



Ameriabank cjsc

Financial Statements

For the forth quarter of 2022

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Statement of comprehensive income

31-Dec-2022

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	Note	01/10/2022- 31/12/2022	01/01/2022- 31/12/2022	01/10/2021- 31/12/2021	01/01/2021- 31/12/2021
Interest income calculated using effective interest rate	4	23,181,785	82,169,087	17,337,820	69,992,691
Other interest income	4	1,316,823	3,951,595	974,331	3,144,325
Interest expenses	4	(9,030,878)	(35,661,046)	(8,751,637)	(32,662,210)
Net interest income		15,467,730	50,459,636	9,560,514	40,474,806
Fee and commission income	5	3,508,260	11,729,478	1,945,755	7,144,770
Fee and commission expense	5	(677,987)	(2,594,247)	(597,488)	(2,053,290)
Net fee and commission income		2,830,273	9,135,231	1,348,267	5,091,480
Net profit/loss on financial instruments at fair value through profit or loss	6	(326,608)	5,875,774	366,249	2,465,815
Net foreign exchange gain/(loss)	7	15,619,739	35,460,500	2,078,391	5,920,451
Net gain on financial assets at fair value through other comprehensive		2,805	3,709	-	(106,457)
Other operating income	8	204,882	939,702	110,906	588,832
Other operating expense	8	(1,611,097)	(5,289,389)	(1,132,298)	(3,805,377)
Operating income		32,187,724	96,585,163	12,332,029	50,629,550
Net impairment losses on financial instruments	9	(2,658,813)	(4,587,714)	(520,871)	(6,157,183)
Other impairments and provisions	9	(112,522)	(112,214)	43,520	(65,466)
Personnel expenses		(9,653,762)	(28,327,332)	(3,706,172)	(13,303,851)
Other general administrative expenses	10	(2,789,829)	(8,688,985)	(2,183,115)	(7,231,329)
Profit before income tax		16,972,798	54,868,918	5,965,391	23,871,721
Income tax expense	11	(3,709,128)	(10,599,631)	(1,045,087)	(4,455,654)
Profit for the period		13,263,670	44,269,287	4,920,304	19,416,067
Other comprehensive income, net of income tax					
Net change in fair value		531,767	(1,204,167)	(88,475)	(386,132)
Net amount reclassified to profit or loss		(2,300)	(3,041)	-	87,295
Other comprehensive income/(loss) for the period, net of income tax		529,467	(1,207,208)	(88,475)	(298,837)
Total comprehensive income for the period		13,793,137	43,062,079	4,831,829	19,117,230
Earnings per share					
Basic	27		378.36		166.04
Diluted	27		378.36		166.04

Validation date 18.01.23

seal

General Director-Chairman of the Management Board

Artak Hanesyan

Deputy Chief Accountant

Mher Kandalyan

31-Dec-2022

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	Note	31/12/22	31/12/2021 (audited)
Assets			
Cash and cash equivalents	12	112,800,903	264,090,145
Banking standardized bullions of precious metals		-	1,031,181
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	10,721,168	8,223,960
- Pledged under sale and repurchase agreements	13	-	
Financial assets at fair value through other comprehensive income			
- Held by the Bank	14	57,363,607	7,920,255
- Pledged under sale and repurchase agreements	14	-	4,096,530
Loans and advances to banks	15	94,934,959	43,333,261
Amounts receivable under reverse repurchase agreements	16	47,116,435	7,533,683
Loans and advances to customers at amortized cost	17	735,543,120	673,086,264
Debt securities at amortized cost			
- Held by the Bank	18	152,304,277	37,915,734
- Pledged under sale and repurchase agreements	18	4,397,608	15,770,574
Property, equipment and intangible assets	19	12,022,885	10,649,082
Right of use asset	20	10,558,974	11,163,102
Deferred tax asset	11	2,470,216	-
Other assets	21	11,595,654	11,573,234
Total assets		1,251,829,806	1,096,387,005
Liabilities			
Financial instruments at fair value through profit or loss	13	69,563	92,827
Amounts payable under repurchase agreements		3,936,778	18,011,594
Deposits and balances from banks	22	62,685,039	56,649,761
Current accounts and deposits from customers	23	783,605,895	600,614,296
Debt securities issued	24	92,125,513	111,074,943
Subordinated borrowings	25	28,155,324	27,393,716
Other borrowed funds	25	58,124,688	127,712,418
Current tax liabilities	11	11,302,060	454,831
Deferred tax liability	11	-	664,044
Provision on contingent liabilities		303,276	244,929
Lease liabilities	20	11,852,055	12,106,310
Other liabilities	26	27,618,070	12,436,087
Total liabilities		1,079,778,261	967,455,756
Equity			
Share capital	27	54,414,765	54,385,935
Share premium		204,113	174,726
Revaluation reserve		(1,473,167)	(265,959)
Retained earnings		118,905,834	74,636,547
Total equity		172,051,545	128,931,249
Total liabilities and equity		1,251,829,806	1,096,387,005

Validation date 18.01.23

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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-2022

Name of the Bank Ameriabank CJSC

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

(thous. drams)

Item	Share capital	Share premium	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of previous financial year (cumulative)					
Balance as of 01 January 2021	37,386,880	17,065,364	32,878	55,220,480	109,705,602
Net profit for the period				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

Interim period of current financial year (cumulative)					
Balance as of 01 January 2022	54,385,935	174,726	(265,959)	74,636,547	128,931,249
Net profit for the period				44,269,287	44,269,287
Other comprehensive income/(loss) for the period			(1,207,208)		(1,207,208)
Issue of share capital	28,830	29,387			58,217
Balance as of 31 December 2022	54,414,765	204,113	(1,473,167)	118,905,834	172,051,545

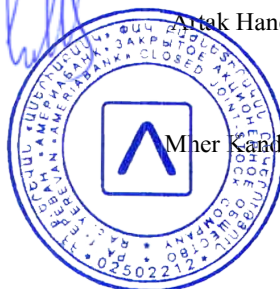
Validation date 18.01.23

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General Director-Chairman of the Management Board

Deputy Chief Accountant





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Statement of cash flows
31-Dec-2022

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

(thous. drams)

Item	01/01/2022- 31/12/2022	01/01/2021- 31/12/2021
Cash flows from operational activities	x	x
Interests receipts	85,582,553	73,975,542
Interests payments	(33,346,815)	(32,080,253)
Fee and commissions receipts	11,729,478	7,144,770
Fee and commissions payments	(2,594,247)	(2,053,290)
Net receipts from financial assets at fair value through profit and loss	1,891,015	290,078
Net receipts from foreign exchange	41,806,684	7,647,683
Other income/(expenses)	(5,289,389)	(3,805,377)
Salaries and other payments to employees	(15,014,274)	(9,491,879)
Other general administrative expense payments	(4,885,856)	(3,798,652)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	(3,610,739)	1,022,948
Loans and advances to banks	(52,429,595)	(7,696,239)
Amounts receivable under reverse repurchase agreements	(39,934,615)	9,809,681
Loans and advances to customers at amortized cost	(149,487,982)	(33,699,271)
Other assets	(615,695)	124,158
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	3,524,728	1,676,826
Deposits and balances from banks	11,607,765	4,962,739
Amounts payable under repurchase agreements	(14,029,245)	(2,000,002)
Current accounts and deposits from customers	266,823,108	37,699,399
Other liabilities	2,829,611	1,773,309
Net cash from (used in) operating activities before income tax paid	104,556,491	51,502,170
Income tax paid	(2,621,666)	(4,853,245)
Net cash flows from operational activities after profit tax	101,934,824	46,648,925
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(4,155,780)	(2,580,288)
Acquisition of investment securities measured at fair value through other comprehensive income	(165,804,584)	(5,199,788)
Proceeds from sale and repayment of investment securities measured at fair value through other comprehensive income	115,316,180	4,708,651
Acquisition of investment securities measured at amortised cost	(166,997,040)	(15,248,444)
Proceeds from sale and repayment of investment securities measured at amortised cost	59,281,794	13,009,591
Net cash flows from investing activities	(162,359,430)	(5,310,278)
Cash flows from financing activities	x	x
Repayment of lease liabilities	(2,044,969)	(1,988,756)
Dividends paid	-	-
Proceeds from issue of share capital	58,217	108,417
Receipt of other borrowed funds and subordinated liabilities	40,045,290	60,442,469
Repayment of other borrowed funds and subordinated liabilities	(82,461,252)	(63,438,777)
Proceeds from debt securities issued	31,976,529	113,175,030
Repayment of debt securities issued	(36,336,737)	(99,882,931)
Net cash flows from financing activities	(48,762,921)	8,415,452
Effect of changes in exchange rates on cash and cash equivalents	(42,063,801)	(20,034,617)
Effect of changes in impairment allowance on cash and cash equivalents	(37,914)	(42,149)
Net (decrease)/increase in cash and cash equivalents	(151,289,242)	29,677,333
Cash and cash equivalents at the beginning of the period (Note 12)	264,090,145	234,412,812
Cash and cash equivalents at the end of the period (Note 12)	112,800,903	264,090,145

Validation date 18.01.23

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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%.

During the years 2015-2020 Ameria Group (CY) sold part of its share to European Bank of Reconstruction and Development (EBRD), Asian Development Bank (ADB), ESPS Holding Limited and Afeyan Foundation for Armenia Inc. On 14 July 2020 Ameria Group (CY) was renamed to Imast Group (CY).

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

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

On 25 April 2022, ESPS Holding Limited purchased in full additionally issued 62 shares of the Bank with nominal value of AMD 465,000 per share for AMD 938,987 per share.

As at 31 December 2022 and 2021 the Bank's shareholding structure was as follows:

	2022	2021
Imast Group (CY)	48.87%	48.90%
European Bank of Reconstruction and Development (EBRD)	17.73%	17.74%
Asian Development Bank (ADB)	13.92%	13.93%
ESPS Holding Limited	11.98%	11.92%
Afeyan Foundation for Armenia Inc.	7.5%	7.51%
	100.00%	100.00%

As at 31 December 2022 and 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 24 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 as at 31 December 2022 was 1,427 (2021: 1,157).

Related party transactions are detailed in Note 34.

(b) Armenian business environment

The Bank conducts its operations from Armenia, exposed to the economic and regulatory environment of the Republic of Armenia. The country is considered to be one of the fastest growing economies, with well-defined legal and tax regulations, democratic political system with solid freedom of speech.

Impacted by global and regional turbulences of the last 2-3 years, the country has entered into recovery phase in 2021, mainly driven by services and domestic demand. The recovery continued in 2022 with higher pace mainly due to tourism, reallocation of distinct companies into Armenia, significant increase of remittances due to current geopolitical situation. All the mentioned factors are expected to yield about 14% GDP growth, which is significantly higher than it was anticipated at the beginning of the year. Per International Monetary Fund's (IMF) performance review, an economic rebound will continue. Government projects 7% growth for 2023. The government's 2021-2026 economic program seeks to advance an export-oriented and investment-driven growth model through a broad-based reform effort.

It is important to note that Fitch credit rating for Armenia stands at B+ with positive outlook dated 02 September 2022.

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 (FVTPL) and investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates as at 31 December 2022 and 2021, were AMD 393.57 and AMD 480.14 to USD 1, and AMD 420.06 and AMD 542.61 to EUR 1, 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 recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about critical judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 4(e)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- impairment of financial instruments: selection of model used to measure ECL, determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 30(c);
- estimates of fair values of financial assets and liabilities – Note 35.

(c) Changes in significant accounting policies

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

Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Bank's financial statements.

3 Significant accounting policies

New standards and amendments to standards effective from 1 January 2022 did not have impact on the accounting policies of the Bank, presented below.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Cash and cash equivalents

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

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

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

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

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

(d) Fees and commission

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

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

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

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

(e) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

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

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

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

Financial liabilities

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

iii. *Modification of financial assets and financial liabilities*

Interest rate benchmark reform

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

iv. Impairment

See also Note 30(c).

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

Measurement of ECL

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

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

See also Note 30(c).

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-offs

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

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

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

Non-integral financial guarantee contracts

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

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

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

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

(f) Loans and advances to customers

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

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

(g) Deposits, debt securities issued and subordinated liabilities

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

(h) Financial guarantees and loan commitments

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

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

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

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

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

(i) Repurchase and reverse repurchase agreements

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

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

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

(j) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

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

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

(k) Intangible assets

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

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

(l) Provisions

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

(m) Share capital

(i) Ordinary shares

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

(ii) Share premium

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

(iii) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(n) Repossessed property

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

(o) Impairment of non-financial assets

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

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

(p) Earnings per share

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

(q) Segment reporting

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

(r) Taxation

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

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

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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

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

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

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

(s) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

COVID-19-related rent concessions

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

(ii) As a lessor

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

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

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

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

(t) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

(i) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

(ii) *Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)*

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(iii) *Other standards*

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

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

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

4 Net interest income

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Interest income calculated using the effective interest method				
Financial assets measured at amortized cost				
Loans to customers	18,966,917	70,542,270	15,640,545	63,070,967
Investment securities measured at amortized cost	1,949,622	5,239,964	958,993	3,712,701
Amounts receivable under reverse repurchase agreements	833,743	2,103,112	171,875	664,777
Loans and advances to banks	366,418	1,005,549	28,471	104,483
Income from factoring	200,359	869,634	212,690	949,037
Receivables from letters of credit	102,104	437,229	128,561	663,644
Other	9,651	24,439	3,684	12,843
	22,428,814	80,222,197	17,144,819	69,178,452
Financial assets measured at fair value through other comprehensive income				
Investment securities measures at FVOCI	752,971	1,946,890	193,001	814,239
Interest income calculated using the effective interest method	23,181,785	82,169,087	17,337,820	69,992,691
Other interest income				
Receivables from finance leases	645,337	2,240,540	632,321	1,888,452
Investment securities measured at FVTPL	655,259	1,551,415	179,220	708,203
Derivative financial assets	16,227	159,640	162,790	547,670
Other interest income	1,316,823	3,951,595	974,331	3,144,325
Total	24,498,608	86,120,682	18,312,151	73,137,016
Interest expense				
Current accounts and deposits from customers	4,744,358	18,359,801	4,063,268	14,605,028
Other borrowed funds and subordinated borrowing	1,744,515	6,728,084	1,679,548	6,520,139
Debt securities issued	1,349,568	6,052,010	1,624,431	6,471,167
Deposits and balances from banks	728,038	2,537,756	480,137	1,859,651
Lease payables	334,458	1,343,001	339,280	1,343,129
Letters of credit and guarantee	115,147	364,028	82,460	408,246
Amounts payable under repurchase agreements	14,794	276,366	482,513	1,444,073
Other	-	-	-	10,777
Total	9,030,878	35,661,046	8,751,637	32,662,210
Net interest income	15,467,730	50,459,636	9,560,514	40,474,806

5 Net fee and commission income

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Fee and commission income				
Credit card maintenance	2,014,630	6,504,330	1,166,404	3,949,186
Cash withdrawal, account service and distance system services	504,234	1,980,166	216,077	853,484
Money transfers	622,662	1,706,323	258,105	925,905
Guarantee and letter of credit issuance	177,014	705,193	156,408	426,030
Settlement operations	73,372	300,696	59,338	212,819
Brokerage services	49,585	223,830	72,122	609,604
Other	66,763	308,940	17,301	167,742
	3,508,260	11,729,478	1,945,755	7,144,770

Fee and commission expense

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Credit card maintenance	531,978	1,753,852	489,928	1,610,638
Money transfers	96,733	423,873	72,482	279,707
Charges from cash and non-cash transactions with the Central Bank and other financial institutions	32,893	338,220	15,358	50,851
Guarantee and letter of credit issuance	7,222	39,496	9,194	71,130
Other	9,161	38,806	10,526	40,964
	677,987	2,594,247	597,488	2,053,290

8 Net gain on financial instruments at fair value through profit or loss

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Net gain on currency and interest rate derivative instruments	(900,419)	4,824,124	155,537	2,205,984
Net gain on financial instruments at fair value through profit or loss	573,811	1,051,650	210,712	259,831
	(326,608)	5,875,774	366,249	2,465,815

9 Net foreign exchange gain

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Net gain on spot transactions	14,890,359	41,806,684	2,342,916	7,647,683
Net gain from revaluation of financial assets and liabilities	729,380	(6,346,184)	(264,525)	(1,727,232)
	15,619,739	35,460,500	2,078,391	5,920,451

10 Other operating income

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
Other operating income	AMD'000	AMD'000	AMD'000	AMD'000
Net income from sale of repossessed assets	65,177	284,538	(50,575)	59,654
Income from rendered services	27,935	230,466	70,925	174,011
Income from insurance agency services	27,820	131,077	21,884	110,943
Income from deposit boxes	23,088	81,315	16,483	60,296
Income from reimbursement of legal cases	28,889	72,417	12,610	39,487
Income from payment terminals	11,669	53,319	7,006	30,282
Income from insurance	15,368	31,788	14,760	28,369
Income from advisory and arrangement services	-	1,776	1,345	29,012
Other income	4,936	53,006	16,468	56,778
	204,882	939,702	110,906	588,832

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
Other operating expenses	AMD'000	AMD'000	AMD'000	AMD'000
Payment system expenses	750,185	2,360,582	432,346	1,283,681
Guarantee payments to Armenian Deposit Guarantee Fund	229,377	833,975	188,603	685,324
Software maintenance	140,958	481,184	104,730	418,844
Collateral registration charges	55,175	318,417	132,582	158,183
ATM space charge	30,483	118,114	27,101	100,935
Postal service charges	29,666	117,157	24,752	82,451
Credit register charges	33,971	111,652	53,747	110,957
Financial system mediator	27,397	109,588	27,505	110,019
Paid fees and penalties	12,312	94,568	14,124	18,426
Encashment	23,808	93,935	22,380	86,716
Depository services	29,451	88,943	16,903	76,671
Fees for brokerage services	15,565	78,305	24,310	131,741
Agent fee	-	-	-	125,500
Insurance charges	-	-	30,119	121,987
Other expenses	232,749	482,969	33,096	293,942
	1,611,097	5,289,389	1,132,298	3,805,377

11 Net impairment losses on financial instruments

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 2022:

AMD'000	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	(37,914)	-	-	(37,914)
Loans and advances to banks	78,434	-	-	78,434
Loans to legal entities and individuals	39,556	(2,304,726)	6,267,598	4,002,428
Receivables from finance leases	(1,153)	5,245	224,921	229,013
Receivables from factoring	(3,593)	-	-	(3,593)
Receivables from letter of credit	(26,061)	-	-	(26,061)
Investment securities measured at amortised cost	201,875	-	-	201,874
Investment securities measured at fair value through other comprehensive income	57,293	-	-	57,293
Other financial assets	5,308	(408)	22,992	27,892
Credit related commitments	62,578	213	(4,444)	58,347
Total credit loss expense	376,323	(2,299,676)	6,511,067	4,587,714

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 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	(7,141)	-	-	(7,141)
Loans to legal entities and individuals	(1,756,611)	(1,395,808)	9,595,273	6,442,854
Receivables from finance leases	(13,091)	(15,317)	336,161	307,753
Receivables from factoring	(7,182)	-	-	(7,182)
Receivables from letter of credit	(12,863)	-	-	(12,863)
Investment securities measured at amortised cost	32,925	-	-	32,925
Investment securities measured at fair value through other comprehensive income	(22,038)	-	-	(22,038)
Other financial assets	4,654	304	(491,898)	(486,940)
Credit related commitments	(86,972)	(12,475)	(14,843)	(114,290)
Total credit loss expense	(1,844,214)	(1,423,296)	9,424,693	6,157,183

12 Other general administrative expenses

	01/10/2022/ 31/12/2022	01/01/2022/ 31/12/2022	01/10/2021/ 31/12/2021	01/01/2021/ 31/12/2021
	AMD'000	AMD'000	AMD'000	AMD'000
Depreciation and amortization	1,011,114	3,803,129	880,545	3,433,714
Advertising and marketing	330,500	911,886	337,523	831,369
Professional services	463,228	772,692	202,979	288,231
Staff training and other expenses	160,038	467,636	135,291	339,430
Repairs and maintenance	173,044	407,416	119,022	444,066
Unrecoverable taxes from lease agreements	91,538	364,565	88,776	348,517
Loan recovery charges	(33,033)	297,523	101,627	365,015
Security	71,730	264,160	62,351	238,604
Communications and information services	49,751	202,366	34,315	137,451
Other lease expense	49,738	189,222	43,303	184,568
Charity and sponsorship	150,527	180,145	51,079	117,736
Business trips and representation	88,695	162,024	4,303	28,882
Electricity and utilities	31,808	129,234	26,139	104,090
Insurance charges	23,979	101,433	22,700	87,629
Office supplies	16,284	73,681	11,743	67,764
Taxes other than on payroll and income	14,931	53,058	10,117	43,528
Other	95,957	308,815	51,302	170,735
	2,789,829	8,688,985	2,183,115	7,231,329

13 Income tax expense

	01/10/2022/ 31/12/2022 AMD'000	01/01/2022/ 31/12/2022 AMD'000	01/10/2021/ 31/12/2021 AMD'000	01/01/2021/ 31/12/2021 AMD'000
Current tax expense				
Current year	4,476,951	13,468,895	1,826,367	2,697,604
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	(767,822)	(2,869,264)	(781,280)	1,758,050
Total income tax expense	3,709,129	10,599,632	1,045,087	4,455,654

In 2022 the applicable tax rate for current tax is 18% (no change comparing with 2021).

Reconciliation of effective tax rate for the year ended 31 December:

	01/01/2022/ 31/12/2022 AMD'000	%	01/01/2022/ 31/12/2022 AMD'000	%
Profit before income tax	54,868,918		23,871,721	
Income tax at the applicable tax rate	(9,876,405)	(18.0)	(4,296,910)	(18.0)
Non-deductible expenses	(723,226)	(1.32)	(158,744)	(0.7)
Total income tax expense	(10,599,631)	(19.32)	(4,455,654)	(18.7)

(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 liability and net deferred tax asset accordingly as at 31 December 2022 and 2021.

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

Movements in temporary differences during the years ended 31 December 2022 and 2021 are presented as follows:

AMD'000	Balance 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2022
Financial instruments at fair value through profit or loss	1,011	(123,530)	-	(122,519)
Investment securities at fair value through other comprehensive income	66,849	(24,412)	264,997	307,434
Loans and advances to customers	(1,796,396)	280,623	-	(1,515,773)
Other financial instruments at amortised cost and provisions	(168,926)	212,628	-	43,702
Property and equipment	34,526	37,555	-	72,081
Right of use asset	(2,009,359)	108,744	-	(1,900,615)
Lease liabilities	2,179,136	(45,766)	-	2,133,370
Other assets	28,848	20,199	-	49,047
Other liabilities	1,089,650	2,402,575	-	3,492,225
Other borrowed funds	(89,383)	648	-	(88,735)
Total deferred tax (liability)/asset	(664,044)	2,869,264	264,997	2,470,217

AMD'000	Balance 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2021
Financial instruments at fair value through profit or loss	74,577	(73,566)	-	1,011
Investment securities at fair value through other comprehensive income	24,889	(23,637)	65,597	66,849
Loans and advances to customers	294,337	(2,090,733)	-	(1,796,396)
Other financial instruments at amortised cost and provisions	11,126	(180,052)	-	(168,926)
Property and equipment	13,667	20,859	-	34,526
Right of use asset	(1,915,901)	(93,458)	-	(2,009,359)
Lease liabilities	2,021,730	157,406	-	2,179,136
Other assets	32,175	(3,327)	-	28,848
Other liabilities	569,337	520,313	-	1,089,650
Other borrowed funds	(97,528)	8,145	-	(89,383)
Total deferred tax asset/(liability)	1,028,409	(1,758,050)	65,597	(664,044)

14 Cash and cash equivalents

	2022 AMD'000	2021 AMD'000
Cash on hand	21,346,412	22,847,846
Nostro accounts with the Central Bank of Armenia	52,624,729	227,124,335
Nostro accounts with other banks		
– rated Aa1 to Aa3	11,573,505	6,006,225
– rated A1 to A3	5,891,130	4,476,989
– rated from Baa1 to Baa3	5,178,893	2,753,282
– rated from Ba1 to Ba3	5,174,926	853,311
– not rated	11,015,542	70,306
Total nostro accounts with other banks	38,833,996	14,160,113
Total gross cash and cash equivalents	112,805,137	264,132,294
Credit loss allowance	(4,234)	(42,149)
Total net cash and cash equivalents	112,800,903	264,090,145

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality.

No cash and cash equivalents are impaired or past due and are included in Stage 1, low credit risk assets.

Nostro accounts with the Central Bank of Armenia are related to settlement activity (see Note 17) and are readily available for withdrawal.

As at 31 December 2022 and 2021 the Bank had no placement with banks besides the Central Bank of Armenia whose balances exceeded 10% of the Bank's equity.

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

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	42,149	-	-	42,149
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(42,149)	-	-	(42,149)
New financial assets originated or purchased	4,234	-	-	4,234
Balance at 31 December	4,234	-	-	4,234

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

15 Investment securities and derivative financial assets

(a) Financial instruments measured at fair value through profit or loss

	2022 AMD'000	2021 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,030,241	4,285,560
Government Eurobonds of the Republic of Armenia	3,680,115	637,242
Total government bonds	7,710,356	4,922,802
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	1,198,583	1,449,305
- rated from B1 to B3	16,682	714,740
- not rated	1,093,178	1,059,391
Total corporate bonds	2,308,443	3,223,436
Total debt and other fixed-income instruments held by the Bank	10,018,799	8,146,238
Corporate shares	99,992	-
Total investment securities measured at fair value through profit or loss	10,118,791	8,146,238
	2022 AMD'000	2021 AMD'000
Derivative financial assets		
Currency swaps	602,377	77,722
Total derivative financial assets	602,377	77,722
Total financial assets measured at fair value through profit or loss	10,721,168	8,223,960
Derivative financial liabilities		
Currency swaps	69,563	92,827
Total derivative financial liabilities	69,563	92,827

The Bank uses credit ratings per Moody's rating agency in disclosing credit quality of investment securities measured at fair value through profit or loss.

(b) Investment securities measured at fair value through other comprehensive income

	2022 AMD'000	2021 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	22,471,999	6,256,620
Government Eurobonds of the Republic of Armenia	10,664,483	616,137
Government securities of foreign countries	13,668,115	-
Government Eurobonds of foreign countries	1,075,828	-
Total government bonds	47,880,425	6,872,757
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	-	6,883
- rated from B1 to B3	-	-
- not rated	-	487,810
Corporate bonds of foreign companies		
- rated from Aaa1 to Aaa3	9,359,645	-
- not rated	45,230	474,498
Total corporate bonds	9,404,875	969,191
Total debt and other fixed-income instruments	57,285,300	7,841,948
Equity investments		
Corporate shares	78,307	78,307
Total investment securities measured at fair value through other comprehensive income	57,363,607	7,920,255
Pledged under sale and repurchase agreements		
Government bonds of the Republic of Armenia	-	-
Government Eurobonds of the Republic of Armenia	-	4,096,530
Total government bonds	-	4,096,530

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

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

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at fair value through other comprehensive income				
Balance at 1 January	30,960	-	-	30,960
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(70,177)	-	-	(70,177)
Assets repaid	(225,088)	-	-	(225,088)
Assets sold	(78,975)	-	-	(78,975)
New assets originated or purchased	431,533	-	-	431,533
Balance at 31 December	88,253	-	-	88,253

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

(i) ***Non-quoted equity investment securities designated at fair value through other comprehensive income***

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

Name	Country of incorporation	Main activity	% controlled		2022 AMD'000	2021 AMD'000
			2022	2021		
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	44,841	44,841
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					78,307	78,307

As at 31 December 2022 and 2021 investments primarily include mandatory shares in exchanges and clearing houses. The Bank's management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2022 and 2021.

16 Loans and advances to banks

	2022 AMD'000	2021 AMD'000
Due from the Central Bank of Armenia		
Credit card settlement deposit with the Central Bank of Armenia	6,767,000	3,364,500
Deposit with the Central Bank of Armenia, obligatory reserves	69,749,633	31,416,814
Loans and deposits with other banks		
Armenian banks		
- rated from Ba1 to Ba3	199,888	487,895
- not rated	-	-
Other banks		
- rated from Aa1 to Aa3	7,874,284	-
- rated from A1 to A3	10,503,434	-
- rated from Ba1 to Ba3	-	8,145,003
- not rated	106	-
Total loans and deposits with other banks	18,577,711	8,632,898
Total gross loans and advances to banks	95,094,344	43,414,212
Credit loss allowance	(159,385)	(80,951)
Total net loans and advances to banks	94,934,959	43,333,261

(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% (2021: 4%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted (2021: 10% in AMD and 8% in 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 15) 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. These reserves are not considered cash and cash equivalents and are included in loans and advances to banks. As at 31 December 2022, included in deposits with the Central Bank of Armenia is the amount of obligatory reserve of AMD 69,749,633 thousand for the amounts attracted in foreign currency (2021: AMD 31,416,814 thousand).

(b) Concentration of loans and advances to banks

As at 31 December 2022 and 2021 the Bank has no counterparty except for the Central Bank of Armenia, whose balances exceed 10% of equity.

No loans and advances to banks are past due or impaired. Loans and advances to banks are fully in

Stage 1 as at 31 December 2022 and 2021. All the loans and advance to banks are measured at amortised cost as at 31 December 2022 and 2021.

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to banks at amortised cost				
Balance at 1 January	88,092	-	-	88,092
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Assets repaid				
Amounts written off	(88,092)	-	-	(88,092)
Foreign currency adjustments	-	-	-	-
New assets originated or purchased	159,385	-	-	159,385
Balance at 31 December	159,385	-	-	159,385

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

17 Amounts receivable under reverse repurchase agreements

	2022 AMD'000	2021 AMD'000
Amounts receivable from small and medium Armenian financial institutions, not rated	7,378,642	6,509,063
Amounts receivable from medium size Armenian banks		
- rated from B1 to B3	-	-
- not rated	39,737,793	1,024,620
Total gross amounts receivable under reverse repurchase agreements	47,116,435	7,533,683
Credit loss allowance	-	-
Total net amounts receivable under reverse repurchase agreements	47,116,435	7,533,683

As at 31 December 2022 the Bank has one counterparty, whose balance exceeded 10% of equity. The amounts receivable of the counterparty balance as of 31 December 2022 is AMD 30,576,947 thousand and for 2021 the Bank has no such balances.

Amounts receivable under reverse repurchase agreements are from reputable Armenian banks and financial institutions. All of them are categorised under Stage 1 and are measured at amortised cost as at 31 December 2022 and 2021.

Collateral accepted as security for assets

As at 31 December 2022 amounts receivable under reverse repurchase agreements were collateralised by government securities with fair value of AMD 49,319,542 thousand (2021: 8,478,694 thousand).

18 Loans and advances to customers

	Notes	2022 AMD'000	2021 AMD'000
Loans to legal entities	19(a)	437,067,371	428,111,574
Loans to individuals	19(a)	277,130,693	220,437,296
Receivables from factoring	19(b)	8,766,315	10,820,379
Receivables from letters of credit	19(c)	4,395,536	10,702,129
Total gross loans and advances to customers at amortised cost		727,359,915	670,071,378
Receivables from finance lease	19(d)	23,532,028	19,900,741
Credit loss allowance		(15,348,823)	(16,885,855)
Total net loans and advances to customers		735,543,120	673,086,264

(a) Loans to legal entities and individuals

	2022 AMD'000	2021 AMD'000
Loans to legal entities		
Loans to large companies	269,513,566	278,128,033
Loans to small and medium size companies	167,553,805	149,983,541
Total loans to legal entities	437,067,371	428,111,574
Loans to individuals		
Mortgage loans	186,044,427	141,193,211
Consumer loans to individuals	91,086,266	79,244,085
Total loans to individuals	277,130,693	220,437,296
Total gross loans to legal entities and individuals	714,198,064	648,548,870
Credit loss allowance	(15,116,388)	(16,405,548)
Total net loans to legal entities and individuals	699,081,676	632,143,322

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	400,834,628	10,060,482	17,216,464	428,111,574
New assets originated or purchased	786,736,480	5,308	172,803	786,914,591
Assets repaid	(711,367,609)	(1,953,141)	(2,025,751)	(715,346,501)
Transfer to Stage 1	5,906,684	(5,802,710)	(103,974)	-
Transfer to Stage 2	(1,859,085)	1,861,892	(2,807)	-
Transfer to Stage 3	(2,227,233)	(319,453)	2,546,686	-
Recoveries	-	-	1,159,987	1,159,987
Amounts written off	-	-	(4,409,990)	(4,409,990)
Net change in asset from interest and foreign exchange revaluation	(56,452,600)	(1,595,214)	(1,314,476)	(59,362,290)
Balance at 31 December	421,571,265	2,257,164	13,238,942	437,067,371

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

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Balance at 1 January	3,539,121	1,422,497	6,518,486	11,480,104
New assets originated or purchased	6,334,696	1,778	84,945	6,421,419
Assets repaid	(5,727,836)	(654,393)	(995,803)	(7,378,032)
Transfer to Stage 1	11,026	(9,173)	(1,853)	-
Transfer to Stage 2	(638,750)	640,317	(1,567)	-
Transfer to Stage 3	(625,307)	(31,927)	657,234	-
Unwinding of discount	-	-	360,724	360,724
Recoveries	-	-	1,159,987	1,159,987
Amounts written off	-	-	(4,409,990)	(4,409,990)
Foreign exchange adjustments	(127,848)	(11,507)	(1,966,777)	(2,106,132)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	629,287	(601,339)	5,102,513	5,130,462
Balance at 31 December	3,394,389	756,253	6,507,899	10,658,542

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	(1,559,563)	(163,609)	(164,632)	(1,887,804)
Transfer to Stage 1	761,324	(713,967)	(47,357)	-
Transfer to Stage 2	(57,942)	57,942	-	-
Transfer to Stage 3	(100,758)	(971,034)	1,071,792	-
Unwinding of discount	-	-	874,702	874,702
Recoveries	-	-	1,792,329	1,792,329
Amounts written off	-	-	(9,098,554)	(9,098,554)
Foreign exchange adjustments	(228,403)	(24,411)	(479,207)	(732,021)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(350,082)	20,411	5,161,174	4,831,503
Balance at 31 December	3,539,121	1,422,497	6,518,486	11,480,104

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	209,136,862	6,876,696	4,423,738	220,437,296
New assets originated or purchased	222,079,402	401,056	13,420	222,493,878
Assets repaid	(147,484,011)	(3,511,590)	(1,000,939)	(151,996,540)
Transfer to Stage 1	755,019	(263,924)	(491,095)	-
Transfer to Stage 2	(507,039)	531,757	(24,718)	-
Transfer to Stage 3	(955,289)	(2,429,127)	3,384,416	-
Recoveries	-	-	3,400,799	3,400,799
Amounts written off	-	-	(3,759,030)	(3,759,030)
Change in balance of asset from interest and foreign exchange	(11,558,537)	(870,138)	(1,017,035)	(13,445,710)
Balance at 31 December	271,466,407	734,730	4,929,556	277,130,693

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

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	1,625,275	1,867,085	1,433,084	4,925,444
New assets originated or purchased	1,788,153	134,372	6,597	1,929,122
Assets repaid	(1,187,521)	(1,176,546)	(492,034)	(2,856,101)
Transfer to Stage 1	7,890	(1,662)	(6,228)	-
Transfer to Stage 2	(130,063)	136,915	(6,852)	-
Transfer to Stage 3	(491,814)	(1,833,801)	2,325,615	-
Unwinding of discount	-	-	242,048	242,048
Recoveries	-	-	3,400,799	3,400,799
Amounts written off	-	-	(3,759,030)	(3,759,030)
Foreign exchange adjustments	(22,335)	(1,849)	(155,810)	(179,994)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	69,795	1,090,731	(404,969)	755,557
Balance at 31 December	1,659,380	215,246	2,583,220	4,457,845

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	3,573,341	1,509,225	3,536,814	8,619,380
New assets originated or purchased	2,413,070	-	-	2,413,070
Assets repaid	(1,702,753)	(63,193)	(136,503)	(1,902,449)
Transfer to Stage 1	8,662	(8,662)	-	-
Transfer to Stage 2	(180,549)	180,549	-	-
Transfer to Stage 3	(457,945)	(747,552)	1,205,497	-
Unwinding of discount	-	-	251,952	251,952
Recoveries	-	-	1,388,061	1,388,061
Amounts written off	-	-	(6,937,279)	(6,937,279)
Foreign exchange adjustments	(145,810)	(16,589)	(380,760)	(543,159)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(1,882,741)	1,013,307	2,505,302	1,635,868
Balance at 31 December	1,625,275	1,867,085	1,433,084	4,925,444

(i) 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 2022:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large corporate customers				
– not overdue	258,933,054	1,705,216	4,398,108	265,036,378
– overdue less than 30 days	-	-	-	-
– overdue more than 30 days and less than 90 days	-	-	-	-
– overdue more than 90 days	-	-	4,477,188	4,477,188
Total gross loans to large corporate customers	258,933,054	1,705,216	8,875,296	269,513,566
Credit loss allowance	(1,432,205)	(576,862)	(5,390,996)	(7,400,063)
Total net loans to large corporate customers	257,500,849	1,128,354	3,484,300	262,113,503
Loans to small and medium size companies				
– not overdue	162,553,072	134,827	864,274	163,552,173
– overdue less than 30 days	85,139	23,854	3,376	112,369
– overdue more than 30 days and less than 90 days	-	393,267	13,194	406,461
– overdue more than 90 days	-	-	3,482,802	3,482,802
Total gross loans to small and medium size companies	162,638,211	551,948	4,363,646	167,553,805
Credit loss allowance	(1,962,184)	(179,392)	(1,116,903)	(3,258,479)
Total net loans to small and medium size companies	160,676,027	372,556	3,246,743	164,295,326
Total gross loans to corporate customers	421,571,265	2,257,164	13,238,942	437,067,371
Total net loans to corporate customers	418,176,876	1,500,910	6,731,043	426,408,829
Mortgage loans				
– not overdue	182,830,618	194,732	2,120,821	185,146,171
– overdue less than 30 days	6,791	3,048	1,285	11,124
– overdue more than 30 days and less than 90 days	-	79,224	69,720	148,944
– overdue more than 90 days	-	-	738,188	738,188
Total gross mortgage loans	182,837,409	277,004	2,930,014	186,044,427
Credit loss allowance	(284,263)	(18,645)	(1,374,217)	(1,677,125)
Total net mortgage loans	182,553,146	258,359	1,555,797	184,367,302
Consumer loans to retail customers*				
– not overdue	88,322,570	184,475	1,100,822	89,607,867
– overdue less than 30 days	301,350	26,047	12,237	339,634
– overdue more than 30 days and less than 90 days	5,078	247,204	167,032	419,314
– overdue more than 90 days	-	-	719,451	719,451
Total gross consumer loans to retail customers	88,628,998	457,726	1,999,542	91,086,266
Credit loss allowance	(1,375,117)	(196,601)	(1,209,003)	(2,780,721)
Total net consumer loans to retail customers	87,253,881	261,125	790,539	88,305,545
Total gross loans to retail customers	271,466,407	734,730	4,929,556	277,130,693
Total net loans to retail customers	269,807,027	519,484	2,346,336	272,672,847
Total gross loans to customers	693,037,672	2,991,894	18,168,498	714,198,064
Total net loans to customers	687,983,903	2,020,394	9,077,379	699,081,676

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
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* 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.

* Additional information about credit quality of corporate loans and advances to customers based on Internal Credit Rating model is disclosed in Note 30.

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to large corporate customers				
– not overdue	257,737,871	7,827,475	5,653,431	271,218,777
– overdue more than 90 days	-	-	6,909,256	6,909,256
Total gross loans to large corporate customers	257,737,871	7,827,475	12,562,687	278,128,033
Credit loss allowance	(1,850,687)	(893,832)	(4,756,167)	(7,500,686)
Total net loans to large corporate customers	255,887,184	6,933,643	7,806,520	270,627,347
Loans to small and medium size companies				
– not overdue	141,150,683	1,503,444	587,321	143,241,448
– overdue less than 30 days	1,939,995	82,918	51,031	2,073,944
– overdue more than 30 days and less than 90 days	6,079	646,645	97,378	750,102
– overdue more than 90 days	-	-	3,918,047	3,918,047
Total gross loans to small and medium size companies	143,096,757	2,233,007	4,653,777	149,983,541
Credit loss allowance	(1,688,434)	(528,665)	(1,762,319)	(3,979,418)
Total net small and medium size companies	141,408,323	1,704,342	2,891,458	146,004,123
Total gross loans to corporate customers	400,834,628	10,060,482	17,216,464	428,111,574
Total net loans to corporate customers	397,295,507	8,637,985	10,697,978	416,631,470
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
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 consumer loans to retail customers	73,389,717	3,675,840	2,178,528	79,244,085
Credit loss allowance	(1,318,753)	(1,617,445)	(978,469)	(3,914,667)
Total net consumer loans to retail customers	72,070,964	2,058,395	1,200,059	75,329,418

	Stage 1	Stage 2	Stage 3	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Total gross loans to retail customers	209,136,862	6,876,696	4,423,738	220,437,296
Total net loans to retail customers	207,511,587	5,009,611	2,990,654	215,511,852
Total gross loans to customers	609,971,490	16,937,178	21,640,202	648,548,870
Total net loans to customers	604,807,094	13,647,596	13,688,632	632,143,322

* 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.

(ii) Analysis of collateral and other credit enhancements

Loans to legal entities

Loans to legal entities are subject to individual credit appraisal and impairment testing. The general creditworthiness of a legal entity tends to be the most relevant indicator of credit quality of the loan. However, collateral provides additional security and the Bank generally requires corporate borrowers to provide it.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, equipment, inventory and 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 individuals

Mortgage loans are secured by the underlying housing real estate.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Auto loans are secured by the underlying cars. As at 31 December 2022 consumer loans are secured by real estate, movable property, salary, cash and individual guarantees.

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

31 December 2022	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
Loans to legal entities	13,238,942	9,446,874	132,515	4,669,556	(3,567,720)	10,681,225	2,557,717	6,507,899
Mortgage loans	2,930,014	2,137,721	7,003	7,872	(636,377)	1,516,219	1,413,796	1,374,217
Consumer loans	1,999,542	816,450	6,697	94,078	(406,107)	511,119	1,488,423	1,209,003
Total	18,168,498	12,401,045	146,215	4,771,506	(4,610,204)	12,708,563	5,459,936	9,091,119

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

Repossessed collateral

During the year ended 31 December 2022, the Bank obtained certain assets by taking possession of collateral for loans to customers with a carrying amount of AMD 355,073 thousand (2021: AMD 2,530,398 thousand). Part of the repossessed collateral in the amount of AMD 714,665 thousand was sold during the year ended 31 December 2022 (2021: AMD 2,962,540 thousand). As at 31 December 2022 and 2021, the repossessed collateral comprises:

	2022 AMD'000	2021 AMD'000
Real estate	986,014	1,315,382
Land	131,460	158,718
Other	7,557	10,523
Write down to net realisable value	(215,001)	(158,343)
Total repossessed collateral	910,030	1,326,280

The Bank's intention is to sell these assets as soon as it is practicable.

(iii) Industry and geographical analysis of the loans to legal entities and individuals

Loans to customers were issued to finance in the following economic sectors:

	2022 AMD'000	2021 AMD'000
Construction	80,090,156	48,905,283
Wholesale trade	55,718,236	60,088,783
Agriculture, forestry and timber	48,145,479	42,468,352
Food and beverage	45,859,624	37,974,102
Mining/metallurgy	38,263,289	29,142,735
Retail trade	36,134,206	33,958,590
Energy	26,350,280	29,210,379
Transportation	24,171,964	37,835,056

	2022 AMD'000	2021 AMD'000
Hotel services	20,312,596	31,295,097
Real estate	17,048,201	22,686,452
Communication services	10,464,070	20,400,077
Manufacturing	8,318,186	9,849,730
Finance and investment	54,909	9,931,454
Other	26,136,175	14,365,484
Loans to individuals	277,130,693	220,437,296
	714,198,064	648,548,870
Credit loss allowance	(15,116,388)	(16,405,548)
	699,081,676	632,143,322

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

	2022 AMD'000	2021 AMD'000
Armenia	425,015,023	415,181,330
OECD and EU	57	-
Other foreign countries	1,393,749	1,450,140
	426,408,829	416,631,470

(iv) Significant credit exposures

As at 31 December 2022 the Bank has two groups of connected borrowers (2021: one), whose loan balances exceed 10% of the Bank's equity. The exposure on these loans as at 31 December 2022 is AMD 53,627,014 thousand (2021: AMD 14,216,785 thousand).

(v) 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 factoring

	2022 AMD'000	2021 AMD'000
Receivables from factoring	8,766,315	10,820,379
Credit loss allowance	(9,786)	(13,379)
	8,756,529	10,807,000

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

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	10,820,379	-	-	10,820,379
New assets originated or purchased	26,827,120	-	-	26,827,120

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Assets repaid	(26,900,321)	-	-	(26,900,321)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change in asset from interest and foreign exchange revaluation	(1,980,863)	-	-	(1,980,863)
Balance at 31 December	8,766,315	-	-	8,766,315

	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	28,994,422	-	-	28,994,422
Assets repaid	(28,344,726)	-	-	(28,344,726)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change in asset from interest and foreign exchange revaluation	(1,182,229)	-	-	(1,182,229)
Balance at 31 December	10,820,379	-	-	10,820,379

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	13,379	-	-	13,379
New assets originated or purchased	29,948	-	-	29,948
Assets repaid	(30,029)	-	-	(30,029)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(3,511)	-	-	(3,511)
Balance at 31 December	9,786	-	-	9,786

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from factoring				
Balance at 1 January	20,561	-	-	20,561
New assets originated or purchased	35,851	-	-	35,851
Assets repaid	(35,047)	-	-	(35,047)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(7,985)	-	-	(7,985)

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	13,379	-	-	13,379

Receivables from factoring are secured by real estate, equipment and vehicles.

(c) Receivables from letters of credit

	2022 AMD'000	2021 AMD'000
Receivables from letters of credit from legal entities	4,395,536	10,702,129
Credit loss allowance	(16,538)	(42,599)
	4,378,998	10,659,530

As at 31 December 2022 the Bank has no customers (2021: none), whose balances exceed 10% of the Bank's 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 2022 and 2021.

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from letters of credit				
Balance at 1 January	10,702,129	-	-	10,702,129
New assets originated or purchased	10,769,135	-	-	10,769,135
Assets repaid	(15,372,473)	-	-	(15,372,473)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change in asset from interest and foreign exchange revaluation	(1,703,255)	-	-	(1,703,255)
Balance at 31 December	4,395,536	-	-	4,395,536

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from letters of credit				
Balance at 1 January	12,859,539	-	-	12,859,539
New assets originated or purchased	17,750,093	-	-	17,750,093
Assets repaid	(18,328,411)	-	-	(18,328,411)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change in asset from interest and foreign exchange revaluation	(1,579,092)	-	-	(1,579,092)
Balance at 31 December	10,702,129	-	-	10,702,129

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Receivables from letters of credit				
Balance at 1 January	42,599	-	-	42,599
New assets originated or purchased	40,518	-	-	40,518
Assets repaid	(57,838)	-	-	(57,838)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(8,741)	-	-	(8,741)
Balance at 31 December	16,538	-	-	16,538

	2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Receivables from letters of credit				
Balance at 1 January	55,462	-	-	55,462
New assets originated or purchased	70,653	-	-	70,653
Assets repaid	(72,955)	-	-	(72,955)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(10,561)	-	-	(10,561)
Balance at 31 December	42,599	-	-	42,599

(d) Receivables from finance leases

	2022 AMD'000	2021 AMD'000
Gross investment in finance leases receivable		
Less than one year	7,782,554	6,477,120
Between one and five years	19,297,945	16,339,246
More than five years	3,128,488	2,028,022
	30,208,987	24,844,388
Unearned finance income	(6,676,959)	(4,943,647)
Gross investment in finance lease receivables	23,532,028	19,900,741
Impairment allowance	(206,109)	(424,329)
Net investment in finance leases	23,325,919	19,476,412
The net investment in finance leases comprises		
Less than one year	6,009,312	5,072,802
Between one and two years	5,416,996	4,574,317
Between two and three years	4,562,135	3,755,284
Between three and four years	3,083,394	2,844,554
Between four and five years	1,838,414	1,641,133
More than five years	2,415,668	1,588,322
	23,325,919	19,476,412

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	19,369,089	16,129	515,523	19,900,741
New assets originated or purchased	18,457,944	-	-	18,457,944
Assets repaid	(12,730,355)	(10,381)	(130,477)	(12,871,213)
The effect of changes in foreign exchange rates	(1,607,879)	21,260	23,877	(1,562,742)
Transfer to Stage 1	8,483	(8,483)	-	-
Transfer to Stage 2	(9,995)	9,995	-	-
Transfer to Stage 3	(99,336)	-	99,336	-
Write off amounts	-	-	(1,434,595)	(1,434,595)
Recoveries	-	-	1,041,893	1,041,893
Balance at 31 December	23,387,951	28,520	115,557	23,532,028

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	12,363,152	91,744	578,610	13,033,506
New assets originated or purchased	15,958,518	-	-	15,958,518
Assets repaid	(7,572,653)	(4,103)	(48,773)	(7,625,529)
The effect of changes in foreign exchange rates	(1,442,117)	(24,719)	449,554	(1,017,282)
Transfer to Stage 1	77,701	(46,793)	(30,908)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(15,512)	-	15,512	-
Write off amounts	-	-	(586,870)	(586,870)

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Recoveries	-	-	138,398	138,398
Balance at 31 December	19,369,089	16,129	515,523	19,900,741

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	148,683	3,620	272,026	424,329
New assets originated or purchased	162,430	-	-	162,430
Assets repaid	(112,027)	(2,470)	(111,049)	(225,546)
Transfer to Stage 1	53	(53)	-	-
Transfer to Stage 2	(3,638)	3,638	-	-
Transfer to Stage 3	(42,030)	-	42,030	-
Write off amounts	-	-	(1,434,595)	(1,434,595)
Recoveries	-	-	1,041,893	1,041,893
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(5,941)	4,130	293,940	292,129
The effect of changes in foreign exchange rates	(6,364)	(713)	(59,595)	(66,672)
Unwinding of discount	-	-	12,141	12,141
Balance at 31 December	141,166	8,152	56,791	206,109

	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	138,999	-	-	138,999
Assets repaid	(65,958)	(976)	(35,809)	(102,743)
Transfer to Stage 1	538	(323)	(215)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(12,897)	-	12,897	-
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	(73,773)	(14,018)	359,288.02	271,497
Unwinding of discount	-	-	16,132	16,132
Balance at 31 December	148,683	3,620	272,026	424,329

(i) Quality analysis of finance leases

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
- not overdue	23,353,245	9,995	16,220	23,379,460
- overdue less than 30 days	34,707	-	-	34,707
- overdue between 30 and 90 days	-	18,525	-	18,525
- overdue more than 90 days	-	-	99,336	99,336
Total gross receivables from finance leases	23,387,952	28,520	115,556	23,532,028
Credit loss allowance	(141,166)	(8,152)	(56,791)	(206,109)
Total net receivables from finance leases	23,246,786	20,368	58,765	23,325,919

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

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

(ii) Concentration of receivables from finance leases

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

(iii) Analysis of collateral

Receivables from finance lease are secured by real estate, equipment and vehicles. The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2022:

	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
31 December 2022								
Finance lease	115,556	-	8,900	76,000	(1,297)	83,603	31,953	56,792
Total	115,556	-	8,900	76,000	(1,297)	83,603	31,953	56,792

Receivables from finance lease are secured by real estate, equipment and vehicles. The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2021:

	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
31 December 2021								
Finance lease	515,523	-	601,278	-	(152,194)	449,084	66,439	272,026
Total	515,523	-	601,278	-	(152,194)	449,084	66,439	272,026

19 Investment securities measured at amortised cost

	2022 AMD'000	2021 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
Government bonds of the Republic of Armenia	49,988,420	36,440,646
Government securities of foreign countries	60,244,473	-
Government Eurobonds of the Republic of Armenia	37,111,362	639,897
Total government bonds	147,344,255	37,080,543
Corporate bonds of Armenian companies		
- not rated	5,292,510	965,804
Total corporate bonds	5,292,510	965,804
Total debt and other fixed-income instruments held by the Bank	152,636,765	38,046,347
Credit loss allowance	(332,487)	(130,613)
Total net investment securities measured at amortised cost held by the Bank	152,304,277	37,915,734
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Government bonds of the Republic of Armenia	4,397,608	8,324,800
Government Eurobonds of the Republic of Armenia	-	7,445,774
Total government bonds	4,397,608	15,770,574

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

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

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost				
Balance at 1 January	130,613	-	-	130,613
Transfer to Stage 1	-	-	-	-

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(60,673)	-	-	(60,673)
Assets repaid	(154,984)	-	-	(154,984)
Assets sold	-	-	-	-
New assets originated or purchased	417,531	-	-	417,531
Balance at 31 December	332,487	-	-	332,487

AMD'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised 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

20 Property, equipment and intangible assets

AMD'000	Leasehold improvements	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost						
Balance at 1 January 2022	5,045,997	8,016,991	2,858,710	321,154	4,672,367	20,915,219
Additions	320,809	964,864	194,382	5,429	2,670,296	4,155,780
Disposals/write-offs	(649,323)	(128,956)	(15,640)	-	(1,055,666)	(1,849,585)
Balance at 31 December 2022	4,717,483	8,852,899	3,037,452	326,583	6,286,997	23,221,414
Depreciation and amortisation						
Balance at 1 January 2022	2,058,943	5,040,776	1,000,033	168,612	1,997,773	10,266,137
Depreciation and amortisation for the year	316,577	997,525	249,282	41,951	1,123,888	2,729,223
Disposals/write-offs	(646,446)	(112,500)	(3,161)	-	(1,034,724)	(1,796,831)
Balance at 31 December 2022	1,729,074	5,925,801	1,246,154	210,563	2,086,937	11,198,529
Carrying amount						
At 31 December 2022	2,988,409	2,927,098	1,791,298	116,020	4,200,060	12,022,885

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

21 Leases

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

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

(a) Right of use asset

	2022 AMD'000	2021 AMD'000
Balance at 1 January	11,163,102	10,643,891
Additions to right of use assets	408,254	763,001
Depreciation charge for the period	(1,073,905)	(1,017,247)
Lease contract modifications	61,523	773,457
Balance at 31 December	10,558,974	11,163,102

(b) Amounts recognised in profit or loss

	2022 AMD'000	2021 AMD'000
Depreciation of right of use asset	1,073,905	1,017,247
Interest on lease liabilities	1,343,001	1,343,129

(c) Amounts recognised in statement of cash flows

	2022 AMD'000	2021 AMD'000
Total cash outflow for leases	2,044,969	1,988,756

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

	2022 AMD'000	2021 AMD'000
Balance at 1 January	12,106,310	11,231,832
Changes from financing cash flows		
Repayments	(2,044,969)	(1,988,040)
Total changes from financing cash flows	(2,044,969)	(1,988,040)
Other changes		
Additions to lease liability	408,254	763,001
Modification	61,523	742,320
Interest expense	1,343,001	1,343,129
The effect of change in foreign exchange rates	(22,064)	14,784
Balance at 31 December	11,852,055	12,106,310

22 Other assets

	2022 AMD'000	2021 AMD'000
Receivables from unsettled transactions	3,242,216	1,753,611
Brokerage accounts	146,499	1,214,055
Restricted accounts with clearing houses	912,326	573,370
Credit loss allowance	(26,658)	(24,903)
Total other financial assets at amortised cost	4,274,383	3,516,133
Prepayments to suppliers	5,704,726	6,563,381
Reposessed assets	910,030	1,326,280
Inventories	646,708	153,669
Other	59,806	13,771
Total other non-financial assets	7,321,271	8,057,101
Total other assets	11,595,654	11,573,234

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

	2022			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Other financial assets at amortised cost				
Balance at 1 January	14,932	648	9,323	24,903
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	5,649	(365)	22,607	27,891
Write offs	-	-	(48,559)	(48,559)
Recoveries	-	-	22,423	22,423
Balance at 31 December	20,581	283	5,794	26,658

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

23 Deposits and balances from banks

	2022 AMD'000	2021 AMD'000
Loans from the Central Bank of Armenia	28,196,715	21,216,786
Loans and term deposits from commercial banks		
– with initial maturity period of less than 12 months	5,904,628	4,331,441
– with initial maturity period of more than 12 months	11,911,962	14,414,774
Liabilities for letters of credit	11,176,278	16,364,003
Vostro accounts	5,495,456	322,757
	62,685,039	56,649,761

According to the agreement the Central Bank of Armenia 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”.

As at 31 December 2022 and 2021 the Bank has no counterparty, except for the Central Bank of Armenia, whose balances exceed 10% of equity. The gross value of the counterparty balances as 31 December 2022 is AMD 0 (2021: AMD 14,414,774 thousand).

24 Current accounts and deposits from customers

	2022 AMD'000	2021 AMD'000
Current accounts and demand deposits		
– Individuals	186,759,943	119,887,810
– Legal entities	299,563,009	189,457,843
Term deposits		
– Individuals	206,247,848	182,878,019
– Legal entities	91,035,095	108,390,624
	783,605,895	600,614,296

As at 31 December 2022, the Bank has two customers (31 December 2021: three customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2022 is AMD 59,891,739 thousand (2021: AMD 81,659,035 thousand).

25 Debt securities issued

	2022 AMD'000	2021 AMD'000
Domestic bonds issued	74,474,072	88,283,791
Green bonds issued to international financial institutions	17,651,441	22,791,152
	92,125,513	111,074,943

As at 31 December 2022 the Bank has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 29.1 billion and USD 44.8 million respectively (2021: AMD and USD denominated debt securities with nominal amount of AMD 35.5 billion and

USD 52.0 million respectively). As at 31 December 2022 carrying value of the bonds is AMD 29,480,378 thousand and AMD 44,993,694 thousand accordingly (2021: AMD 36,017,636 thousand and AMD 52,266,155 thousand accordingly).

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

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.

(a) Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022 AMD'000	2021 AMD'000
Balance at 1 January	111,074,943	106,916,313
Changes from financing cash flows		
Sale of debt securities issued	31,976,529	113,175,030
Repayment of debt securities issued	(36,336,737)	(99,882,931)
Total changes from financing cash flows	(4,360,208)	13,292,099
The effect of changes in foreign exchange rates	(14,351,018)	(8,882,959)
Other changes		
Interest expense	6,052,010	6,471,167
Interest paid	(6,290,214)	(6,721,677)
Balance at 31 December	92,125,513	111,074,943

26 Other borrowed funds and subordinated borrowings

	2022 AMD'000	2021 AMD'000
Borrowings from international financial institutions	57,453,179	127,494,752
Borrowings from Armenian financial institutions	671,509	217,666
	58,124,688	127,712,418
Subordinated borrowings from international financial institutions	28,155,324	27,393,716
	28,155,324	27,393,716

(a) Concentration of borrowings from international financial institutions

As at 31 December 2022, the Bank has no loans from financial institutions (31 December 2021: four), whose balances exceed 10% of equity.

(b) Subordinated borrowing

As at 31 December 2022 subordinated borrowings represent borrowings received from seven financial institutions:

- AMD 3,367,745 thousand maturing on 15 January 2026;
- AMD 5,600,709 thousand maturing on 15 January 2027;
- AMD 5,820,252 thousand maturing on 3 January 2031;
- AMD 200,640 thousand maturing on 3 January 2031;
- AMD 3,515,781 thousand maturing on 8 January 2029;
- AMD 3,339,671 thousand maturing on 2 January 2032;
- AMD 1,579,029 thousand maturing on 2 February 2032;
- AMD 4,731,497 thousand maturing on 2 February 2032;

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

(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 2022 and 2021.

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

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2022	127,712,418	27,393,716
Changes from financing cash flows		
Receipt	36,771,928	3,326,025
Repayments	(82,461,252)	-
Total changes from financing cash flows	(45,689,324)	3,326,025
The effect of changes in foreign exchange rates	(23,732,666)	(2,669,611)
Other changes		
Interest expense	4,821,938	1,906,146
Interest paid	(4,987,678)	(1,800,952)
Balance at 31 December 2022	58,124,688	28,155,324

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2021	128,907,362	36,495,281
Changes from financing cash flows		
Receipt	51,265,871	7,280,620
Repayments	(63,438,777)	-
Total changes from financing cash flows	(12,172,906)	7,280,620
The effect of changes in foreign exchange rates	(15,055,988)	4,994,383
Transfer from subordinated borrowings to other borrowed funds	26,322,960	(26,322,960)
Other changes		
Interest expense	4,971,972	1,548,167
Interest paid	(5,260,982)	(1,267,216)
Balance at 31 December 2021	127,712,418	27,393,716

27 Other liabilities

	2022 AMD'000	2021 AMD'000
Payables to staff	19,517,360	6,204,477
Payables in transit	2,413,273	2,544,251
Tarde payables	1,581,845	795,497
Financial liabilities related to factoring contracts	469,418	726,794
Payables to deposit guarantee fund	229,377	175,312
Other payables	3,144,921	434,309
Total other financial liabilities	27,356,194	10,880,640
Other taxes payable	259,478	1,524,071
Deferred income	2,398	31,376
Total other non-financial liabilities	261,876	1,555,447
Total other liabilities	27,618,070	12,436,087

28 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2022 the authorised, issued and outstanding share capital comprises 117,021 ordinary shares (2021: 116,959). All shares have a nominal value of AMD 465 thousand (2021: 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 investment securities

The revaluation reserve for investment securities comprises the cumulative net change in the fair value of investment securities measured at FVOCI, until the assets are derecognised 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.

The Bank did not declare and pay dividends in 2022 and 2021.

(d) Earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit attributable to ordinary shareholders of AMD 44,269,287 thousand (2021: AMD 19,416,067 thousand), and a weighted-average number of ordinary shares outstanding of 117,002 (2021: 116,936), calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2022 AMD'000	2021 AMD'000
Issued shares at 1 January	116,959	116,834
Effect of shares issued in March	-	125
Effect of shares issued in April	62	-
Weighted average number of shares for the year ended 31 December	117,002	116,936
Earnings per share – basic	378.36	166.04

29 Risk management

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

(a) Risk management policies and procedures

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

The 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 optimising 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 benchmark reform

Overview

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

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

The Financial and Operational department monitors and manages the Bank's transition to alternative rates. The Financial and Operational department together with profit centres evaluates the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The Financial and Operational department reports to the Management Board and collaborates with other business functions as needed. It provides periodic reports to ALCO to support the management of interest rate risk.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the Bank has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate if such amendment is allowed by local legislation.

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

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

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

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

AMD'000

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
31-December-22							
Assets							
Cash and cash equivalents	-	-	-	-	-	112,800,903	112,800,903
Investment securities measured at fair value through other comprehensive income	15,418,820	8,168,326	3,349,347	25,370,227	4,970,234	86,652	57,363,607
Loans and advances to banks	1,836,523	-	-	528,866	-	92,569,570	94,934,959
Amounts receivable under reverse repurchase agreements	47,116,435	-	-	-	-	-	47,116,435
Loans to customers	128,313,595	80,912,126	103,218,819	349,109,407	31,499,154	6,028,575	699,081,676
Receivables from letters of credit	1,266,781	777,935	527,502	1,806,779	-	-	4,378,998
Receivables from finance leases	2,121,375	1,985,448	3,678,979	14,144,153	1,371,844	24,117	23,325,917
Receivables from factoring	5,883,045	2,873,484	-	-	-	-	8,756,529
Investment securities	62,687,319	11,200,707	10,394,061	16,012,488	56,407,309	-	156,701,885

Ameriabank CJSC
Notes to, and forming part of, the financial statements for the year ended 31 December 2022

measured at
amortized cost

	264,643,895	105,918,027	121,168,709	406,971,920	94,248,541	211,509,817	1,204,460,909
Liabilities							
Deposits and balances from banks	(20,086,919)	(3,099,521)	(5,677,206)	(29,209,587)	(4,611,806)	-	(62,685,039)
Current accounts and deposits from customers	(70,517,470)	(74,546,561)	(116,290,137)	(33,314,945)	(2,613,831)	(486,322,952)	(783,605,895)
Debt securities issue	(10,976,696)	(11,530,498)	(13,469,146)	(56,149,173)	-	-	(92,125,513)
Subordinated borrowings	(651,514)	(358,584)	(976,817)	(13,116,868)	(13,051,541)	-	(28,155,324)
Other borrowed funds	(6,968,602)	(3,217,966)	(10,006,437)	(37,857,606)	(74,078)	-	(58,124,688)
Lease liabilities	(514,958)	(479,167)	(931,966)	(5,056,705)	(4,869,258)	-	(11,852,055)
	(109,716,159)	(93,232,296)	(147,351,708)	(174,704,884)	(25,220,515)	(486,322,952)	(1,036,548,514)
Net position	154,927,735	12,685,731	(26,182,999)	232,267,036	69,028,027	(274,813,135)	167,912,395

AMD'000

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
31-Dec-21							
Assets							
Cash and cash equivalents	-	-	-	-	-	234,412,812	234,412,812
Investment securities measured at fair value through other comprehensive income	27,463	1,865,238	-	6,195,773	3,050,488	69,039	11,208,001
Loans and advances to banks	1,836,523	-	-	528,866	-	35,423,495	37,788,884
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	17,258,217
Loans to customers	89,877,482	33,706,272	71,346,144	361,409,740	43,770,133	59,764,733	659,874,503
Receivables from letters of credit	4,930,058	110,052	3,239,373	4,524,595	-	-	12,804,077
Receivables from finance leases	815,912	755,359	1,510,856	8,656,763	738,020	7,682	12,484,592
Receivables from factoring	4,331,451	6,292,969	707,931	-	-	-	11,332,351
Investment securities measured at amortized cost	4,452,973	9,371,754	-	19,885,743	17,826,823	-	51,537,293
	123,530,078	52,101,645	76,804,304	401,201,480	65,385,463	329,677,761	1,048,700,730
Liabilities							

Deposits and balances from banks	(10,283,398)	(1,911,934)	(9,214,765)	(25,430,108)	(9,005,311)	-	(55,845,516)
Current accounts and deposits from customers	(58,226,135)	(60,611,865)	(99,720,380)	(27,842,363)	(25,451)	(352,413,473)	(598,839,667)
Debt securities issue	(1,569,588)	(7,876,116)	(11,405,996)	(86,064,613)	-	-	(106,916,313)
Subordinated borrowings	(485,590)	(35,022)	-	(26,278,836)	(21,617,384)	-	(48,416,832)
Other borrowed funds	(1,839,030)	(24,942,916)	(22,807,386)	(77,208,100)	(2,109,931)	-	(128,907,362)
Lease liabilities	(138,286)	(394,153)	-	(1,853,007)	(8,846,386)	-	(11,231,832)
	(72,542,027)	(95,772,006)	(143,148,527)	(244,677,027)	(41,604,463)	(352,413,473)	(950,157,522)
Net position	50,988,051	(43,670,361)	(66,344,223)	156,524,453	23,781,000	(22,735,712)	98,543,208

Average effective interest rates

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2022 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2022			2021		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest earning assets						
Investment securities measured at fair value through profit or loss	11.0%	7.7%	0.9%	9.2%	6.4%	2.7%
Investment securities measured at fair value through other comprehensive income	10.8%	4.4%	-	8.9%	4.7%	-
Investment securities measured at amortised cost	8.6%	8.1%	-	8.0%	4.8%	-
Loans and advances to banks	-	4.6%	1.7%	-	7.1%	0.7%
Amounts receivable under reverse repurchase agreements	11.8%	-	-	9.2%	-	-
Loans and advances to customers	14.2%	8.4%	6.5%	14.0%	8.1%	6.5%
Receivables from finance leases	11.9%	7.7%	6.4%	11.4%	8.0%	6.1%
Receivables from factoring	18.7%	10.2%	9.5%	15.9%	9.9%	19.1%
Receivables from letter of credit	-	6.8%	4.7%	-	5.0%	5.1%
Interest bearing liabilities						
Deposits and balances from banks	6.1%	5.7%	2.3%	6.2%	2.9%	0.6%
Amounts payable under repurchase agreements	-	2.5%	-	7.8%	-	-
Debt securities issued	9.9%	4.3%	3.1%	10.0%	4.9%	3.2%
Term deposits from customers	9.3%	3.1%	1.5%	9.3%	3.5%	1.8%
Subordinated borrowings	-	10.8%	6.2%	-	6.4%	6.5%
Other borrowed funds	9.0%	7.6%	3.0%	11.0%	2.8%	3.3%

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities, except for interest bearing cash and cash equivalents and current accounts and demand deposits from customers, and existing as at 31 December 2022 and 2021, is as follows:

	2022 AMD'000	2021 AMD'000
100 bp parallel rise	(406,256)	(610,497)
100 bp parallel fall	406,256	610,497

An analysis of the sensitivity of equity as a result of changes in the fair value of financial instruments at fair value through other comprehensive income, based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2022 Equity AMD'000	2021 Equity AMD'000
100 bp parallel rise	(218,021)	(212,596)
100 bp parallel fall	218,021	212,596

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. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	23,168,887	26,473,463	15,514,964	65,157,314
Investment securities at fair value through profit or loss	5,894,760	86,014	-	5,980,774
Investment securities at fair value through other comprehensive income	34,813,300	-	-	34,813,300
Investment securities at amortised cost	95,101,418	3,355,592	-	98,457,010
Loans and advances to banks	73,975,112	24,895,485	2,675	98,873,272
Loans and advances to customers	243,103,900	82,434,347	438,119	325,976,366
Receivables from letters of credit	1,318,708	3,060,291	-	4,378,999
Receivables from finance leases	2,610,657	3,105,344	-	5,716,001
Receivables from factoring	5,403,897	1,499,528	165,898	7,069,323
Other financial assets	2,195,990	22,027	60,007	2,278,024
Total assets	487,586,629	144,932,091	16,181,663	648,700,383

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
LIABILITIES				
Deposits and balances from banks	25,925,175	12,453,005	1,521,037	39,899,217
Current accounts and deposits from customers	365,263,226	78,585,879	14,713,881	458,562,986
Debt securities issued	44,993,694	17,651,441	-	62,645,135
Subordinated borrowings	9,360,563	18,794,761	-	28,155,324
Other borrowed funds	40,107,568	16,708,862	-	56,816,430
Amounts payable under repurchase agreements	3,936,778	-	-	3,936,778
Lease liability	74,643	-	-	74,643
Other financial liabilities	823,424	719,071	3,930	1,546,425
Total liabilities	490,485,071	144,913,019	16,238,848	651,636,938
Net position	(2,898,442)	19,072	(57,185)	(2,936,555)
Effect of derivatives*	(2,744,842)	(1,257,081)	-	(4,001,923)
Net position	(5,643,284)	(1,238,009)	(57,185)	(6,938,478)

* As at 31 December 2022 the Bank had signed several short-term currency swap agreements with international and local banks and financial institutions, in order to manage significant net currency position in USD and EUR.

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

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

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2022 and 2021, would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis is on net of tax basis, and is based on foreign currency exchange rate variances that the Bank considers to be reasonably possible at the end of the reporting period. The income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2022		2021	
	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>
AMD against USD	10.00%	(564,328)	10.00%	234,231
AMD against EUR	10.00%	(123,801)	10.00%	(145,638)

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

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (legal entities and individuals);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing control and monitoring of loans and other credit exposures.

Legal entity loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the loan portfolio of legal entities. 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. Loans to individuals credit applications are reviewed by the Retail Lending Subdivisions. Starting from 2020 the Bank has implemented new machine learning scoring system for portfolio of credit purchase and online consumer loans.

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 and advances to customers and concentration of credit risk in respect of loans and advances to customers refer to Note 19.

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

Offsetting financial assets and financial liabilities

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

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

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

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

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

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised 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 realise the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2022:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	
				Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	47,116,435	-	47,116,435	(47,116,435)	-
Total financial assets	47,116,435	-	47,116,435	(47,116,435)	-
Amounts payable under repurchase agreements	(3,936,778)	-	(3,936,778)	3,936,778	-
Total financial liabilities	(3,936,778)	-	(3,936,778)	3,936,778	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	
				Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	7,533,683	-	7,533,683	(7,533,683)	-
Total financial assets	7,533,683	-	7,533,683	(7,533,683)	-
Amounts payable under repurchase agreements	(18,011,594)	-	(18,011,594)	18,011,594	-
Total financial liabilities	(18,011,594)	-	(18,011,594)	18,011,594	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortised cost basis.

(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 risk of losses.

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 following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called. Repayments which are subject to notice are treated as if notice were to be given immediately, except current accounts and on demand deposits from customers which are stated at expected maturities. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

The maturity analysis for financial liabilities as at 31 December 2022 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Financial liabilities								
Deposits and balances from banks	12,218,258	6,915,251	3,588,360	6,139,958	35,505,229	6,471,684	70,838,740	62,685,039
Amount payable under repurchase agreements	3,936,778	-	-	-	-	-	3,936,778	3,936,778
Current accounts and deposits from customers	506,447,154	52,261,757	77,311,027	121,152,238	34,931,697	3,114,872	795,218,745	783,605,895
Debt securities issued	307,336	11,763,512	12,346,990	14,831,085	59,201,784	-	98,450,707	92,125,513
Subordinated borrowings	-	671,979	373,451	1,050,655	16,603,669	24,156,666	42,856,420	28,155,324
Other borrowed funds	934,054	6,145,045	3,309,888	10,442,378	44,512,889	109,346	65,453,600	58,124,688
Lease liability	405,094	112,751	494,240	1,001,811	6,918,442	13,857,311	22,789,649	11,852,055
Total financial liabilities	524,248,674	77,870,295	97,423,956	154,618,125	190,755,268	47,709,879	1,099,544,639	1,040,485,292
Credit related commitments	70,837,784	-	-	-	-	-	70,837,784	70,837,784

The maturity analysis for financial liabilities as at 31 December 2021 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Financial liabilities								
Deposits and balances from banks	1,257,681	389,501	15,995,313	2,622,322	36,091,343	6,497,534	62,853,694	56,649,761
Amount payable under repurchase agreements	18,011,594	-	-	-	-	-	18,011,594	18,011,594
Current accounts and deposits from customers	331,990,455	50,168,337	58,809,736	111,310,877	57,228,465	3,382,112	612,889,982	600,614,296
Debt securities issued	511,974	11,692,803	7,308,512	25,110,565	75,722,295	-	120,346,149	111,074,943
Subordinated borrowings	-	479,860	365,880	858,550	10,912,913	26,770,951	39,388,154	27,393,716
Other borrowed funds	24,381,958	9,969,585	11,445,894	32,786,958	53,692,070	5,334,749	137,611,214	127,712,418
Lease liability	411,667	84,381	496,048	991,394	6,989,806	15,185,796	24,159,092	12,106,310
Total financial liabilities	376,565,329	72,784,467	94,421,383	173,680,666	240,636,892	57,171,142	1,015,259,879	953,563,038
Credit related commitments	67,222,556	-	-	-	-	-	67,222,556	67,222,556

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	112,800,903	-	-	-	-	-	-	112,800,903
Financial assets measured at fair value through profit or loss	42,683	248,067	1,826,015	4,414,792	4,089,619	99,992	-	10,721,168
Investment securities measured at fair value through other comprehensive income	15,236,202	342,014	13,240,653	24,782,156	3,684,275	78,307	-	57,363,607
Investment securities measured at amortized cost	33,805,704	29,680,999	24,959,296	26,578,714	41,677,172	-	-	156,701,885
Loans and advances to banks	106	18,377,009	198,842	-	-	76,359,002	-	94,934,959
Amounts receivable under reverse repurchase agreements	47,116,435	-	-	-	-	-	-	47,116,435
Loans to legal entities and individuals	14,629,643	32,886,877	166,286,313	344,158,432	135,091,836	-	6,028,575	699,081,676
Receivables from letters of credit	15,495	1,351,675	1,476,757	1,535,071	-	-	-	4,378,998
Receivables from finance leases	651,014	964,490	4,368,664	14,897,620	2,415,129	-	29,002	23,325,919
Receivables from factoring	1,902,426	4,020,916	2,833,185	-	-	-	-	8,756,527
Property, equipment and intangible assets	-	-	-	-	-	12,022,885	-	12,022,885
Right of use asset	-	-	-	-	-	10,558,974	-	10,558,974
Reposessed assets	-	-	-	-	-	910,030	-	910,030
Deferred tax asset	-	-	2,470,217	-	-	-	-	2,470,217
Other assets	9,928,885	691,728	55,254	5,785	41	3,930	-	10,685,623
Total assets	236,129,496	88,563,775	217,715,196	416,372,570	186,958,072	100,033,120	6,057,577	1,251,829,806
LIABILITIES								
Derivative financial liabilities	69,563	-	-	-	-	-	-	69,563
Amounts payable under repurchase agreements	3,936,778	-	-	-	-	-	-	3,936,778
Deposits and balances from banks	12,215,832	6,890,815	9,382,478	29,805,387	4,390,527	-	-	62,685,039
Current accounts and deposits from customers	283,530,967	131,381,163	267,888,032	98,191,902	2,613,831	-	-	783,605,895
Debt securities issued	306,249	11,616,749	26,237,617	53,964,898	-	-	-	92,125,513
Subordinated borrowings	-	659,880	1,351,053	13,196,559	12,947,832	-	-	28,155,324
Other borrowed funds	932,500	6,093,482	13,307,272	37,717,185	74,249	-	-	58,124,688
Lease liability	403,977	110,981	1,419,767	5,048,071	4,869,259	-	-	11,852,055
Current tax liability	-	-	11,302,060	-	-	-	-	11,302,060
Provision for commitments	303,276	-	-	-	-	-	-	303,276
Other liabilities	6,898,891	350,656	20,368,523	-	-	-	-	27,618,070
Total liabilities	308,598,033	157,103,726	351,256,802	237,924,002	24,895,698	-	-	1,079,778,261
Net position	(72,468,537)	(68,539,951)	(133,541,606)	178,448,568	162,062,374	100,033,120	6,057,577	172,051,545

The maturity analysis in the table above reflects the historical behavior and actual repayment pattern of current accounts from customers.

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

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

The maturity analysis in the table above reflects the historical behavior and actual repayment pattern of current accounts from customers.

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 and during the reporting period are as follows:

	2022 AMD'000 Unaudited	2021 AMD'000 Unaudited
At 31 December	75.22%	118.5%
Average for December	75.48%	110.18%

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

30 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise 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. Under the current capital requirements set by the Central Bank of Armenia, banks have to maintain a minimum total capital of AMD 30,000,000 thousand (2021: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2022 and 2021.

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 2022 and 2021, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2022 and 2021.

The following table shows the composition of the capital position calculated in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, for December:

	2022 AMD'000 Unaudited	2021 AMD'000 Unaudited
Tier 1 capital	160,143,954	117,695,856
Tier 2 capital	23,339,633	26,136,335
Total capital	183,483,587	143,832,191
 Total risk weighted assets	 1,054,403,657	 940,874,175
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	17.40%	15.29%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset

and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

31 Credit related 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 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 legal entities and individuals.

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 recognised at the reporting date if counterparties failed completely to perform as contracted.

	2022 AMD'000	2021 AMD'000
Contracted amount		
Credit card commitments	23,013,339	19,626,093
Non-financial guarantees	21,436,057	17,939,675
Undrawn overdraft facilities	13,460,009	14,872,110
Financial guarantees and letters of credit	8,765,212	6,716,448
Undrawn loans and credit lines	4,163,167	8,068,230
	70,837,784	67,222,556
Impairment allowance	(303,276)	(244,929)

In addition to the above credit related commitments, the Bank has undrawn loans and credit lines the withdrawal of which is subject to additional approval by the Bank. The Bank considers such balances as uncommitted. The total amount of such uncommitted balances as at 31 December 2022 comprised AMD 33,228,645 thousand (2021: AMD 22,241,919 thousand).

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

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

AMD'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Commitments				
Balance at 1 January	238,771	1,670	4,488	244,929
New exposures originated	1,840,533	-	-	1,840,533
Exposures expired	(1,853,327)	(24,935)	(52,625)	(1,930,887)
Transfer to Stage 1	28	-	(28)	-
Transfer to Stage 2	(1,880)	1,880	-	-
Transfer to Stage 3	(22)	-	22	-
Net remeasurement of loss allowance	77,246	23,269	48,186	148,701
Balance at 31 December	301,349	1,884	43	303,276

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

32 Contingencies

(a) 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.

(b) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. 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 Armenia that are 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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

33 Related party transactions

(a) Control relationships

The shareholders of the Bank as at 31 December 2022 are Imast Group (CY) (48.87%), EBRD (17.73%), ADB (13.92%), ESPS Holding Limited (11.98%) and Afeyan Foundation for Armenia Inc. (7.5%).

As at 31 December 2022 and 2021 the Bank had no ultimate controlling party.

(b) Transactions with key management personnel

Total remuneration included in personnel expenses for the year ended 31 December are as follows:

	2022 AMD'000	2021 AMD'000
Short-term employee benefits	<u>8,095,863</u>	<u>3,139,168</u>

These amounts include benefits to key management personnel accrued in the statement of profit or loss and other comprehensive income of respective periods.

The outstanding balances and average effective interest rates as at 31 December 2022 and 2021 for transactions with key management personnel are as follows:

	2022 AMD'000	Average effective interest rate, %	2021 AMD'000	Average effective interest rate, %
Statement of financial position				
Loans and advances to customers	698,522	9.00%	863,356	7.13%
Other assets	511	-	1,697	-
Current accounts and deposits from customers	1,173,418	7.78%	714,739	6.22%
Bonds	269,127	5.01%	1,880,277	5.55%
Other liabilities	<u>7,000,000</u>	-	<u>2,100,000</u>	-

Amounts included in profit or loss in relation to transactions with key management personnel for the year ended 31 December are as follows:

	2022 AMD'000	2021 AMD'000
Profit or loss		
Interest income	54,980	59,241
Interest expense	<u>(31,161)</u>	<u>(25,453)</u>

(c) Transactions with other related parties

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

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	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	441	7%	-	-	-	-	1,659,853	8.95%	1,660,294
Other asset	-	-	-	-	-	-	176	-	176
Liabilities									
Current accounts and deposits from customers									
– Current accounts and demand deposits	26,186	-	167,216	-	443,769	-	2,829,849	-	3,467,020
– Term deposits	-	-	-	-	-	-	268,174	4.00%	268,174
Bonds issued	-	-	146,240	9.67%	64,163	7.64%	69,739	4.71%	280,142
Other borrowed funds	-	-	12,011,811	6.15%	-	-	-	-	12,011,811
Other liabilities	-	-	26,670	-	1,837	-	1,056	-	29,563
Items not recognised in the statement of financial position									
Guarantees received	-	-	6,928,468	0.72%	-	-	-	-	6,928,468
Profit/(loss)									
Interest income	-	-	2,655	-	-	-	170,246	-	172,901
Interest expense	-	-	(601,097)	-	(25,858)	-	(33,126)	-	(660,081)
Other expenses	-	-	-	-	(38,196)	-	(98,000)	-	(136,196)

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
	Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		Average effective interest rate, %		AMD'000
	AMD'000		AMD'000		AMD'000		AMD'000		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)	-	(89,074)

34 Financial assets and liabilities: fair values and accounting classifications

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2022 and 2021 the estimated fair values of all financial instruments except for

loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorised in Level 3 fair value hierarchy and fair value of investment securities measured at amortised cost is categorised in Level 2 in fair value hierarchy.

The table below sets out the carrying amounts and fair values of loans and advances to customers and investment securities at amortised cost as at 31 December 2022 and 2021:

	Carrying amount AMD'000	Fair value AMD'000	Difference AMD'000
2022			
Loans and advances to customers	735,543,120	734,855,639	687,481
Investment securities measured at amortised cost	156,701,885	155,572,929	1,128,956
Total	892,245,005	890,428,568	1,816,437
	Carrying amount AMD'000	Fair value AMD'000	Difference AMD'000
2021			
Loans and advances to customers	673,086,264	673,496,654	410,390
Investment securities measured at amortised cost	53,686,308	51,373,099	(2,313,209)
Total	726,772,572	724,869,753	(1,902,819)

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2022 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

AMD'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
– Debt and other fixed-income instruments	-	10,118,791	-	10,118,791
– Derivative assets	-	602,377	-	602,377
– Derivative liabilities	-	(69,563)	-	(69,563)
Financial assets at fair value through other comprehensive income				
– Investment securities	45,230	57,318,377	-	57,363,607
	45,230	67,969,982	-	68,015,212

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss				
– Debt and other fixed-income instruments	-	8,146,238	-	8,146,238
– Derivative assets	-	77,722	-	77,722
– Derivative liabilities	-	(92,827)	-	(92,827)
Financial assets at fair value through other comprehensive income				
– Investment securities	474,498	11,542,287	-	12,016,785
	474,498	19,673,420	-	20,147,918

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The following assumptions are used by management to estimate the fair values of loans and advances to customers: discount rates of 5.9%-12.1% for loans denominated in foreign currency and 9.4%-16.1% for loans denominated in Armenian drams, are used for discounting future cash flows from loans and advances to customers.

