transfers	72,482	279,707	61,808	225,418
Other	25,884	91,815	45,836	141,721
	597,488	2,053,290	399,000	1,471,612

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

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

8 Net foreign exchange income

	01/10/2021- 31/12/2021 AMD'000	01/01/2021- 31/12/2021 AMD'000	01/10/2020- 31/12/2020 AMD'000	01/01/2020- 31/12/2020 AMD'000
Net gain on spot transactions	2,342,916	7,647,683	1,957,158	6,120,126
Net gain from revaluation of financial assets and liabilities	(264,525)	(1,727,232)	1,907,092	2,533,704
	2,078,391	5,920,451	3,864,250	8,653,830

9 Other operating income/(expenses)

	01/10/2021- 31/12/2021	01/01/2021- 31/12/2021	01/10/2020- 31/12/2020	01/01/2020- 31/12/2020
Other operating income	AMD'000	AMD'000	AMD'000	AMD'000
Income from rendered services	35,401	133,435	25,134	115,101
Income from insurance agency services	21,884	110,943	12,658	71,260
Income from safes	27,489	53,637	21,710	45,671
Net income from sale of repossessed assets	-	44,668	109,116	282,000
Income from advisory and arrangement services	1,345	29,012	1,965,818	1,979,083
Net gain from the sale of investment securities measured at amortized cost	-	-	193,942	193,942
Other income	15,294	217,136	2,659	190,595
	101,413	588,831	2,331,037	2,877,652
Other operating expenses				
Payment system expenses	432,346	1,283,681	225,892	861,254
Guarantee payments to Armenian Deposit Guarantee Fund	188,603	685,324	152,886	630,564
Software maintenance	104,730	418,844	98,304	413,532
Collateral registration charges	132,582	158,183	178,581	198,886
Fees for brokerage services	24,310	131,741	45,808	156,106
Agent fee	-	125,500	38,056	220,521
Insurance charges	30,119	121,987	55,213	121,967
Credit register charges	53,747	110,957	17,462	73,423
Financial system mediator	27,505	110,019	23,915	95,657
ATM space charge	27,101	100,935	23,584	88,881
Encashment	22,380	86,716	19,875	88,723
Depository services	16,903	76,671	20,195	54,753
Paid fees and penalties	14,124	18,426	3,274	3,284
Cashback and referrals	1,799	6,508	2,125	16,005
Other expenses	46,557	369,885	27,592	353,170
	1,122,806	3,805,377	932,762	3,376,726

10 Impairment (losses) reversals

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for 31 December 2021:

AMD'000	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	24,106	-	-	24,106
Amounts receivable under reverse repurchase agreements	(1)	-	-	(1)
Loans and advances to banks	(7,149)	-	-	(7,149)
Loans to legal entities and individuals	(1,756,612)	(1,395,808)	9,595,272	6,442,852
Receivables from finance leases	(13,091)	(15,317)	336,161	307,753
Receivables from factoring	(7,182)	-	-	(7,182)
Receivables from letter of credit	(12,864)	-	-	(12,864)
Investment securities measured at amortised cost	32,925	-	-	32,925

AMD'000	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at fair value through other comprehensive income	(22,039)	-	-	(22,039)
Other financial assets	4,668	304	(491,898)	(486,926)
Credit related commitments	(86,972)	(12,475)	(14,845)	(114,292)
Total credit loss expense	(1,844,211)	(1,423,296)	9,424,690	6,157,183

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020:

AMD'000	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	(5,306)	-	-	(5,306)
Amounts receivable under reverse repurchase agreements	(1)	-	-	(1)
Loans and advances to banks	21,070	-	-	21,070
Loans to legal entities and individuals	4,429,578	226,948	12,626,379	17,282,905
Receivables from finance leases	146,028	18,937	138,866	303,831
Receivables from factoring	13,549	-	-	13,549
Receivables from letter of credit	40,925	-	-	40,925
Investment securities measured at amortised cost	32,539	-	-	32,539
Investment securities measured at fair value through other comprehensive income	(12,039)	-	-	(12,039)
Other financial assets	5,935	(123)	42,541	48,353
Credit related commitments	214,555	10,525	17,917	242,997
Total credit loss expense	4,886,833	256,287	12,825,703	17,968,823

11 Other general administrative expenses

	01/10/2021- 31/12/2021	01/01/2021- 31/12/2021	01/10/2020- 31/12/2020	01/01/2020- 31/12/2020
	AMD'000	AMD'000	AMD'000	AMD'000
Depreciation and amortization	879,506	3,432,675	793,043	3,096,396
Advertising and marketing	337,523	831,369	162,827	711,146
Operating lease expense	132,079	533,085	123,729	471,668
Repairs and maintenance	119,022	444,066	83,267	375,571
Staff training and other expenses	135,291	339,430	96,069	328,010
Loan recovery charges	101,627	365,015	-	296,809
Professional services	202,979	288,231	122,450	215,120
Security	62,351	238,604	54,812	219,359
Communications and information services	34,315	137,451	19,823	143,035
Charity and sponsorship	51,079	117,736	173,747	233,664
Electricity and utilities	26,139	104,090	21,912	85,758
Insurance	22,700	87,629	19,542	67,693
Office supplies	11,743	67,764	6,451	35,305

Taxes other than on payroll and income	10,117	43,528	11,733	38,755
Business trips and representation	10,089	28,882	20,139	20,817
Other	46,555	171,774	28,303	133,352
	2,183,115	7,231,329	1,737,847	6,472,458

12 Income tax expense

	01/10/2021- 31/12/2021	01/01/2021- 31/12/2021	01/10/2020- 31/12/2020	01/01/2020- 31/12/2020
	AMD'000	AMD'000	AMD'000	AMD'000
Current tax expense				
Current year	1,037,491	1,908,728	1,437,260	3,993,304
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	7,596	2,546,926	(819,781)	(1,811,379)
Total income tax expense	1,045,087	4,455,654	617,479	2,181,925

	01/01/2021- 31/12/2021	%	01/01/2020- 31/12/2020	%
	AMD'000		AMD'000	
Profit before tax	23,871,721		11,182,129	
Income tax at the applicable tax rate	(4,296,910)	18%	(2,012,783)	18%
Non-deductible costs	(158,744)	0.7%	(169,142)	1.5%
	(4,455,654)	18.7%	(2,181,925)	19.5%

(a) Deferred tax asset and liability

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

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

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

2021	Balance 01 Jan 2021	Recognize in profit or loss	Recognized in other comprehensive income	Balance 31 December 2021
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	74,577	(73,566)	-	1,011
Investment securities measures at FVOCI	24,889	(23,637)	65,598	66,850
Other financial instruments at amortised cost and provisions	11,126	(180,052)		(168,926)
Loans to customers	294,337	(2,393,872)	-	(2,099,535)

Property and equipment	13,667	20,859	-	34,526
Right of use of assets	105,829	63,948		169,777
Other assets	32,175	(3,327)	-	28,848
Other liabilities	569,337	34,576	-	603,913
Other borrowed funds	(97,528)	8,145	-	(89,383)
	1,028,409	(2,546,926)	65,598	(1,452,919)

2020	Balance 01 Jan 2020	Recognize in profit or loss	Recognized in other comprehensive income	Balance 31 December 2020
	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	(70,940)	145,517	-	74,577
Investment securities measures at FVOCI	(103,230)	(7,356)	135,475	24,889
Allowance for other receivables and other provisions	(1,257,594)	1,551,931		294,337
Loans to customers	(138,415)	149,541		11,126
Property and equipment	(16,916)	30,583	-	13,667
Right of use of assets	89,699	16,130		105,829
Other assets	82,733	(50,558)	-	32,175
Other liabilities	601,295	(31,958)	-	569,337
Other borrowed funds	(105,077)	7,549	-	(97,528)
	(918,445)	1,811,379	135,475	1,028,409

13 Cash and cash equivalents

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Cash on hand	22,847,846	20,782,469
Nostro accounts with the CBA	227,124,335	197,979,703
Nostro accounts with other banks		
- rated Aa1 to Aa3+	6,006,225	5,398,655
- rated A1 to A3	4,476,989	6,047,879
- rated from Baa1 to Baa3	2,645,379	3,773,668
- rated from Ba1 to Ba3	853,311	340,486
- not rated	178,209	107,995
Total nostro accounts with other banks	14,160,113	15,668,683
Impairment	(42,149)	(18,043)
Total cash and cash equivalents	264,090,145	234,412,812

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
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 2020	(42,149)	-	-	(42,149)

	2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Cash and cash equivalents				
Balance at 1 January	(23,349)	-	-	(23,349)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	23,349	-	-	23,349
New financial assets originated or purchased	(18,043)	-	-	(18,043)
Balance at 31 December 2020	(18,043)	-	-	(18,043)

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

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

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

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

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

14 Financial instruments at fair value through profit or loss

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,922,802	5,499,944
Total government bonds	4,922,802	5,499,944
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	1,449,305	1,087,359
- rated from B1 to B3	714,740	1,699,343
- not rated	1,059,391	1,172,405
Total corporate bonds	3,223,436	3,959,107
Total investment securities measured at fair value through profit or loss	8,146,238	9,459,051
Derivative financial assets		
Currency swaps	77,722	17,515
Total derivative financial assets	77,722	17,515
Total financial assets measured at fair value through profit or loss	8,223,960	9,476,566
Liabilities		
Derivative financial instruments		
Foreign currency contracts	99,827	504,412
	99,827	504,412

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

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

Interest rate swaps

As at 31 December 2021 the Bank has three interest rate swap contracts, with USD 10,000,000, USD 1,818,182 and with USD 10,000,000 initial nominal value (2020: three interest rate swap contracts with USD 10,000,000, USD 3,636,364 and with USD 5,454,545).

15 Financial assets at fair value through other comprehensive income

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	6,872,757	4,967,983
Total government bonds	6,872,757	4,967,983

Corporate bonds of Armenian companies

- rated from Ba1 to Ba3	6,883	-
- rated from B1 to B3	-	91,377
- not rated	487,810	1,905,870

Corporate bonds of foreign companies

- rated from B1 to B3	474,498	978,804
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Total corporate bonds	969,191	2,976,051
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Total debt and other fixed-income instruments	7,841,948	7,944,034
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- Unquoted equity securities at cost	78,307	82,965
	7,920,255	8,026,999

Pledged under sale and repurchase agreements

Government securities of the Republic of Armenia	4,096,530	3,181,002
	4,096,530	3,181,002

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

Investment securities measured at fair value through other comprehensive income are fully in Stage 1 as at 31 December 2021 and 31 December 2020.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the years ended 31 December 2021 and 31 December 2020. 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	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)

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at fair value through other comprehensive income				

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	(65,037)	-	-	(65,037)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	768	-	-	768
Assets repaid	-	-	-	-
Assets sold	19,592	-	-	19,592
New assets originated or purchased	(8,321)	-	-	(8,321)
Balance at 31 December	(52,998)	-	-	(52,998)

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

Name	Country of incorporation	Main activity	% Controlled		2021	2020
			2021	2020	AMD'000	AMD'000
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	44,841	49,499
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					78,307	82,965

16 Loans and advances to banks

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	3,364,500	2,312,500
Deposit with CBA	31,416,814	30,931,188
Loans and deposits with other banks		
Armenian banks	487,895	2,365,389
OECD and other banks	8,145,003	2,824
Total loans and advances to other banks	8,632,898	2,368,213
Total loans and advances to banks	43,414,212	35,611,901
Impairment	(80,951)	(88,092)
Total loans and advances to banks	43,333,261	35,523,809

(a) Balances with the Central Bank of Armenia

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

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

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

Concentration of loans and advances to banks

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

No loans and advances to banks are past due or impaired and are fully in Stage 1 as at 31 December 2021 and 31 December 2020. All the loans and advance to banks are measured at amortized cost as at 31 December 2021 and 31 December 2020.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans and advances to banks for 31 December 2021 and 31 December 2020.

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks at amortized 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)

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks at amortized cost				
Balance at 1 January	(67,022)	-	-	(67,022)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Assets repaid	67,022	-	-	67,022
Amounts written off	-	-	-	-
Foreign currency adjustments	-	-	-	-
New assets originated or purchased	(88,092)	-	-	(88,092)
Balance at 31 December	(88,092)	-	-	(88,092)

17 Amounts receivable under reverse repurchase agreements

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Amounts receivable from medium and small Armenian financial institutions	7,533,683	17,258,218
Total amounts receivable under reverse repurchase agreements	7,533,683	17,258,218
Impairment allowance	(0)	(1)
Total net amounts receivable under reverse repurchase agreements	7,533,683	17,258,217

Collateral

As at 31 December 2021 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 8,478,694 thousand (2020: 18,956,896 thousand).

18 Loans and advances to customers

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Loans to legal entities	428,111,574	486,218,524
Loans to individuals	220,437,296	196,622,644
Receivables from factoring	10,820,379	11,352,912
Receivables from letter of credit	10,702,129	12,859,539
Total gross loans and advances to customers at amortised cost	670,071,378	707,053,619

Receivables from finance lease	19,900,741	13,033,506
Impairment allowance	(16,885,855)	(23,591,602)
Net loans and advances to customers	673,086,264	696,495,523

(a) Loans to legal entities and individuals

	31/12/2021 AMD'000	31/12/2020 AMD'000
Loans to corporate customers		
Loans to large corporates	278,128,033	353,785,213
Loans to small and medium size companies	149,983,541	132,433,311
Total loans to corporate customers	428,111,574	486,218,524
Loans to retail customers		
Mortgage loans	141,193,211	116,987,087
Other loans to individuals	79,244,085	79,635,557
Total loans to retail customers	220,437,296	196,622,644
Gross loans to customers	648,548,870	682,841,168
Impairment allowance	(16,405,548)	(22,966,663)
Net loans to customers	632,143,322	659,874,505

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to legal entities for the years ended 31 December 2021 and 31 December 2020.

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	174,425,649	-	-	174,425,649
Assets repaid	(192,650,367)	(988,402)	(905,429)	(194,544,198)
Transfer to Stage 1	2,365,634	(2,365,634)	-	-
Transfer to Stage 2	(7,498,356)	7,498,356	-	-
Transfer to Stage 3	(7,938,544)	(2,388,382)	10,326,926	-
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	(14,820,092)	(7,378,255)	(8,483,829)	(30,682,176)
Balance at 31 December	400,834,628	10,060,482	17,216,464	428,111,574

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	393,406,245	19,160,907	14,086,560	426,653,712
New assets originated or purchased	215,489,122	-	-	215,489,122
Assets repaid	(167,218,336)	(2,124,484)	(112,028)	(169,454,848)
Transfer to Stage 1	4,170,389	(4,170,389)	-	-
Transfer to Stage 2	(12,490,528)	12,490,528	-	-
Transfer to Stage 3	(2,128,853)	(11,162,539)	13,291,392	-
Recoveries	-	-	343,277	343,277
Amounts written off	-	-	(6,969,771)	(6,969,771)
Net change in asset from interest and foreign exchange revaluation	15,722,665	1,488,776	2,945,591	20,157,032
Balance at 31 December	446,950,704	15,682,799	23,585,021	486,218,524

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to legal entities for the years ended 31 December 2021 and 31 December 2020.

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	3,721,879	3,217,165	7,408,239	14,347,283
New assets originated or purchased	1,352,666	-	-	1,352,666
Assets repaid	(641,150)	(163,609)	(164,632)	(969,391)
Transfer to Stage 1	21,796	(8,662)	(13,134)	-
Transfer to Stage 2	(702,058)	702,058	-	-
Transfer to Stage 3	(112,560)	(2,388,382)	2,500,942	-
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	(228,668)	(24,411)	(479,207)	(732,286)
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	127,216	88,338	3,697,801	3,913,355
Balance at 31 December	3,539,121	1,422,497	6,518,486	11,480,104

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	1,169,370	3,999,711	5,206,502	10,375,583
New assets originated or purchased	2,190,533	-	-	2,190,533
Assets repaid	(370,090)	(203,775)	(12,186)	(586,051)
Transfer to Stage 1	16,594	(14,579)	(2,015)	-
Transfer to Stage 2	(377,536)	377,536	-	-
Transfer to Stage 3	(144,023)	(2,388,641)	2,532,664	-
Unwinding of discount	-	-	(98,902)	(98,902)

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Recoveries	-	-	343,277	343,277
Amounts written off	-	-	(6,965,771)	(6,965,771)
Foreign exchange adjustments	283,468	339,267	648,130	1,270,865
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	953,563	1,107,646	5,756,540	7,817,749
Balance at 31 December	3,721,879	3,217,165	7,408,239	14,347,283

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to individuals for the years ended 31 December 2021 and 31 December 2020.

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	(5,844,292)	5,844,292	-	-
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	(5,843,880)	(2,145,731)	(3,319,353)	(11,308,964)
Balance at 31 December	209,136,862	6,876,696	4,423,738	220,437,296

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	147,599,723	816,744	2,819,103	151,235,570
New assets originated or purchased	77,217,394	-	-	77,217,394
Assets repaid	(33,023,824)	(68,452)	(357,767)	(33,450,043)
Transfer to Stage 1	48,617	(30,836)	(17,781)	-
Transfer to Stage 2	(7,322,420)	7,322,420	-	-
Transfer to Stage 3	(4,704,220)	(233,515)	4,937,735	-
Recoveries	-	-	1,345,075	1,345,075
Amounts written off	-	-	(3,815,988)	(3,815,988)
Change in balance of asset from interest and foreign exchange	3,379,365	(590,891)	1,302,162	4,090,636
Balance at 31 December	183,194,635	7,215,470	6,212,539	196,622,644

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to individuals for the years ended 31 December 2021 and 31 December 2020.

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to individuals</i>				
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	(851,583)	851,583	-	-
Transfer to Stage 3	(794,985)	(150,400)	945,385	-
Impact on period end ECL of exposures transferred between stages during the period	(1,730,925)	(255,379)	2,559,993	573,689
Unwinding of discount	-	-	251,952	251,952
Changes to models and inputs used for ECL calculations	856,258	500	205,421	1,062,179
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

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to individuals</i>				
Balance at 1 January	1,407,771	217,051	1,553,641	3,178,463
New assets originated or purchased	2,298,415	-	-	2,298,415
Assets repaid	(1,237,597)	(63,771)	(273,601)	(1,574,969)
Transfer to Stage 1	21,796	(8,662)	(13,134)	-
Transfer to Stage 2	(279,088)	279,088	-	-
Transfer to Stage 3	(581,425)	(50,400)	631,825	-
Impact on period end ECL of exposures transferred between stages during the period	781,677	1,192,382	3,899,600	5,873,659
Unwinding of discount	-	-	221,987	221,987
Changes to models and inputs used for ECL calculations	1,156,759	124	106,686	1,263,569
Recoveries	-	-	1,345,075	1,345,075
Amounts written off	-	-	(3,815,988)	(3,815,988)
Foreign exchange adjustments	5,033	(56,587)	(119,277)	(170,831)
Balance at 31 December	3,573,341	1,509,225	3,536,814	8,619,380

Credit quality of loans to legal entities and individuals

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

	AMD'000	AMD'000	AMD'000	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	12,562,688	278,128,033
Credit loss allowance	(1,850,687)	(893,832)	(4,958,394)	(7,702,913)
Total net loans to large corporate customers	255,887,184	6,933,643	7,604,292	270,425,119
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)	(528,666)	(1,560,090)	(3,777,190)
Total net small and medium size companies	141,408,323	1,704,342	3,093,686	146,206,351
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
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
	Stage 1	Stage 2	Stage 3	Total
	AMD'000	AMD'000	AMD'000	AMD'000
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)	(978,468)	(3,914,666)
Total net other consumer loans to retail customers	72,070,964	2,058,395	1,200,060	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	207,511,586	5,009,611	2,990,655	215,511,852
Total gross loans to customers	609,971,490	16,937,178	21,640,203	648,548,870
Total net loans to customers	604,807,093	13,647,596	13,688,633	632,143,322

* 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 2020:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large corporate customers				
- not overdue	324,731,233	10,644,203	6,899,828	342,275,264
- overdue more than 90 days	-	-	11,509,949	11,509,949
Total gross loans to large corporate customers	324,731,233	10,644,203	18,409,777	353,785,213
Credit loss allowance	(2,302,726)	(1,960,147)	(5,274,548)	(9,537,421)
Total net loans to large corporate customers	322,428,507	8,684,056	13,135,229	344,247,792
Loans to small and medium size companies				
- not overdue	122,048,271	4,078,067	871,720	126,998,058
- overdue less than 30 days	171,200	123,243	91	294,534
- overdue more than 30 days and less than 90 days	-	837,286	20,167	857,453
- overdue more than 90 days	-	-	4,283,266	4,283,266
Total gross loans to small and medium size companies	122,219,471	5,038,596	5,175,244	132,433,311
Credit loss allowance	(1,419,153)	(1,257,018)	(2,133,691)	(4,809,862)
Total net small and medium size companies	120,800,318	3,781,578	3,041,553	127,623,449
Total gross loans to corporate customers	446,950,704	15,682,799	23,585,021	486,218,524
Total net loans to corporate customers	443,228,825	12,465,634	16,176,782	471,871,241
Mortgage loans				
- not overdue	110,981,104	3,570,354	273,982	114,825,440
- overdue less than 30 days	165,651	33,210	31,677	230,538
- overdue more than 30 days and less than 90 days	-	313,588	176,259	489,847
- overdue more than 90 days	-	-	1,441,262	1,441,262
Total gross mortgage loans	111,146,755	3,917,152	1,923,180	116,987,087
Credit loss allowance	(228,404)	(313,343)	(557,268)	(1,099,015)
Total net mortgage loans	110,918,351	3,603,809	1,365,912	115,888,072
Other consumer loans to retail customers*				
- not overdue	71,150,129	1,710,621	380,812	73,241,562
- overdue less than 30 days	897,751	335,588	73,760	1,307,099
- overdue more than 30 days and less than 90 days	-	1,252,109	178,519	1,430,628
- overdue more than 90 days	-	-	3,656,268	3,656,268
Total gross other consumer loans to retail customers	72,047,880	3,298,318	4,289,359	79,635,557
Credit loss allowance	(3,344,937)	(1,195,882)	(2,979,546)	(7,520,365)
Total net other consumer loans to retail customers	68,702,943	2,102,436	1,309,813	72,115,192
Total gross loans to retail customers	183,194,635	7,215,470	6,212,539	196,622,644
Total net loans to retail customers	179,621,294	5,706,245	2,675,725	188,003,264
Total gross loans to customers	630,145,339	22,898,269	29,797,560	682,841,168
Total net loans to customers	622,850,119	18,171,879	18,852,507	659,874,505

Key assumptions and judgments for estimating the loan impairment

Loans to customers

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

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

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

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

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

Analysis of collateral

Loans to corporate customers

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

The main types of collateral obtained are as follows:

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

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

For retail lending, mortgages over residential properties.

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

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

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

Loans to retail customers

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

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

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2021 and 31 December 2020.

31 December 2021	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
Loans to legal entities	17,201,685	11,635,063	1,744,565	6,029,044	(3,443,417)	15,965,256	1,236,429	6,518,485
Mortgage loans	2,245,211	2,668,337	84,730	12,590	(936,170)	1,829,487	415,724	454,616
Other consumer loans	2,178,528	1,464,602	166,886	54,009	(593,110)	1,092,388	1,086,140	978,467
Total	21,625,424	15,768,002	1,996,181	6,095,643	(4,972,697)	18,887,131	2,738,293	7,951,568

31 December 2020	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
Loans to legal entities	23,585,021	14,127,620	553,089	6,395,278	(2,118,151)	18,957,836	4,627,185	7,408,239
Mortgage loans	1,923,180	1,919,048	46,823	3,220	(581,106)	1,387,985	535,195	557,268
Other consumer loans	4,289,359	1,167,686	111,530	45,255	(379,471)	945,000	3,344,359	2,979,546
Total	29,797,560	17,214,354	711,442	6,443,753	(3,078,728)	21,290,821	8,506,739	10,945,053

Industry and geographical analysis of the loan portfolio

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

	31/12/2021 AMD'000	31/12/2020 AMD'000
Loans to retail customers	220,437,296	196,622,644
Wholesale trade	60,088,783	107,520,522
Construction	48,905,283	51,052,777
Agriculture, forestry and timber	42,468,352	43,796,861
Food and beverage	37,974,102	38,329,741

Transportation	37,835,056	36,438,293
Retail trade	33,958,590	34,392,138
Hotel service	31,295,097	31,209,552
Energy	29,210,379	29,940,834
Mining/Metallurgy	29,142,735	29,530,102
Real estate	22,686,452	26,957,558
Communication services	20,400,077	26,125,399
Finance and investment	9,931,454	9,134,331
Manufacturing	9,849,730	6,588,265
Other	14,365,485	15,202,151
	648,548,870	682,841,168
Impairment allowance	(16,405,548)	(22,966,663)
	632,143,322	659,874,505

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

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Armenia	415,181,330	440,711,659
OECD and EU	-	13,619,101
Other foreign countries	1,450,140	17,540,481
	416,631,470	471,871,241

Significant credit exposures

As at 31 December 2021 the Bank has five borrowers or groups of connected borrowers (2020: seven), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2021 is AMD 75,448,961 thousand (31 December 2020: AMD 90,559,754 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.

(b) Receivables from letters of credit

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Receivables from letters of credit of other organizations	10,702,128	12,859,539
Impairment allowance	(42,599)	(55,462)
	10,659,529	12,804,077

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

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from letters of credit for the years ended 31 December 2021 and 31 December 2020.

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
<i>Receivables from letters of credit</i>				
Balance at 1 January	12,859,539	-	-	12,859,539
New assets originated or purchased	17,750,093	-	-	17,750,093
Assets repaid	(19,907,505)	-	-	(19,907,505)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	10,702,128	-	-	10,702,128

	2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
<i>Receivables from letters of credit</i>				
Balance at 1 January	5,060,739	-	-	5,060,739
New assets originated or purchased	10,210,732	-	-	10,210,732
Assets repaid	(2,411,932)	-	-	(2,411,932)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	12,859,539	-	-	12,859,539

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from letters of credit for the years ended 31 December 2021 and 31 December 2020.

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
<i>Receivables from letters of credit</i>				
Balance at 1 January	55,462	-	-	55,462
New assets originated or purchased	88,750	-	-	88,750
Assets repaid	(101,614)	-	-	(101,614)
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

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Receivables from letters of credit				
Balance at 1 January	14,537	-	-	14,537
New assets originated or purchased	35,925	-	-	35,925
Assets repaid	(6,815)	-	-	(6,815)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	11,815	-	-	11,815
Balance at 31 December	55,462	-	-	55,462

(c) Receivables from finance leases

	31/12/2021 AMD'000	31/12/2020 AMD'000
Gross investment in finance leases receivable:		
Less than one year	6,477,120	3,841,013
Between one and five years	16,339,246	10,788,243
More than five years	2,028,022	1,122,663
	24,844,388	15,751,919
Unearned finance income	(4,943,648)	(2,718,413)
Impairment allowance	(424,329)	(548,916)
Net investment in finance leases	19,476,411	12,484,590
The net investment in finance leases comprises:		
Less than one year	5,077,649	3,075,850
Between one and five years	12,808,925	8,517,547
More than five years	1,589,838	891,193
	19,476,411	12,484,590

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance leases for the years ended 31 December 2021 and 31 December 2020.

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	11,198,006	-	-	11,198,006
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	-

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Recoveries	-	-	(586,870)	(586,870)
Change in balance of asset from interest and foreign exchange	-	-	138,398	138,398
Balance at 31 December	19,369,088	16,129	515,523	19,900,740

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	5,577,779	-	329,073	5,906,852
New assets originated or purchased	8,497,747	-	-	8,497,747
Assets repaid	(1,339,750)	-	(31,343)	(1,371,093)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(91,744)	91,744	-	-
Transfer to Stage 3	(280,880)	-	280,880	-
Balance at 31 December	12,363,152	91,744	578,610	13,033,506

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance leases for the years ended 31 December 2021 and 31 December 2020.

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

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	15,746	-	231,416	247,162
New assets originated or purchased	76,311	-	-	76,311
Assets repaid	-	-	(21,859)	(21,859)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(268)	268	-	-

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 3	(638)	-	638	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	70,623	18,669	160,087	249,379
Unwinding of discount	-	-	(2,077)	(2,077)
Balance at 31 December	161,774	18,937	368,205	548,916

(i) *Quality analysis of finance leases*

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	19,369,089	16,129	-	19,385,218
- overdue less than 30 days	-	-	18,277	18,277
- overdue more than 30 less than 90 days	-	-	-	-
- overdue more than 90 days	-	-	497,245	497,245
Total gross receivables from finance leases	19,369,089	16,129	515,523	19,900,740
Credit loss allowance	(148,683)	(3,620)	(272,026)	(424,329)
Total net receivables from finance leases	19,220,406	12,510	243,497	19,476,413

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
- not overdue	11,959,564	91,744	89,915	12,141,223
- overdue less than 30 days	403,588	-	-	403,588
- overdue more than 90 days	-	-	488,695	488,695
Total gross receivables from finance leases	12,363,152	91,744	578,610	13,033,506
Credit loss allowance	(161,774)	(18,937)	(368,205)	(548,916)
Total net receivables from finance leases	12,201,378	72,807	210,405	12,484,590

Concentration of receivables from finance leases

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

(d) Receivables from factoring

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Receivables from factoring	10,820,379	11,352,912
Impairment allowance	(13,379)	(20,561)
	10,807,000	11,332,351

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

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from factoring for the years ended 31 December 2021 and 31 December 2020.

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

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	10,707,784	-	-	10,707,784
New assets originated or purchased	11,352,912	-	-	11,352,912
Assets repaid	(10,707,784)	-	-	(10,707,784)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	11,352,912	-	-	11,352,912

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from factoring for the years ended 31 December 2021 and 31 December 2020.

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
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

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	7,012	-	-	7,012
New assets originated or purchased	20,561	-	-	20,561
Assets repaid	(7,012)	-	-	(7,012)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December	20,561	-	-	20,561

19 Financial assets at amortized cost

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	28,994,872	33,667,392
Eurobonds of the Republic of Armenia	8,085,671	-
- Corporate bonds		
- rated from B1 to B3	965,804	152,601
Total debt and other fixed-income instruments held by the Bank	38,046,347	33,819,993
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	15,770,574	17,814,988
Total government bonds	15,770,574	17,814,988
Total financial asset at amortized cost	53,816,921	51,634,981
Impairment	(130,613)	(97,688)

Total net financial asset at amortized cost

53,686,308 51,537,293

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

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2021 and 31 December 2020.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortized cost for 31 December 2021 and 31 December 2020.

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
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)

	2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Investment securities at amortized cost				
Balance at 1 January	(65,149)	-	-	(65,149)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	2,502	-	-	2,502
Assets repaid	17,387	-	-	17,387
Assets sold	8,032	-	-	8,032
New assets originated or purchased	(60,460)	-	-	(60,460)
Balance at 31 December	(97,688)	-	-	(97,688)

20. Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2021	4,776,246	7,896,178	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)	(19,362)	(32,500)	(551,852)	(1,101,260)
Balance at 31 December 2021	5,045,997	8,016,991	2,858,711	321,154	4,672,367	20,915,219
Depreciation and amortization						
Balance at 1 January 2021	1,815,030	4,279,764	769,909	154,184	1,676,768	8,695,655
Depreciation and amortization for the year	275,310	998,802	232,380	39,677	870,297	2,416,467
Disposals/write-offs	(31,397)	(237,790)	(2,255)	(25,249)	(549,292)	(845,985)
Balance at 31 December 2021	2,058,943	5,040,775	1,000,034	168,612	1,997,773	10,266,137
Carrying amount						
At 31 December 2021	2,987,054	2,976,220	1,858,672	152,542	2,674,594	10,649,082

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount	4,759,362	7,643,528	2,506,026	303,730	3,151,700	18,364,346
Balance at 1 January 2020	116,029	767,617	54,212	-	1,037,870	1,975,728
Additions	(99,145)	(328,572)	(101,862)	-	(374,304)	(903,883)
Disposals/write-offs	-	(186,395)	186,395	-	-	-
Balance at 31 December 2020	4,776,246	7,896,178	2,644,771	303,730	3,815,266	19,436,191
Depreciation and amortization						
Balance at 1 January 2020	1,545,436	3,616,602	605,485	114,429	1,320,000	7,201,952
Depreciation and amortization for the year	279,714	894,559	216,553	39,755	722,332	2,152,913
Disposals/write-offs	(10,120)	(215,036)	(68,490)	-	(365,564)	(659,210)
Transfers	-	(16,361)	16,361	-	-	-
Balance at 31 December 2020	1,815,030	4,279,764	769,909	154,184	1,676,768	8,695,655
Carrying amount						
At 31 December 2020	2,961,216	3,616,414	1,874,862	149,546	2,138,498	10,740,536

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

21. Right of use assets

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

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

Right of use assets

AMD'000

Cost/Revalued amount	31/12/2021	31/12/2020
	AMD'000	AMD'000
Balance at 1 January 2021	10,643,891	11,235,119
Additions to right of use assets	763,001	192,695
Depreciation charge for the period	(1,017,247)	(943,483)
Lease contract modifications	773,459	159,560
Balance at 31 December	11,163,103	10,643,891

(a) Amounts recognized in profit or loss

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Depreciation of right of use asset	1,017,247	943,483
Interest on lease liabilities	1,343,129	1,359,428

(b) Amounts recognized in statement of cash flows

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Total cash outflow for leases	1,988,756	1,853,981

22. Other assets

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Receivables from unsettled transactions	1,753,611	1,839,832
Brokerage accounts	1,214,055	765,568
Restricted accounts with clearing houses	573,370	622,671
Credit loss allowance	(24,903)	(70,434)
Total other financial assets at amortised cost	3,516,133	3,157,637
Prepayments to suppliers	5,719,489	6,030,742
Reposessed assets	1,326,242	1,823,888
Finance lease prepayment	843,990	-
Inventories	153,669	194,032
Other	13,771	81,656
Total other non-financial assets	8,057,161	8,048,662
Total other assets	11,573,294	11,206,299

The following tables show reconciliations from the opening to the closing balances of the loss allowance for other financial assets for the years ended 31 December 2021 and 31 December 2020.

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Other financial assets at amortized 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)

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Write offs	-	-	(230,570)	(230,570)
Recoveries	-	-	671,978	671,978
Balance at 31 December	14,932	648	9,322	24,902

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Other financial assets at amortized cost				
Balance at 1 January	4,343	467	37,685	42,495
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	5,935	(123)	42,541	48,353
Write offs	-	-	(301,061)	(301,061)
Recoveries	-	-	280,647	280,647
Balance at 31 December	10,278	344	59,812	70,434

23. Deposits and balances from banks

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Loans from the Central Bank of Armenia	21,216,786	15,496,687
Loans and term deposits from commercial banks		
- With initial maturity period of less than 12 months	4,331,441	7,352,076
- With initial maturity period of more than 12 months	14,414,774	15,676,267
Liabilities for letters of credit	16,364,003	17,058,096
Vostro accounts	322,757	262,390
	56,649,761	55,845,516

As at 31 December 2021 and 2020 the Bank has one counterparty, except for the Central Bank of Armenia, whose balances exceed 10% of equity. The gross value of the counterparty balances as 31 December 2021 is AMD 14,414,774 thousand (2020: AMD 15,676,267 thousand).

Borrowings from CBA

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

24. Current accounts and deposits from customers

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Current accounts and demand deposits		
- Retail	119,887,810	90,671,553
- Corporate	189,457,843	261,862,919
Term deposits		
- Retail	182,878,019	157,045,702
- Corporate	108,390,624	89,380,492
	600,614,296	598,960,666

As at 31 December 2021, the Bank did not maintain customer current accounts and deposit balances that serve as collateral for loans and credit related commitments granted by the Bank (2020: AMD 1,102,140 thousand).

As at 31 December 2021, the Bank has three customers (31 December 2020: two customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2021 is AMD 81,659,035 thousand (2020: AMD 151,070,677 thousand).

25. Debt securities issue

	31/12/2021	31/12/2020
	AMD'000	AMD'000
Domestic bonds issued	88,283,791	77,966,049
Green bonds issued to international financial institutions	22,791,152	26,959,811
Promissory notes	-	1,990,453
	111,074,943	106,916,313

Domestic bonds issued: As at 31 December 2021 the Bank has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 35.5 billion and USD 52.0 million respectively (2020: AMD and USD denominated debt securities with nominal amount of AMD 22.1 billion and USD 105.7 million respectively). As at 31 December 2021 carrying value of the bonds is AMD 36,017,636 thousand and AMD 52,266,155 thousand accordingly (2020: AMD 22,385,424 thousand and AMD 55,580,625 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.

26. Other borrowed funds and subordinated borrowings

	31/12/2021 AMD'000	31/12/2020 AMD'000
Borrowings from international financial institutions	127,494,752	128,879,544
Borrowings from Armenian financial institutions	217,666	27,818
	127,712,418	128,907,362
Subordinated borrowings from international financial institutions	27,393,716	48,416,832
	27,393,716	48,416,832

a. Concentration of borrowings from international financial institutions

- (b) As at 31 December 2021, the Bank has loans from four financial institutions (31 December 2020: five), whose balances exceed 10% of equity. These balances as at 31 December 2021 are AMD 94,968,710 thousand (31 December 2020: AMD 133,062,388 thousand).

b. Subordinated borrowing

As at 31 December 2021 subordinated borrowing represents:

- Borrowing received from other financial institutions in the amount of AMD 4,350,235 thousand maturing on 15 January 2026,
- AMD 7,234,031 thousand maturing on 15 January 2027,
- AMD 241,756 thousand maturing on 3 January 2031
- AMD 7,013,171 thousand maturing on 3 January 2031,
- AMD 4,541,283 thousand maturing on 8 January 2029 ,
- AMD 4,013,238 thousand maturing on 02 January 2032.

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

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

c. Covenants

The Bank is required to meet certain covenants in connection with borrowing agreements. The Bank was in compliance with all covenants as at 31 December 2021 and 2020.

27. Other liabilities

	31/12/2021 AMD'000	31/12/2020 AMD'000
Payables to staff	6,204,477	2,452,591
Payables in transit	2,544,251	1,795,366
Financial liabilities related to factoring contracts	726,794	837,651
Tarde payables	795,497	656,800
Payables to deposit guarantee fund	175,312	152,325
Other payables	434,309	246,338
Total other financial liabilities	10,880,640	6,141,071

	31/12/2021 AMD'000	31/12/2020 AMD'000
Other taxes payable	1,524,071	1,128,154
Deferred income	31,376	29,362
Total other non-financial liabilities	1,555,447	1,157,516
Total other liabilities	12,436,087	7,298,587

28. Share capital and treasury shares

(a) Issued capital and share premium

As at 31 December 2021 the authorized, issued and outstanding share capital comprises 116,959 ordinary shares (2020: 116,834). All shares have a nominal value of AMD 465 thousand and are fully paid.

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

(b) Nature and purpose of reserves

Revaluation reserve for financial assets

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

(c) Dividends

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

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

29. Impairment allowance on contingent liabilities

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

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year	47,750	21,480	289,988	359,218
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

Movements in the impairment allowance for contingent liabilities for fourth quarter of 2020 are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year recalculated per IFRS 9	10,001	876	105,345	116,222
Net charge	37,750	20,604	184,644	242,998
Write-offs	-	-	-	-
Balance at the end of the period	47,751	21,480	289,989	359,220

30. Risk management

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

(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

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>
31-Dec-21							
Assets							
Cash and cash equivalents	-	-	-	-	-	264,090,145	264,090,145
Investment securities measured at fair value through other comprehensive income	573,925	348,941	6,769	5,850,730	5,150,223	86,196	12,016,785
Loans and advances to banks	1,836,523	-	-	528,866	-	40,967,872	43,333,261
Amounts receivable under reverse repurchase agreements	7,533,683	-	-	-	-	-	7,533,683
Loans to customers	54,882,011	43,431,645	89,484,893	323,807,139	50,683,693	69,853,940	632,143,322
Receivables from letters of credit	12,287	6,900,893	353,188	3,393,161	-	-	10,659,529
Receivables from finance leases	1,288,658	1,290,667	2,498,324	12,808,925	1,536,158	53,682	19,476,413
Receivables from factoring	6,838,306	3,968,694	-	-	-	-	10,807,000
Investment securities measured at amortized cost	135,505	6,702,892	-	20,336,408	26,511,503	-	53,686,308
	73,100,898	62,643,734	92,343,173	366,725,228	83,881,578	375,051,835	1,053,746,446
Liabilities							
Deposits and balances from banks	(1,916,131)	(8,993,191)	(2,116,281)	(36,081,049)	(7,543,109)	-	(56,649,761)
Current accounts and deposits from customers	(71,655,802)	(56,570,088)	(106,429,764)	(53,985,700)	(2,627,289)	(309,345,652)	(600,614,296)
Debt securities issue	-	(206,646)	-	(110,868,297)	-	-	(111,074,943)
Subordinated borrowings	(278,870)	(30,137)	-	(4,323,753)	(22,760,955)	-	(27,393,716)

Other borrowed funds	(33,787,993)	(10,751,962)	(30,826,896)	(48,244,723)	(4,100,844)	-	(127,712,418)
Lease liabilities	(501,363)	(485,426)	(996,702)	(6,989,806)	(3,133,013)	-	(12,106,310)
	(108,140,159)	(77,037,451)	(140,369,644)	(260,493,327)	(40,165,211)	(309,345,652)	(935,551,444)
Net position	(35,039,261)	(14,393,717)	(48,026,470)	106,231,901	43,716,367	65,706,182	118,195,002

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-20							
Assets							
Cash and cash equivalents	-	-	-	-	-	234,412,812	234,412,812
Available-for-sale financial assets	27,463	1,865,238	-	6,195,773	3,050,488	69,039	11,208,001
Loans and advances to banks	1,836,523			528,866		35,423,495	37,788,884
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	17,258,217
Loans to customers	89,877,482	33,706,272	71,346,144	361,409,740	43,770,133	59,764,733	659,874,503
Receivables from letters of credit	4,930,058	110,052	3,239,373	4,524,595	-	-	12,804,077
Receivables from finance leases	815,912	755,359	1,510,856	8,656,763	738,020	7,682	12,484,592
Receivables from factoring	4,331,451	6,292,969	707,931	-	-	-	11,332,351
Held-to-maturity investments	4,452,973	9,371,754	-	19,885,743	17,826,823	-	51,537,293
	123,530,078	52,101,645	76,804,304	401,201,480	65,385,463	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 Liability	(138,286)	(394,153)	-	(1,853,007)	(8,846,386)	-	(11,231,832)
	(72,542,027)	(95,772,006)	(143,148,527)	(244,677,027)	(41,604,463)	(352,413,473)	(950,157,522)
Net position	50,988,051	(43,670,361)	(66,344,223)	156,524,453	23,781,000	(22,735,712)	98,543,208

Average effective interest rates

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

	2021			2020		
	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	9.24%	6.42%	2.68%	8.32%	7.31%	3.44%
Investment securities measured at fair value through other comprehensive income	8.89%	4.72%	-	8.88%	7.82%	-
Investment securities measured at amortized cost	7.98%	4.78%	-	-	6.34%	-
Loans and advances to banks	—	7.12%	0.71%	6.76%	3.67%	-
Amounts receivable under reverse repurchase agreements	9.21%	-	-	14.21%	8.34%	6.36%
Loans and advances to customers	14.00%	8.13%	6.52%	10.79%	7.14%	5.81%
Receivables from finance leases	11.37%	7.96%	6.12%	16.02%	10.00%	6.86%
Receivables from factoring	15.87%	9.93%	19.12%	0.00%	4.84%	4.39%
Receivables from letter of credit	-	5.00%	5.08%	7.99%	-	-
Interest bearing liabilities						
Deposits and balances from banks	6.18%	2.94%	0.55%	6.43%	2.22%	0.50%
Debt securities issued	9.97%	4.93%	3.17%	9.53%	5.03%	3.14%
Term deposits from customers	9.27%	3.48%	1.52%	8.90%	3.56%	1.49%
Subordinated borrowings	-	6.44%	6.45%	-	6.86%	6.46%
Other borrowed funds	10.98%	2.83%	3.28%	8.64%	3.31%	2.93%

(ii) Currency risk

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

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

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

	USD	EUR	Other currencies	Total
2021	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	132,559,161	59,201,027	4,055,413	195,815,601
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	102,480,674	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	457,083,086	186,618,940	7,164,536	650,866,562
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	316,274,283	60,970,003	7,104,027	384,348,313
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	0	0	146,840
Other financial liabilities	940,287	775,715	4,335	1,720,337
Total liabilities	484,595,347	150,092,616	7,125,909	641,813,872
Net position	(27,512,261)	36,526,323	38,627	9,052,690
Effect of derivatives	29,854,566	(37,982,700)	8,221	(8,119,913)
Net position	2,342,305	(1,456,377)	46,848	932,777

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

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	156,408,740	22,510,097	4,394,666	183,313,503
Investment securities at fair value through profit or loss	2,928,048	87,445	-	3,015,493
Investment securities at fair value through other comprehensive income	2,863,402	-	-	2,863,402
Loans and advances to banks	28,213,458	5,003,217	32,050	33,248,725
Amounts receivable under reverse repurchase agreements	7,699,295	-	-	7,699,295
Loans and advances to customers	311,549,981	129,309,804	2,026,516	442,886,301
Receivables from letters of credit	5,069,483	7,734,594	-	12,804,077
Receivables from finance leases	2,995,076	4,737,101	-	7,732,177
Receivables from factoring	7,162,697	3,603,282	10,376	10,776,355
Other financial assets	1,807,199	79,843	35,341	1,922,383
Total assets	526,697,379	173,065,383	6,498,949	706,261,711
LIABILITIES				
Investment securities at fair value through profit or loss	424,588	-	-	424,588
Deposits and balances from banks	30,251,908	10,012,647	707	40,265,262
Current accounts and deposits from customers	345,067,858	67,547,624	7,825,550	420,441,032
Debt securities issued	57,571,078	26,959,811	-	84,530,889
Subordinated borrowings	34,731,325	13,685,507	-	48,416,832
Other borrowed funds	72,121,984	44,120,072	-	116,242,056
Other financial liabilities	857,489	609,531	45,017	1,512,037
Total liabilities	541,026,230	162,935,192	7,871,274	711,832,696
Net position	(14,328,851)	10,130,191	(1,372,325)	(5,570,985)
Effect of derivatives	6,724,532	(16,668,860)	21,182	(9,923,146)
Net position	(7,604,319)	(6,538,669)	(1,351,143)	(15,494,131)

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2021 and 2020, 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.

	2021		2020	
	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>
AMD against USD	10.00%	234,231	10.00%	(760,432)
AMD against EUR	10.00%	(145,638)	10.00%	(653,867)

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

	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
Notes and forming part of the financial statements for the fourth quarter 2021								
Ameriabank cjsc								
AMD'000								
ASSETS								
Cash and cash equivalents	264,090,145	-	-	-	-	-	-	264,090,145
Banking standardized bullions of precious metals	-	-	-	-	-	1,031,181	-	1,031,181
Financial instruments at fair value through profit or loss	90,601	37,457	5,360,161	2,027,814	707,927	-	-	8,223,960
Investment securities at fair value through other comprehensive income	-	599,712	971,688	6,232,083	4,127,105	86,196	-	12,016,784
Debt securities at amortized cost	-	168,420	9,057,695	24,261,863	20,198,330	-	-	53,686,308
Loans and advances to banks	8,145,006	-	247,897	240,070	-	34,700,288	-	43,333,261
Amounts receivable under reverse repurchase agreements	7,533,683	-	-	-	-	-	-	7,533,683
Loans and advances to customers	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	-	53,682	19,476,414
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
Current tax asset	-	-	334,045	-	-	-	-	334,045
Other assets	3,797,175	154,262	5,718,216	-	-	1,903,581	-	11,573,234
Total assets	302,134,707	33,045,030	151,398,392	323,623,689	215,074,947	59,533,430	11,910,856	1,096,721,051
LIABILITIES								
Financial instruments at fair value through profit or loss	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	835,028	721,627	17,324,859	31,654,967	6,113,280	-	-	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	280,215	11,298,779	28,217,042	71,278,907	-	-	-	111,074,943
Subordinated borrowings	-	278,870	30,137	4,323,753	22,760,956	-	-	27,393,716
Other borrowed funds	24,303,623	9,484,370	41,578,858	48,244,723	4,100,844	-	-	127,712,418
Lease liability	501,363	-	1,482,128	6,989,806	3,133,013	-	-	12,106,310
Deffered tax liability	-	-	1,452,920	-	-	-	-	1,452,920
Provision for commitments	244,929	-	-	-	-	-	-	244,929
Other liabilities	3,846,937	1,641,858	6,947,292	-	-	-	-	12,436,087
Total liabilities	275,984,707	103,634,818	289,062,995	260,371,900	38,735,381	-	-	967,789,801
Net position	26,150,000	(70,589,788)	(137,664,603)	63,251,789	176,339,566	59,533,430	11,910,856	128,931,250

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<i>Notes to, and forming part of, the financial statements for the fourth quarter 2021</i>								
ASSETS								
Cash and cash equivalents	234,412,812	-	-	-	-	-	-	234,412,812
Financial instruments at fair value through profit or loss	52,946	479,885	1,563,706	6,095,657	1,284,372	-	-	9,476,566
Investment securities at fair value through other comprehensive income	-	32,306	2,492,014	6,638,866	1,961,850	82,965	-	11,208,001
Debt securities at amortized cost	-	4,494,005	11,658,102	23,599,731	11,785,455	-	-	51,537,293
Loans and advances to banks	-	1,836,523	-	528,866	-	33,158,420	-	35,523,809
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	-	17,258,217
Loans and advances to customers	28,948,628	35,955,332	104,829,225	307,555,342	160,860,344	-	21,725,634	659,874,505
Receivables from letters of credit	30,071	4,899,987	3,349,425	4,524,594	-	-	-	12,804,077
Receivables from finance leases	297,048	508,848	2,238,398	8,550,502	728,961	-	160,833	12,484,590
Receivables from factoring	110,107	4,221,344	7,000,900	-	-	-	-	11,332,351
Property, equipment and intangible assets	-	-	-	-	-	10,740,536	-	10,740,536
Right of use asset	-	-	-	-	-	10,643,891	-	10,643,891
Deferred tax asset	-	-	1,028,409	-	-	-	-	1,028,409
Reposessed assets	-	-	-	-	-	1,823,888	-	1,823,888
Other assets	2,549,148	194,624	6,028,531	-	-	1,841,475	-	10,613,778
Total assets	283,658,977	52,622,854	140,188,710	357,493,558	176,620,982	58,291,175	21,886,467	1,090,762,723
LIABILITIES								
Derivative financial liabilities	13,465	74,373	8,013	408,561	-	-	-	504,412
Deposits and balances from banks	20,005,910	-	-	-	-	-	-	20,005,910
Current accounts and deposits from customers	665,161	9,770,834	11,403,483	25,113,016	8,893,022	-	-	55,845,516
Debt securities issued	283,685,459	51,887,128	194,398,418	68,964,206	25,455	-	-	598,960,666
Subordinated borrowings	201,919	1,367,669	19,282,112	86,064,613	-	-	-	106,916,313
Other borrowed funds	352,429	133,162	35,022	26,278,835	21,617,384	-	-	48,416,832
Deferred tax liability	44,820	1,794,210	47,750,301	77,208,100	2,109,931	-	-	128,907,362
Current tax liability	-	-	2,610,472	-	-	-	-	2,610,472
Lease liability	43,445	94,841	394,153	1,853,007	8,846,386	-	-	11,231,832
Provision for commitments	359,219	-	-	-	-	-	-	359,219
Other liabilities	2,694,114	1,595,189	3,009,284	-	-	-	-	7,298,587
Total liabilities	308,065,941	66,717,406	278,891,258	285,890,338	41,492,178	-	-	981,057,121
Net position	(24,406,964)	(14,094,552)	(138,702,548)	71,603,220	135,128,804	58,291,175	21,886,467	109,705,602

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

	2021 AMD'000	2020 AMD'000
At 31 December (unaudited)	118.5%	105.5%
Average for December (unaudited)	110.18%	85.32%

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

31.Capital management

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

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

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2021 and 31 December 2020, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2021 and 31 December 2020.

	31/12/2021 AMD'000 Unaudited	31/12/2020 AMD'000 Unaudited
Tier 1 capital	117,695,856	109,740,188
Tier 2 capital	26,136,335	19,383,780
Total capital	143,832,191	129,123,968
 Total risk weighted assets	 940,874,175	 927,581,125
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	15.29%	13.92%

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

32. Commitments

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

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

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

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

	31/12/2021 AMD'000	31/12/2020 AMD'000
Contracted amount		
Credit card commitments	19,626,093	17,191,180
Non-financial guarantees	17,939,675	16,357,723
Financial guarantees and letters of credit	6,716,448	12,085,764
Undrawn loans and credit lines	30,310,149	9,094,265
Undrawn overdraft facilities	14,872,110	8,489,195
	89,464,475	63,218,127
Impairment allowance	(244,929)	(359,219)

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

The following tables show reconciliations from the opening to the closing balances of the loss allowance for commitments for the years ended 31 December 2021 and 31 December 2020.

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Commitments				
Balance at 1 January	325,743	14,145	19,331	359,219
New exposures originated	65,457		-	65,457
Exposures expired	(125,433)	(4,058)	(60)	(129,551)
Transfer to Stage 1	28,085	(8,814)	(19,271)	-
Transfer to Stage 2	(397)	397	-	-
Transfer to Stage 3	(4,202)	-	4,202	-
Net remeasurement of loss allowance	(50,482)	-	284	(50,198)

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Balance at 31 December	238,772	1,670	4,486	244,929

	2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Commitments				
Balance at 1 January	111,188	3,620	1,414	116,222
New exposures originated	78,641	-	-	78,641
Exposures expired	(28,812)	(2,068)	(1,414)	(32,294)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(9,674)	9,674	-	-
Transfer to Stage 3	(3)	(1,552)	1,555	-
Net remeasurement of loss allowance	174,403	4,471	17,776	196,650
Balance at 31 December	325,743	14,145	19,331	359,219

33. 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.

34. Related party transactions

(a) Control relationships

The shareholders of the Bank as at 31 December 2021 are Imast Group (CY) (48.87%), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

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

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

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

	31/12/2021 AMD'000	31/12/2020 AMD'000
Short-term employee benefits	3,139,168	1,799,729

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

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

	2021 AMD'000	Average effective interest rate, %	2020 AMD'000	Average effective interest rate, %
Statement of financial position				
Loans and advances to customers	863,356	7.13%	811,902	7.5%
Other assets	1,697	-	2,331	-
Current accounts and deposits from customers	714,739	6.22%	783,339	5.72%
Bonds	1,880,277	5.55%	-	-
Other liabilities	2,100,000	-	855,026	-

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

	31/12/2021 AMD'000	31/12/2020 AMD'000
Profit or loss		
Interest income	59,241	79,657
Interest expense	(25,453)	(17,183)

(c) Transactions with other related parties

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		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	-	-	-	-	-	-	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)									
Interest income	-	-	4,241	-	-	-	151,121	-	155,362
Interest expense			(598,548)	-	(17,649)	-	(12,627)	-	(628,824)
Other expenses	-	-	-	-	(47,864)	-	(41,210)	-	(89,073)

The outstanding balances and the related average effective interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 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	-	-	-	-	-	-	1,535,715	8.89%	1,535,715
Other asset	-	-	-	-	-	-	364	-	364
Liabilities									
Current accounts and deposits from customers									
- Current accounts and demand deposits	22,369	-	570,317	-	119,459	-	1,012,132	-	1,724,277
- Term deposits	-	-	-	-	520,051	5.64%	223,520	3.16%	743,571
Other borrowed funds	-	-	24,812,076	2.68%	-	-	-	-	24,812,076
Other liabilities	-	-	77,936	-	6	-	-	-	77,942
Items not recognised in the statement of financial position									
Guarantees received	-	-	5,090,815	1.00%	-	-	-	-	5,090,815
Profit (loss)									
Interest income	-	-	953	-	-	-	128,393	-	129,346
Interest expense	-	-	(852,535)	-	(40,216)	-	(10,233)	-	(902,984)
Operating lease expenses	-	-	-	-	(81,868)	-	-	-	(81,868)