AMERIABANK

ANNUAL REPORT

2021

As we continue marching into the world of technological transformation and development of digital ecosystems, we take inspiration from observing the evolution and connections in the natural ecosystems.

The 2021 Annual Report features natural ecosystems and the importance of their preservation. Each chapter of the report identifies an ecosystem, combining thematic information with attractions of Armenia.

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OVERVIEW

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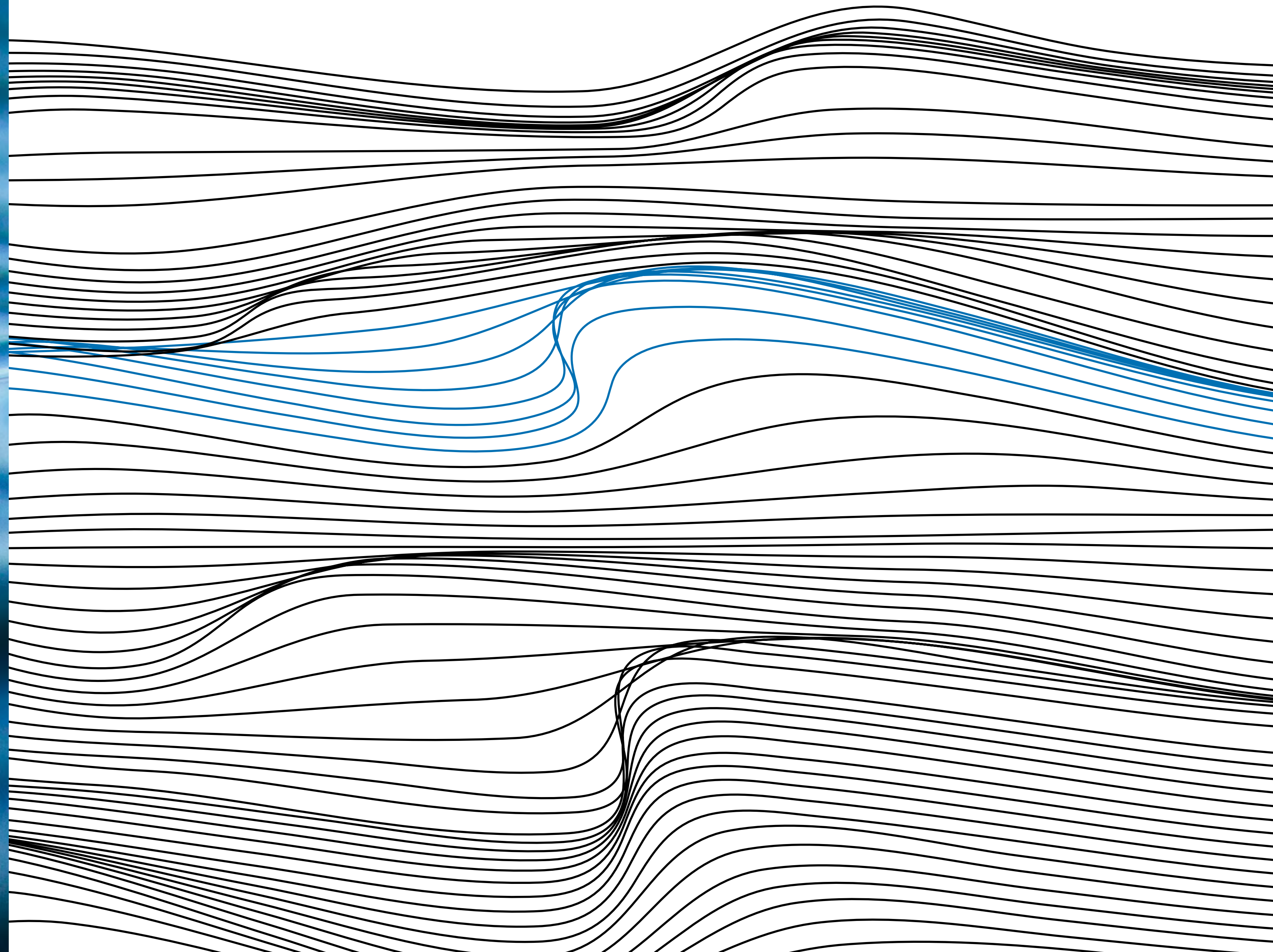


Azat Reservoir, Ararat Province

© Mushegh Hakobyan

WATERS

Water is a precious resource for our planet. The increasing water demand requires our individual and collective care about water use efficiency to support sustainable livelihoods and human development - now and in the future.

Ameriabank at a Glance

Ameriabank is the largest financial institution and a major contributor to the Armenian economy, with assets exceeding AMD 1 trillion. Being a dynamically developing universal bank, Ameriabank provides a large package of innovative banking services through its omni-channel distribution platform and with clear focus on digital products. Ameriabank has adopted a customer-focused approach to ensure service quality and modern banking experience in an evolving digital environment.

Ameriabank is committed to doing business responsibly and advancing Armenia's transition towards a sustainable future.

Ameriabank at a Glance

The leading bank in Armenia

1st in the market by key financial indicators for almost a decade, offering a window onto the whole Armenian Economy

Innovator and trend-setter

- omni-channel distribution platform with focus on digital
- customer-focused digital ecosystems
- superior customer service

Best in class Environmental, Social and Governance (ESG) practices

- proven leadership by culture and values
- doing business responsibly and promoting ESG culture
- first Green Bond issuer in the country
- best practice in corporate governance
- professional and experienced management team

Robustness and resilience with high growth potential

- sustaining decent performance during challenging times
- post-pandemic growth and enhanced profitability

Credit rating:

S&P

Long-term	B+
Short-term	B
Outlook	positive
SACP	bb-

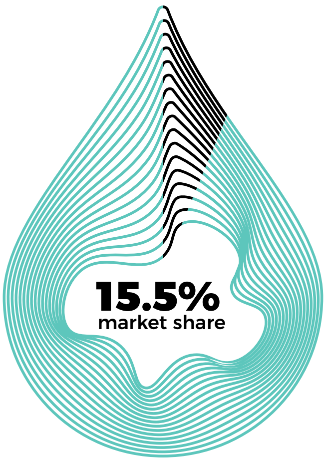
Moody's

Bank Deposits	Ba3/NP
BCA	B1
CRA	Ba3(cr)/NP(cr)
Outlook	stable

Performance Highlights

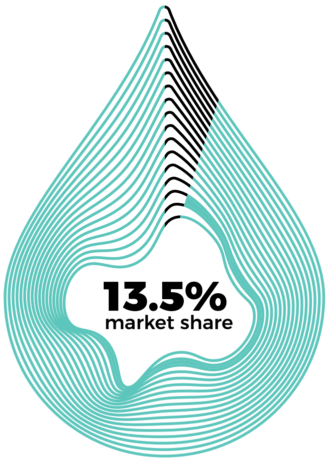
The absolute leader of Armenian Banking Sector
by key financial indicators:

Assets
AMD 1,096 bn



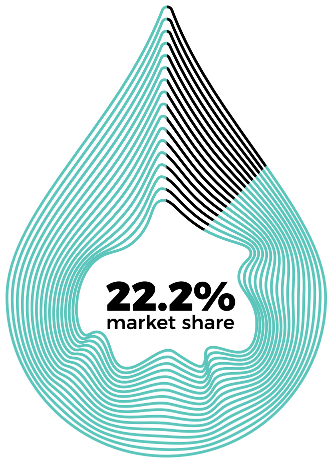
+0.5% YoY

Equity
AMD 129 bn



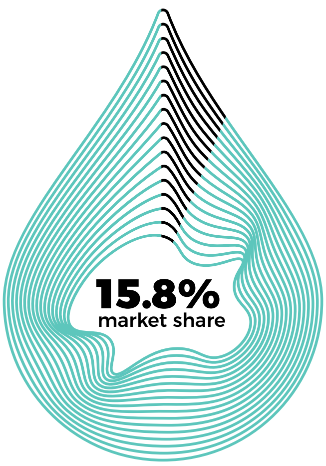
+17.5% YoY

Net Profit
AMD 19.4 bn

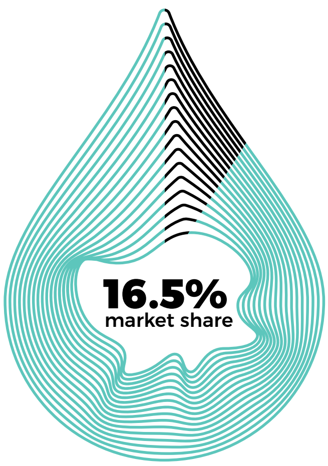


+115.7% YoY

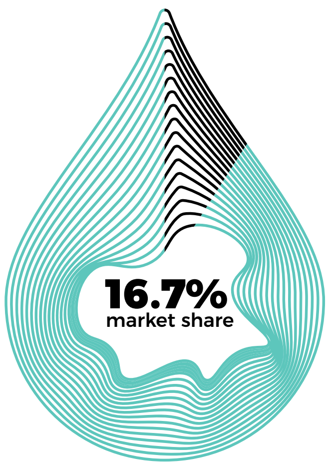
Liabilities
AMD 967 bn



Deposit Base[1]
AMD 712 bn



Net Loans & Advances
AMD 673 bn



[1] Current Accounts, time deposits and securities issued

Strong omni-channel distribution platform with focus on digital:

91%

offloading ratio[2]

1pp YoY growth

56%

online banking penetration rate

10pp YoY growth

↑37% YoY

Internet Banking Users

↑98% YoY

Internet Banking Transactions

↑14% YoY

Payment Terminal Transactions

↑54% YoY

vPOS Turnover

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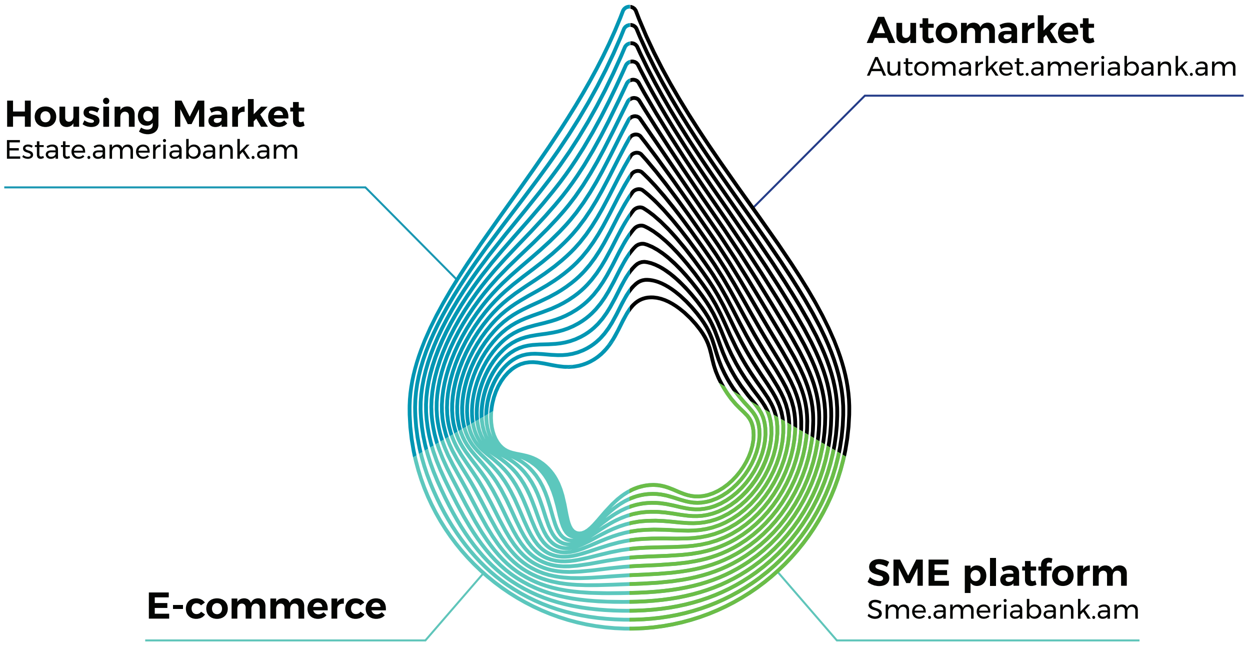
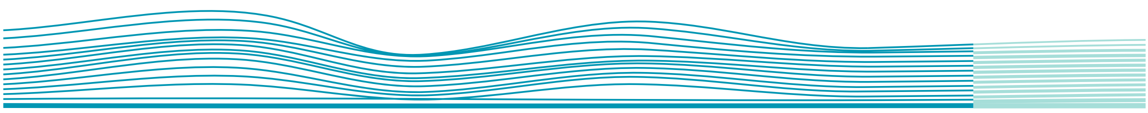
2 Share of transactions performed via distance and digital channels in total number of bank's transactions

Customer-focused digital ecosystems:

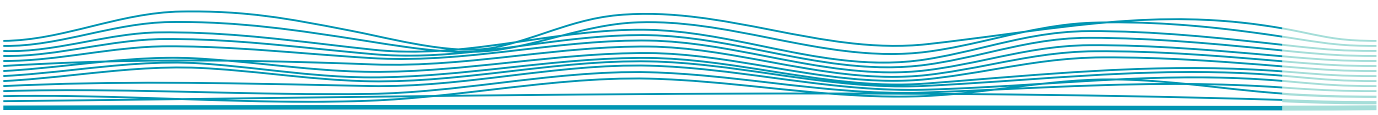


Superior customer service:

NPS[3] 74%



CEI[4] 9.6



3 Net Promoter Score

4 Client Experience Index with max possible value of 10

Chairman's Statement

Andrew Mkrtchyan

Dear Shareholders,

Reflecting on 2021, I can state surely, that we have emerged as a stronger and more resilient institution, with reaffirmed commitment to sustainable development for the benefit of all our stakeholders and for the well-being of the society in general. While pandemic persisted throughout 2021 we continued to adapt to the constantly changing realities and managed to register increased business activity and significant growth despite the uncertainties. Challenged by the new variants and waves of COVID-19, we all learnt to proactively ensure safety of our employees and customers and avoid disruptions and operational risks.

2021 was a year of recovery and revival for the Armenian economy in general. With no further lockdowns and disruptions, growth was registered in virtually all sectors of the economy, with GDP growth comprising 5.7%. Trade, services and manufacturing had the largest contribution to the economic growth. High inflation rate has been the biggest global macroeconomic challenge, as supply chain disruption and supply constraint factors persisted globally. The Central Bank proactively managed the risks amid inflationary pressures, and although 12-month cumulative CPI comprised 7.2% in Armenia, it was still the lowest in the region. Despite minor fluctuations, Armenian Dram remained the most stable currency in the region, with improved current account and increased level of Central Bank international reserves.

The stringently regulated and well capitalized, thus reasonably strong and stable Armenian banking system has been the cornerstone of economic resilience during the challenging times. The banking system not only withstood the crisis, but registered significant growth of profit and improvement of asset quality already in 2021, along with major technological advancement towards digital solutions. Being the largest systemic bank in the country, we worked closely with both the regulator and the government to implement support programs and help minimize the negative impact of the pandemic.

Our team delivered strong financial performance in 2021, with major achievements in terms of our mid-term strategic priorities. Ameriabank was the absolute leader of the banking system with unprecedented growth of net profit by 116% and improved efficiency indicators. Our digital transformation gained momentum during the pandemic, with enhanced digital channels and services. As digital services became a necessity during the pandemic, we enhanced our capacity and introduced new digital products and services, ensuring availability of almost all services online, speeding up the processes and minimizing the need of physical interaction. Our high client satisfaction scores show that we are on the right track and manage to meet customer needs and expectations proactively. Strengthening of our digital capabilities is a strategic priority for us, with ultimate purpose of ensuring seamless client experience and improved efficiency.
Our human-centric approach and commitment to sustainable business practices were reaffirmed

during the pandemic, as the wellbeing of our employees, customers and the society in general was a top priority. Throughout the year we implemented flexible working model with most of our employees being able to work remotely whenever needed, thus minimizing health risks and ensuring employee wellbeing. Our unique and strong corporate culture built on trust helped us ensure high productivity and engagement even during these challenging times resulting in enhanced financial performance.

We believe that only responsible and values-driven business can ensure sustainable long-term growth, and have set certain ESG targets to ensure responsible approach in all of our processes and actions. We continue to increase the share of green and sustainable lending with measurable positive impact on the environment and significant contribution to the transition towards a low-carbon economy. We also remain committed to supporting the community through a wide range of CSR activities, covering areas that we believe are vital for the country's future and development.

Looking forward, I am confident that our strong fundamentals and advanced capabilities make us well positioned to maintain strong growth and profitability and achieve our ambitious goals. We remain committed to maintain and build on our market leadership, diversify our business further and be the trend-setter in terms of service quality and digital solutions.

On behalf of the Board I want to thank the management and the entire team for their commitment, hard work and consistently strong performance and our investors and customers for their loyalty and trust.

Andrew Mkrtchyan
Chairman of the Board

Chief Executive's Review

Artak Hanesyan

Dear Shareholders,

I am happy to report that we had a remarkable performance in 2021 despite continuing challenges, thus proving our resilience and robustness. We not only sustained our strategic progress, but managed to register significant growth of profitability and efficiency indicators. Throughout the pandemic our strategic focus was on enhancing digital capabilities and engagement, improving service quality and operational efficiency, which are to ensure our sustainable growth in the long term.

Amid reviving business activity we delivered strong financial results, being the first in the market by all major performance indicators. Our profit growth was unprecedented resulting in the highest ever registered net profit of AMD 19.4 bn, a 116% growth yoy. As a result, we recorded significantly higher profitability ratios with return on average equity (ROAE) reaching 16.3%, up by 7.8 pp. We maintained leadership in loans and deposits base market shares, holding 16.7% and 16.5% respectively. We worked towards further diversification of our business, with retail and SME loans share in total gross loan portfolio exceeding the important mark of 50% for the first time and reaching 57%. This was a major milestone for our universal banking model, aimed at higher profitability, wider growth opportunities, lower risk and concentration. The economic recovery had its positive impact on loan portfolio quality, with Stage 3 NPL ratio standing at 3.2% as of year-end, an improvement by 1pp. Our capital and liquidity ratios remained strong, with capital positions improving in 2021. Our Tier 1 and Total CAR average ratios as of December stood at 12.5% and 15.3%, up by 1pp and 1.7 pp respectively due to high net profit retention. Our liquidity ratios were well above regulatory thresholds, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) standing at 277% and 145% respectively.

We continued our efforts towards digital transformation and advancement, with accelerated progress as the pandemic triggered behavioral change and increased demand towards distance banking solutions and digital services. The number of internet/mobile banking (IB/MB) users increased by 37% yoy with 98% growth in the number of IB/MB transactions. The offloading ratio stood at 91%, with online banking penetration rate reaching 56%, an increase by 10 pp yoy. The year was remarkable especially in terms of our presence in the digital marketplace, as we were actively launching and developing digital ecosystems, which currently already cover car market, housing market, e-commerce. We have also established a unique ecosystem for SMEs, which will serve as an online one-stop shop for all services offered to SMEs.

Account opening, card subscription and IB/MB banking subscription services are already available on the platform. In 2021 we made further progress in terms of business processes automation and enhanced our data-driven decision making capabilities. We have significantly improved the prediction capabilities of our scoring based automated loans modules with the implementation of artificial intelligence and machine learning solutions, which has already resulted in improved consumer loans portfolio quality.

2021 was successful in terms of our cooperation with international financial institutions (IFI) as well. We secured USD 123 mn in total as senior loans from our partner institutions mainly aimed at financing SMEs and green projects, with a portion of the funds dedicated to women led businesses. The targeted funding is to help us continue our efforts towards sustainable future in line with our commitment to UN sustainable development goals. We secured around USD 34 mn as long-term subordinated loans to strengthen our overall capital position. Besides our existing long-term partner institutions we started cooperation with new partners, thus expanding the IFI universe that we work with and diversifying our funding sources.

Our achievements and successes were marked by a number of awards and recognitions that we received in 2021. Ameriabank was named the Best Bank and the Best Investment Bank in Armenia by the reputable Global Finance magazine. Global Finance named Ameriabank also the Safest Bank in Armenia. In 2021, Ameriabank received Euromoney Award for Excellence as the Best Bank in Armenia, with improved profitability, robust growth, strategic relationships and enhancement of digital channels cited as the main factors considered.

The significantly improved external environment and enhanced performance were reflected in the credit rating updates as well. Moody's Investors Service affirmed the Ba3 long-term local and foreign currency deposit ratings of Ameriabank, revising the outlook to Stable from Negative. This was followed by S&P Global Ratings revised outlook on Ameriabank to stable from negative and affirmation of 'B+/B' long- and short-term issuer credit rating. Ameriabank's leading market positions, recovering macroeconomic environment, strong domestic brand, professional management team, advanced digitalization strategy and adequate corporate governance were highlighted as the main drivers of the outlook change.

Still, the most important recognition of our efforts and achievements in 2021 were the customer satisfaction indicators. Ensuring best customer experience has always been a strategic priority for us. We did our best to not only meet but exceed our client's expectations proactively, offering new services and solutions and of course supporting our clients during the most challenging times. As a result, our Net Promoter Score (NPS) stood at 74.4% as of year-end, while Client Experience Index (CEI) reached 9.6 against the target of 9.5.

Looking forward, I want to restate our commitment to the strategic priorities of retaining absolute market leadership and ensuring high profitability by strengthening our digital capabilities and enhancing operational efficiency. We have managed to adapt to the constantly changing environment and found growth opportunities even during the most challenging times. We have embraced the technological transformation and behavioral changes of our modern world, and have managed to create a team of professionals with agile mindset, deep knowledge and high potential, ready to conquer new heights. Facing the future with confidence, I am sure that with the diligence and commitment of our team we will be able to meet even the most ambitious goals that we have set.

Artak Hanesyan

Chairman of the Management Board, CEO

Awards

Awards and Certificates received in 2021

- Award for Excellence 2021 as the Best Bank in Armenia according to Euromoney.
- Best Bank 2021 in Armenia according to Global Finance Magazine.
- Best Investment Bank 2021 in Armenia according to Global Finance Magazine.
- The Safest Bank 2021 in Armenia according to Global Finance Magazine, honoring institutions that stand out for strength and resilience.
- Best Foreign Exchange Provider Award according to Global Finance Magazine.
- 2021 Best Issuing Bank in Caucasus under IFC Global Trade Finance Program.
- Quality Excellence Award 2020 (Straight-Through Processing Quality Award) for high quality in international money transfers according to the Austrian Raiffeisen Bank International.
- “Highest Payment Volume in Armenia” Award from Visa international payment system.

Historic Milestones

Developments and Achievements in 2021

- In total USD 123 mn secured as senior loan to finance SMEs, green projects and Women in Business.
- In total USD 34 mn secured as long-term subordinated loan agreements to strengthen the overall capital position of the Bank.

EUR 23 mn long-term senior loan from BSTDB.

EUR 8 mn long-term subordinated loan agreement with responsAbility.

USD 20 mn long-term senior loan from Blue Orchard.

USD 8.25 mn long-term subordinated loan agreement with Symbiotics, with the possibility to increase the amount by USD 15 mn, to strengthen the overall capital position of the Bank.

USD 30 mn long-term senior loan from OPEC Fund.

USD 20 mn long-term senior loan from responsAbility and GCPF.

EUR 15 mn long-term subordinated loan agreement with Triodos Investment Management.

USD 25 mn long-term senior loan from EBRD to finance SMEs and Women in Business in particular.

Ameriabank entered into partnership w/ two new lenders, namely Triodos Investment Management and Blue Orchard.

Over USD 80 mn attracted for trade financing purposes, including loans of USD 31 mn from EBRD and USD 13 mn from Raiffeisen Bank International and USD 22mn LC post-financing from KBC Bank N.V.

Moody's affirmed Ba3 long-term local and foreign currency deposit ratings of Ameriabank, revising the outlook to Stable.

S&P Global Ratings improved the outlook on Ameriabank, revising it to positive from stable, and affirmed 'B+/B' long- and short-term issuer credit rating.

Our Road to Success

1998

Ameria Advisory

was founded by a group of young repatriated professionals

2000-2006

Ameria became a **GROUP of companies** with expanded business lines: Legal and Tax Advisory, Business Advisory, Investment Banking, Asset Management

2007

1st bank acquisition deal in RA:

acquired shares of one of the oldest yet smallest banks in RA - Armipexbank

2008-2009

Rebranded to Ameriabank unprecedented growth amid global crisis

2010

1st banking merger deal in RA:

Ameriabank and Cascade bank signed merger deal.

2011-2014

Became the leading bank in RA.

Strategic decision to become a universal bank, significantly increasing Retail Banking share

2015

USD 30mn **equity investment by EBRD.***

USD 50mn **sub debt from IFC.***

1st published international credit rating (**B+ rating** with Stable Outlook by Fitch)

2017-2019

Absolute leader in RA by key financial indicators

USD 30mn **equity investment by ADB** in early 2018**

Ba3 rating with stable outlook by Moody's
B+ rating with stable outlook by S&P

2020-2021

1st Green Bond issuer in RA: issued **EUR 42 mn** Green Bond

Assets exceeding AMD 1 trillion

* Խոշորագույն գործարքը ֆինանսական կազմակերպության հետ Հայաստանում
** Ասիական զարգացման բանկի առաջին բաժնային ներդրումը Հայաստանում

Global Partners

Ameriabank's IFI partners and the aggregate amounts of transactions/signed agreements since cooperation start date

All amounts are in USD

IFC
115 mn
of which **50 mn** sub. dept
Since 2009

KfW DEG
55 mn
Since 2009

European Bank for Reconstruction and Development
195 mn
of which **30 mn** equity
Since 2010

PROPARCO GROUPE AFD
35 mn
Since 2013

Black Sea Trade & Development Bank
51 mn
Since 2014

responsAbility
57 mn
of which **18 mn** sub. dept
Since 2016

symbiotics
44.75 mn
of which **33.25 mn** sub. dept
Since 2018

BlueOrchard Impact Investment Managers
20 mn
Since 2021

FMO Entrepreneurial Development Bank
Since 2009
200 mn

Eurasian Development Bank
Since 2010
60 mn

ADB
Since 2011
77 mn
of which **30 mn** equity

OeEB
Since 2013
85 mn

OPEC FUND for International Development
Since 2015
75 mn

GLOBAL CLIMATE PARTNERSHIP FUND managed by responsAbility
Since 2016
55 mn
of which **15 mn** sub. dept

Triodos Investment Management
Since 2021
17 mn sub. debt

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02.

STRATEGIC REPORT

pp. 25-80

FORESTS

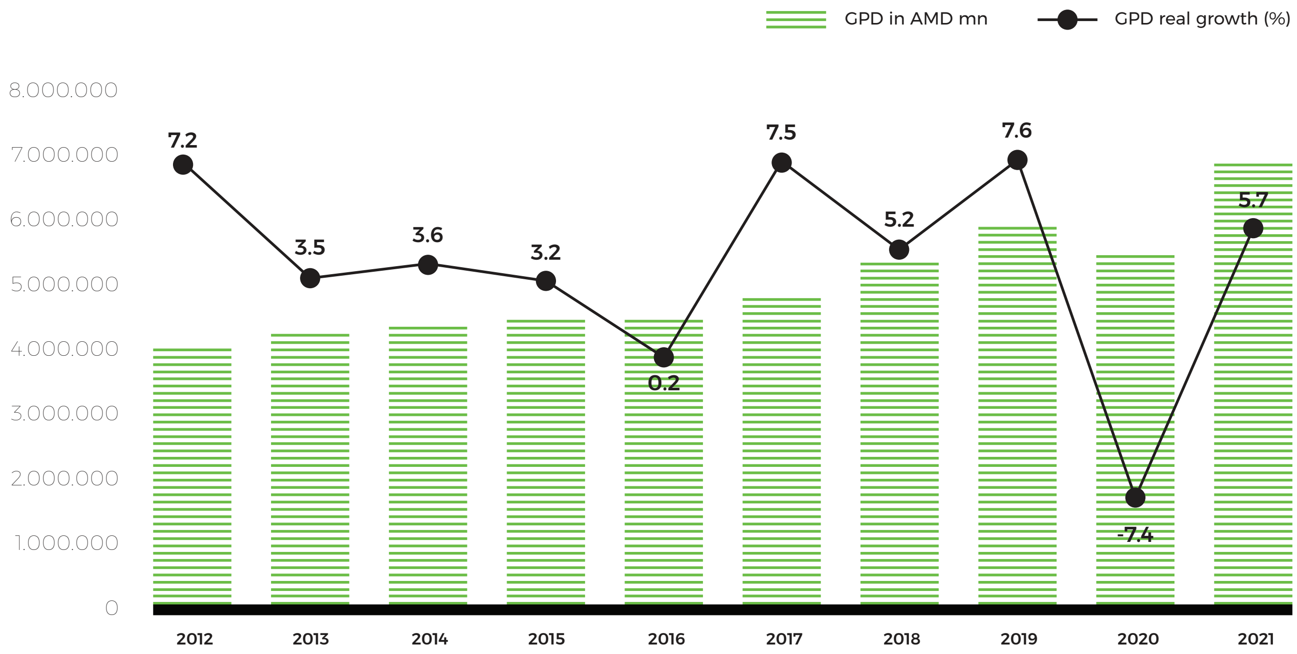
The importance of forest conservation is focusing world attention. Forests are an integral part of our environment which supports the biodiversity and requires sustained efforts every day to look for ways to protect, restore and plant more.

External environment

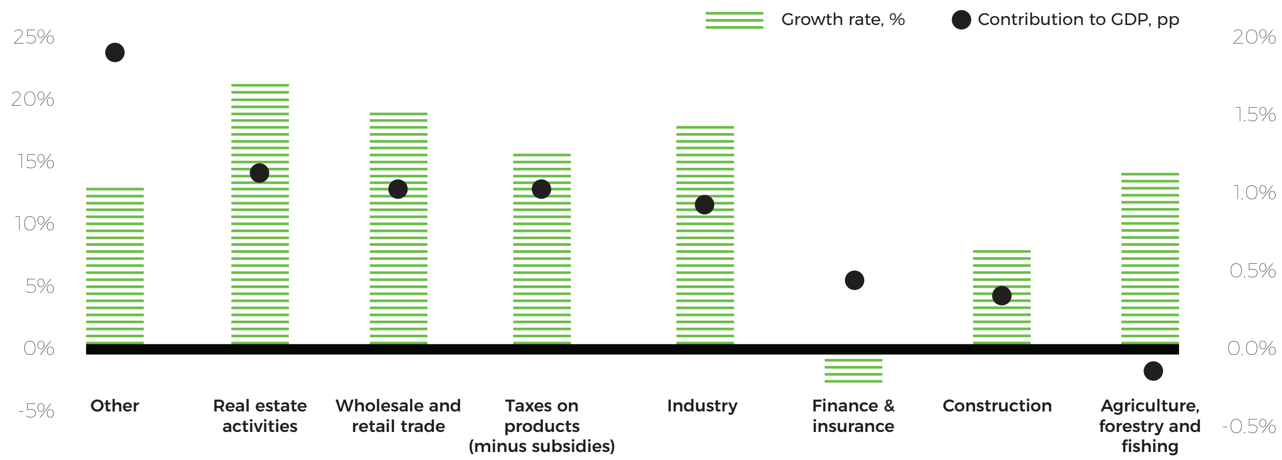
Macroeconomic prerequisites

2021 was a year of recovery for Armenia mainly due to the easing of military-political tensions, lack of further lockdowns and recovering world economy amid accelerating COVID-19 vaccinations.

Gross domestic product (GDP)



According to the data of the four quarters of 2021, sectors trade, services and manufacturing sectors had the largest contribution to the growth. In particular, the housing sector has shown the largest recovery so far (+19.5% vs 2020), and real estate services have contributed the most to GDP growth. As a result, growth can be seen in the shares of real estate activities and trade (the second highest contributor to growth). Agriculture had a negative contribution to the growth while the arts, entertainment and recreation sector had the biggest absolute negative contribution to the growth registering the biggest contraction in the share.

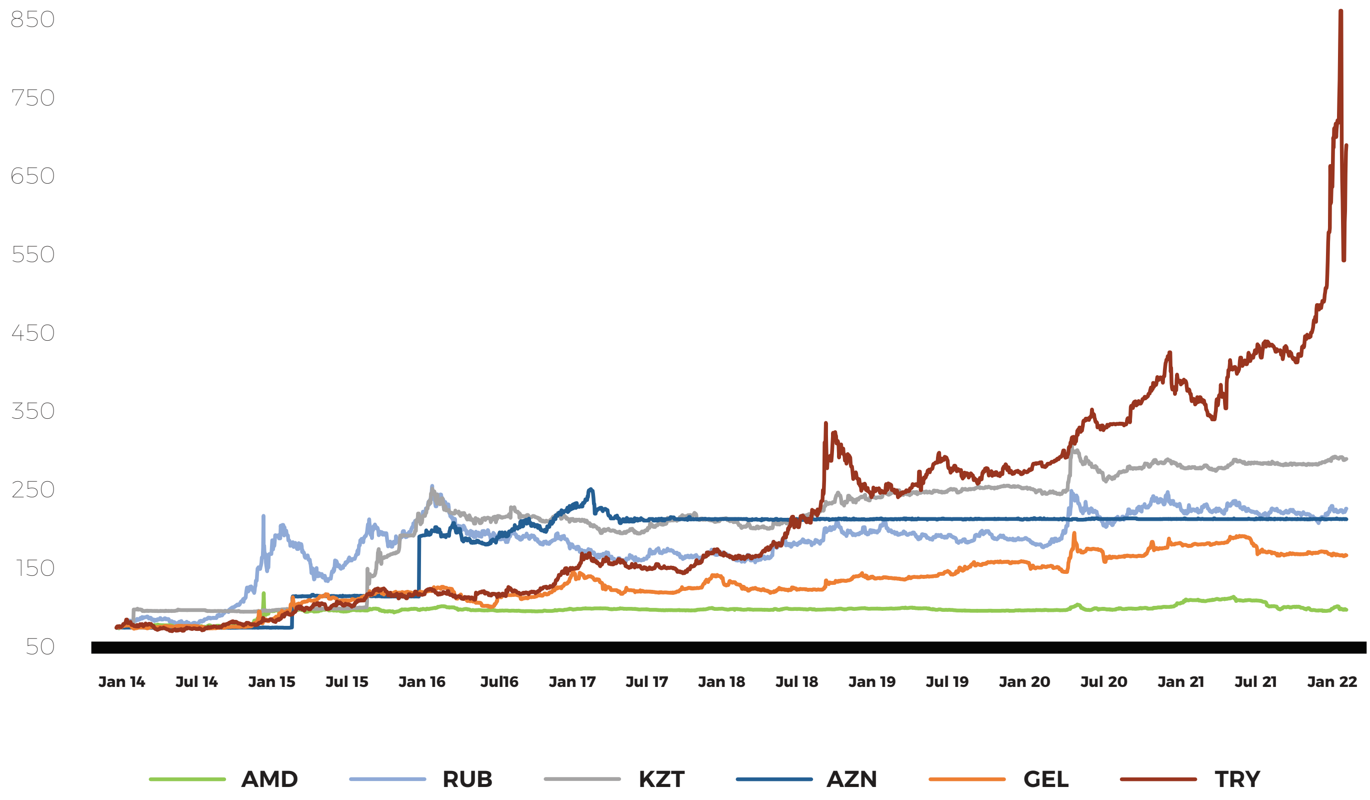


It was expected that in 2022, in the absence of fiscal the stimulus, economic growth would fluctuate around 5%, following the 2021 recovery. Yet, following the Russia-Ukriane military conflict, there are potential economic risks, especially for the countries that have close economic ties with Russia and Ukraine, though there may be opportunities as well. In particular, potential risks and opportunities are expected to be disseminated through foreign trade flows, remittances, tourism and foreign direct investments and to be reflected in main macroeconomic indicators of these countries: economic growth, inflation, exchange rate volatility, lending volumes, etc.

The **consumer price index** in 2021 (December to December) was 7.7% and the average annual inflation stood at 7.2% which is higher than the 4.5 ± 1.5% target range set by the Central Bank of Armenia. At the same time, Armenia continues to have the lowest CPI in the region against the background of rising prices in the world.

Central Bank moderate interventions and regulatory changes mitigated the rapid growth and volatility of foreign exchange rates in 2021. At the same time, the increase of foreign currency inflows later in 2021 and calm post-election environment improved expectations for the future. As a result, in 2021 the average exchange rate of AMD / USD was AMD 504 (3% appreciation compared to the end of the year). Notwithstanding slight depreciation AMD has remained the most stable currency in the region.

Most Stable Currency in the Region
(regional currencies vs USD FX rate dynamics)*



*daily rate changes with 2014 January as basis.

Source: Bloomberg

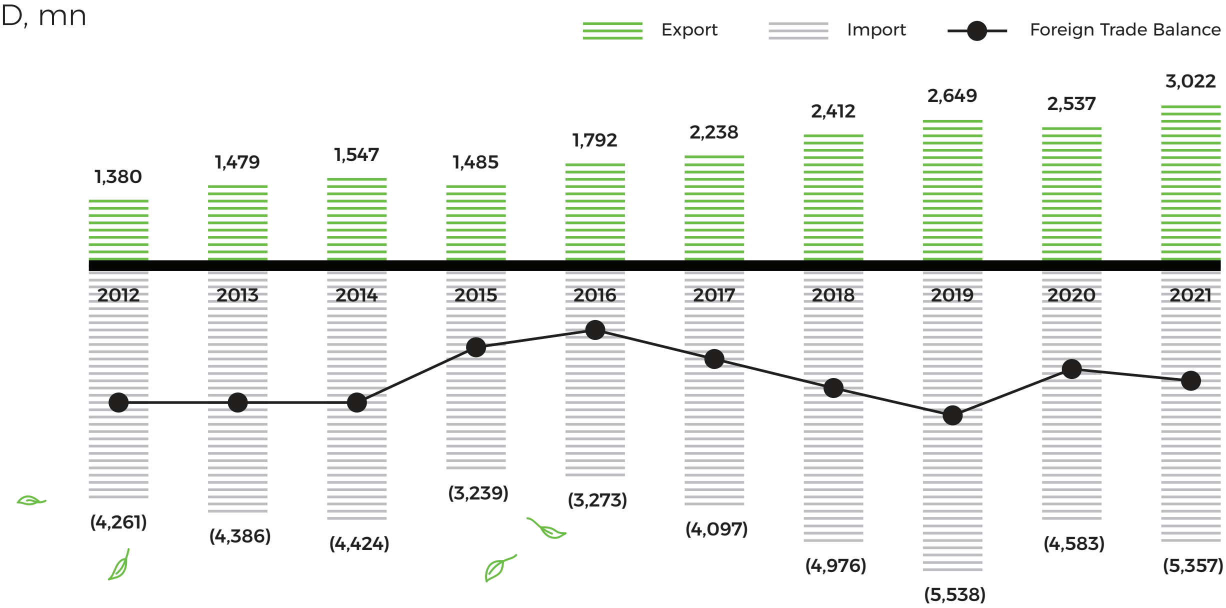
Exchange Rate (AMD/USD) and CPI

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average annual	401.8	409.6	415.9	477.9	480.5	482.7	483.0	480.5	489.0	503.8
End of year	403.6	405.6	475.0	483.8	483.9	484.1	483.8	479.7	522.6	480.1
CPI, % (Dec to PY Dec)	3.2	5.6	4.6	-0.1	-1.1	2.6	1.8	0.7	3.7	7.7
CPI, % (12m cumulative)	2.6	5.8	3.0	3.7	-1.4	1.0	2.5	1.4	1.2	7.2

In 2021 Armenia's exports amounted to USD 3 bn, increasing by 19.1% YoY, while imports amounted to 5.3 bn, decreasing by 16.9% YoY. Exports had higher growth rates compared to the corresponding period of 2019, which is mainly due to high copper prices.

Foreign trade

USD, mn



The **remittances inflow** increased by 14.5% in 2021.

CAB deficit-to-GDP stood at -3.5% with 0.4pp increase vs the previous year. In 2021, the **external public debt** of Armenia amounted to 45.7% of GDP vs 51.2% in 2020. The total value of external public debt as of year-end 2021 was USD 6 648.4mln – 9.7% up from a year earlier. Government debt was 95.04% of the total external public debt (vs 92.4% in 2020) with the rest – 4.96%, being CBA debt. Official **foreign currency reserves** decreased by 22.9% in 2021, comprising USD 3.2bn. In 2021 the budget deficit improved comprising 4.4% of GDP (with Y2020 results the indicator was 5.4%).

In 2021 S&P Global Ratings assigned 'B+' long-term foreign- and local-currency sovereign credit ratings to Armenia, with Positive Outlook, first ever sovereign credit rating to Armenia by S&P. Moody's Investors Service ("Moody's") affirmed the Government of Armenia's Ba3 local and foreign currency long-term issuer ratings and foreign currency senior unsecured rating, with Stable Outlook. Fitch Ratings has affirmed Armenia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B+' with a Stable Outlook.

Over the past few years, Armenia has taken steps towards improving the investment and business climate in the country. In the Heritage Foundation's "Economic Freedom Index 2022" Armenia ranked the 58th (out of 177 countries, and being labeled as Moderately free) in the world: its overall score has decreased by 6.6 points, yet some increase can be seen in terms of Monetary Freedom and Government Integrity indicators. Armenia ranks 63rd out of 180 countries by the Press Freedom Index 2021 and the 58th out of 180 countries by the Corruption Perceptions index 2021, which is one of the best in the region. Armenia also improved its position in WB's Women, Business and the Law 2022 report – earning 87,5 points (82,5 in 2021), by introducing paid paternity leave. Armenia ranks fifth in terms of labor market stability - Whiteshield Partners, a global strategy and public policy advisory company, has launched its Global Labor Resilience Index (GLRI) 2022 in collaboration with CEMS, a Global Alliance in Management Education.

Banking sector in Armenia

In 2021, the financial sector of Armenia remained robust and continued to thrive despite all the challenges and hardships faced throughout the year. Overall, 2021 was quite a challenging year both in terms of financial stability and the uncertainty lingering from 2020. The shocks experienced in 2020 (pandemic, war) affected the performance of the financial system in the reporting year too.

Amid the sharp rise of uncertainty, all banks were risk-averse in 2021, and the low risk appetite affected credit of the banking system, especially given the significant lending under the Government's programs in 2020. By the year-end the volume of loans and advances recovered and in Q4 the loan portfolio increased by 2.5%, but still there was a 0.5% decrease of total loans yoy. The financial system of Armenia was a major contributor to the recovery of the Armenian economy in the post-pandemic period.

The pace of lending to the economy is expected to recover already in 2022.
Overall, the financial system of Armenia ended the year 2021 with positive developments and expectations both in terms of financial mediation and enhancement of the capital position and continuing transition towards Basel III standards.
Amid persisting uncertainty, financial institutions of Armenia not only avoided liquidity issues but moreover, their number increased.

Financial Institutions Operating in Armenia

	2019	2020	2021
Banks	17	17	17
Credit organizations	43	44	46
Insurance companies	7	7	7
Funds and investment companies	37	45	53

The financial system of Armenia remains bank-dominated, with banks accounting for 84% of the financial system assets.

According to the data for 2021, all the banks and some credit organizations were on the list of 1,000 top taxpayers. The taxes paid by banks in 2021 increased by 9% yoy.
The profit of the banking system soared by 62.1% after the drop by around 28% in 2020. The assets grew by 7.5%, total capital increased by 8.8%, and the deposits base (deposits and issued bonds) increased by 7.4%.

Solid capital and fundamentals for growth

The banking sector of Armenia has successfully withstood the challenges of 2020 posed by COVID-19 and the war, while avoiding liquidity issues. In 2021, banks managed to strengthen their liquidity and capital position and improve regulatory indicators.

Currently, the banking system is sufficiently capitalized and can absorb potential risks and shocks, which indicates that there are sufficient grounds for further growth and development. The liquidity level in the sector speaks about the confidence of the businesses and citizens in the banking system.

The regulatory indicators of the banks set by the CBA demonstrate that all banks have good capacity for financing of the economy and accumulating of new funds:

- In 2021, CAR ($N^{1/2}$) of the banking sector rose to 17.3%, up from 17% in 2020 (vs CBA requirement of 12%).
- The Tier 1 capital to risk-weighted assets ($N^{1/1}$) stood at around 14.5% vs. regulatory minimum of 9%.
- The liquidity ratios are also rather high: high liquid assets to total assets ratio ($N^{2/1}$) stood at 32% (vs 25.5% in 2020), high liquid assets to demand liabilities ratio ($N^{2/2}$) was 123.5% (up from 109.7% in 2020) vs regulatory standard of 15% and 60% respectively.

The regulatory environment in the banking system of Armenia is more stringent than in other countries in the region and even in many European countries. However, even with a more stringent regulatory environment, banks deliver higher indicators than the established minimum standards.

In 2021, CBA had to tighten the monetary policy in order to mitigate the external inflationary pressures on the Armenian economy, as well as to address new inflationary expectations. During the year, the CBA **raised the refinancing rate** for six times from 5.25% to 7.75%. The Lombard repo rate and the rate for deposits made by banks were raised correspondingly, from the initial 6.75% and 3.75% to 9.25% and 6.25% respectively.

Over the past 10 years, one of the indicators **of financial intermediation in the economy**, the loans to GDP ratio has increased significantly reaching 58% as of YE2021 (according to preliminary estimates), while it was 33.6% in Y2011 (9.6% in Y2000). Assets to GDP ratio exceeded 100% comprising 101.4% vs. 54.7% in Y2011 (23% in Y2000).

High level of dollarization remains a key challenge of the banking sector (with a significant decline though) in line with the need for resources in local currency. As of the end of 2021, the ratio of banking system's USD-denominated deposits to those in AMD was 52% to 48%, vs. 55% to 45% at the YE2020, and 58% to 42% in 2019. With a faster-growing dram-denominated loan portfolio, credit dollarization in Armenia declined to 48% at end of 2021 from 53% in 2020, the historically lowest level, although, overall it still remains high.

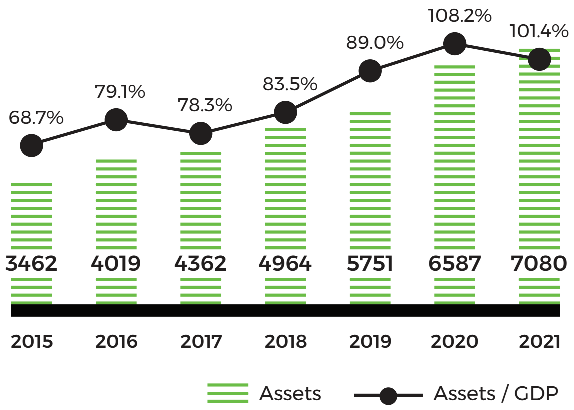
In 2021, migration of the bank customers to the digital channels sped up. Increased competition and rapid penetration of digital technologies into all the areas of economy worldwide have driven Armenian players to review and modernize their businesses to reach easier and faster transactions, have better services to offer and enhance growth.

During 2021, the volume of non-cash payments and transfers, as well as the number of digital product users continued to grow. In this regard, an increased "supply" is seen by both banks and Fintech companies, including new mobile applications. Because non-cash transactions are convenient and beneficial not only for clients and the bank, but also for the state (for example, in terms of tax collection), the government has been encouraging non-cash and online operations by elaborating legislative initiatives. Currently, banks actively cooperate with IT companies as well as develop their own research and innovation departments to speed up the process of introduction of new digital-oriented banking products. Larger outreach and the increase in client base require the banks to reorganize their data management system and big data management solutions. In 2021, banks actively optimized business processes, client classifications and standardization of existing procedures to integrate with online services. This has significantly decreased the need to visit banks for standard operations for both individual and SME clients.

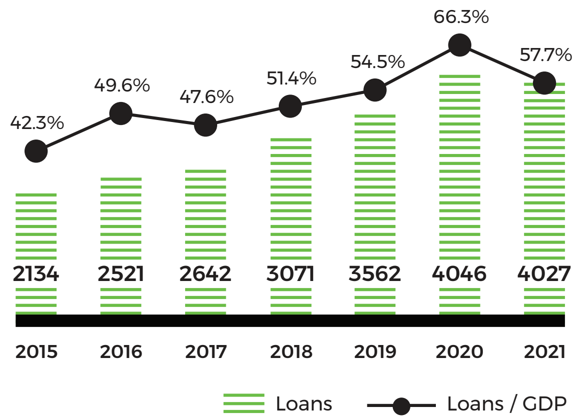
Continuous growth of banking sector with some pandemic related slowdown

After double-digit growth rates in 2018-2020, in 2021 there was a significant slowdown in the growth of assets and customers liabilities, and a contraction in loans.

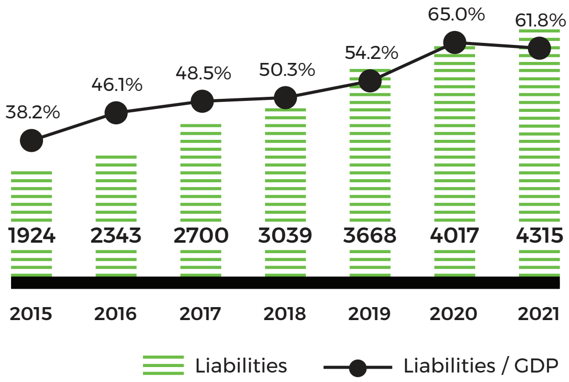
Assets, AMD bn*



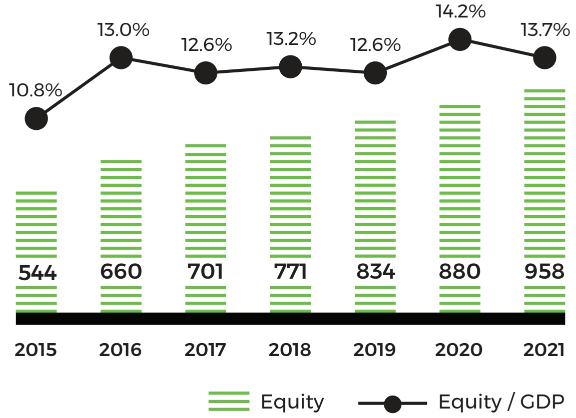
Loans, AMD bn*



Liabilities to Customers (including securities issued by the banks), AMD bn*



Equity, AMD bn*



*Source: Banks reports 4Q 2021, previous years data updated by audit reports

During 2021, the banking sector's combined total equity continued to grow registering 8.8% increase vs. 2020 and reaching AMD 958 bn. With the Y2021 results, the sector's share in the country's GDP comprised 13.7%.

Growth of capital was accompanied by moderate growth of assets and liabilities by the end of the year. In 2021, assets of the Armenian banks increased by 7.5% to AMD 7.1 tn, however loans decreased by 0.5% to AMD 4.0 tn. The sector's combined assets' share in the GDP of Armenia comprised 101.4%, that of loans was 57.7%.

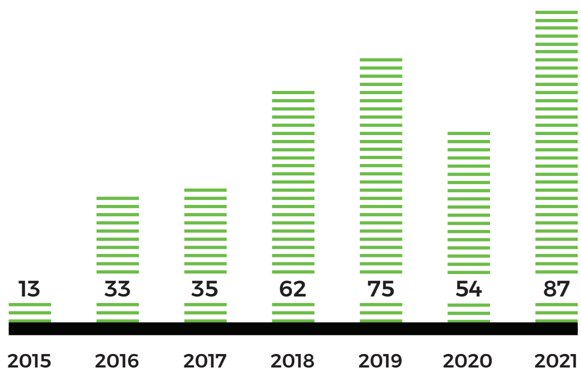
Banks' liabilities increased by 7.3% to AMD 6.1 tn, with the ratio of bank liabilities to the GDP standing at 87.7%. In the meantime, liabilities to clients increased by 7.4% to AMD 4.3 tn. In 2021, the sector players continued to actively raise funds from the local and international financial markets.

Significant growth of profit

Net profit of Armenia's banking sector for the year 2021 totaled **AMD 87.3 bn** vs. AMD 53.8 bn gained in 2020.

All banks ended the year with profit.

Profit*, AMD bn



*Profit of 2021 – preliminary data (non-audited)

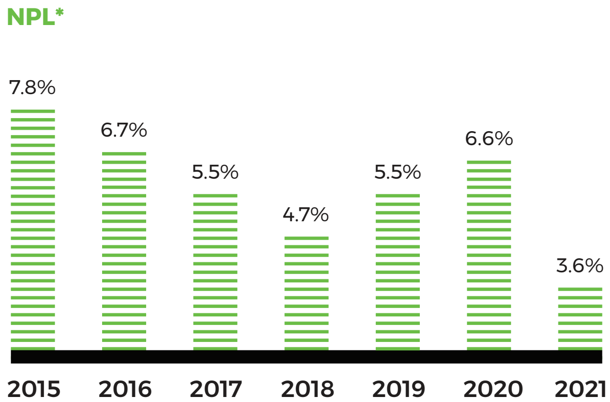
Deterioration of the loan portfolio and growth of provisioning costs were the main challenge and problem for the growth of profitability in 2020. A close look shows that in 2020, the loan provisioning increased significantly, while there was a significant reduction in 2021, resulting in higher profitability.

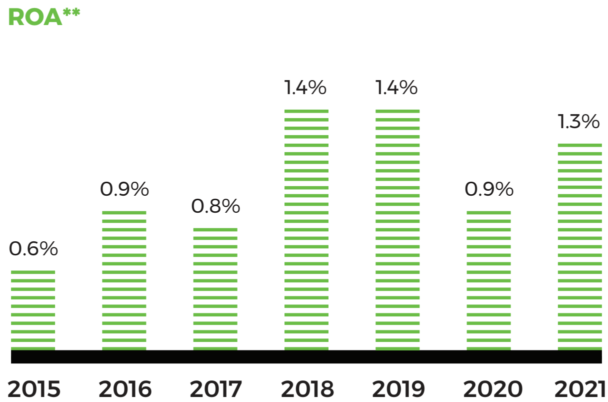
Qualitative indicators of the banking sector of Armenia

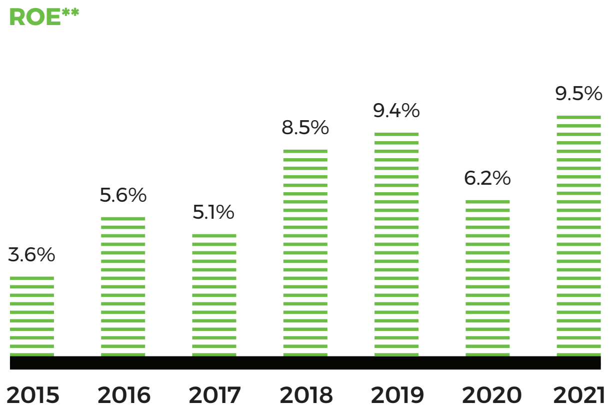
NPLs (non-performing loans) remained among one of the challenges faced by the Armenian banking sector in 2021 as well.

Historically, the NPL level of Armenian commercial banks has always been at a low level, ranging within 4-5%. After the pandemic, the level of non-performing loans increased slightly, but did not exceed the levels in other neighboring countries. In 2021, the portfolio quality improved.

Asset profitability (ROA) and return on equity (ROE) at the end of 2021 stood at 1.3% and 9.5%, respectively, increasing by 0.4 pp and 3.3 pp accordingly.







* Source: CBA, NPL here means 1+ overdue loans

** Calculated based on banks reports

Position of Ameriabank in the Banking Sector of Armenia

Despite COVID-induced restrictions, market developments and other turbulences, we remained resilient and outperformed the market by key metrics. We applied very balanced risk management mechanisms and liquidity management framework to improve financial efficiency and risk-adjusted profitability.

We achieved a lot both in terms of financial performance and in terms of dedication to enhance our products, services and technology. We continuously invested into digitalization to enhance our customer experience, improve internal efficiency, services, and operations.

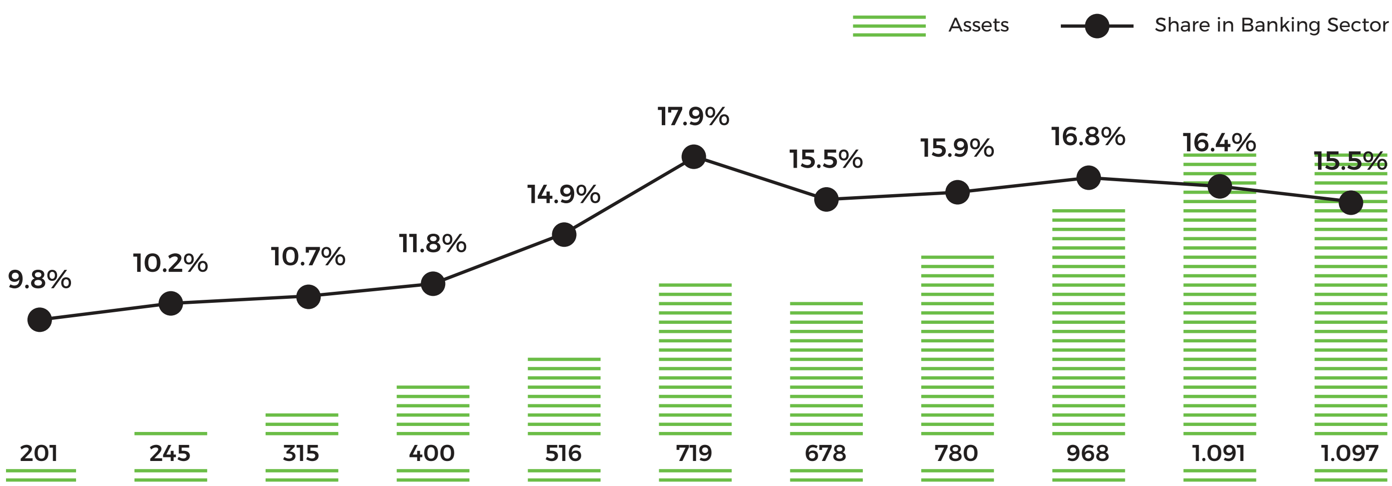
We maintained leadership ranking as number one bank by all key financial indicators: net profit, assets, loans, liabilities, customer funding, equity and return on equity. Moreover, we had enough capital buffers to prepare for increased Basel III capital requirements.

At the YE2021, our ROA and ROE stood at 1.8% and 16.3% respectively, which is significantly higher than the average indicator of the banking system.

We are also leading the Armenian corporate bond market with a 22% of the market. In pursuit of our strategy to transition to universal banking model, we increased the share of retail and SME loans. In addition, we made significant progress in distance and digital banking.

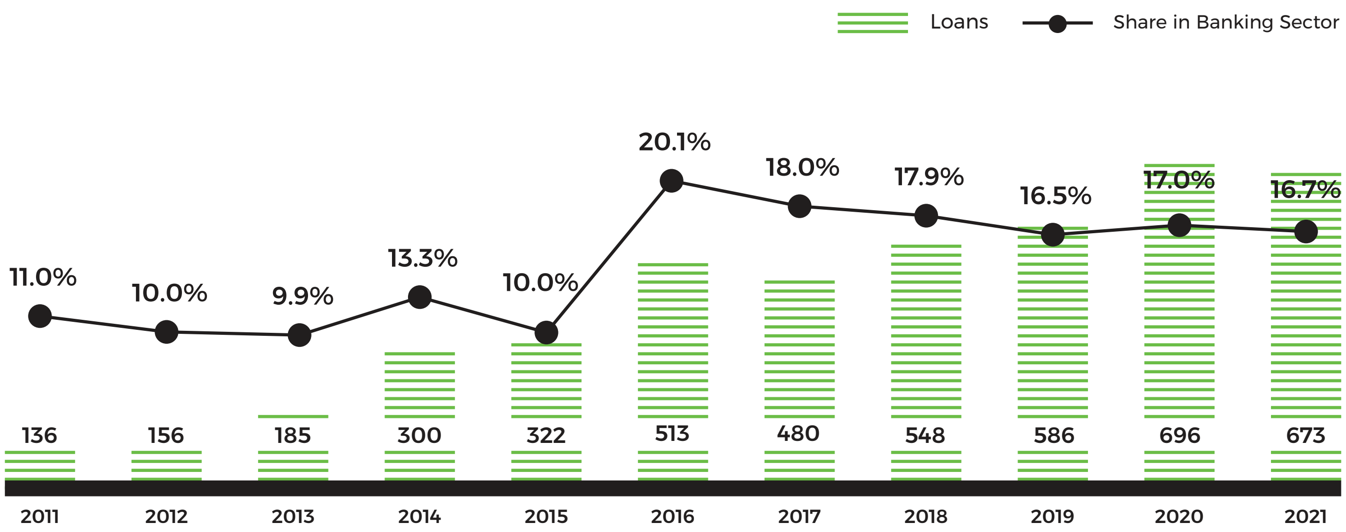
The dynamics of the Bank's key financial indicators as well as the corresponding shares in the system are presented in the following graphs.

1st by Assets AMD bn

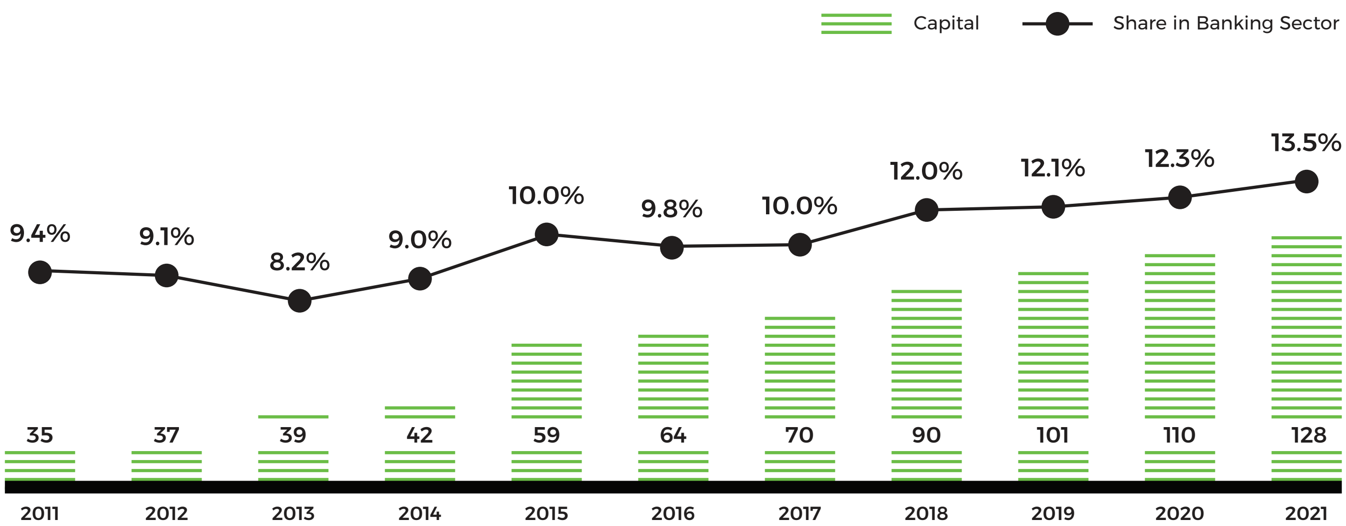


Net total **loan portfolio** decreased by 3.4% YoY (mostly attributable to large lending and exchange rate fluctuations). Meanwhile, our total loan portfolio on constant currency basis expanded by 2%. SME and retail segments continue to be key strategic directions for the Bank. Our total SME loan book reached AMD 150 bn as at 2021YE, growing at 17.2% compounded annual growth rate over the last 3 years. Bank's Retail and SME share reached 57% to reflect our strategy of having more balanced and universal banking model. Our Retail portfolio has steadily grown at 30% average rate over the last 3 years with the net portfolio comprising more than AMD 216 bn.

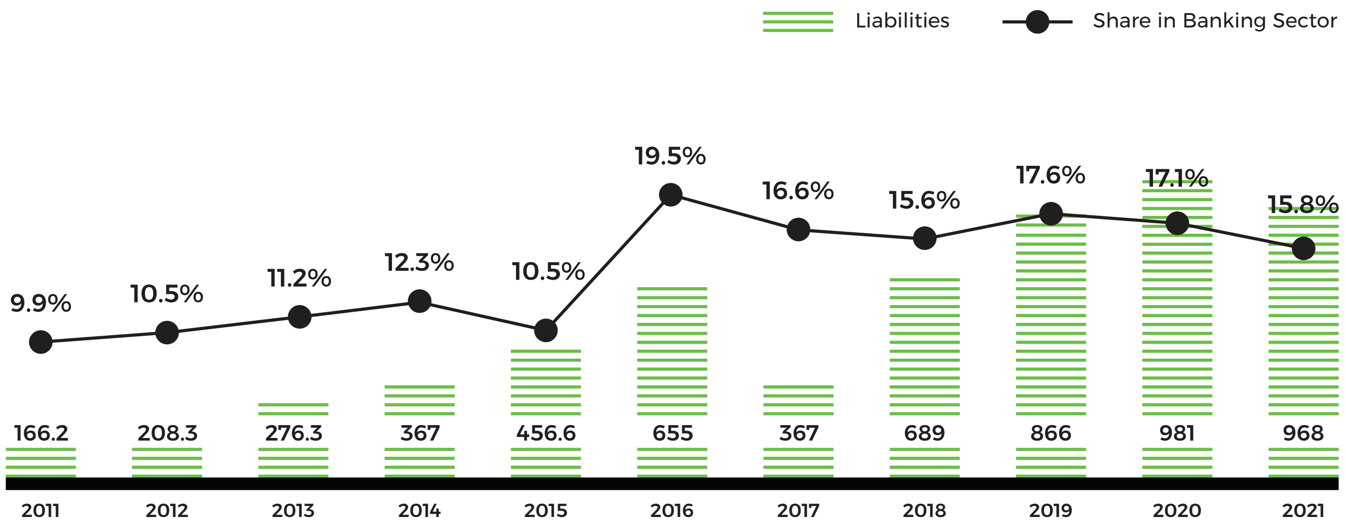
1st by Loans AMD bn



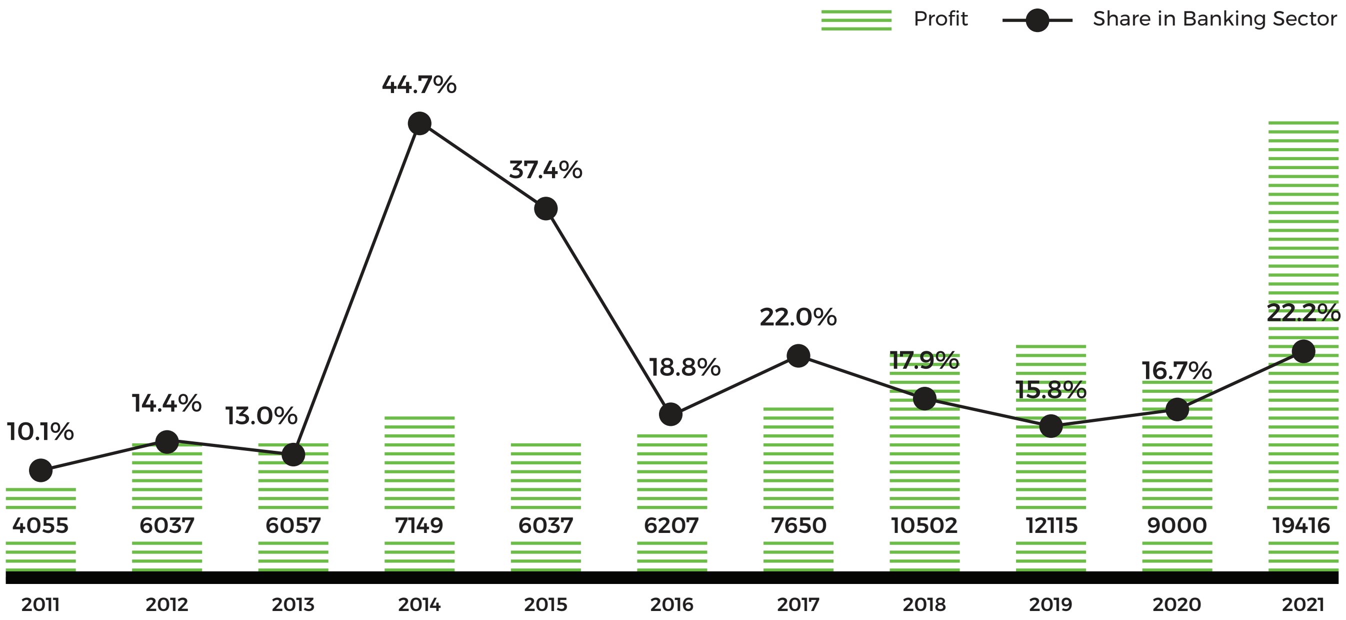
1st by Total Capital AMD mn



1st by Liabilities AMD bn

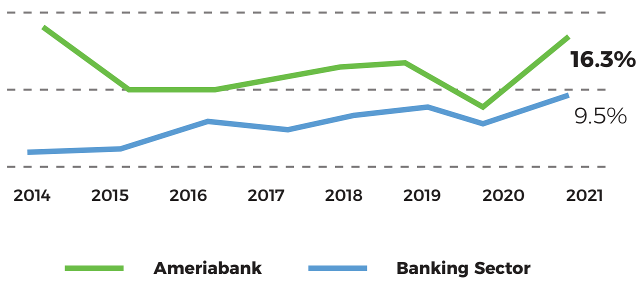


1st by Profit AMD mn

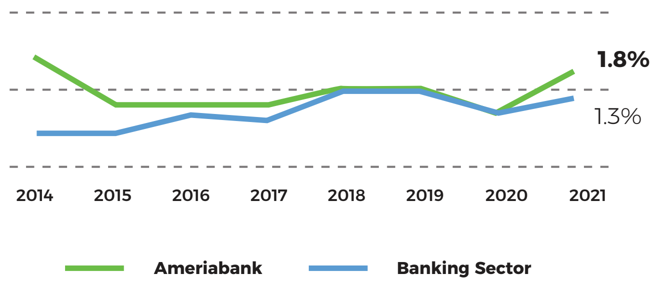


Our ROE ratio has always been above the banking sector average, and in 2021Y we became the leader by ROE

ROE dynamics: Banking sector and Ameriabank



ROA dynamics: Banking sector and Ameriabank



Business Model and Strategy

Despite persisting challenges and uncertainty, in 2021, Ameriabank continued to strengthen its leading position in the banking sector of Armenia, reaffirming its role as a stable, modern, rapidly growing and competitive financial institution with significant potential for further growth and development. Due to the pandemic, we reviewed our strategic priorities and shifted our focus towards availability of affordable banking services and service quality, positioning Ameriabank as a champion by innovation and service standards.

Our long-term strategy is based on the principle of sustainable development, and we aim to create opportunities for sustainable growth, with positive impact on the macroeconomic stability of the country and economic growth. In line with our midterm objectives, we prioritize further improvement of efficiency, adherence to responsible business model and business growth. In this context, the enhancement of our digital banking capabilities is important not only as a way to improve service quality and customer satisfaction, but to reduce operational costs. Our digital transformation gained significant momentum in 2021, as the pandemic accelerated the behavioral change of the population, and demand towards distance banking solutions and digital services increased significantly.

Our mission:

TO IMPROVE THE QUALITY OF LIFE BY

- providing **world-class** financial services and business solutions to its customers
- implementing business and social projects significantly impacting the **well-being** of the society
- creating unique corporate culture and development model of an international company, uniting the efforts of **successful people**
- consistently **increasing our shareholder value.**

Our vision:

- to become an **international company**, providing financial and business solutions
- be the **leader** in target markets by service quality and efficiency, uniting exceptional people with common values.

We are currently focused on the following areas as major business directions:

- improvement and diversification of digital services
- increase of the number of distance banking users
- increase of the share of the transactional banking services
- improving customer satisfaction in all business areas
- development of retail business via targeted financing
- development of SME business
- financing of businesses with the highest post-crisis potential
- increase of the volume of non-cash turnover and instruments

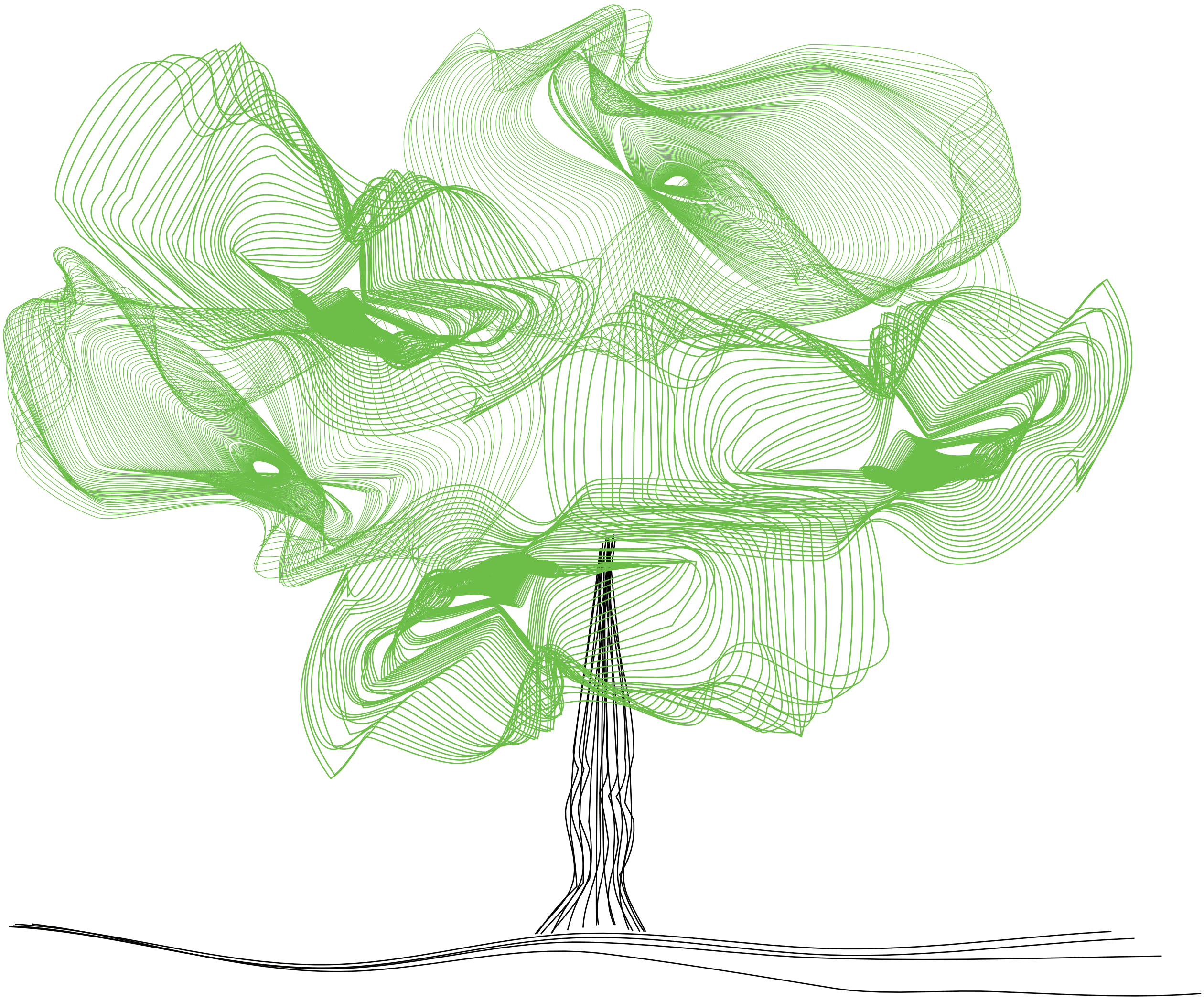
There are five strategic cornerstones emphasized for the management.

- Be the market **leader**: ensure above-the-market organic growth rates while considering non-organic growth options. To retain leadership positions in the market, we intend to pay more attention to the effective use of capital aiming at maximization of return on unit of risk-weighted asset. We will keep promoting transactional banking services in order to continuously increase the share of non-interest income. Given current demographic situation, as well as current coverage of bank services, we aim to enhance our client base significantly and improve cross-sales to the existing customers according to their current needs.
- Improve **efficiency**: ensure adequate level of ROE, as well as low level of the cost to income ratio to the extent possible. In order to increase efficiency, the Bank intends to implement a number of projects aimed at automation of internal processes and functions, optimization of structural models and business processes.
- Enhance the scope of **digitalization**: become a leader among the banks by distance banking services automating the processes to the extent possible. We have already launched and will continue implementing a number of projects that will essentially facilitate enhancement of digital channels, while certain products will be digitalized and new payment technology will be launched. All this is going to contribute to the digitalization enhancement significantly improving customer experience.
- Increase **diversification**: increase retail and SME portfolios and the volume of transactional banking services. In order to increase diversification, we intend to revisit internal business processes and services based on anticipated customer needs.

- Enhance customer **experience**: be customer-centric in every area of the Bank operations, ensure superior net promoter score (NPS) and customer experience index (CEI) values. We are constantly investing in technologies and staff trainings, ensuring continuous learning, development and improving service quality.

Our mid-term qualitative and quantitative goals derive from the strategic goal of becoming a leading universal bank.

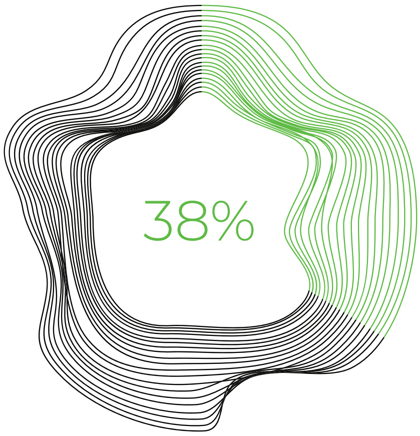
At this stage of our development, we prioritize informed and data backed decision-making. We have launched database construction projects to conduct more intensive and complex data analysis.



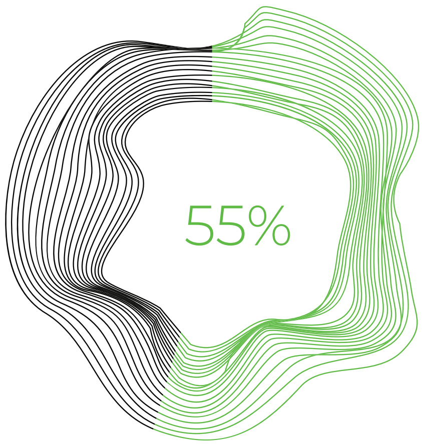
Retail Banking

2021 highlights

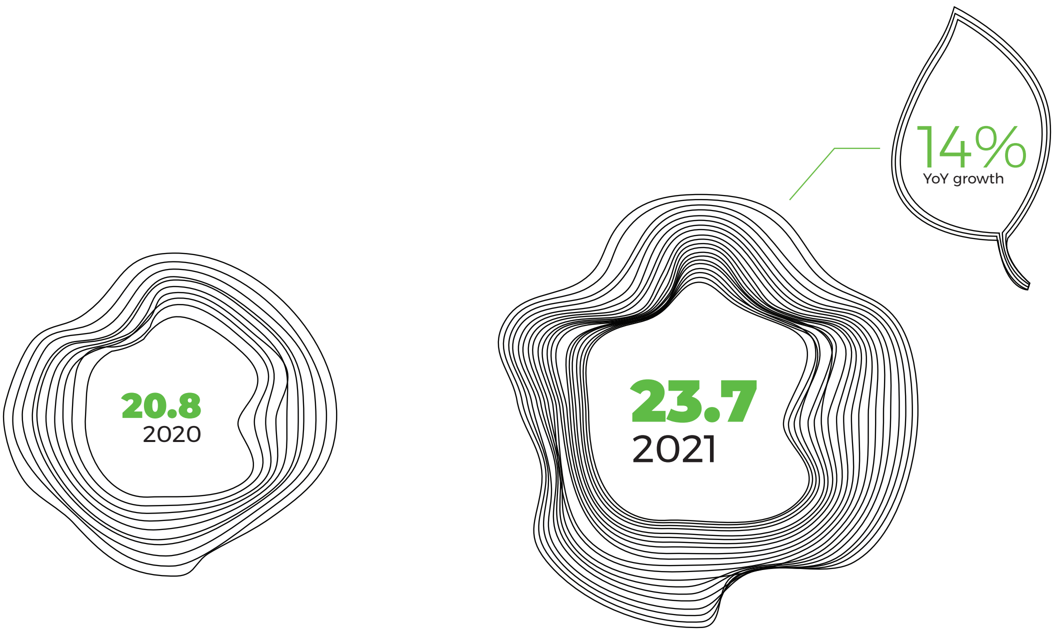
Share of gross retail loans and advances in total portfolio



Share of retail deposits and bonds in total portfolio



Operating profit AMD bn



Overview

Over the past several years, we have been investing in the development of retail banking sector as a key strategic objective, which has resulted in more effective tailor-made services. We have become one of the leading retail banking services providers in the market, offering a wide range of products and services through our omni-channel distribution platform. We are committed to delivering exceptional customer service and are proud to have the highest customer satisfaction scores in the market. Although our main focus was on enhancement of digital channels and solutions, we invested in the expansion of our branch network too, opening 5 new modern and technologically equipped branches in 2021.

Our total retail loan portfolio increased by 12.6%, with its share in the total loan portfolio reaching 38%, up by 5.6 pp.

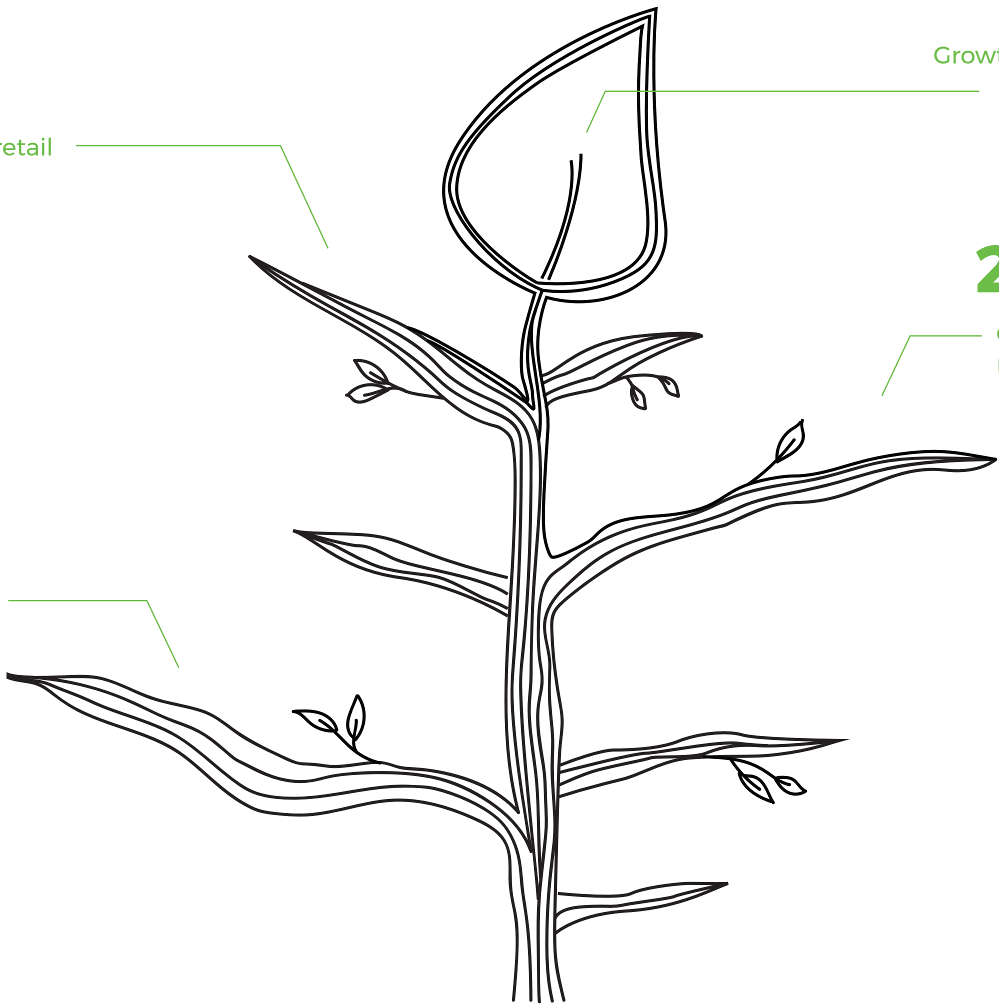
Main achievements

12.6%
Growth of total gross retail loans

15%
Growth of gross retail business loans

20.7%
Growth of gross mortgage loans

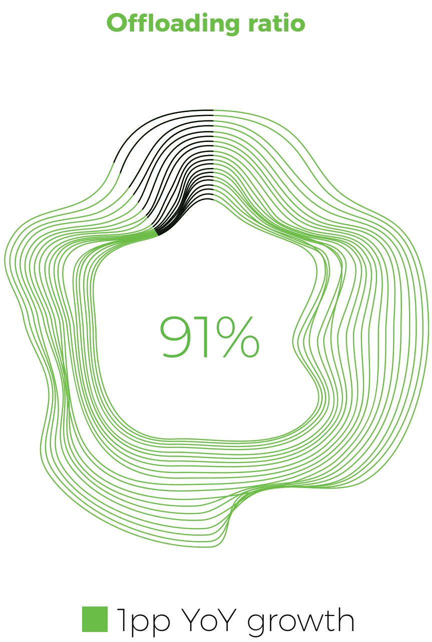
98%
Growth of internet banking transactions

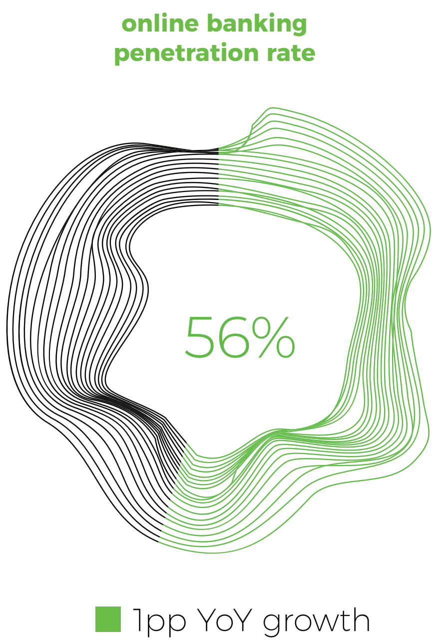


- Digital conversion rate (cashless offloading rate) reached 72%.
- Average number of monthly active unique digital users increased by 52%.

The offloading ratio (the share of transactions executed via distance and digital banking channels) was 91% in 2021 due to:

- regular enhancement of the scope of services available through Online Banking system, such as card-to-card payments.
- review and updating of the Bank's tariffs based on the study of the most labor-intensive cash and non-cash operations in branches in order to trigger distance banking and reduce paper-based and other similar services and processes.





Retail sub-segments

Personal banking

Payment cards and promotion of non-cash operations

Highly prioritizing the role of non-cash operations in economic development and reduction of shadow economy, we continued promoting card operations in 2021.

Card business and especially non-cash payments continued to be one of our main priorities in 2021. The number of issued cards increased by 14.3% in 2021. We focused on non-cash and e-payments, trying to be available for our clients everywhere. As a result, the volume of non-cash transactions increased from 37% in 2020 to 41% in 2021. The net non-interest income from our cards business increased by 63% YoY. We were the market leader by the number and volume of non-cash transactions.

To promote non-cash transactions several campaigns were launched.

The first one was “Shop Summer”. Within the framework of the campaign from June 15 to September 15 inclusive, customers making 5 and more international transactions in the total amount of AMD 50,000 with Ameriabank Visa cards, participated in "Shop Summer" campaign and got a chance to win one of the following prizes:

- 100 Visa Gold payment cards in the amount of AMD 50,000
- 5 Visa Platinum payment cards in the amount of AMD 500,000

As a result, the number of transactions during the period of campaign increased by 48% (vs. 2019, since 2020 was the year of lockdown), and the volume of transactions increased by 28%.

Two more campaigns (“Live Armenian” and “Live without Boundaries”) were launched at the end of the year. These campaigns were aimed at boosting both local and international transactions. The next key milestone for card business will be Apple Pay, which was introduced in January 2022. This tool will help boost non-cash transactions significantly.

In 2022, we are going to offer NFC payments to both iOS and Android users.

We have also implemented a new card delivery option. Now customers can get their cards via lockers of Online Shopping Network (powered by Globbing). More than 40 locker stations are already available in Yerevan. The purpose of this project was to improve customer experience and to cut card delivery costs.

Another effective initiative has been our special cooperation with HSBC bank, as a result of which the cardholders of Ameriabank and HSBC Bank can now withdraw funds from the ATMs of both banks without any additional fees.

Maintained a leading position in the market by e-commerce and POS business

largest ATM network in the capital

largest network of vPOS terminals in the country

one of the largest networks of POS terminals in the country

↑14% YoY
Payment Terminal Transactions

↑54% YoY
vPOS Turnover

Lending

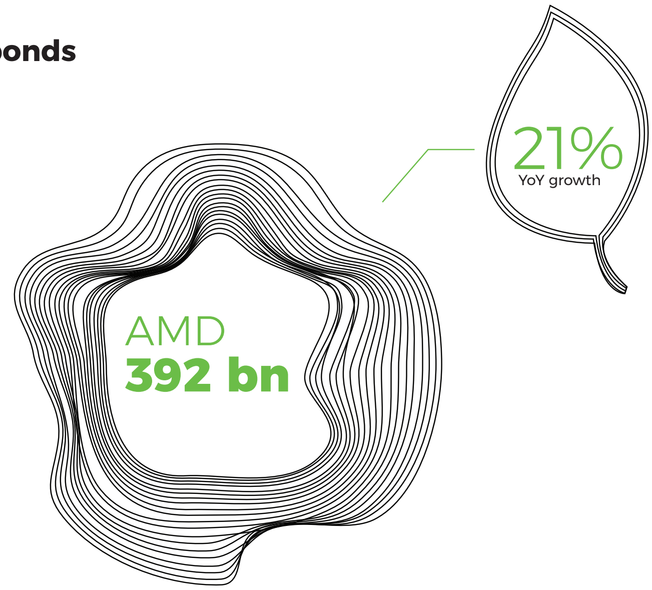
In 2019, the Bank successfully launched an online lending platform for individual clients. In 2021, more than 92% of consumer loans were issued automatically within 5 minutes.

In order to improve the quality of the platform, customer experience and to increase the approval rate, new Machine Learning model has been embedded. The model calculates the probability of client's default and makes a loan offer with the respective parameters.

Deposits

Retail deposit portfolio is one of the key indicators of the customer loyalty. In 2021, our deposit base grew significantly. We registered very high growth in retail deposits and bonds and managed to strengthen our liquidity positions.

Retail deposits and bonds



Ecosystems

Ecosystems are a new reality, offering convenience and new experience both for banking and non-banking services. The main ecosystems that we have launched, Automarket: **automarket.ameriabank.am**, Housing market: **estate.ameriabank.am**, SME Platform: **sme.ameriabank.am**

E-commerce marketplace

E-commerce is one of the strategically important industries for Ameriabank as it directly impacts the behavioral change of our customers and boosts the usage of digital financial services.

Ameriabank has developed a multitude of tools and services that have contributed to the development e-commerce in Armenia.

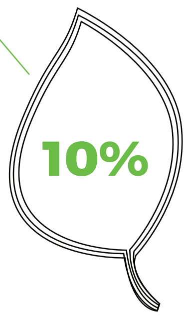
SME PLATFORM

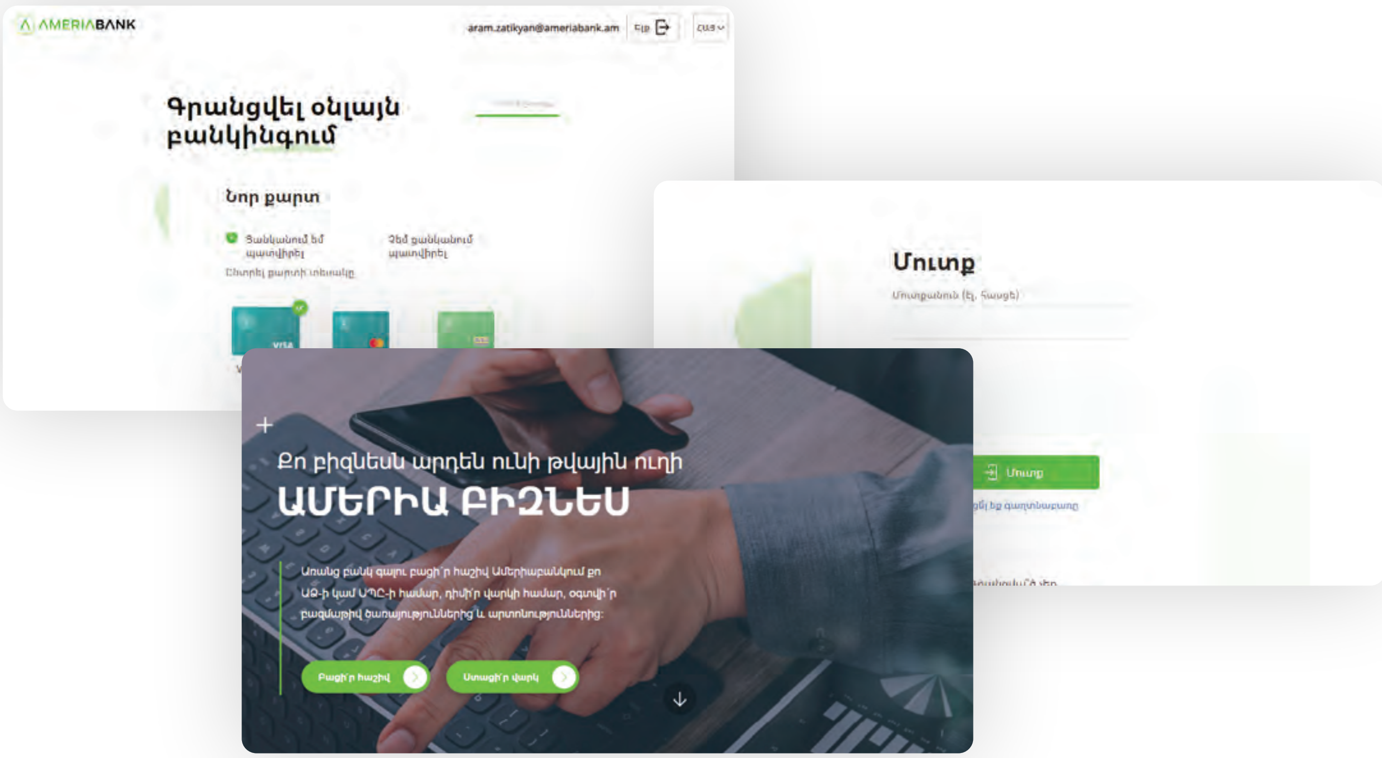
sme.ameriabank.am

Digital Solutions for SMEs
SME business account / card opening online

In late 2021 we developed a new digital platform for SME daily banking needs. Using this solution businesses can open an account at Ameriabank, purchase a business card and get Online / Mobile Banking free of charge. The process is end-to-end online and is designed for the convenience of our business clients. Since the launching of the platform the share of business accounts opened online via SME Platform in the total opened business accounts has reached 10%.

Business accounts opened online





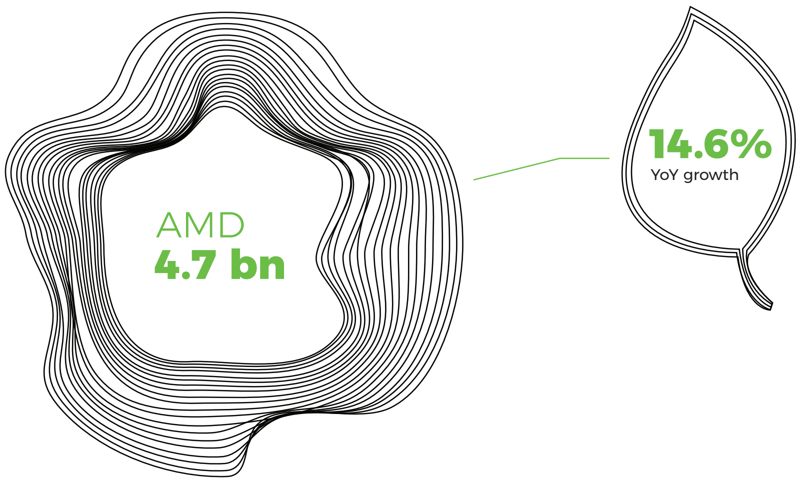
AUTOMARKET

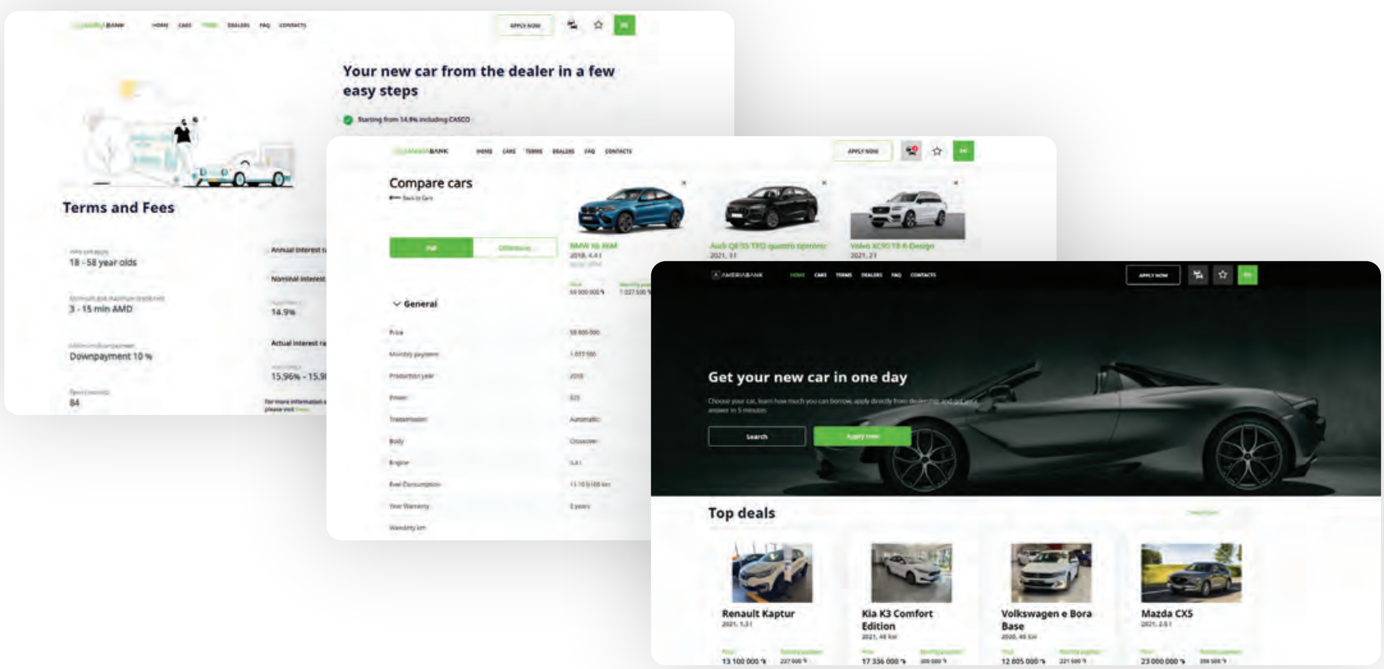
automarket.ameriabank.am

Automarket portal facilitates provision of car loans, enabling customers to buy vehicles without visiting the bank.

The share of the loans issued via this platform for purchase of vehicles from the primary market was 30% in 2021.

Gross car
loans book





ESTATE

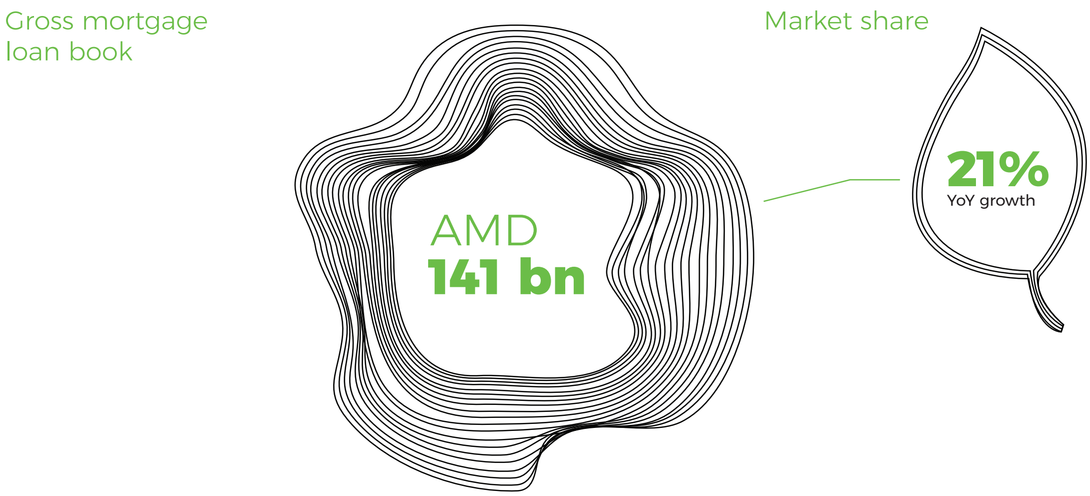
estate.ameriabank.am

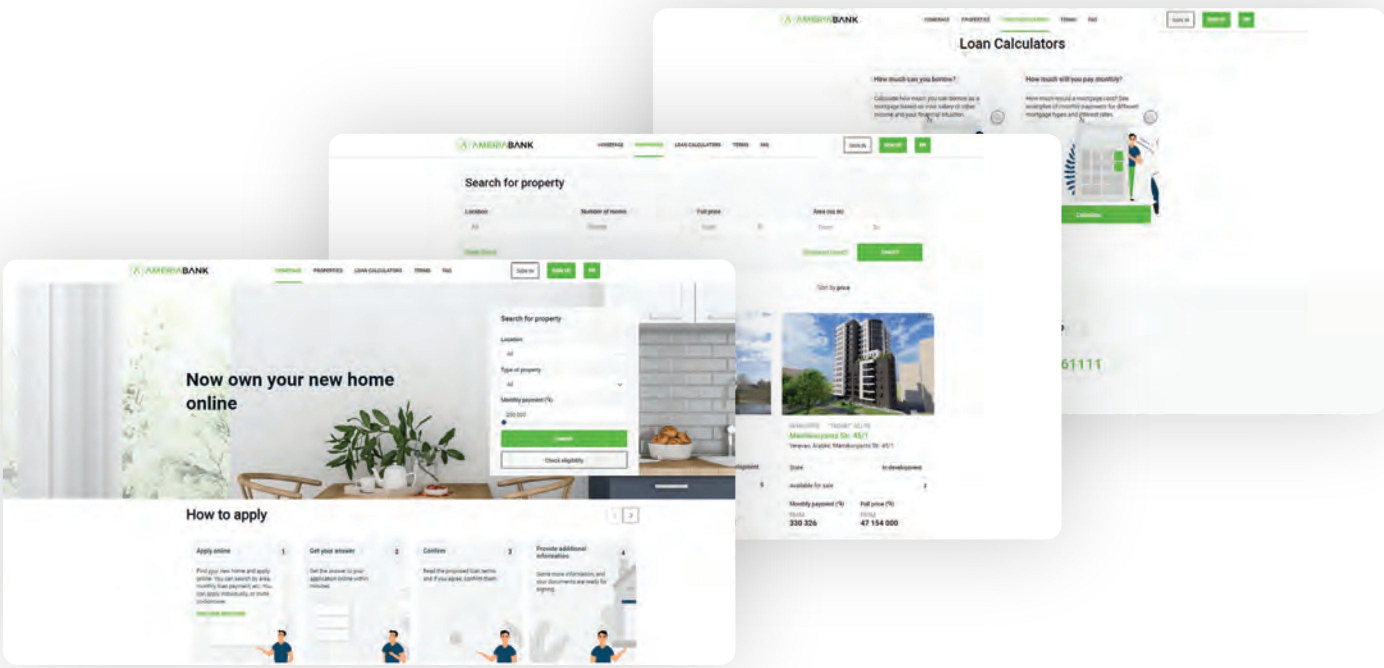
MORTGAGE LOANS

Real estate purchase/renovation and construction loans

Our mortgage loans portfolio has been growing fast with the last 3 year CAGR of 46%, at the same time maintaining high quality of the loans.

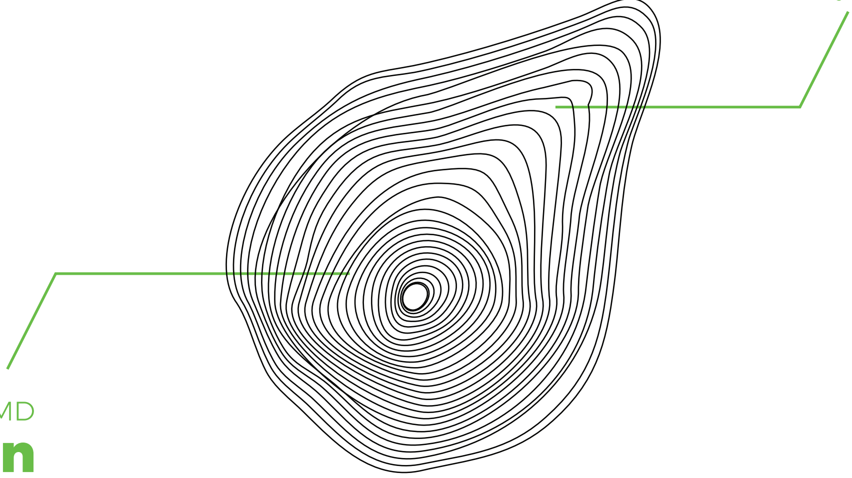
We are the market leader by mortgage loans with 21% market share.





Business banking

15%
yoy growth



AMD
41.3 bn

Ameriabank offers its SME* clients a wide range of financial services, combined with an increasing number of various digital channels that help SMEs achieve more of their potential.

Within our digital strategy, we completely automated the loan application and confirmation process meeting the rapidly growing demands of the customers. In 2021, 70% of SME loans were issued via digital platforms.

Our unique solution - SME loans scoring system, was integrated with Tax Service database, allowing us to have business turnover data automatically included in our scoring system: this was an unprecedented initiative not only in Armenia, but in the whole region. As a result, online SME scoring has now a 3rd approval option based on customer's revenue indicators provided to the State Revenue Committee. Due to this change, the loan approval ratio has significantly increased.

Another unprecedented solution for Armenia was online onboarding: SME customers are now able to get on-board fully online through Ameriabank website. Around 10% of all our new business customers have been onboarded via our online portal for SMEs.

* SME financing in the amount of up to AMD 150 mn is issued by Ameriabank's Retail Banking Direction.

Other Products and Services

Non-financial services introduced in 2021:

- online CMTPL (APPA) insurance
- online health, critical illnesses & PA insurance
- online property, insurances

New Mobile Banking app

Our aim is to establish a single platform integrated with other financial and non-financial applications. We constantly develop distance banking by providing cost-efficient and diversified distance channels. As a result, in 2021, we developed a new **"MyAmeria"** mobile banking application, which was deployed in early 2022.

Benefits of the new Mobile Banking app

- designed with consideration of the neo-bank idea and corresponding features.
- A user-friendly interface, easy accessibility and simplified processes.
- Two-Factor Authentication (2FA) logic, providing high level of security.

With just a few taps, you can view your account balances, make transactions, attach your card to ApplePaymake NFC and other payments, and apply for new products

2022 targets

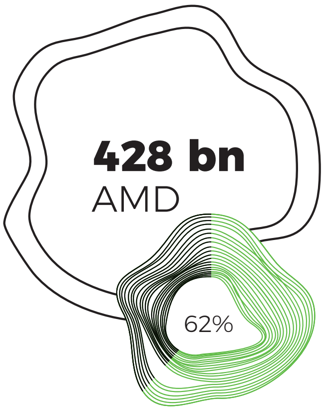
The following areas will continue to remain the key business targets for retail banking in 2022:

- improvement and diversification of digital services
- increase in the number of distance banking users
- increase in the share of services securing non-interest income
- Improvement of client satisfaction in all business areas
- development of retail business via targeted financing
- development and improvement of ecosystems
- increase in the volume of non-cash turnover and instruments

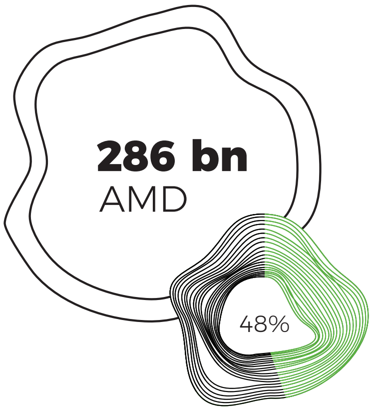
Corporate and Investment Banking (CIB)

2021 highlights

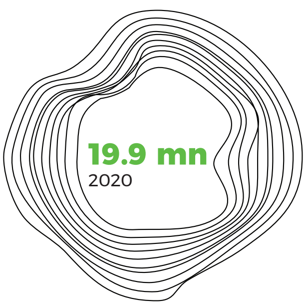
Corporate gross loans and advances

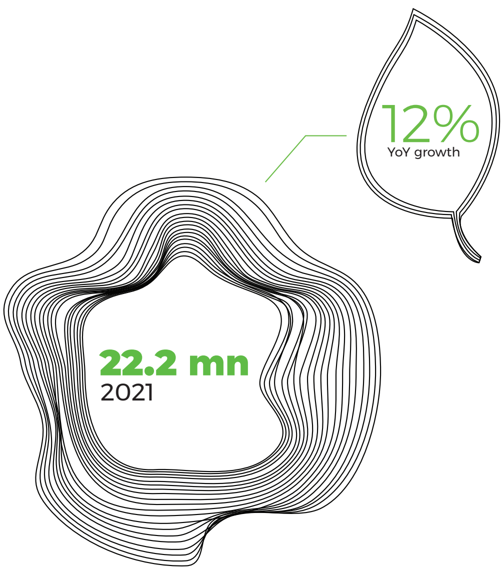


Corporate deposits and bonds



Operating Profit, AMD bn*





Overview

We are the leading corporate and investment bank in Armenia, holding top positions by all key metrics. Initially being established as a corporate and investment bank with limited focus on retail banking, our CIB team has deep sector knowledge and expertise in all major economic sectors. We offer tailored corporate, investment banking and advisory solutions, by levering on our highly professional teams of corporate and investment bankers and advanced analytical capabilities. Our services and solutions are designed to meet our clients' diverse financial needs, be it through advisory services or direct financing. We have been serving the largest corporate clients and financing the largest strategic projects in the country. Given the diversified scale of corporate and investment banking services, and the market expertise we possess, we are proud to be the first choice bank for the corporates. Despite more diversified banking of the recent years, corporate banking remains our competitive advantage, and we are actively developing our services, as the demand for sophisticated banking solutions is increasing.

We aim to maintain our leading positions in the market, with further diversification, lowering of concentration levels and increasing the share of green loans in corporate banking portfolio. Our key mid-term targets are higher share of SME loans & products in our total portfolio and higher level of non-interest income in our operating income.

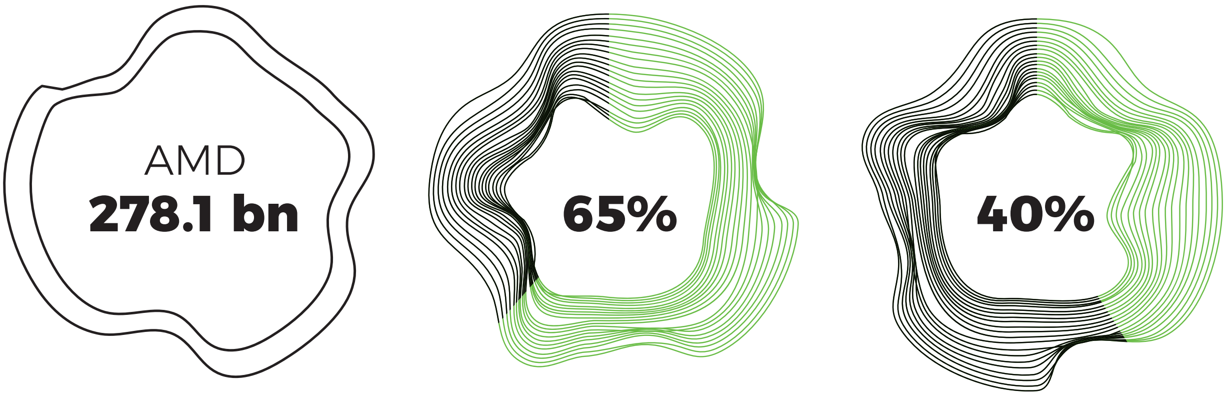
Corporate gross loans and advances book structure

2021

Large loans	SME	Factoring	Finance Lease	Receivables from L/Cs
278.1 bn AMD	**108.6 bn** AMD	**10.8 bn** AMD	**19.9 bn** AMD	**10.7 bn** AMD

Corporate Banking

Large enterprise lending



LE total gross loan portfolio

LE share in total corporate gross loan portfolio

LE share in total gross loan portfolio

In line with our strategy of moving towards universal banking model, we have been consistently decreasing concentration levels. As a result, our large enterprise loan portfolio decreased in 2021, comprising AMD 278 billion as of year-end (YoY decrease of 21%). Another reason for YoY decrease was Armenian dram depreciation, since a significant share of large loans are in foreign currency. The reduced concentration risk enhanced the overall portfolio quality. Although the portfolio decreased, the share of non-performing loans dropped by 0.7 pp.

As a result of our decentralization policy, the share of large corporate loans in the total loan portfolio of the Bank was 40%, down by 9 pp YoY.

Along with decentralization and enhancement of the loan portfolio quality, we kept on funding the sectors and projects that were most promising in terms of long-term development. In this regard, our contribution to funding of intensive agriculture is significant. Having considerable experience in financing of hi-tech next-generation greenhouses, in 2021 we started financing projects of planting intensive next-generation gardens with the use of modern European technologies. Implementation of the mentioned projects targets establishment of a new export the sector and covers a large number of beneficiaries operating mainly in the regions. In the course of the year 2021, projects of planting 700 ha of gardens in total were approved, with the volume of loans for implementation of those projects amounting to around AMD 26 billion.

Committed to our green strategy, we continued funding large investment projects in the renewable energy sector. During the reporting year, we focused on projects aimed at construction of new solar photovoltaic plants. Funding projects for construction of four new solar photovoltaic plants with a total installed capacity of 21.7 MW were approved in 2021. The total amount of loans approved for funding of those projects amounted to around AMD 5.5 billion.

Corporate SME lending

2021 highlights

12.6% YoY growth	**6 p.p. YoY growth**
AMD **108.6 bn**	**25%**
Corporate SME total gross portfolio	**Corporate SME share in total corporate gross loan portfol**

In 2021, we significantly increased SME lending volumes, meanwhile supporting our clients in keeping their businesses stable and developing further during the challenging pandemic period. The focus was increased on financing strategic sectors of Armenia – energy, agriculture, construction, tourism, etc., by offering new relevant products.

Our targeted corporate SME lending policy resulted in 12.6% growth of the portfolio, with corporate SME's share in the Bank's total corporate portfolio reaching 25%. The growth was mostly fueled by increased financing volumes of innovative and green SME projects and projects with social focus.

In 2021, we placed stronger emphasis on energy efficiency and energy saving projects, offering most favorable terms of financing. Strengthening the collaboration with our partner IFIs, we implemented a lot of projects under green economy and green lending programs.

In 2021, we developed further the online platform for SME loans making it a comprehensive SME ecosystem, which combines all needs of our SME clients in one digital platform.

Finance Lease

2021 highlights

Finance Lease total gross portfolio

AMD
20 bn

Finance Lease portfolio growth

52.7%
YoY

In 2021, we sustained market leadership by finance lease portfolio, registering 52.7% growth YoY. The main driver of our success was the high standard of customer service coupled with a full package of leasing solutions and flexibility of financing.

Finance lease is still an attractive and beneficial tool both for the existing users of finance lease services and the new clients due to the low down payment and absence of collateral. We provide lease services both to SMEs and large corporates by enhancing customer outreach and ensuring good diversification of our lease portfolio.

In 2021, the Government continued subsidizing 100% of the interest under Agri-Food Sector Machinery Leasing Program, which was yet another good incentive for businessmen.
As the leading bank with the largest portfolio of corporate assets, we hugely contributed to raising the market awareness about finance lease and to its development.

As the leading bank with the largest portfolio of corporate assets, we hugely contributed to raising the market awareness about finance lease and to its development.

Factoring

2021 highlights

In the ongoing economic recovery stage from COVID-19, our factoring portfolio maintained its sustainability in 2021. Its target sectors remained trade, energy, construction, transportation and public services.

A significant part of transactions covered export factoring, but domestic factoring was also being actively used by clients. We continued our cooperation with the Export Insurance Agency of the Republic of Armenia, which significantly increased the opportunities for exporters to have more reliable and seamless financing options with their overseas partners. Exporters are now well familiar with the advantages of factoring operations, and use it extensively for managing their receivables.

We offer our clients factoring solutions of different scenarios. As a tool designed to raise cash by assigning accounts receivable, factoring has become more appealing to fast-growing, sales-driven organizations that need improved working capital and deferred payment terms for more efficiency and profitability.

We continue to place more emphasis on the diversification of the clientele from various sectors of economy and engaging new clients that can benefit from the factoring tools.

Factoring total gross portfolio

10.8 bn AMD

No. of transactions

616

Trade finance

2021 highlights

LCs and guarantees portfolio by year end	Total amount of LCs and guarantees issued	Number of LCs and guarantees issued	NII and fees from trade instruments
AMD 35.4 bn	**AMD 39.2 bn**	**910**	**AMD 610 mn**

Despite the ongoing pandemic, in 2021, Ameriabank sustained its strong results as the leader of Armenian trade finance market. On their way of overcoming the difficulties posed by Covid situation, clients continued to rely on Ameriabank's support in reaching new milestones. This was achieved due to our agility, superior customer service and active support in different stages of client's business cycle through effective combination of various banking products.

In 2021, we kept our focus on growth-generating sectors of the economy: agriculture, manufacturing, energy, mining, IT, construction, healthcare and commodities.

We are actively involved in Trade Facilitation Programs with all major IFIs: EBRD (TFP), IFC (GTFP) and ADB (TFP). In addition to our issuing bank status with these IFIs we were also the first Armenian bank to receive confirming bank statuses under the Trade Facilitation Program (TFP) of EBRD in 2013 and under Trade Finance Program (TFP) of ADB in 2018. The large credit limits provided by these IFIs and partner commercial banks for trade finance development enabled us to provide our clients with the best solutions for operational continuity and development of their businesses. We also continued successful cooperation with a number of international banks, such as KBC Bank, Raiffeisenbank, ODDO BHF, Unicredit, Citibank, Deutsche Bank, Banca Popolare Di Sondrio, Caixabank and others.

As of year-end 2021, total financing limit obtained by Ameriabank from major commercial banks and IFIs exceeded AMD 80 bn.

We are funding trade by issuing local and international payment instruments, servicing export and import operations, providing direct financing of import and export transactions to companies and raising funds from leading global banks and IFIs. In 2021, the volume of finance attracted from partner banks and IFIs for trade purposes comprised AMD 38.8bn.

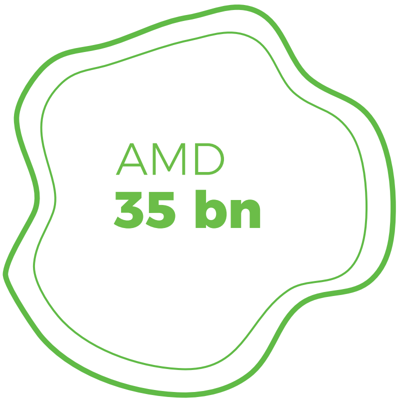
Multiple reputable awards from prestigious international organizations prove our leading role in Armenian trade finance market. Among such awards are: Most Active Issuer in Armenia by EBRD, Most Active GTFP Issuing Bank in the Caucasus and Central Asia by the IFC, Deal of the Year by EBRD for financing the building of the new generation fiber-optic network in Armenia, Deal of the Year–Energy Efficiency by EBRD for greenhouse energy efficiency improvement project, Best GTFP Issuing Bank for Energy Efficiency and Best Bank Partner for Equipment Trade in ECA by IFC.

2021 was another year of significant achievements, as Ameriabank was named **Best Issuing Bank in Caucasus under IFC GTFP program**.

Investment banking

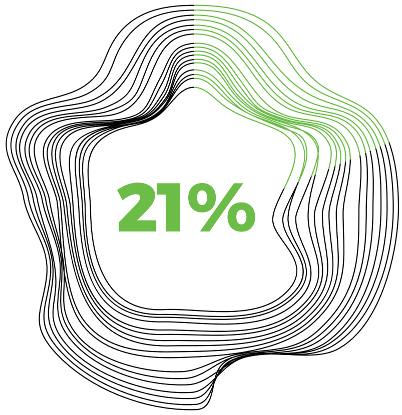
2021 highlights

N1 Lead arranger and underwriter in Armenia



12 issues with more than AMD 35 bn total volume in 2021

Leading issuer of bonds in the local market



market share

Overview

Ameriabank was established initially as a corporate and investment bank with limited retail banking. Our team knew all the nuts and bolts of the large corporate business in Armenia, and that gave us a competitive edge in corporate banking. Though we have shifted towards universal banking model with more focus on retail banking over the recent years, we remain the leader of corporate and investment banking in the local market. We are serving the largest corporate clients and financing the largest strategic projects in Armenia.

In line with the Bank's strategy and mid-term targets, we aim to maintain our leading positions in corporate and investment banking, with further focus on diversification and lowering of concentration levels in corporate banking portfolio. Investment banking tools and products will be used to diversify our corporate clients' funding channels and support their strategic growth. Higher level of non-interest income in the operating income is one of the Bank's key mid-term targets.

Our investment banking products and services are channeled via the following business units:

Mergers & acquisitions

- Buy-side ddvisory services
- Sell-side advisory services
- Valuations

Capital markets

- Debt raising in public capital markets
- Equity raising in public capital markets
- IPO advisory

Corporate finance

- Debt raising in non-public capital markets
- Equity raising in non-public capital markets
- Rating advisory

Mergers and acquisitions

Our Mergers & Acquisitions (M&A) team provides professional advisory services to corporate and retail clients covering all aspects of mergers and acquisitions advisory.

We are offering a wide range of M&A advisory services, including:

- earch and identification of the investor or target and preparation of relevant outreach documents (teaser, Information memorandum);
- deal strategy, negotiations and project management advisory;
- financial and legal due diligence reports and support in the processes of their administration and presentation;
- business plan development, financial modeling and sensitivity analysis;
- business valuation reports, synergy valuation report;
- transaction support, including
  - loan origination and leveraged buyout assistance;
  - deal structuring, payment structuring, ownership change, company registration/re- registration of companies or rights;
  - advisory on antitrust filing with state authorities (State Commission of Economic Competition Protection, Public Services Regulation Commission);
- legal drafting (Letter of Intent, Non-Disclosure Agreement, Term Sheet, Share Purchase Agreement, Shareholders' Agreement) and negotiation support;
- post-deal review and analysis.

Valuations: We market the following valuation services:

- Business/Equity Valuation Report with value conclusion;
- Business/Equity Valuation Report with value calculation;
- Fairness Opinions on Business/Equity Valuation Report.

In the recent years, Ameriabank has won more mandates than any other market player has, and currently has an impressive portfolio of ongoing mandates covering such sectors as telecommunication, IT services, commercial real estate, hospitality, agriculture and mining. Ameriabank is highly recognized for its local reach and involvement in landmark M&A transactions across almost all sectors. Since 2021 bore the consequences of the COVID-19 pandemic, the local M&A market did not see any new deals appear, and our team focused on attracting valuation deals instead.

M&A practice has been mandated for more than a dozen M&A advisory assignments during 2021 both for buy-side, sell-side and merger transaction advisory, as well as has released valuation reports for Ameriabank's corporate clients and shareholders.

Our buy-side transaction advisory was mostly focused on mining sector deals induced by global copper market performance and consecutively with heightened interest from market players towards operating assets in the country. We have also advised our clients in telecommunication, e-commerce and consumer staples sectors.

Main Achievements in 2021

Sell side advisory mandates were mostly awarded in commercial real estate, agriculture and hospitality sectors, economies of those being mostly impacted by COVID 19 and in need for equity replenishment to withstand the consequences of global pandemic.

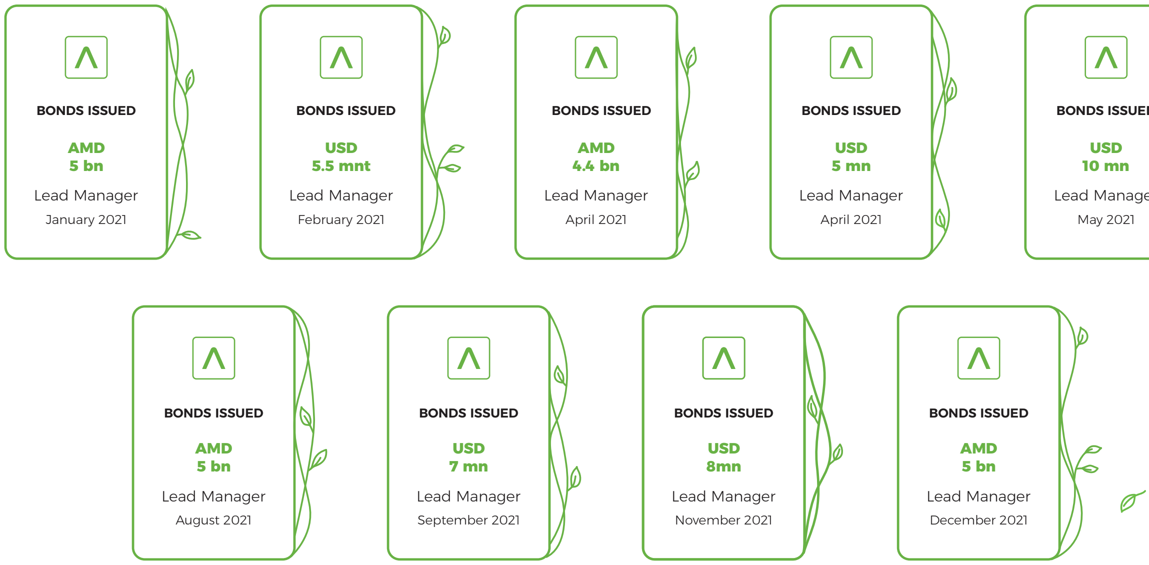
Capital markets

As a leader in the local capital markets, we offer our clients a full range of debt and equity capital markets services – from arranging initial public offerings to facilitating liquidity in the secondary market (market making), accompanied with bespoke market analysis and guidance. Our services include:

- pre IPO due diligence and IPO advisory;
- corporate governance advisory and regulatory reporting assistance;
- prospectus drafting and filing assistance;
- securities underwriting and placement assistance;
- market making services;

We have gained the reputation of an innovator in the capital markets due to the implementation of unprecedented debut projects. In 2012, we arranged the largest corporate bond placement. In 2013 and 2014, Ameriabank acted as a lead manager for the first ever AMD bonds issued by IFC and EBRD. In 2019, Ameriabank successfully executed local bond placements of two leading companies from agri and mining sectors: Spayka LLC and ZCMC CJSC. ZCMC's bond issue was the largest historic corporate bond offering in Armenia. In 2020, Ameriabank issued first ever Green Bond in Armenia with total volume of €42mln.

Ameriabank is also the leading issuer in the local market: as of the year-end 2021 Ameriabank's bonds in circulation in the local exchange totaled AMD 107 bn, giving us about 21.7% share in the corporate domestic bond market.



2021 was another outstanding year for our Capital Markets unit, which successfully initiated 12 debt capital markets projects/bond placements, including:

- full refinance of Spayka LLC's USD and LCY bond tranches through subsequent placement arrangements;
- nine bond tranches of Ameriabank with the total amount of AMD 30 bn.

We have also worked closely with our international partners – major league global CIB powerhouses, on finding relevant Eurobond projects and guiding our corporate clients in their Eurobonds or IPO projects' preparations processes.

After the debut Green Bond issuance in late 2020, in early 2021 we had our Green Bonds on Armenia Securities Exchange (AMX), marking the first ever green bonds listing on AMX.

We also arranged the registration of Green Bond offering program with the Central Bank of Armenia in 2021, which will let the Bank expand its green portfolio.

Corporate finance

Our corporate finance advisory services provide a comprehensive, coordinated approach to project and structured financing, including private finance initiatives and public private partnerships. We provide full-fledged debt and equity fundraising advisory services, including:

- lender/investor identification (we have a large database of international lenders and investors willing to finance viable businesses in Armenia);
- project analysis and pitching;
- due diligence and legal support;
- term sheet structuring and negotiations;
- loan agreement/syndicated loan agreement/share purchase agreement terms structuring and negotiations;
- conditions precedent support.

Besides the core services, our Corporate Finance unit also provides credit rating advisory services, including:

- inception talks with rating agencies;
- advise on rating agency selection;
- SWOT analysis based on appropriate methodologies;
- assistance in preparing the management presentation and getting ready for the management meeting.

Throughout the years, Ameriabank's Corporate Finance (CF) unit has established firm and effective partnerships with the most reputable and prominent international financial institutions, through which it has managed to raise more than USD 1bn since 2008.

Main Achievements in 2021

In 2021, our CF team focused on identifying companies with huge growth potential and commenced projects in the FMCG, agricultural, renewable energy and infrastructure development sectors, with anticipated conclusion and closing of most of the deals in 2022.

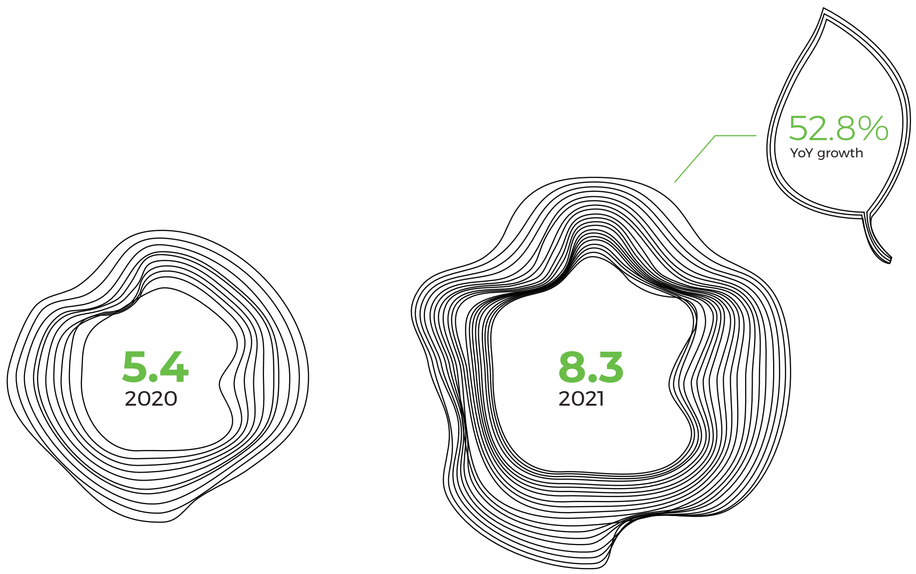
Our corporate finance practice successfully negotiated and procured a debt-raising mandate for a major commercial real estate project finance for one of our existing corporate clients in the FMCG sector. A USD 26 mn long-term debt facility is currently being negotiated with two major development finance institutions, with expected closing by mid-2022.

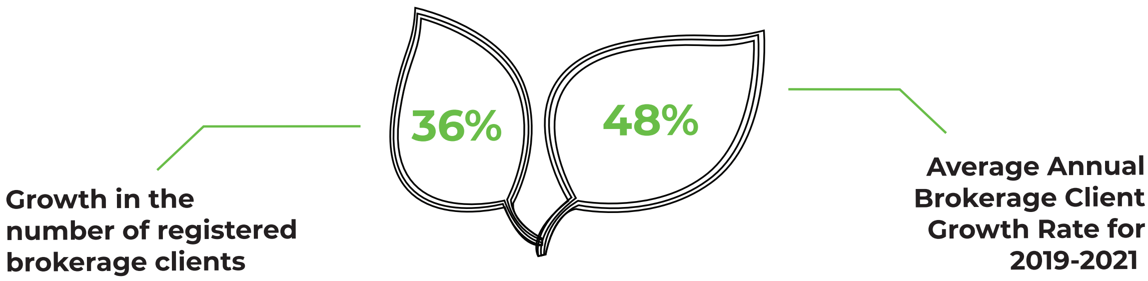
2021 was a year of focusing mostly on infrastructure finance seasoned within the PPP framework: several large-scale and material impact bearing infrastructure projects received concept clearance and are in the process of development for further project finance structuring in mid-2022.

Trading
Highlights

- One of the largest primary dealers in Armenian Government Securities, both in local and foreign markets
- The leading FX trader in the market, both by volumes and profit due diligence and legal support
- Absolute leader among local brokerage service providers in terms of profit and the service offering spectrum

Net non-interest income from Trading operations, AMD bn





The economic aftermath of COVID-19 continued in 2021. Increased implied volatility in FX markets coupled with the high inflationary environment in which the bank operated, created an unprecedented reality that the bank had to adjust to. We view each difficulty as a new opportunity to evolve and adjust; these principles of continuous evolution and adaptation allowed us to maintain leading positions in the local market by trading operations. In 2021, net income from trading (foreign exchange, gold and securities) and revaluation comprised AMD 8,280 mn, which is more than 20% of the total market net income.

Continued cost discipline and multifaceted risk management measures contained the risks associated with global economic shocks and deeply negative real interest rates of 2021. In line with our digital transformation plans, we expanded capabilities across key digital products, including brokerage services.

Despite 2021 being a challenging year for the Armenian economy, we were able to effectively manage currency fluctuations and maintained our leading position in the foreign exchange market, with almost 53% YoY growth of net non interest income from Trading operations. We continued to offer a large spectrum of foreign exchange products and services including a wide range of foreign currency exchange spot and derivatives instruments (currency forwards,, swaps and others). In 2021 Ameriabank was the only Armenian bank providing SEK quotes to the market participants thus managing to be the sole market maker for the currency pair in the country.

We continued active participation in Armenian and other sovereign Eurobonds markets as well as in local corporate bond market, maintaining our position as the second largest market making services provider in the local fixed income market. We also maintained our position in the Armenian market as one of the leading Primary Dealers (Agents) of the Ministry of Finance of the RA. Despite rising interest rates and high inflationary expectations, the security trading activities were profitable for the year.

Ameriabank is one of the few banks in Armenia that opens brokerage accounts remotely. The flexibility in account opening processes added to the development of Financial Advisory services resulted in an increase of the number of Ameriabank's brokerage clients by 36% in 2021. Accordingly, the three-year brokerage client base had an AAGR (Average Annual Growth Rate) of around 48%.

Our brokerage services are available on more than 100 specialized platforms in 23 countries worldwide, enabling clients to trade in multiple securities and keep track of latest market developments. Brokerage accounts with Ameriabank give access to all major stock exchanges worldwide. Including NYSE, NASDAQ, AMEX, ARCA, CBOT and others (US), Toronto Stock Exchange, Montreal Exchange (Canada),LSE(London Stock Exchange), LSE International Order Book (UK), Frankfurt Stock Exchange FWB (Germany), Vienna Stock Exchange VSE (Austria), Euronext Brussels Stocks, Nasdaq OMX Europe NUROEN (Belgium), Euronext France SBF (France), Swiss Exchange SWX (Switzerland), Borsa Italiana (Italy), Bolsa de Madrid (Spain), Tokyo Stock Exchange TSE JPN (Japan), Hong Kong Stock Exchange SEHK (China), Australian Stock Exchange ASX (Australia) and many others. Our brokerage clients can trade in securities denominated in multiple currencies and follow quotations in real time 24 hours a day.

We provide the widest set of instruments available for trading among Armenian banks, including equity, fixed income, options, futures and warrants.

Due to active participation in local foreign exchange and securities markets in 2021 our trading team earned several awards including:

AMX award winner in 6 nominations

- **Best Exchange Member in Government Bonds Market**
- **AMX Grand Prix**
- **Best Issuer in Corporate Bond Market**
- **Account Operator-Custodian of Depository system in Foreign Securities Market**
- **Account Operator-Registry Keeper of Depository System**
- **Member of Unified System of Securities Registration and Settlement**

The Best Investment Bank of the Year 2021 in Armenia according to the reputable Global Finance Magazine, for the 6th time since 2016

In line with our strategy and mid-term targets, we have set result-oriented roadmaps, which include:

- full digitalization of our brokerage infrastructure and minimizing human involvement in all processes.
- maintaining leading position as the best broker in Armenia by constantly improving the quality of our service and by bringing in new distinctive features.
- expanding the coverage of Ameria Global Trading platform, prominently into emerging Asian markets.
- increasing the customer base of both our brokerage and advisory services, while increasing user engagement and revenue generation.
- remaining the leading foreign exchange trader in the local market and continuing product and service line expansion to attract an increasingly large customer base.
- continuing offering qualified and high quality market making services to corporate issuers, increasing the number of quoted securities under market making agreements and becoming the top market making service provider in the local market.
- maintaining and improving our position in the market as one of the leading Primary Dealers (Agents) of the Ministry of Finance hrough active participation in government bonds' primary auctions and active trading in the secondary market.

Innovation and Digitalization

Digital Strategy

We are committed to the implementation of our digital strategy and continuous improvement of our digital services through technological innovation. We believe that strong focus on innovation drives continuous optimization of current business models, as well as enables us to reach the heights of efficiency and productivity as we scale new, validated business models, which are fundamental elements for business growth in such rapidly changing world. The Bank strives to create value for all its customers stressing continuous improvement of its digital services thought for both individual and corporate customers including not only local but also regional markets.

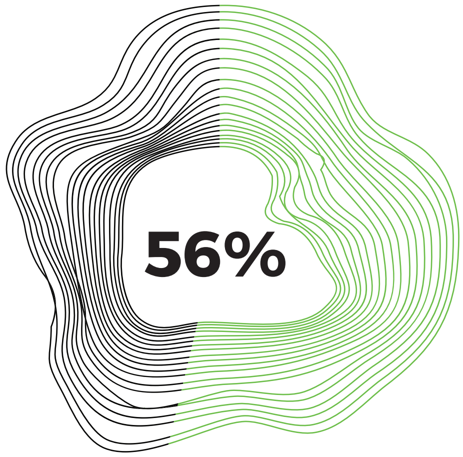
In 2021, we set a clear strategic agenda with a set of measurable metrics that cover digital aspirations of the organization up until 2025.

Those metrics are interconnected to existing organizational-level KPIs thus bringing digital agenda importance and impact to an institutionalized level throughout organization.

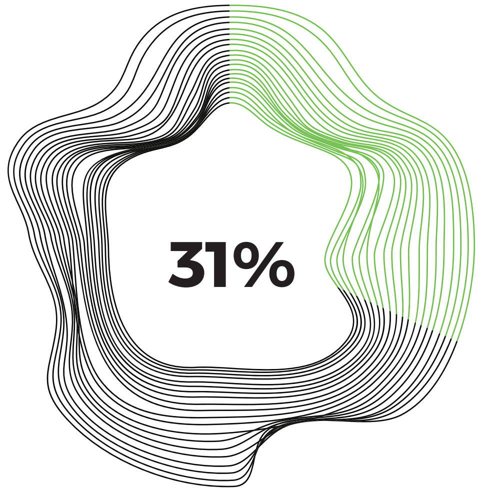
In 2021, we updated our digital transformation agenda, highlighting the importance of digital readiness where all core, financial services have to be in an end-to-end (front and back-office) digitalized and integration-ready format. Ubiquitous integration of those core financial services is set for both internal products and seamless external third-party onboarding. This highpoint on digital readiness accelerated the backbone re-engineering roadmap started in 2020.

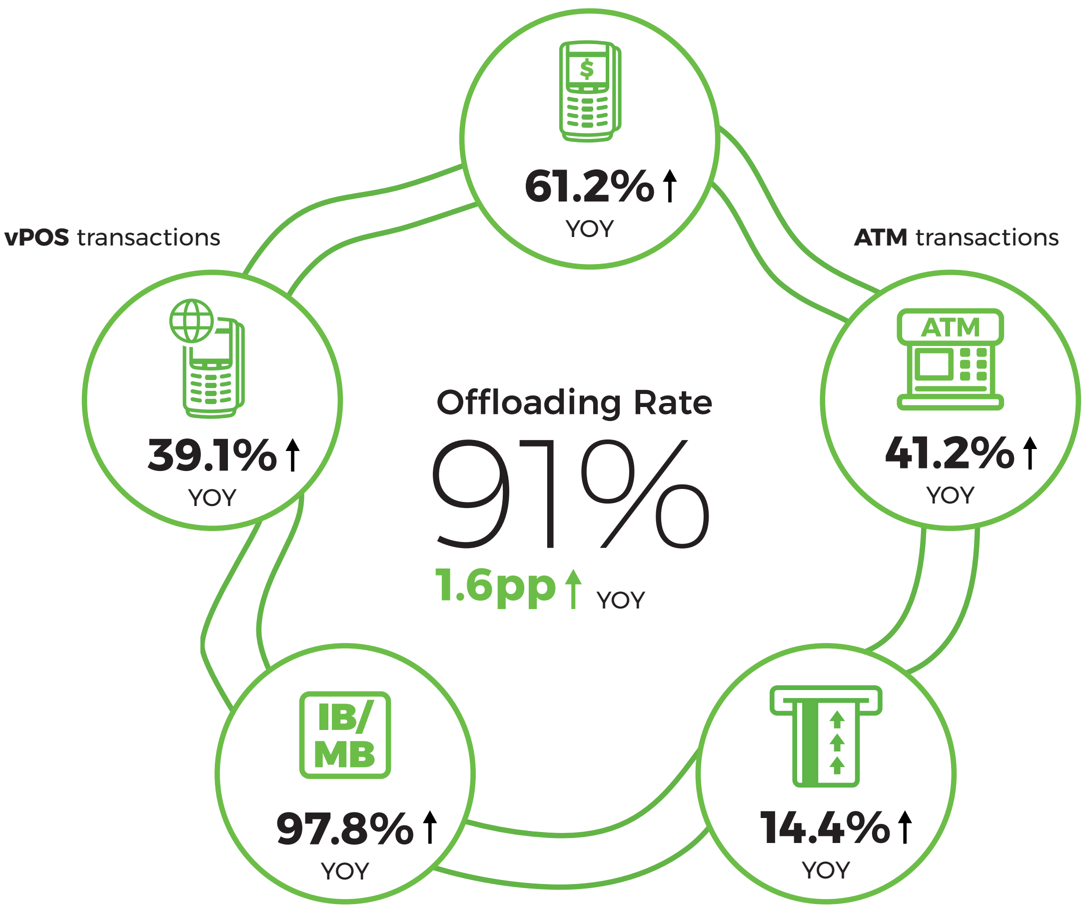
The dedication to innovation, technological leadership and customer experience expeditiously spurred Ameriabank into a leading position in the Armenian banking system.

Online banking penetration rate

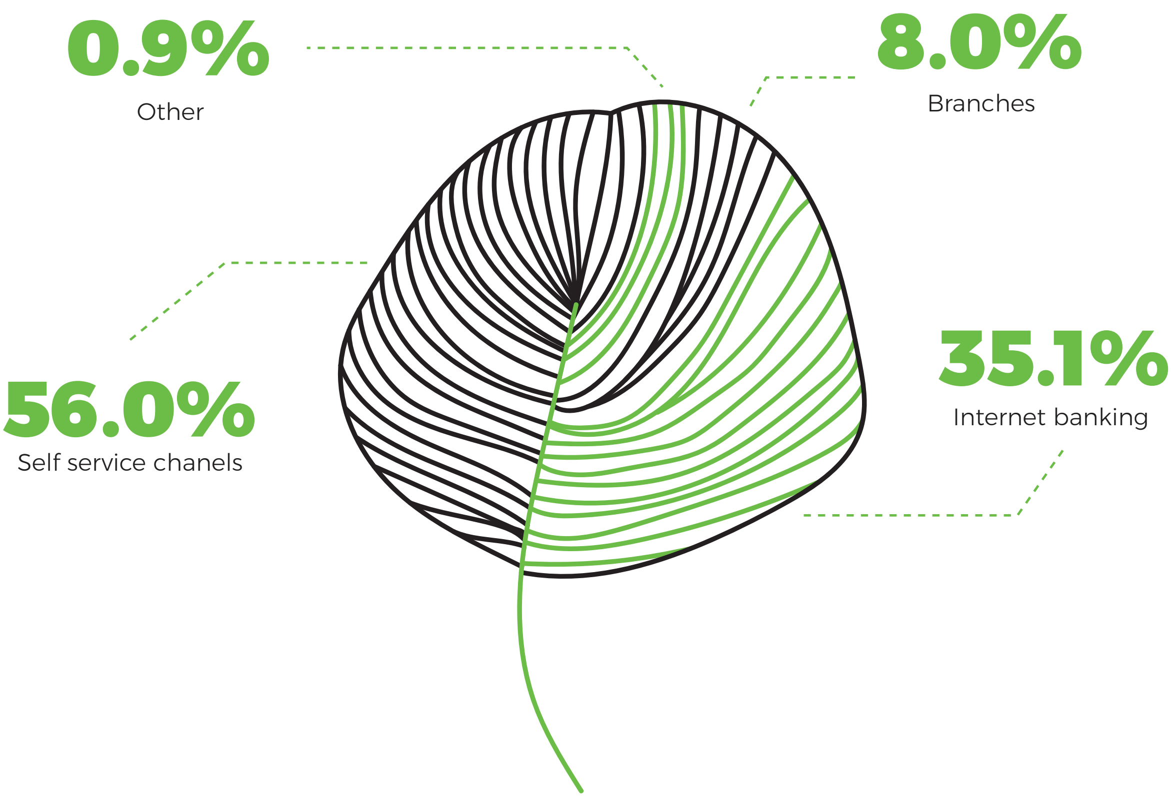


Share of digital sales

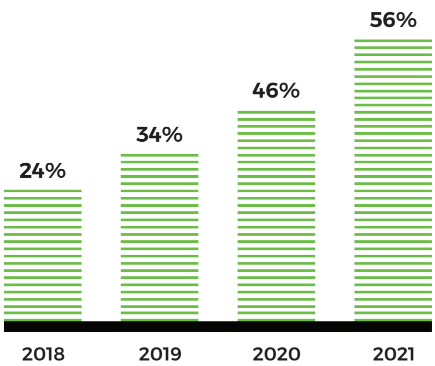




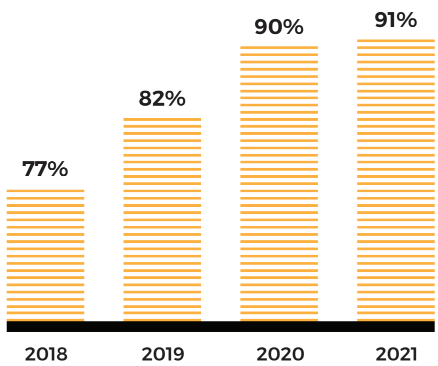
Share of operations via different channels



Online banking penetration rate



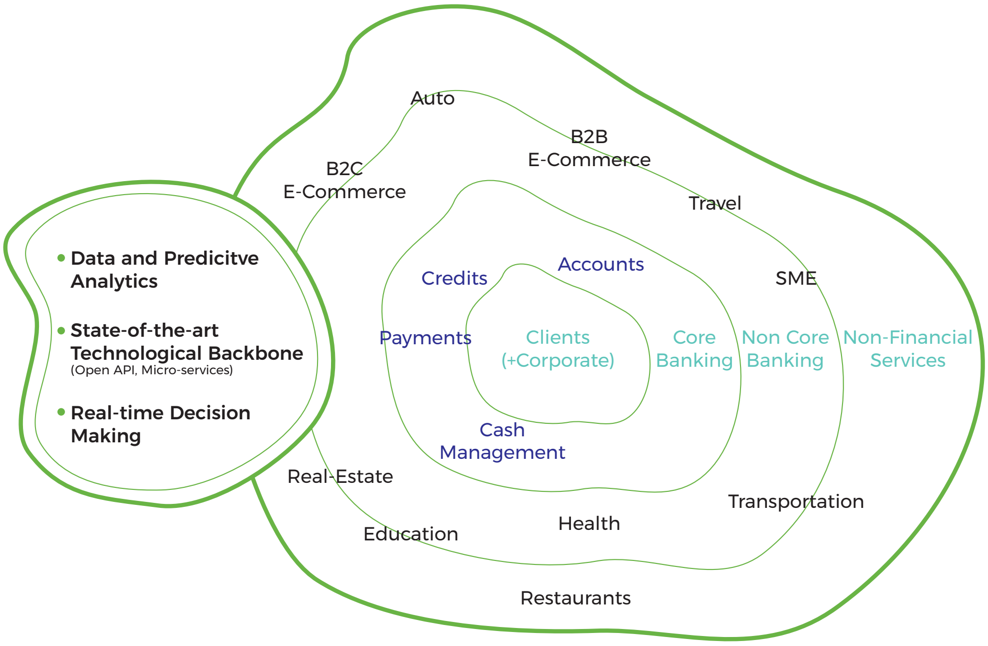
Offloading ratio*



* Share of transactions performed via distance and digital channels in total number of bank's transactions.

Our Digitalization and Innovation direction is based on four primary pillars – Digital Products and Services, Digital Channels, Internal Efficiency and Backbone Re-engineering.

Digital Products and Services – this pillar encompasses three primary directions: mobile and online banking as a services platform, SME ecosystem and e-Commerce marketplace. The primary enabler for these three directions as well as other ongoing directions such as Auto and Mortgage platforms is the core financial services implemented in an end-to-end digital format, as a part of Digital Readiness agenda for 2022.

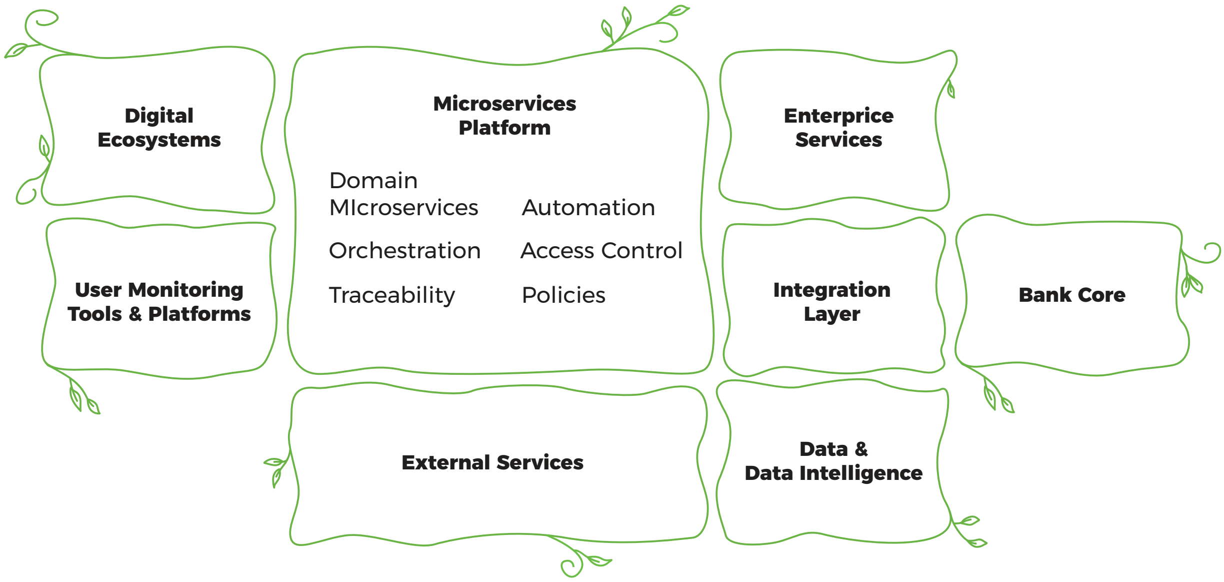


Digital Channels – primary focus of this direction is an aggregation of all the existing channels into unified digital hub where services may be offered on one channel, depending on convenience for the customer, and then be completed on a different one – be that web or mobile or terminal/ATM.

Internal Efficiency – this is a key direction on the path to digitalization as it brings internal automation agenda tied to customer-centric digital products into action. This include robust document digitalization, e-signing, customer relationship management (CRM), business process automation/management (BPM), HR management (HRM) frameworks and solutions integrated with each other through internal API, delivering data integrity, speed of operation as well as high level of manageability.

Internal efficiency special focus is placed on agility through continuous process improvements. We are committed to bring and adopt agile practices throughout the Organization as an enabler of high efficiency, time to market as well as transparent communication. The way we collect ideas, transform ideas into concepts, build products, form teams, design customer experiences, collaborate on all the directions be that internal automation or external product development, we move towards higher degree of agility and efficiency.

Backbone Re-engineering – this direction is the enabler of other highlighted pillars as it brings the technological back-end to all digital products and services through a unified microservice-based architecture. The new architecture (as depicted) is built around core (or domain) services (Microservices Platform) that is the primary driver for all the digital products we are building as a part of Digital Transformation agenda. It enables data collection and intelligence reinforcement using the data of multiple partners, including Nork, ACRA, ARCA, EKENG. In addition, this Microservices Platform delivers seamless integration with new partners, and that brings us an unprecedented speed in growing our digital user-base.



In 2021 we released the first stage of SME Ecosystem that digitalizes the process of account opening and mobile banking app onboarding for SMEs, with company registration coming up. We have the following achievements already:

- Almost 30% of all standard Retail SME loans applied online by SME portal.
- Volume of provided loans as of 31.12.21 is around AMD 19 bn and quantity is 4223
- The outstanding portfolio of Retail SME online loans as of 31.12.21 is more than 11.6 bn (from which around 3.1 bn is online scoring, 8.5 bn is tablet and 723 mn is based on Tax Service model).
- 44% of the abovementioned loans has been extended to the new clients.

We also released a new phase in our Mortgage Ecosystem, being first in the market with mortgage process fully digitalized application flow. In early 2022 we entered the market with our new Mobile Banking application (in beta) that is built now with our new Microservices Platform together with officially integrated Apple Pay payment suite, by being in the first cohort among the banks in the region.

Doing Business Responsibly

As the leading financial institution in the country, Ameriabank acknowledges its responsibility and key role in advancing Armenia's transition towards a sustainable future. Faithful to the mission of improving the quality of life, we consistently undertake initiatives aimed at accurately assessing people's needs, developing targeted, impactful and long-term solutions for a diverse range of beneficiaries.

We have successfully embedded thorough sustainability, environmental and social risk management policies into our business processes to ensure that any possible negative environmental and social impacts caused by our financial operations are minimized. We actively strive for the balance of social, environmental, and economic factors by adhering to international best practice on environmental and social risk management*.

To mitigate climate change risks and create opportunities for the local economy, we have made a corporate commitment for a low carbon Green Assets Portfolio, which is in line with the existing provisions of our internal Environmental and Social Risk Management Policy. The Green Assets Portfolio covers a wide range of low carbon categories (renewable energy, energy transmission, distribution and storage, sustainable transport, water, sustainable buildings, aquatic industry waste management, IT solutions) across business segments.

*Environmental and social risk management is covered in the Risk Management section of this report.

Our Sustainability Strategy

Our Sustainability Strategy is aimed at achieving present and future economic prosperity, environmental integrity for our customers, society, employees and shareholders. Sustainability is a key priority in our strategy and business model, and focusing on sustainable customers and businesses is a key part of our strategic roadmap. Creating a sustainable environment and supporting customers' transition towards a carbon neutral economy is our long-term commitment.

Our Sustainability Strategy supports the achievement of the UN Sustainable Development Goals (SDG), with a particular focus on the SDGs, which are the most material and relevant to our business strategy.

Two criteria were of primary importance while prioritizing the SDGs for our operations:

- Relevance: how closely an SDG is related to the Bank
- Impact: the impact that we can have on the respective goal

Within the context of our Sustainability Strategy we will focus on the following SDGs, which we consider particularly relevant both for the bank and the society.

Ensure access to affordable, reliable, sustainable and modern energy for all, in particular:

- Contributing to increase the share of renewable energy and to improvement in energy efficiency

Our contribution:

- renewable energy systems financed
- annual savings of electricity consumption
- access to clean electricity

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation, in particular:

- upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies

Our contribution:

- innovation and technology development for customers
- investments in IT infrastructure to maintain and upgrade our digital infrastructure to ensure best customer experience

Make cities and human settlements inclusive, safe, resilient and sustainable, in particular:

- provide access to safe, affordable, accessible and sustainable transport systems and housing for all

Our contribution:

- investment in infrastructural solutions causing lower energy consumption
- investment in clean transportation: all types of electric vehicles, which will cause efficiency gain
- support of underdeveloped communities through various projects.

Take proper actions to combat climate change and its impact:

Our contribution:

- investing in projects which have an impact on greenhouse gas emissions avoided
- facilitating reduction of significant amount of CO2 emission

Climate Action and Green Strategy

Within our green strategy we make efforts towards lowering of GHG emissions and climate resilience development in Armenia. We do business in a responsible, sustainable and environmentally friendly way, supporting ambitious climate objectives, articulated in nationally determined contributions and other climate plans, accelerating low GHG emissions developments, promoting climate change adaptation support in developing approaches to strengthening climate resilience across infrastructure and ecosystems at the community level.

We acknowledge that climate change implies both risks and opportunities, and that as a financial intermediary we can play a leading role in addressing climate change issues in Armenia. Enhancement of environmental sustainability is critical to achieving our Strategy 2025. By that time, we are planning to have achieved the following:

- build up on existing green strategy to cover more than just green lending
- do the first sustainability report in compliance with best international standards
- procure an Environmental and Social Governance (ESG) rating

By 2023, we intend to double the share of green loans in our portfolio, including renewable energy and energy efficiency, sustainable buildings and transport loans.

Green Projects

We have a commitment to become the leading regional green bank through implementation of appropriate banking processes and products tailored for its ultimate clients. In line with our commitment to help society transition to a resource-efficient, low-carbon and environmentally sustainable economy, we continue contributing to the development of sustainable solutions through financing relevant services and innovations.

Since 2009, we have financed more than USD 225 million worth energy efficiency and renewable energy projects with the support of various international financial institutions and impact investors, such as the Dutch Entrepreneurial Development Bank (FMO), responsAbility Investments AG, European Bank for Reconstruction and Development (EBRD), French Development Financial Institution (PROPARCO), International Finance Corporation (IFC), Development Bank of Austria (OeEB), German Investment Corporation (DEG), Global Climate Partnership Fund (GCPF), etc.

In 2021, we signed USD 20 million loan agreements with responsAbility Investments AG and the Global Climate Partnership Fund to finance small and medium enterprises and green projects in Armenia. Another USD 30 million was attracted from the OPEC Fund for International Development to support sustainable energy and small and medium enterprises in the country. While nearly 50% of the OPEC Fund's loan is to finance small and medium enterprises, the other half is fully designated to green projects aimed at increasing energy efficiency and reducing carbon emissions in Armenia. In 2021, we joined Fotowatio Renewable Ventures (FRV), IFC and EBRD to finance a utility-scale solar power plant in Armenia. Located in Mets Masrik municipality, Gegharkunik region, the 55 MW plant is the largest industrial solar power plant and the first-of-its-kind in Armenia. It will produce enough clean energy to supply to more than 20,000 homes and avoid the emission of over 40,000 tons of CO2 annually. In late 2021 we secured EUR 15 million Tier 2 Capital from Triodos Investment Management aimed at financing small businesses and green initiatives.

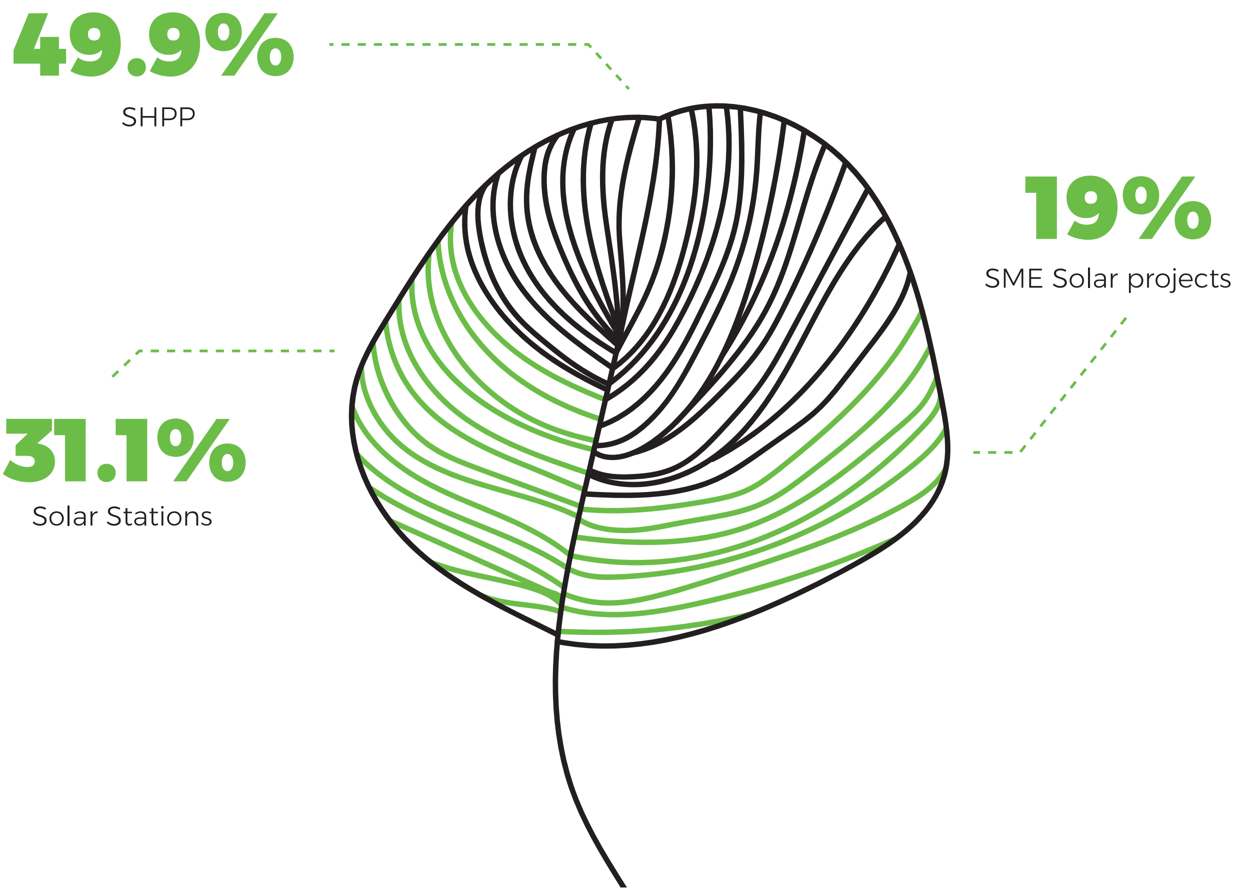
Green Bonds

Our EUR 42 mn Green bonds, issued in late 2020, were admitted to trading on AMX in early 2021, with active allocation of funds during the year.

Our Green bonds are in line with the UN SDGs and promote the following goals: SDG7 Affordable and Clean Energy, SDG9 Industry, Innovation and Infrastructure, SDG11 Sustainable Cities and Communities, and SDG13 Climate Action.

We have a well-established Green Bond Framework which is consistent with the International Capital Market Association's ("ICMA") current Green Bond Principles ("GBP"). This Framework provides a unified methodology for all green financing.

The Green Bond funds were successfully allocated as of 2021 year-end with the total volume of Green loans of more than AMD 26 bn. The funds were allocated in renewable energy (including 49.9% in small hydropower plants, 31.1% in solar stations, and 19% in SME solar projects) As a result, during 2021, estimated CO2 emissions totaled 128,862 tons, and total clean electricity production amounted to 156,571,928 kwh.



Giving back to the Community

In 2021, we remained committed to our responsible approach tackling numerous social problems. In total, AMD 118 million was allocated for CSR and charity purposes during the reporting year, including AMD 37 million for educational projects, AMD 60 million for infrastructural and community projects, AMD 12 million for supporting children with life-threatening diseases and improving the quality of children's life, and AMD 9 million for other projects.

Infrastructure programs targeted at borderline regions

Ameriabank is committed to development and improving the quality of life in rural communities. We supported the installation of pump station, drinking water and irrigation systems in borderline communities of Tavush region. We also partnered with ReArmenia to finance procurement of lab equipment for classrooms and furniture for school cafeterias in borderline villages of Syunik region. Furthermore, Ameriabank and its staff became the Secret Santas for children in borderline villages of Syunik region this year.

Educational initiatives

Ameriabank is committed to fostering young talent through financing scholarships. In 2021, we partnered with UWC Dilijan College, the American University of Armenia and Ayb Foundation to support students in their studies and future aspirations.

Charity

Our charity initiatives are focused on improving children's living conditions and children's health care projects in close cooperation with our partners - City of Smile and Katil funds and SOS Children's Villages.

Our Team

Our team is diligently and devotedly involved in every project and every initiative launched or implemented by the Bank in cooperation with others. Being part of our team means to feel responsible in all aspects – for yourself, your principles, for the welfare of the country and people. We strictly follow the principles embedded in our CSR policy towards promotion of environmentally friendly measures to mitigate climate change, reduce consumption of water and paper, save energy, and use recyclable materials in our daily activities. In 2021, 198 kg of plastic and 556 kg of paper were sorted at Ameriabank's head office, thus saving 9.4 trees and 513 liters of oil.

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RISK REPORT

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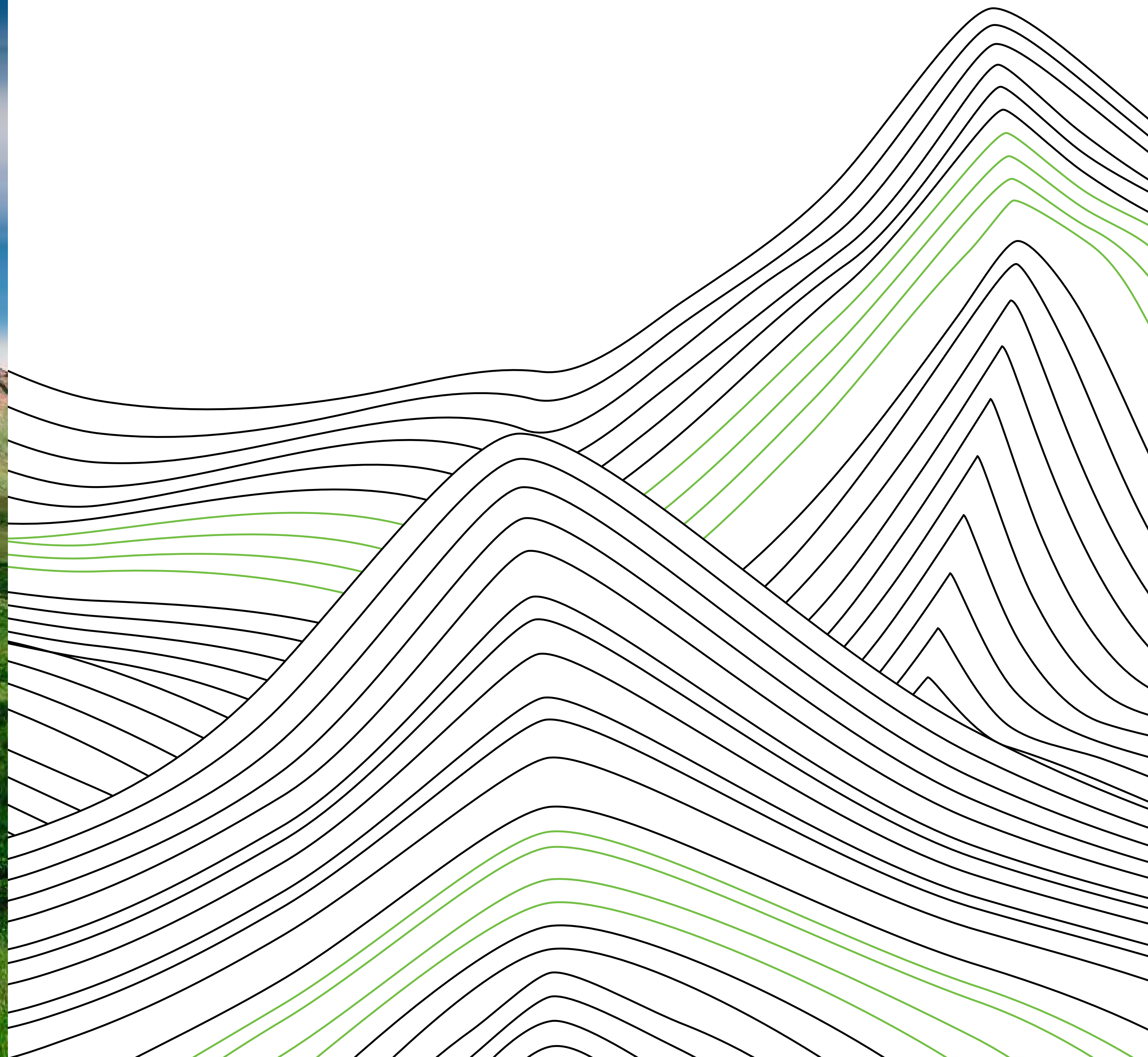


MOUNTAINS

Mountains support about a quarter of the world's terrestrial biodiversity and play a key role in the support of global environmental, economic, social and cultural sectors through connections to invasive species, air pollution, climate change, mining, hydropower, tourism, forests, agriculture. We shall therefore recognize and address the challenges to sustainably manage mountain resources and ecosystems.

Syunik Province, Khustup Mountain
3,206 m

Risk Management Objectives and Principles

Ameriabank's risk management structure is based on common principles, strong risk culture, solid governance structure and advanced processes and tools.

Risk management policy of Ameriabank sets:

- Risk management objectives and principles
- Risk appetite framework
- Distribution of authorities between the Bank's decision-making bodies and other functions in relation to risk-bearing operations
- Key benchmarks and criteria of operations
- Governance structure which provides effective oversight in line with the risk appetite framework
- Other provisions

Risk management is implemented by the Bank's Board of Directors, Management Board, Board level committees, managers and other employees, starting from development of the Bank's strategy and involving all aspects of Bank's operations.

Ameriabank's risk management policy is an integral part of the Bank's development plans and serves as a basis for regulating the Bank's risk-bearing processes. It is a unity of principles adopted by the Board of Directors, aiming to effectively organize the Bank's operations by minimizing the possible negative impact in case of occurrence of adverse events. Risk management policy is revised on a regular basis, depending on the Bank's strategy, sophistication level of the business and current or expected macroeconomic environment.

According to the established Management Information System (MIS), the Bank's Risk Management Department performs risk reporting regularly on monthly, quarterly and annual basis and reports the results to the Management Board or specialized committees (Credit Committee, Assets and Liabilities Management Committee, etc.), Board of Directors and the Central Bank of Armenia (CBA).

Primary goals of risk management in the Bank include:

- Achieving optimal quality of financial instruments portfolios in terms of maximum value for the Bank under acceptable risks
- Making all possible losses and risks predictable, measurable and manageable
- Maintaining all risk ratios at an acceptable level, with proper (expected) cushions above the limits
- Developing risk appetite framework in order to support the strategic goals of the Bank.

In order to achieve the risk management goals the following tasks should be fulfilled:

- Identifying potential risks in the course of the Bank's operation
- Identifying factors affecting specific types of risks
- Conducting qualitative and quantitative assessment of specific risks
- Approving risk parameters system and acceptable risk limits
- Collecting, processing and communicating appropriate information on potential risks to management bodies
- Approving the methods and systems for internal integrated risk control and monitoring
- Defining the responsibilities of the Bank's Board of Directors and members of executive body for managing specific types of risks
- Developing and overseeing the implementation of appropriate measures and methods for risk forecasting, assessment and mitigation.

The key conditions for timely identification of risks are as follows: regular monitoring of the Bank's key internal prudential standards and adherence to acceptable risk limits; regular analysis of changes in the Bank's balance sheet; compliance with the key prudential standards established by the CBA; wide range of history based, forecasted and critical stress testing estimates over all portfolios and exposures; monitoring over the local and global macroeconomic environments, model based assessment, availability of internal regulations for management of specific risks in the Bank describing risk identification and management methodologies and mechanisms.

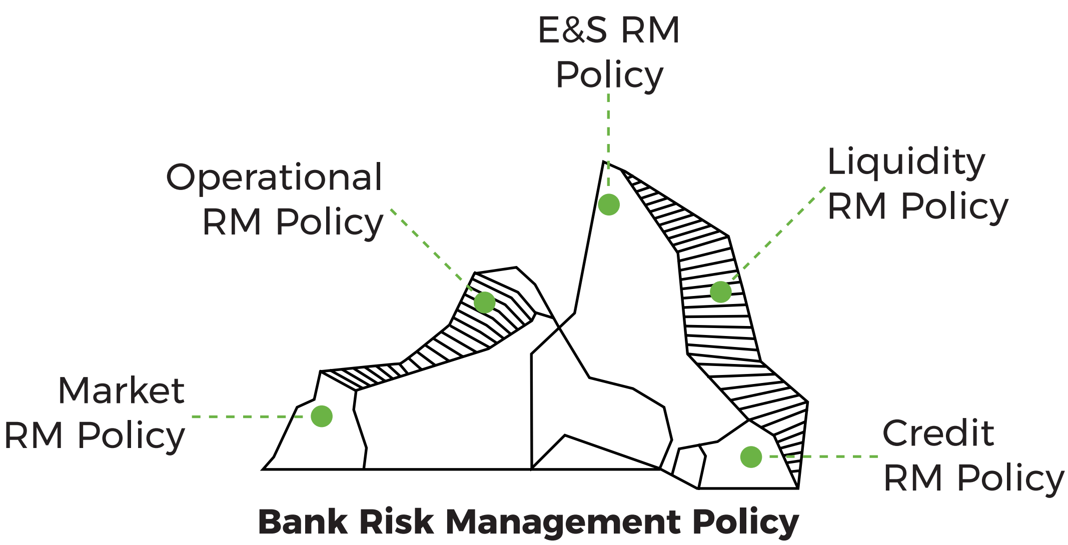
The Bank's risk management policy is based on the following principles:

- Unified risk management system is implemented in the Bank as a key element of the Bank's strategic management
- Risk management in the Bank has a proactive role and permanent and continuous nature
- Risks are identified and assessed as part of all processes of the Bank and appropriate measures are constantly being taken to ensure their adequate management
- The Bank's risk management system is based on a risk/return ratio of maximum accuracy. The Bank selects those risk-generating transactions which can be effectively assessed and handled
- The Bank strives to get to know its clients and understand their financial needs. The Bank avoids establishing business relations without adequate information on clients' financial position. We follow the best practice KYC (Know Your Customer) principles in our interaction with clients
- Significant risk-generating instruments are approved based on the "four-eye" principle, in some cases independent risk management specialists are involved
- The scope of authorities (including approval limits) and responsibilities is clearly specified and documented for each of the Bank's instruments and processes. Moreover, internal controls are documented for each process
- Any deviation from the Bank's policies and other internal regulatory acts must be authorized by the body approving the policy in question or the body having the appropriate authority (Management Board, Board of Directors)

- Each business line of the Bank is responsible for identification and regular monitoring of on-going risks
- Management information systems (MIS) are in place, enabling more effective portfolio management
- The risk management approach for each banking instrument (approval limits, acceptable parameters, portfolio volume, variances from adopted policies, etc.) is established by relevant internal regulations and/or policies and approved by the Risk Management Department of the Bank
- Internal Audit regularly assesses the effectiveness of risk management function in the Bank
- Management bodies regularly analyze and assess the Bank's operations

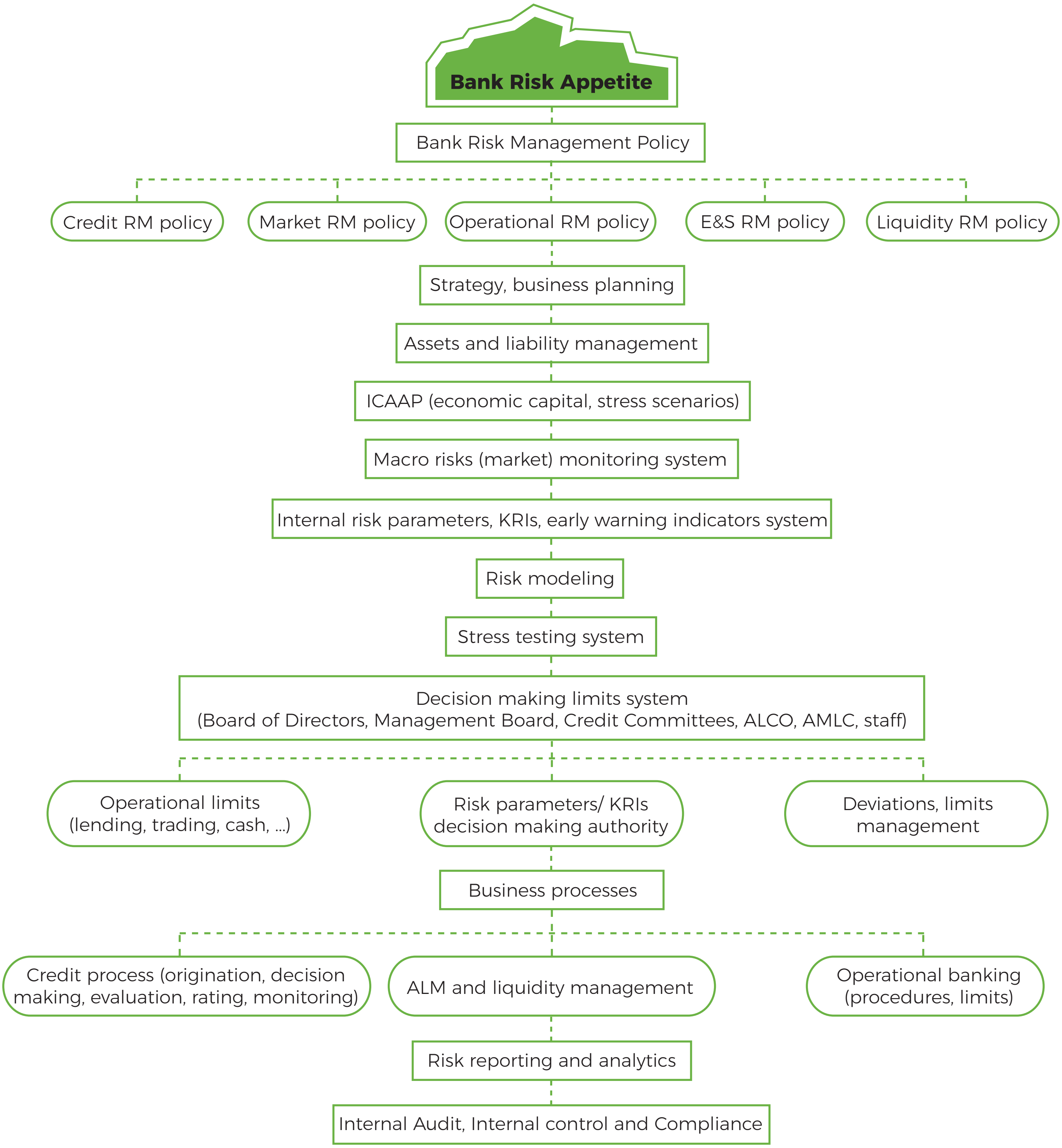
The Bank's risk management system includes the following elements:

- **Risk appetite:** the Board of Directors defines the acceptable level of losses/risk for each financial year in line with the Bank's goals and expected macroeconomic developments. The risk appetite is structured around all types of risks (credit, market and operational). All risk parameters and limitations are set depending on the risk appetite assigned to each type of risk.
- **Standards and reports**: this structural element includes specification of (i) instruments approval standards, (ii) risk categories, (iii) instrument-specific standards, and (iv) management reporting standards.
- **Limits and rules:** decision-making authorities, portfolio limits and appropriate rules are established for all financial operations of the Bank.
- **Investment guidelines and policies:** the Bank's investment strategies, criteria and acceptable level of variances are established. These guidelines serve as a basis for the Bank's hedging, asset/liabilities management and other policies.
- **Risk/return ratio:** risk-return framework is the basis for investment decisions across all financial instruments of the Bank. Accordingly, appropriate employee incentive mechanisms are developed.

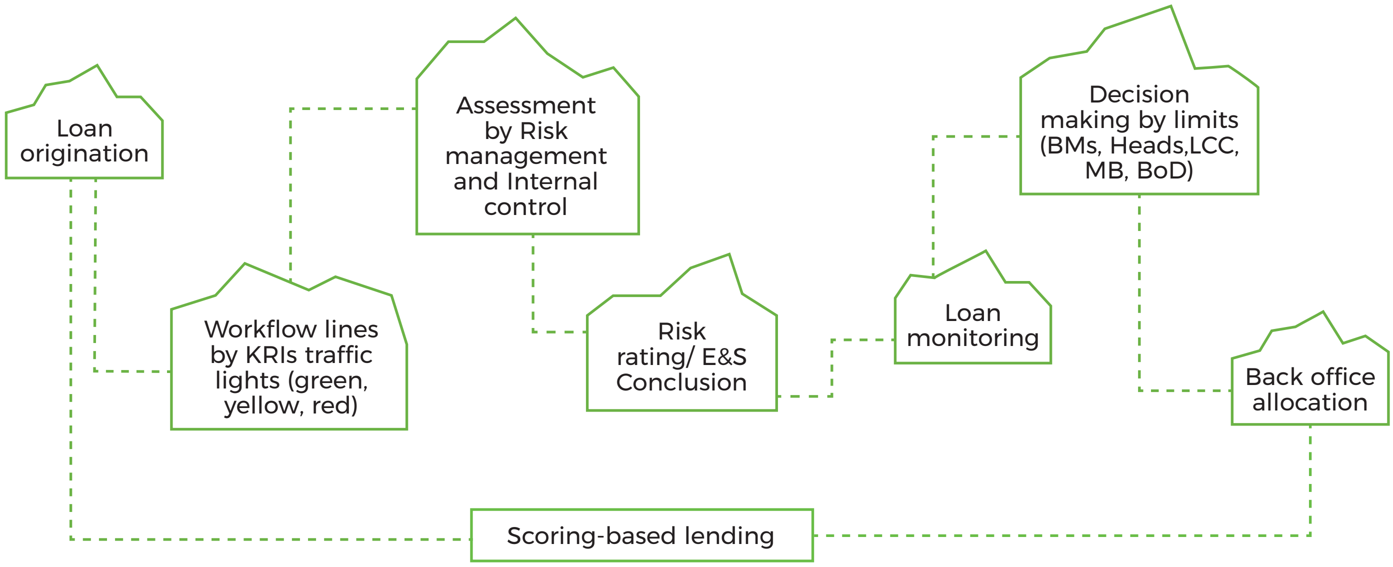


Risk Management Framework

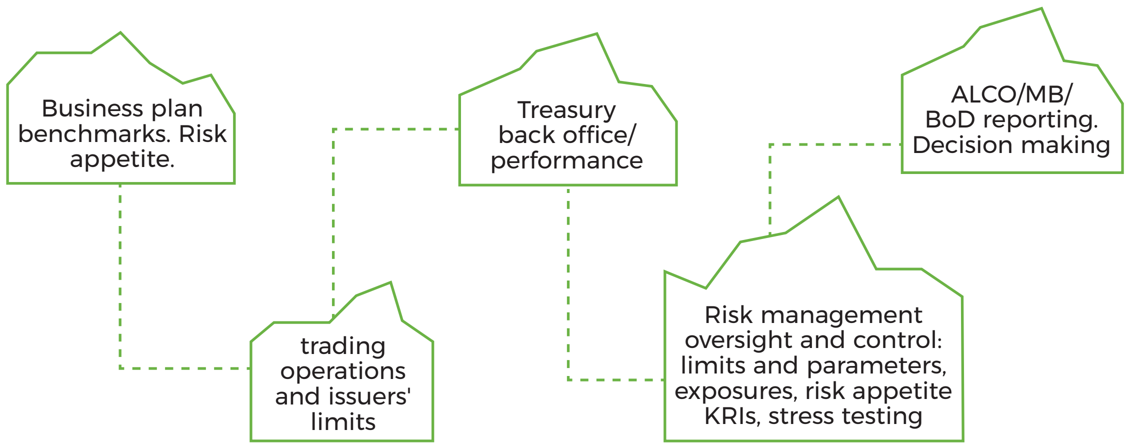
The general structure of the Bank's risk management framework is presented below. It is a well-developed structure with several lines of defense against possible risks coming from external and internal sources.



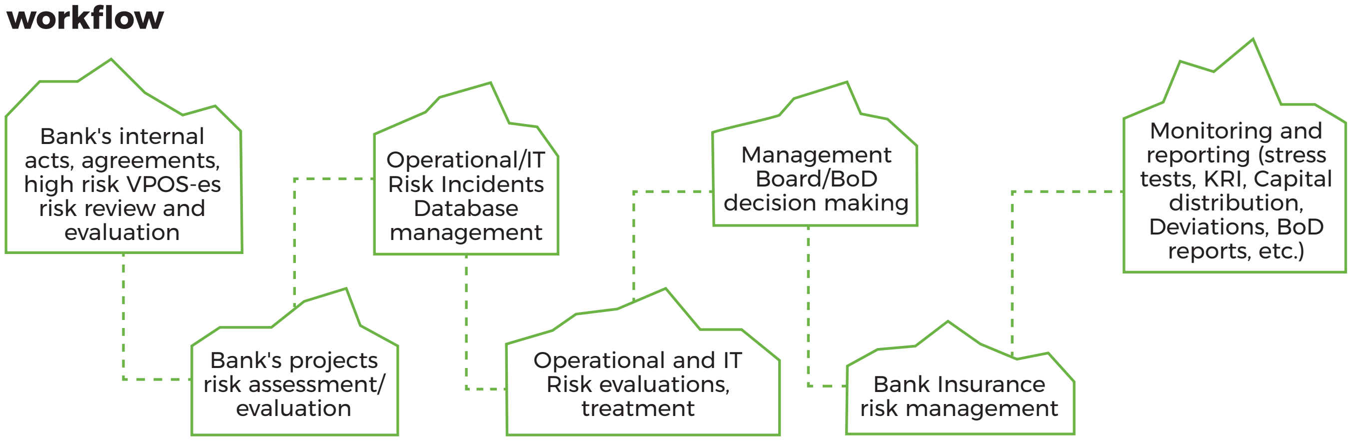
Lending risk management workflow



Trading risk management workflow



Operational risk management workflow

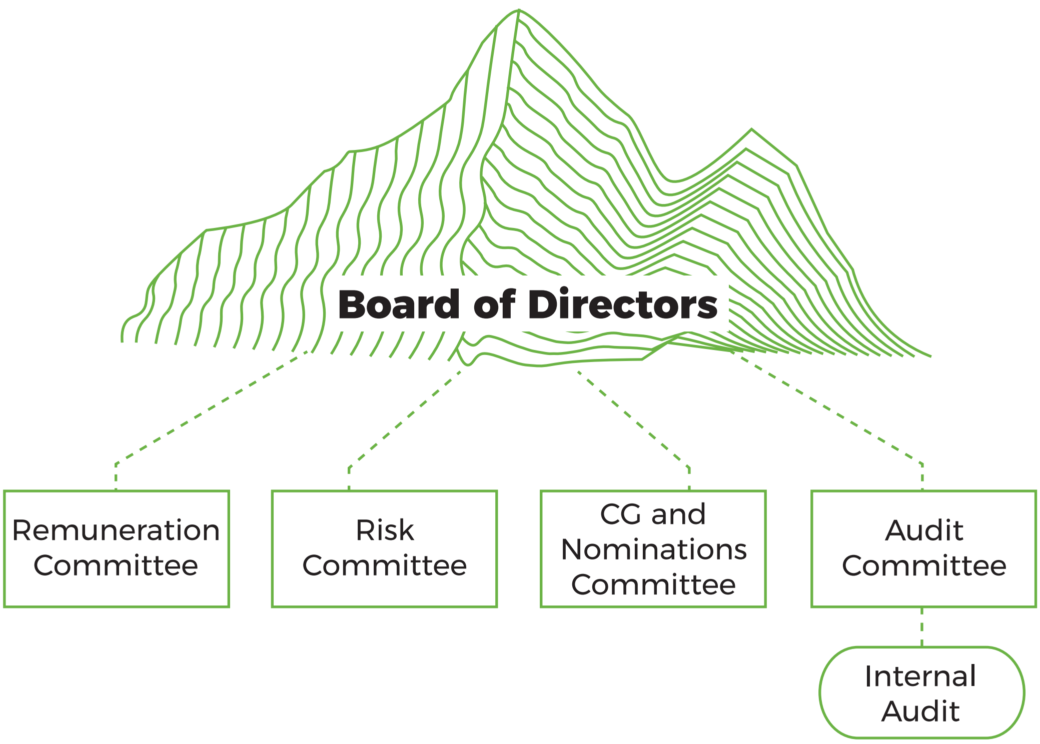


Risk Organization and Governance

The Bank's risk management is incorporated in all structures of the Bank. It reflects governance and risk-taking authority distribution based on the risk appetite of the Bank.

The Board of Directors (BoD) approves the Bank's strategy, as well as risk management, credit and other policies and internal regulatory acts necessary for its implementation, defines the Bank's risk appetite (the acceptable risk criteria and limits), including the Instruction on Risk Management Parameters and Internal Standards, controls the effectiveness of the risk management system, the level of risks undertaken by the Bank, their compliance with the risk appetite, approves those deals and transactions which are beyond the Bank's Management Board limits and criteria.

Board committees support the Board of Directors and provide independent review of the issues that should be later discussed at the Board level.



Risk committee is a specialized body for oversight and monitoring of risk management function in the Bank at the Board level. The purpose of the Risk Committee is to facilitate effective implementation and continuous development of the risk management system in the Bank, by ensuring effective collaboration between the Board of Directors and executive bodies and quick and agile decision-making with regard to risk-related matters.

The key objective of the Risk Committee is performing oversight functions in the following areas:

- the Bank's risk management system and culture, integration thereof into the overall management system
- the Bank's policies and other internal regulations on management/assessment of credit, market, operational, strategic, liquidity, and other significant risks, as well as application of those policies and regulations
- the Bank's risk exposure/risk position, risk factors
- capital adequacy and liquidity ratios of the Bank

The executive management, namely the Chairman of the Management Board - CEO, the Management Board and its members undertake risks within the scope of BoD approved policies and perform their day-to-day management, coordinate operations of business lines, carry out risk management under the risk management parameters established by the BoD. The Chairman of the Management Board - CEO and the Management Board report to the Board of Directors. The Management Board may delegate the authorities specified above to specialized collegial bodies – committees (Assets and Liabilities Management Committee, Credit Committee, etc.) for managing risks arising from all main business activities of the Bank.

Large Credit Committee (LCC)

The main purpose of the Large Credit Committee is to implement the lending policy of the Bank and form a loan portfolio under acceptable level of credit risk. LCC makes decisions based on conclusions of various business lines, risk management and security services within the limit of 10% of total book capital. Loans with non-standard terms are also reviewed and approved by LCC.

Small Credit Committee (SCC)

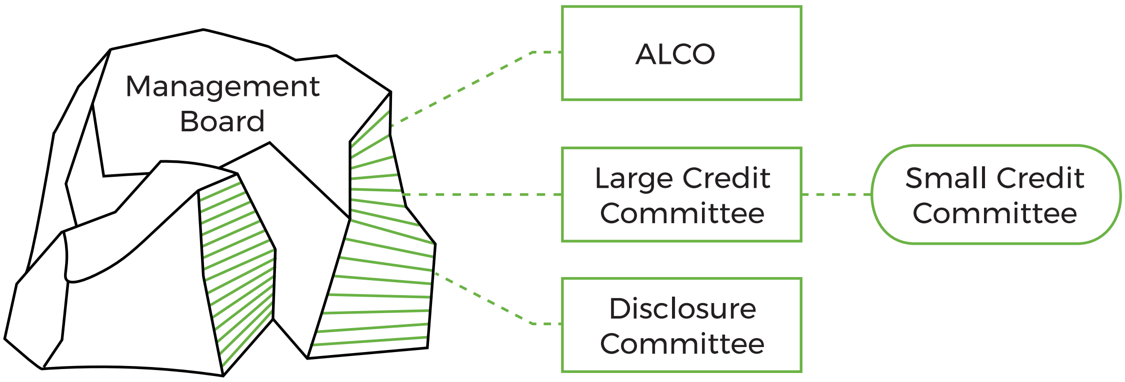
The key purpose of the Small Credit Committee is the same as LCC's, with smaller limit. SCC reviews and makes decisions on retail and SME loans. Loans with negative opinion from at least one of responsible departments cann ot be reviewed or approved by SCC.

Assets and Liabilities Management Committee (ALCO)

The Assets and Liabilities Management Committee is a permanent corporate collegial body of the Bank entitled to make decisions within the framework of the assets and liabilities management policy. The goal of the ALCO is to ensure sufficient preconditions for efficient and harmonized management of the Bank's assets and liabilities to achieve maximum profitability within the acceptable level of liquidity, interest rate and currency risks. Investment policy, interest rates, currency and liquidity management, capital adequacy and risk parameters management issues are reviewed and approved by ALCO.

Disclosure Committee

The purpose of the Disclosure Committee is to ensure compliance with the Bank's Disclosure policy and make sure that all stakeholders have clear and timely access to consistent and credible information about the Bank. The Disclosure Committee reviews and assesses whether information is material when it is not possible to easily qualify it as material information pursuant to regulatory rules and standards, approves and reviews the list of the Bank's authorized spokespeople, assesses whether it is permissible to delay disclosure of inside information and decides on such a delay to the extent permissible by law. The Committee also assesses relevant and substantive market rumors or speculation concerning the Bank and decides what response, if any, and how should be made, approves information subject to disclosure (announcements, releases, etc.) to the extent defined by internal regulations of the Bank and the law.



Lending decision-making limits are distributed among various authorities including both collegial management bodies of the Bank and individual decision-makers. Limits are set within the general concept of risk appetite distribution among decision-makers and are reviewed on a regular basis.

Deviations from approved lending parameters are subject to the same framework of limits depending on type and sum, decisions are made based on voting schemes (simple majority, overwhelming majority). Furthermore, depending on how stable the macro environment is, the Management Board adopts 1 out of 4 possible regimes for approval of loans with deviations: regimes tighten the system of limits in case of risky macroeconomic developments.

The Risk Management Department has a wide range of responsibilities, which include but are not limited to the following:

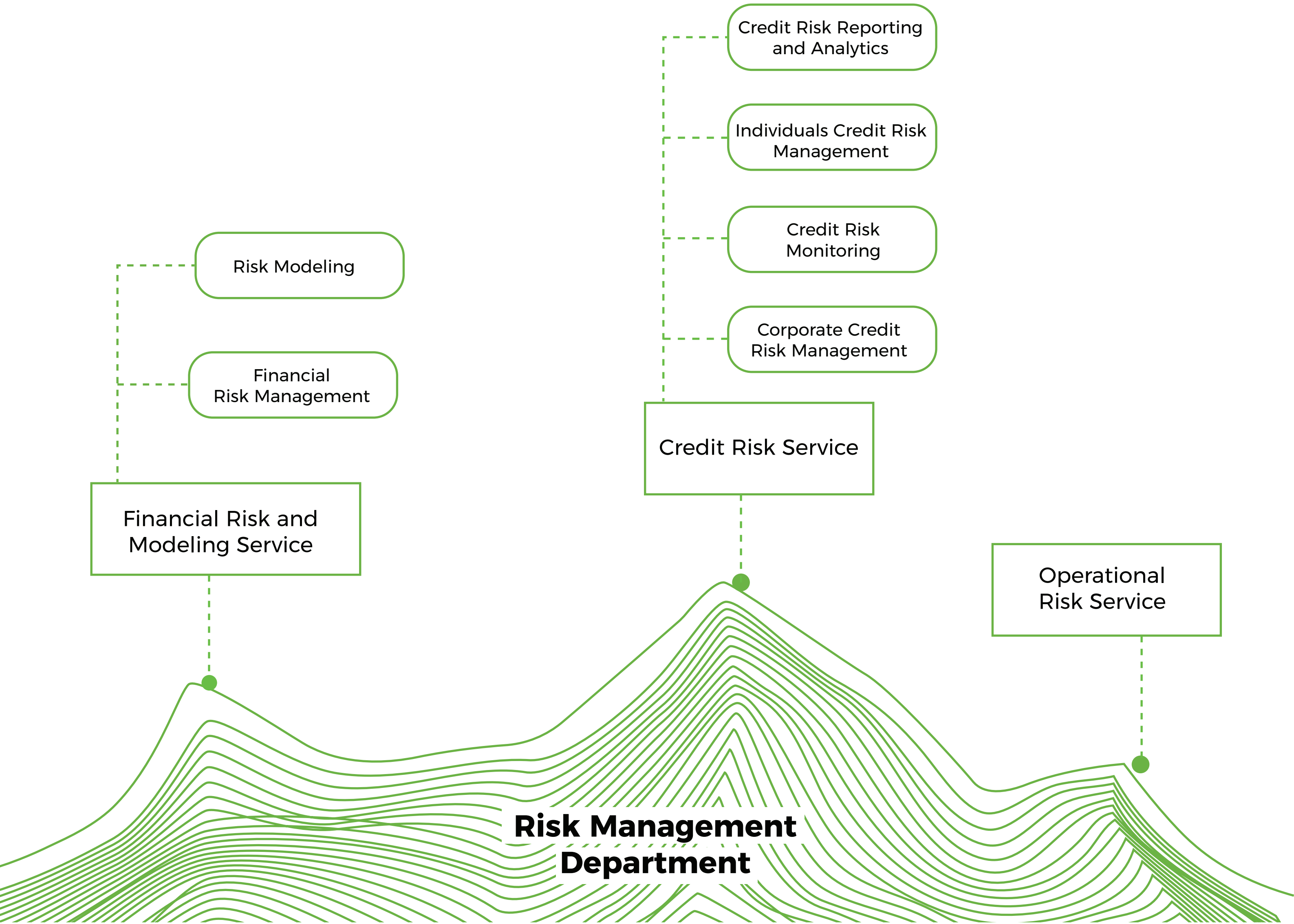
- Develops risk management policy and structure
- Implements risk management (internal control) system at the level of business processes
- Provides risk management recommendations concerning newly implemented instruments
- Provides conclusions on the Bank's transactions within established limits
- Develops and elaborates risk management reports and presents them to the Bank's management
- Increases awareness and conducts trainings on risk management in the Bank

Internal Audit assesses the effectiveness of the Bank's risk management system and the Bank departments' adherence to established criteria, provides recommendations for enhancing the system's effectiveness, reports to the Bank's management and Board of Directors on identified risks.

In order to have an effective risk management framework, a management information system (MIS) is established in the Bank, which provides adequate vertical and horizontal information flows for decision-making purposes.

The MIS is designed to provide the Bank's management team with leading, lagging and coincident indicators concerning loan and other portfolios. The Board of Directors and Management Board have access to all reports concerning emerging risks and their implications. In particular, the following data are presented to the Bank's vertical and horizontal line managers in terms of specific instruments via different reporting lines:

- Structure of portfolios/investments
- Yield and maturity structure of portfolios
- Structure of overdue assets and liabilities
- Structure of pledged assets and collateral
- Information concerning non-performing loans and concentrations
- Collectability of defaulted loans
- Other information on effectiveness



Risk Appetite

Risk appetite is the acceptable risk level, which the Bank is ready to undertake in order to achieve its short to mid-term planned targets. From the viewpoint of losses, risk appetite is the extent of potential losses/risk, which the Bank is ready to assume to achieve its short to mid-term goals and programs within the projected microeconomic environment. There is a strategic risk appetite (risk coverage for mid to long-term economic cycles) and a current (operational) risk appetite.

Strategic risk appetite is the maximum amount of the risk, which can be taken to reach 3-year goals under macro scenario of "acute tension", while operating risk appetite is the maximum amount of the risk, which can be taken to reach 1-year goals under predicted macro scenario. Both the strategic and the operational risk appetites are determined for the risks that emerge within a year.

Strategic and operational risk appetites are determined for the Bank's principal business directions, such as corporate lending, retail lending, and trade operations. The risk types include:

- Credit risk is the total risk appetite approved for corporate and retail lending.
- Market risk is the sum of the risk appetite approved for trade operations (FX risk, securities/ counterparty risk) and the risk appetite envisaged for the current interest rate specified in the Bank's balance sheet.
- Operational risk appetite is approved for risks resulting from internal processes, human factor, technology, systems, and external factors.

The Bank's strategic risk appetite cannot exceed the Bank's risk capacity or envisage any violation of the CBA's standards. The Bank's strategic risk appetite is approved/revised by the Board of Directors at least annually.

The Bank's Board of Directors approves the current risk appetite for each year, which cannot exceed the Bank's strategic risk appetite. The ranges of current risk appetite limits are based on macroeconomic and market expectations developed as a result of discussions on the Bank's strategy, considering planned indicators and stress scenario values of the Bank's respective parameters.

Risk appetite is managed by Assets and Liabilities Management Committee (ALCO) or Large Credit Committee and the Board of Directors, depending on the limit.

Key Risks and Risk Profile

As part of risk/return approach and distribution of attributable risk appetite, the Bank uses different methods and tools to assess and mitigate risks. The Bank's risks are categorized into credit risks, market risks, operational risks and other risks.

Credit risk

the Bank is exposed to credit risk of losses due to failure of clients or counterparties to meet their obligations to pay outstanding amounts when due. Credit risk is the most material risk faced by the Bank as long as the Bank is engaged mainly in traditional lending activities. Due to relatively high dollarization of the economy, currency-induced credit risk is also a component of credit risk (risks arising from foreign currency loans to unhedged borrowers). Credit risk also includes concentration risk, which is the risk associated with impairment of credit portfolio quality due to large exposures to single borrowers or groups of related borrowers.

A prudent credit risk management procedure has been established for credit risk identification, measurement and monitoring. Credit risk management by appropriate credit risk teams – retail and corporate, is performed both on transaction and portfolio level. Special internal risk assessment and rating methodologies are applied. The purpose of credit risk management is to establish effective oversight and quality monitoring of portfolio, as well as develop and maintain a credit risk management framework based on stress-testing, early warning and key risk indicators and parameters, system and sector-specific analysis and monitoring.

The Bank uses a risk-oriented monitoring system to timely react to market developments, identify credit portfolio weaknesses and outline solutions to make well-reasoned risk management decisions. Monitoring processes encompass individual credit exposures, overall portfolio performance and external trends that are likely to affect the portfolio's risk profile. Early warning signals serve as an important early alert system for detection of credit deteriorations, leading to mitigating actions.

The team analyzes portfolio trends on a regular basis, including total credit portfolio exposure, portfolio quality, migration analysis, concentrations and portfolio quality performance and submits credit risk reports to the Credit Committee on a monthly basis. Reports on quality of credit portfolio are presented to the Management Board and Board of Directors on a monthly basis. With its credit risk management system the Bank is able to identify and mitigate risks in a timely manner.

Market risk

market risk assessment and mitigation in the Bank is based on the risk/ return approach under appropriate risk appetite framework. The latter is further distributed across the following risks: interest rate risks, price risks, currency risks, equity price risks. Market risk exposure arises from mismatches of maturity, currency and interest rate structure between assets and liabilities, all of which are exposed to market fluctuations of exchange rates, interest rates and yield curves . Market risk also includes the volatility of prices for securities, real estate or other fixed assets owned or used as collateral by the Bank.

At the executive level, market risks are managed by ALCO. The Bank aims to manage market exposures, defines limitations and a decision-making framework in order to keep possible market losses within the set risk appetite. Early warning and key risk indicators in line with a wide range of stress-tests are aimed to build up estimates for different market scenarios and help to understand the limits of adequate market exposures distributed across all market risk sources. Scenarios for stress-tests are regularly updated based on market conditions. The set of risk parameters is closely linked to and incorporated into obligatory actions, responsible persons, zones of risk level as well as reporting and decision-making rules. The whole system of market risk management is reviewed and upgraded on a regular basis in line with the Bank's product line development and market environment.

Currency risk

the Bank is exposed to currency risk due to significant volume of assets and liabilities denominated in foreign currency (mostly USD). As a result, exchange rate fluctuations can affect the value of risk-weighted assets (RWA) and put strong pressure on the Bank's equity ratios. In order to mitigate currency risk, the Bank applies a value-at- risk methodology based on both historical and simulated rates considering historical correlations of various currency rates, jumps and probability distributions. The risk parameters system also includes aggregate open position parameters, which are restricted by risk zones, decision-makers and actions to be taken in case of breach of limit. Several stress-tests, each with 3 main scenarios, are used for early prediction of currency risk, open position loss and any growth of RWA likely to affect the Bank's equity, CAR and liquidity. Additionally, Ameriabank uses a more complicated extreme value approach, which is based on a simulation engine and provides currency risk measures of high confidence level used for hands-on exposure (expected loss) control.

Interest rate risk

is the risk of drop in net interest income over a fixed time horizon due to changes in market interest rates. One major source of exposure is investment portfolio, which is mainly comprised of fixed income instruments. Another source of interest rate risk is the non-zero gap between assets and liabilities under floating rate as well as maturity mismatch between A&L with fixed rate. Since lending products with floating rate are not well developed in the local market, the Bank is exposed to floating rate volatility. Exposure to interest rate risk is controlled and mitigated via a large number of risk parameters covering fixed rate repricing gap value, expected repricing parameter, unhedged part of floating rate position and securities portfolio. There are more than 30 different layers in the system of interest rate risk parameters with relevant risk zones, limits and managing authorities. Securities portfolio risk is managed by a separate policy covering such aspects as portfolio parameters, eligible asset types, stress-testing, decision-making limits with respect to asset allocation and early warning indicators, all of which are updated on a regular basis in line with the Bank's business growth. The general policy is set by the Board of Directors and managed by ALCO. Management Board implies limitation of exposure to interest rate risk to specific risk appetite. Possible loss is estimated based on scenario analysis, statistical simulations, value-at-risk and expected shortfall measures.

Price risk

the Bank is exposed to price risk in terms of decrease of credit risk collateral coverage brought about by market fluctuations of prices for collateral and equity instruments. The main source of price risk is supposed to be the risk of depreciation of pledged real estate. The price risk also arises due to changes in market prices of equity instruments, commodities, fixed assets, movable collateral and other financial instruments. The price risk is essential in terms of credit risk, when real estate price fluctuations can generate large uncovered credit exposures due to increase of LTV (loan to value) ratio. Another part of credit risk, which is related to price risk, is the risk of decrease of creditworthiness of borrowers involved in international trade who could be exposed to market price risk of different goods and commodities. Possible systemic deterioration of creditworthiness of domestic businesses is part of macro environment risk monitoring. These risks are covered by tightening lending terms, setting limits for deviations and a solid decision-making procedure incorporated in total risk parameters system. The Bank has developed a set of action plans to ensure early response to handle risks connected with possible price shocks estimated within the general stress-testing framework.

Liquidity risk

is the risk that the Bank might not be able to meet its debt obligations without incurring essential losses. Liquidity risk can become essential if

- there are large gaps in the maturity structure of assets and liabilities,
- the balance sheet is not diversified

- there are large concentrations of exposure to a single major depositor and borrower
- financial market experiences currency shocks resulting in outflow or conversion of local currency deposits into foreign currency,
- there is liquidity crisis and deposit outflows in the financial markets,
- there are problems with the quality of securities portfolio, or
- certain financial instruments (repos, swaps, overnights, etc.) suddenly become inaccessible.

The Bank strives to ensure an adequate level of highly-liquid assets at all times, taking into account the volume of demand as well as short-term liabilities and total assets. The structure of highly-liquid assets in terms of currency, cash and non-cash funds is subject to the structure of the Bank's liability side. While allocating funds the Bank tries to ensure diversification of instruments and continuous reduction of concentrations through diversified distribution of funds per clients, groups of clients, tools, industries, etc. The Bank also defines and controls the weight of allocated funds in the Bank's total assets. Liquidity risk parameters (such as concentration, assets and liabilities gaps, interest rate gap, highly-liquid assets ratios and others) are set up in risk parameters system managed within the general risk management framework including risk level limitation, reporting principles, action plans, decision-making policies, responsible persons and stress-testing principles.

Operational risk

In accordance with the Basel framework, Ameriabank defines operational risk as the risk of losses from defects or failures in internal processes, people, systems or external events. Operational risk is inherent to all products, processes, systems and third parties. It is generated in all business and support areas.

The operational risk management service acts as a second line of defense. The operational risk cycle includes the systematic application of policies, procedures, frameworks and practices to the activities of communicating and consulting, establishing the context and assessing, identifying, analyzing and evaluating, treating, reviewing and monitoring, recording and reporting.

The Bank performs identification and measurement of operational risks on a permanent and consistent basis. A unified system is used to manage the risk level. Before launching new processes or products, the Bank assesses them in terms of their significance and the Bank's sensitivity to related operational risks. Risk likelihood-impact assessment plays a critical role in assessment of process- and system-related risks. In order to be able to calculate the likelihood and impact of incidents, the Bank keeps an automated database of operational incidents and losses. This database enables us to analyze sources of risks, their nature, identify the reasons and trends and perform an internal calculation of capital volume required to cover operational losses that may arise in future. We also implemented a model of capital distribution per product using an in-house methodology. This model enabled the Bank to identify the priorities in assessment of product related processes and systems.

Moreover, to be protected from major emergencies, the Bank holds insurance policies to cover assets, operations, liabilities and its employees in line with best business practices. The Bank insures assets against a range of risks, including fire, explosion, natural disasters, unlawful actions of third persons, as well as obtains third-party liability insurance coverage for its clients. The Bank also maintains Bankers' Blanket Bond and Directors' and Officers' Liability Insurance.

All employees of the Bank are responsible for managing and controlling the operational risks generated by their activities.

Strategic risk arises when changes in market conditions, customer behavior and technology appear, which may affect the Bank's performance negatively if adaptability to external environment is compromised. Like any other business institution, the Bank is exposed to strategic risks. Strategic risk management framework is based on regular strategic discussions and planning, performance reporting to the Board of Directors and Management Board and ongoing control of all specific directions of development. The strategic planning and implementation processes in the Bank are subject to the Procedure of Strategic Analysis, Business Planning and Monitoring.

At least twice a year the Bank holds strategy sessions to discuss its strategy, risk appetite, goals and objectives for the upcoming years and submit them to the Board of Directors for review. The strategy sessions are followed by business planning for a 3-year horizon. Once the business plan is approved, it may be revisited only in case of essential changes in the fundamentals and assumptions.

Environmental risk is an actual or potential threat of adverse effects on environment by effluents, emissions, waste, resource depletion, etc., arising from the organization's activities, or the risk that a certain business activity will cause destruction to the surrounding natural environment. Environmental risk management seeks to define what environmental risks exist and then determine how to manage them in a way best suited to protect health and the overall environment. Social issues may emerge in the workplace of a client's/investee's operations and may also impact surrounding communities. Ameriabank has adopted the best international practices of environmental and social risk management and is committed to ensuring that its clients (borrowers) properly comply with environmental and social obligations as well. The key elements of environmental and social risk management system are:

- Environmental and Social Risk Management Policy
- Environmental and Social Risk Management Instruction
- Tools required for assessment, introduction and implementation of this process based on best practices

The bank has an Environmental and Social Risk Management team responsible for implementation, maintenance and day-to-day operation of the system.

Reputational risk

is the likelihood of losing the organization's reputational capital resulting in decline of the organization's overall value and/or increase of regulatory or other co sts. It includes adverse events related to ethics, safety, security, sustainability, quality and innovation. Reputational risks are managed at the Management Board level. In order to ensure sound decision-making different departments, such as Customer Relations Management, Public Relations, Investor Relations, Security and other teams are involved in the processes where the Bank can be exposed to reputational risk. Reputational risks associated with information disclosure and management are mitigated through a dedicated body – Disclosure Committee, by managing inside information, addressing market rumors, etc.. Compliance risk is the risk of compliance-related issues given that the Bank is governed by local regulations as well as creditor covenants. Compliance risk is managed by dedicated business units: Risk Management, Legal Service, and Operational Control and AML teams. The Bank meets regulator's requirements and applies international standards. These risks are covered by internal policies and procedures, three-level decision-making and control structure, including special units, specialized committees and the Management Board.

The Bank is also exposed to other types of risks, such as reputational risk, compliance risk, legal risk and AML risk.

Macroeconomic and Market Conditions

2021 was a year of economic recovery after unprecedented shocks in 2020. With no further lockdowns and disruptions, growth was registered in virtually all sectors of the economy, with GDP growth comprising 5.7%. High inflation rate was the biggest macroeconomic challenge in 2021. The Central Bank was proactively managing the risks amid inflationary pressures, and although 12-month cumulative CPI comprised 7.2% in Armenia, it was still the lowest in the region.

Main contributing factors for the economic recovery were high demand and prices for commodities (copper), growing volume of remittances and reviving trade and tourism sectors. There were also positive trends registered in IT sector and agriculture. Construction sector registered growth too, driven by high demand for property, partially due to state programs for housing.

Armenian banking sector main indicators as of year-end: assets growth comprised 7.5%, with the loan portfolio remaining almost flat; average Stage 3 NPL ratio comprised 4.4%; CAR – 17.3%; ROAE - 9.5%; total equity grew by 8.8%.

Ameriabank operated under moderate risk pressure in 2021 within the risk appetite limits. Accumulated losses were twice less than year earlier. ROAE of the Bank was the highest in the bBanking sector due to more than doubled net profit.

Development of Risk Management System and Actions in 2021

According to the strategic program and business model development, in 2021 the Bank:

- Developed a new credit rating model for the corporate loans portfolio, which will be used for the probability of default estimation and allocation of each corporate loan exposure to a credit risk grade, based on available information about the borrower in line with the established credit rating system of the Bank. The latter should be used for more accurate provision calculation for credit risk.
- Developed and implemented new analytics and monitoring tools for credit risk management and started to develop new risk management data warehouse and data analytics pipelines' implementation concept, which is aimed to support the data driven decision making processes and advanced risk modeling function.
- In the scope of ML/AI based risk models development function, the Bank enhanced automated digital retail lending products' risk assessment/decision making models by deploying new architecture for unsecured consumer lending and consumer finance products. Development stage for online SME lending product's underlying model is completed and deployment is in the pipeline.

- Developed Green Lending Instruction and Green Bond Policy, aiming for a standardized approach to sustainable finance including energy efficiency, renewable energy and resource efficiency financing. In 2021 we developed a CO2 emissions calculation toolkit, which was used to define our clients' green status. In order to support green financing, in 2021 we fully allocated the funds from our first green bonds, USD$ 42 million in total, mostly in the Renewable energy Category from the defined 9 Eligible green asset categories.

Credit Risk

Risks and Uncertainties

During 2021, the Bank operated under medium credit risk pressure due to post COVID-19 pandemic and military conflict in Artsakh. The effective measures taken over the past two years have made it possible to stabilize the quality of the loan portfolio. The main indicators of credit risk returned to the low risk zone.

Key Risk Indicators

Portfolio quality and coverage

The Bank's non- performing loans (Stage 3 NPL) ratio improved by 1.0 p.p. YoY comprising 3.2%. The Bank's NPL ratio was much lower than average NPL of the Armenian banking system both for corporate and retail portfolios. The cost of credit risk stood at 0.9% (2.8% in 2020). The expected losses of the Bank are well covered with NPL coverage ratio of 76.3%.

Collateral

Collateral represents the most significant credit risk mitigation tool for the Bank, making effective collateral management one of the key risk management components.
The Bank has a largely collateralized portfolio in all segments. As of 31 December 2021 more than 65% of the Banks loan portfolio was secured by highly liquid assets and real estate, 11.5% by moveable property and other fixed assets, the rest was secured by production, cash flow and guarantees.

Concentration

The Banks's credit portfolio is structurally diversified across customer types, product types and industry segments, which minimizes credit risk.

As of 31 December 2021, the Retail and SME portfolio reached 57% of the total gross loan portfolio, split between mortgage, SME and consumer loans exposures of 22%, 23% and 12%, respectively.

Largest concentration was in Mortgage sector and still did not exceed 30% of total portfolio. Other business sectors individually didn't exceed 10% of the total portfolio at the end of 2021.

Market Risk

Risks and Uncertainties

The Bank was exposed to market risk associated with exchange rate increase, yield curve fluctuations and expectations towards interest rate increase amid high inflation trends both in the domestic and foreign markets. Armenian dram rate against US dollar was relatively stable compared to other regional currencies, mostly due to proactive regulatory actions aimed at stimulating demand for local currency in the banking system. Despite challenging environment open positions were within the limits of the Bank's risk appetite and were managed accordingly. Interest rates increased due to the rising refinancing rates. Overall market risk was managed within acceptable limits set by the Risk appetite framework.

Key Risk Indicators

Total actual losses driven by the market risk in 2021 were below 0.5% of the Bank's equity. FX position revaluation for 2021 was positive, and the major source of risk were rising interest rates. Market risk in securities portfolio was acceptable and within the risk appetite limits due to short duration (below 4 years) and repricing portfolio size. Major part of the portfolio consists of local Government bonds.

Risk Mitigation

- Risk appetite and possible losses were managed via internal parameters and limits, regular special stress-testing, monitoring of trends and scenario forecasts.
- Interest rate risk was managed within the limits of open exposures and stressed losses. Rate movements and expectations were regularly (at least monthly) estimated and monitored.

Operational Risk

In 2021 the main focus was on adequately managing the risks associated with the pandemic outbreak and maintaining the Operational Risk model. The Bank adapted to the new environment in a timely manner, making sure there were no operational disruptions or service interruptions, taking care of employees and clients and demonstrating resilience during challenging situations. Operational risk management focus areas were the Risk and Control Self-Assessment exercises, under which the Bank's top priority processes were reviewed and areas of improvement were identified. The Operational Risk Management Framework, in particular information risks and third party risks, and its complementing policies and methodologies were updated to ensure effective execution of the operational risk management program.

Risks and Uncertainties

The current digitalization trends, analytical transformation and new competitive environment introduce new cyber risk, data and privacy risk, third party risk, business continuity risk and other forms of digital risks. With more people working remotely due to the pandemic, there's a higher risk of cyberattacks, phishing and malware. For mitigating these risks cybersecurity alerts system has been enhanced and attacks prevention monitoring has been strengthened.

We strengthened controls regarding authentication and user privileges limitation to enter and change critical business data. In the scope of digitalization, the Bank continuously embeds a Bank-wide culture of rapid experimentation, sharing best practices and business solutions.

Nowadays banks are turning to outsourcing for an array of technology and other services. Outsourcing is helping us become more efficient, but it is also leading to challenges and risks, including: Business Continuity risk, IT and cyber security risks, Compliance risk, Process risk, Data leakage, Fraud risk, Product risk, Conduct risk, Artificial intelligence, Digital disruption, Reputational risks, etc.. For mitigation of third party risks, the Bank reviews and assesses third parties according to its risk management and control model guidelines.

These risks are being addressed on an ongoing basis, including updating risk assessments and risk management measures, doing monitoring and review. Moreover, the results of monitoring and review are being incorporated in the Bank's reporting activities. The Bank's top management monitors and takes mitigating actions against major emerging risks.

Key Risk Indicators

Our operational risk profile remained stable and operational risk was low due to effective operational risk management, well-regulated and controlled processes, comprehensive business continuity plans and strong detection, response and protection mechanisms. The total amount of operational losses in 2021 did not exceed 0.003% of the capital. 52% of losses occurred in execution delivery & process management in the Retail Banking Department. The number of remote banking clients as well as cardholders of Ameriabank increases significantly year by year. Notwithstanding this, operational losses are at an acceptable level and probable increase is expected to be within low risk zone.

Risk Mitigation Actions in 2021

- The processes were improved to determine, identify and assess risk references and standard controls, aiming to strengthen and standardize our risk and control environment.
- We improved IT risk assessment methodology to identify the risk reduction impact of technical security developments and to minimize the residual risks.
- Operational risk events system, which is a bank-wide operational risk registry, where financial and non-financial events are being registered and managed, was improved and integrated with other systems.
- We developed extended reports regarding Key Risk indicators, which provide quantitative information on Ameriabank risk exposure and the control environment.
- Digital strategies, frameworks and methodologies were reviewed by operational risk and risk mitigation actions were implemented.
- We established a third party risk management framework to ensure that the relevant risks associated with the services provided by third parties/external suppliers remain within acceptable levels, in accordance with the Bank's risk appetite.
- Further improvements were made in business continuity and recovery plans. In particular, criticality taxonomy was updated, the scope of critical processes and end to end process was reviewed, risk analysis was applied to select the continuity strategies required for each contingency scenario and several lessons learned were taken into account to improve the current BCM program.
- The recovery plan, which provides financial and macroeconomic stress scenarios with degrees

of severity, was drafted (it is done annually) and fully tested.

- Insurance is one of the possible options for managing the operational risk to which the Bank is exposed. As second line of defense we were involved in the risk insurance tender process and could ensure that the Bank's current insurance coverage is comprehensive, efficient and aligned with the risks to which the Bank is exposed.

Liquidity Risk

Risks and Uncertainties

Liquidity level in the Armenian banking sector was strong and well above the regulatory requirements, mainly due to limited credit demand amid tightened capital ratio requirements by regulator.

Key Risk Indicators

All liquidity ratios of the Bank met the regulator's requirements even under the worst (extra low likelihood) stress scenarios. During 2021 liquidity risk was within risk appetite limits and was mitigated within the general risk parameters framework, with proactive estimation and management of liquidity risks.

Risk Mitigation

Allocation of highly-liquid assets was diversified through a wide network of top-notch counterparties and diversified investment portfolio structure. The Bank is continuously enhancing its counterparty network, establishing new connections with financial institutions overseas to have easy access to a wide range of financial instruments and liquidity providers.

To ensure deposit base stability and further growth, the Bank managed interest rates of deposits according to market trends. The Bank also targeted other funding sources, e.g. IFIs.

Environmental and Social Risk

Risks and Uncertainties

Environmental and Social (E&S) risks management has become more critical for business success of companies. Ameriabank strives to collaborate with those clients who properly manage their environmental and social risks. The Bank also offers support to its clients in terms of organizing their environmental and social risks management. Ameriabank's E&S framework encourages clients to do business in a sustainable and environmentally friendly way. IFC, EBRD, ADB and FMO Performance Standards and Performance Requirements, EDFI harmonized E&S approach are the cornerstones of Ameriabank's E&S framework and have become a benchmark for environmental and social risk assessment in the lending process. The Bank uses technical reference documents with general and industry-specific examples of Good International Industry Practice to identify and evaluate E&S risks and implements follow-up mitigation measures and preventive actions.

Key Risk Indicators

E&S risks of the Bank's loan portfolio are at an acceptable level. Over 80% of environmental and social risks are concentrated in low and medium risk categories. There were no "High A" risk borrowers. The Bank's E&S and lending policies and procedures are designed to reduce negative E&S impact of financed projects by means of setting financing conditions, instructions and terms to be implemented, providing consultancy and involving E&S specialists.
Within the cooperation with investees/clients Ameriabank conducts its business taking into account Environmental and Social Risks based on the IFI standards and International best practices. The E&S team is responsible for identifying eligible assets, confirming alignment with internal policies, applicable laws, and eligibility criteria.

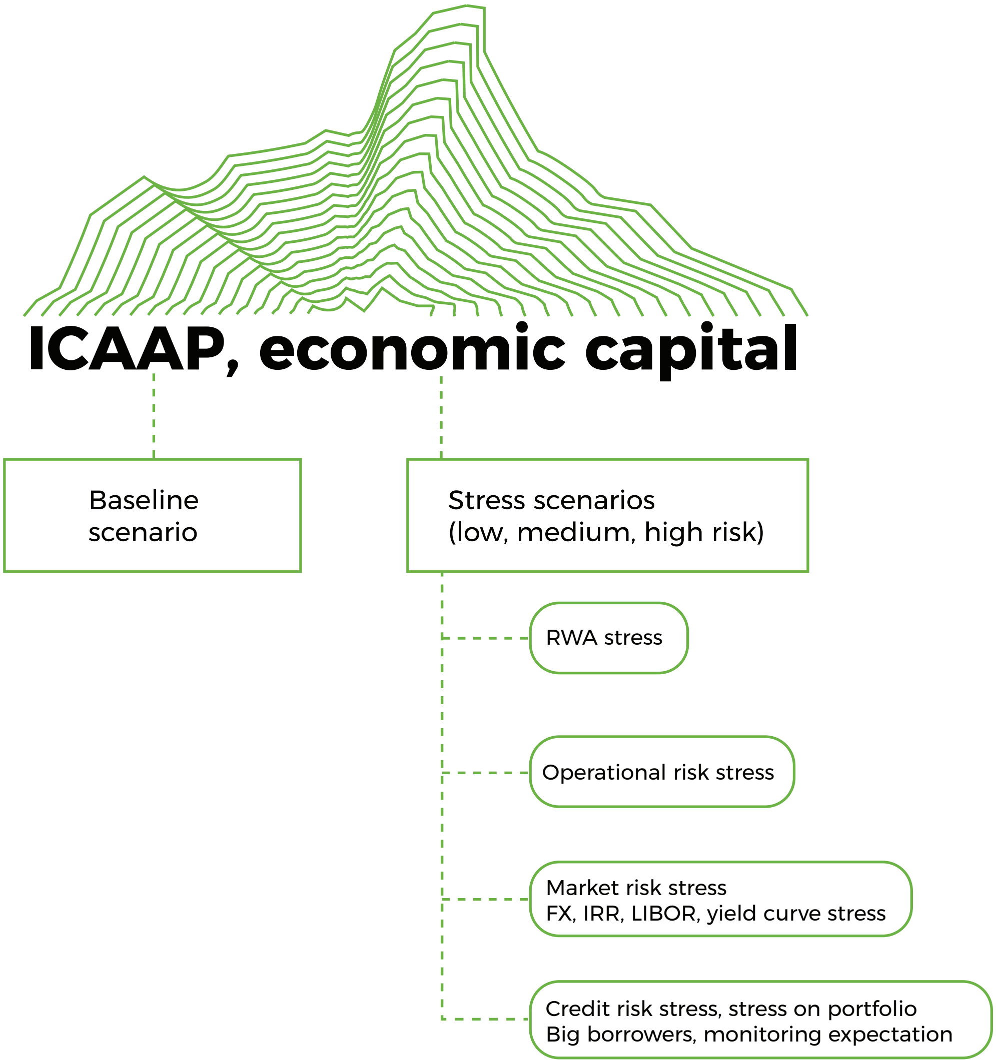
Risk Mitigation Actions in 2021

E&S risks were managed in accordance with the lending procedures of the Bank, by applying the E&S risks management system effective at each particular time. This system is developed based on international best practice (IFC, EBRD, ADB, and FMO Performance Standards/Performance Requirements, EDFI harmonized E&S approach). Each project financed by Ameriabank was subject to E&S assessment, and included legal documentation review, risk identification and mitigation, monitoring and reporting. Findings of assessment and all identified inconsistencies were documented and included in contracts with borrowers as necessary E&S conditions of financing. E&S risk monitoring of high-risk clients was conducted, including sector monitoring. E&S scoring system was also applied in the E&S risk assessment processing. E&S trainings were organized for the Bank's corporate lending staff.

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank uses an ICAAP procedure to assess capital needs within undertaken risks and determine forward-looking target capital level adequate to risk exposure and environment changes. In order to assess the impact of losses on capital, simultaneous stress-tests are conducted, e.g. simultaneous occurrence of all major risks is considered under four different scenarios. The Bank assesses the size of its capital and adequacy ratio over 12-month time horizon, calculates the minimum required capital attributable to undertaken risks, as well as the capital benchmark and risk-weighted assets (RWA). The types of risks in case of occurrence of which the Bank may incur losses are: credit risk (portfolio quality risk, concentration risk), market risk (floating rate, yield curve, fixed rate gap, FX and equity instruments price risk), operational risk, RWA growth and other possible risks. One baseline and three separate stress scenarios are used for possible future loss and capital assessment, covering the range of risky developments starting from low risk optimistic scenario up to crisis scenario. If the assessed expected value of CAR, under the most probable (adequate to macro expectations) scenario, does not meet the current minimum requirements specified by CBA regulations, the Bank undertakes actions to secure an acceptable value of CAR. This parameter is under special control by top-level management bodies of the Bank.

Stress-testing: capital ratio under cumulative scenario



All amounts are in mn AMD

	Dec-21	Dec-20
Tier I	117,696	109,740
Tier II	26,136	19,384
Total Regulatory Capital	143,832	129,124
RWA	940,874	927,581
Total CAR (Baseline)	15.29%	13.92%
CAR (12m expected stress scenario)	14.14%	12.94%

Risk Management System Development

To ensure the efficiency of the Bank's risk management system in 2021 the majority of principles, processes and methodologies related to risk assessment and mitigation were revisited. New instruments and methods were introduced.

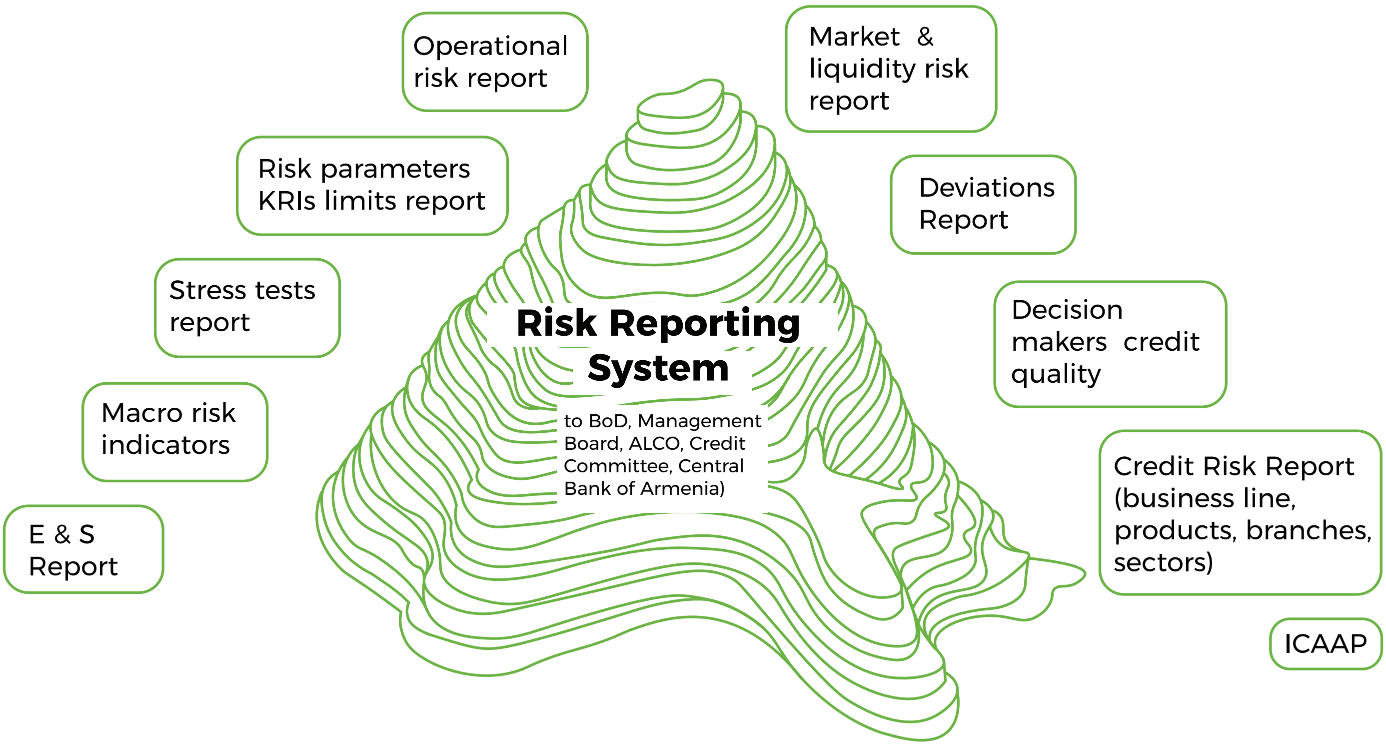
With regard to credit risk management in 2021 the Bank developed:

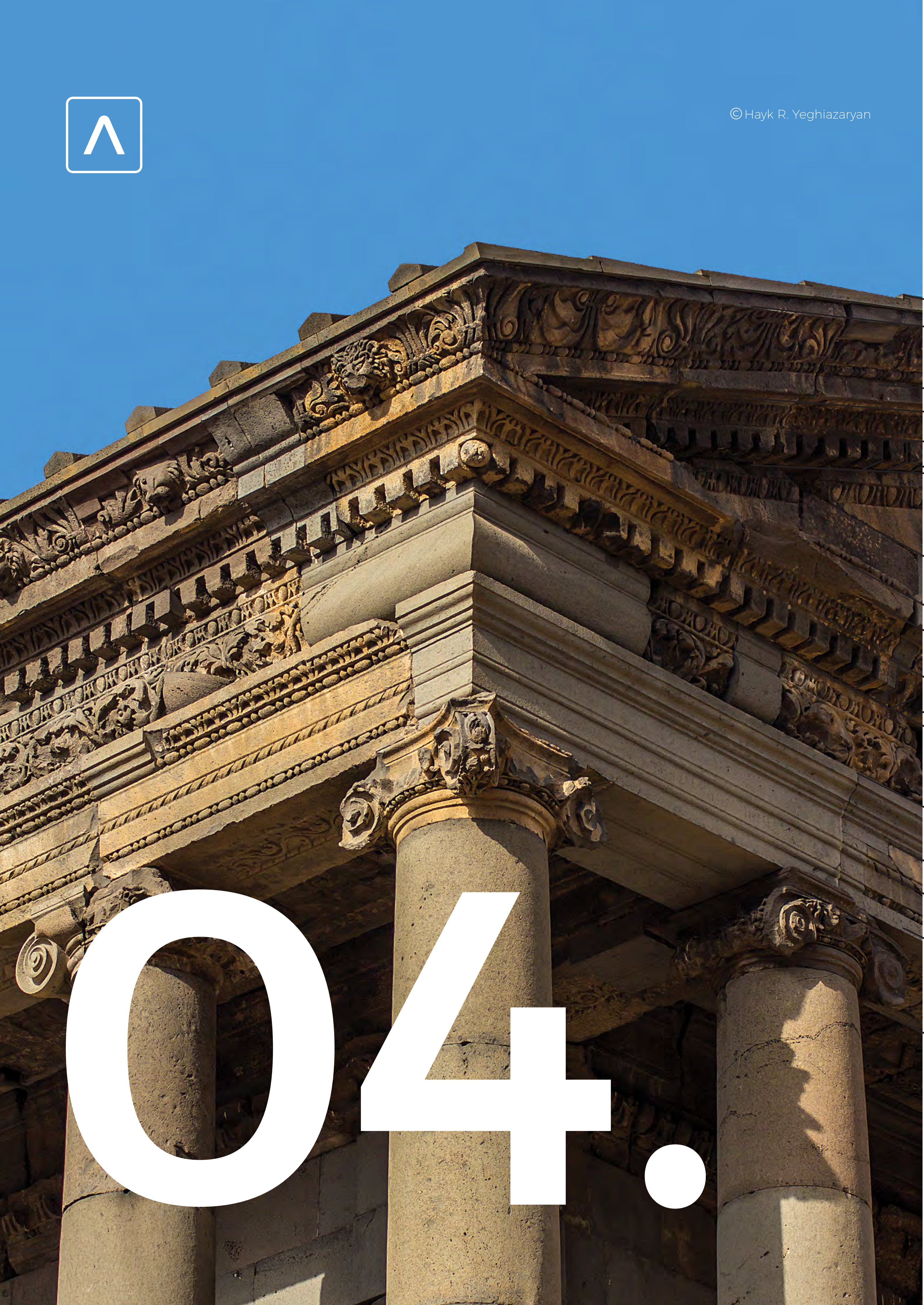
- New online consumer lending and retail SME lending models using AI technics.
- Monitoring tools in order to improve ongoing control over the consumer finance loan portfolios.

The Bank's management was regularly updated on loan portfolio quality, data concerning various industries, loan products, key risk indicators and other risk factors and their dynamics via monthly reports, making it possible to give specific tasks aimed at risk assessment and mitigation. Loans involving high risks were under ongoing control via ad-hoc inspections, which helped to cut their volume further in 2021. The credit risk was significantly lowered in 2021.

With regard to financial risk management in 2021 the Bank:

- Enhanced the stress testing system further to support the assessment of risk appetite allocations in line with strategic goals of Bank under changing macroeconomic environment.
- Continued more data-driven and model-based forecasting system development for future macroeconomic scenarios.
- Improved IRRBB management toolbox, risk limits and reporting system.
- Performed "dry run" for developed special scenarios with appropriate indicators and actions
- system in order to forecast, assess and manage business recovery process under high risk outlier circumstances.
- Improved the trading securities' portfolio risk parameters system according to risk appetite framework with respective authorities and limits.





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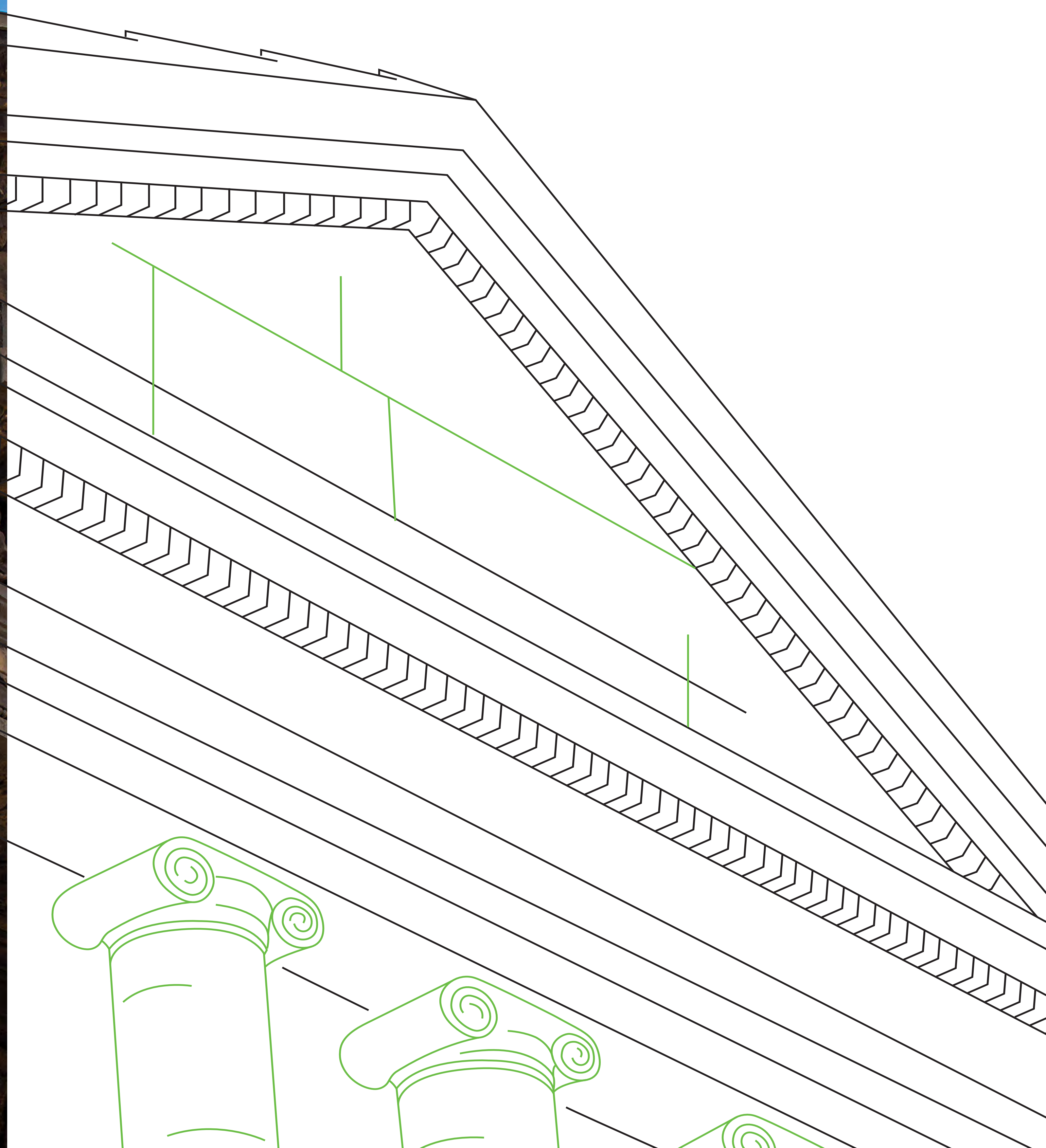


Yerevan,
Armenia

CITIES

The future of cities are at the center of global development efforts, and we are actively working towards supporting the technological and infrastructural development in urban areas, especially in the ways that make them inclusive, safe, resilient and sustainable.

Chairman's Corporate Governance Statement

Dear Shareholders,

We are pleased to present to your attention the Bank’s Corporate Governance Report for the financial year ended 31 December 2021.

Last year was more about re-conceptualizing in chaos and developing patience and perseverance in the face of newly emerged realities and challenges. Being less turbulent in terms of situation with the COVID-19 and economic developments, 2021 was a year with more focus on blazing trails towards our main objectives, as well as on enhancing and improving our now well-established corporate governance practices and trends embraced as a result of Board transformation project.

We have come to a more efficient, balanced and decentralized decision-making model by virtue of independent non-executive Board members who comprise absolute majority in Ameriabank Board. These Board members undertake their specific roles in areas of their responsibility and in respective Board committees in accordance with the previously identified matrix of skills.

Our Board members are now actively engaged in many areas of the Bank’s activities, which builds trust and greatly improves communication and information flow between the Board and the Executive Management team. Distribution of roles and well-functioning committees have given the Board an opportunity to concentrate fully on the Board’s main function – strategic planning along with conceiving the Bank’s corporate purpose and mission.

We understand the importance of having a spectrum of diverse perspectives in the boardroom, acting in full compliance with international best practices and at the same time, sustaining healthy balance between conformance and performance of the Board.

Being in avant-garde of financial market our ambition for years to come is to focus on our journey and values; on advancement of corporate governance practices and transparency; on taking due care about human capital, its diversity, equity and inclusiveness, thus setting the bar and being a trend-setter for other market players as well.

We are convinced that a Board with the right balance of skills, experience and diversity is critical to the sustainable delivery of value to our shareholders. Hence, our corporate governance will continue its enhancement in this regard. We are also committed to introduce regular Board evaluation processes, which will definitely result in improved leadership, more clear roles and responsibilities, better decision-making and overall, more efficient board operations.

Andrew Mkrtchyan

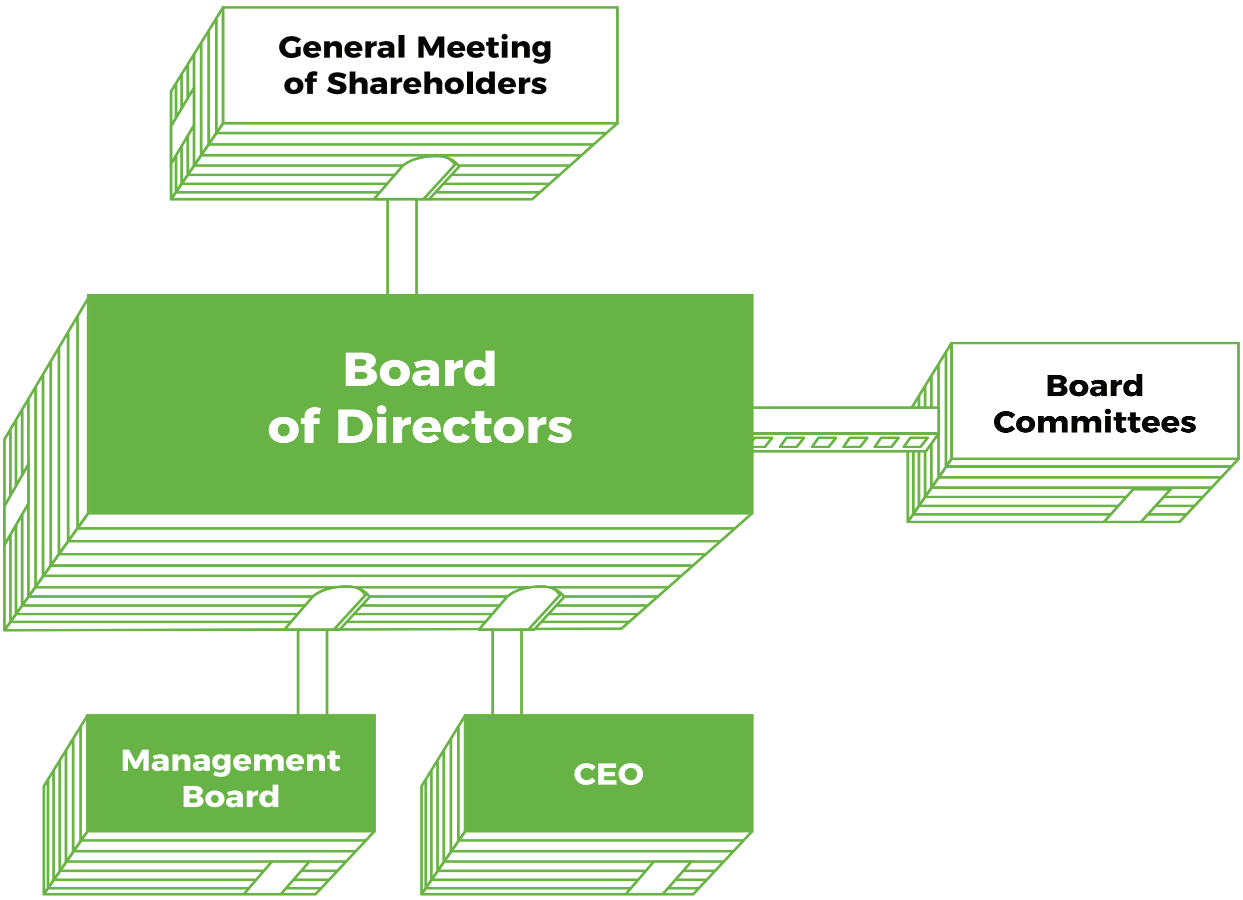
Chairman of the Board
of Directors

Corporate Governance Structure

Open and efficient communication and balancing of the interests of the Bank's shareholders, Board of Directors, executive management and other stakeholders are the cornerstones of corporate governance in Ameriabank.

We continuously review and follow emerging trends and recommendations in our pursuit to have efficient and strong corporate governance and to act in full compliance with international best practice standards, applicable legislative requirements and regulations.

Ameriabank corporate governance structure includes the following governing bodies: the General Meeting of Shareholders (GMS), which is the supreme governing body of the Bank, the Board of Directors, the Board Committees, the Management Board and the CEO.



Board of Directors

The Board of Directors is responsible for the strategic management of the Bank acting within the scope of authorities granted to the Board under the legislation and the Charter of the Bank. The Board is to ensure the long-term success of the Bank, and to balance the interests of the Bank's shareholders, executive management and other stakeholders of the Bank.

In 2021, the Board held 21 meetings, 12 of which were held via special Board Portal in the form of voting and Portal discussions. There were 5 in-person meetings, conducted via Zoom meetings platform due to the pandemic, to discuss the Bank's strategy and business plan, quarterly performance and financial results.

Apart from the formal Board meetings with strictly-followed agenda and timeline, the Board of Directors, Board Committees, as well as individual Board members held meetings and discussions with the executive management and other key personnel of the Bank on specific issues. During 2020-2021 this kind of informal meetings and direct communications were more frequent.

Ameriabank Board of Directors regulation and the respective regulations adopted for the Board Committees outline the key goals and objectives, scope of authorities, procedure for preparation, summoning and holding of the Board and its committees' meetings.

The members of the Board of Directors are appointed by the General Meeting of Shareholders. Shareholders who own 10 and more percent of the placed shares of the Bank may be included in the Board without election, subject to the procedure and terms defined by the Republic of Armenia laws and the Charter of the Bank.

Board Members' office terms are determined by the General Meeting of Shareholders and are limited to a period from 5 to 10 years. The Chairman and Members of the Board can be reelected.

The size and composition of the Board, qualifications of its Members, their skills and expertise have a significant impact on its effectiveness. The Board regularly reviews these matters, both in terms of what is needed now and what might be needed for effective governance in the future. Considering the benefits of diversity at the Board level, current members of the Board have a wide range of skills and experience required to govern the Bank effectively. Geographic diversity together with professional expertise in banking, asset management, advisory, finance and international business are the core components of our Board succession planning.

Timely and full access to information and management processes is instrumental for the effectiveness of the Board. The Bank has a dedicated online platform for Board interaction – a Board Members' Portal. It's a unique and highly secure environment, enabling Board Members to collaborate, participate in daily Board-related activities and access all Board-related data (including resolutions, meeting minutes, presentations, approvals and reports) in one place, arrange voting, interaction with the Board Members, including sharing of reports, documents and information and finalizing meeting minutes.

The Chairman plays an important role by ensuring that all Board Members are well-informed, have the opportunity to contribute fully in all Board discussions and promoting effective communication between the shareholders and the Board, as well as the Board and the Management.

As of December 31, 2021, the Board comprised a Chairman-Authorized Member and six non-executive directors, five of them being independent non-executive Directors.

Name, last name	Position	The year of first being elected on the Board
Andrew Mkrtchyan	**Chairman of the Board of Directors**	**2007**
Robert von Rekowsky	**Independent non-Executive Director**	**2012**
Lindsay Forbes	**Non-executive Director**	**2018**
Philip Lynch	**Independent non-Executive Director**	**2018**
Richard Ogdon	**Independent non-Executive Director**	**2020**
Tigran Davtyan	**Independent non-Executive Director**	**2020**
Kakhaber Kiknavelidze	**Independent non-Executive Director**	**2020**

Board Committees

The Board relies on its committees significantly and delegates a broad range of issues. Almost any significant issue that is subject to the Board approval/review should be first reviewed at the Committees' level. Such approach enables the Board to make informed and effective decisions and save time for more strategic high-level issues.

The role and functioning of the Committees does not affect or reduce the authority or responsibility of the Board of Directors. Committees have advisory role and the final decisions are made and resolutions are approved at the Board level.

Currently the Bank has four Board-level committees: Audit Committee, Risk Committee, Remuneration Committee and Corporate Governance and Nomination Committee.

	Audit Committee	Corporate Governance & Nomination Committee	Remuneration Committee	Risk Committee
Lindsay Forbes	**head**			member
Robert von Rekowsky		member	**head**	
Richard Ogdon	member			**head**
Kakhaber Kiknavelidze		**head**	member	
Tigran Davtyan	member			member
Philip Lynch		member	member	
Andrew Mkrtchyan				

Audit Committee

The Committee aims to oversee and increase the efficiency of financial reporting, external audit and internal compliance functions at the Bank, as well as to ensure that the interests of shareholders are properly protected.

In 2021, the Audit Committee held 8 meetings during which the Committee hosted the external auditors of the Bank, discussed quarterly IFRS reporting, quarterly Internal Audit reports and other issues related to the internal control systems of the Bank.

Risk Committee

The main purpose of the Risk Committee is to assist the Board of Directors while performing oversight functions in the risk exposure, position and risk factors, advise the Board on the Bank's risk strategy, oversee the Bank's risk management system and culture, address risk and strategy simultaneously, including consideration of risk appetite and monitoring risks.

In 2021, the Risk Committee held 5 meetings reviewing quarterly risk reports and addressing other risk-related issues, including risk appetite and recovery plan of the Bank.

Remuneration Committee

The Committee's main role is to assist the Board in developing and maintaining an effective remuneration system in the Bank, including improvement and oversight of remuneration policy, effective enforcement of applicable remuneration practices to attract and retain the best-qualified directors and exclude any possibility of abuse.

In 2021, the Remuneration Committee held 3 meetings. As a common practice, the Committee held meetings after semi-annual and annual evaluations and made recommendations to the Board on reward pools, executive remuneration, as well as reviewed the overall performance evaluation system.

Corporate Governance & Nomination Committee

The main purpose of the Committee is to create a solid pool of highly experienced and competent candidates with relevant skills and integrity to be engaged on the Board of Directors, its committees and top management, implement corporate governance principles and structure in line with legislative requirements and best practices, as well as ensure continuity and smooth succession planning and workforce optimization.

In 2021, 3 meetings were held, during which the Committee reviewed and discussed Board members' indemnity and their contract terms, succession planning and various projects, making recommendations to the Board.

Members of the Board of Directors

Andrew Mkrtchyan

Chairman of the Board of Directors

Mr. Mkrtchyan was appointed Chairman of the Board of Directors in November 2013.

As a Founder and Executive Chairman, Mr. Mkrtchyan has been successfully managing Ameria Group for more than 25 years. He has extensive experience in investment banking and management advisory in Armenia, which has been the key to the successful growth and development of the Group. Andrew Mkrtchyan is the first businessman from Armenia to be a Founding Member of World Economic Forum New Champions Chapter. He is a Board Member to a number of private and public organizations.

Mr. Mkrtchyan graduated from Yerevan State University, Department of Economics. He received a scholarship from American Economic Association (AEA) for his scholar studies at Economics Institute, Colorado State University, as well as participated in a number of executive programs in different universities, including Kingston Business School, Harvard Business School, INSEAD and others.

Lindsay M. Forbes

Non-executive Director

Lindsay M. Forbes was appointed Board Member in August 2018.

Mr. Forbes has over 40 years of experience in commercial and investment banking, including more than 20 years with the European Bank for Reconstruction and Development (EBRD).

Joining EBRD in 1994, he worked as a Senior Banker/Country Director undertaking debt and equity transactions and relationships with governments in Central and Eastern European countries. In 2000, he became director for Corporate Equity, focusing on equity transactions in multiple countries, including Armenia. From 2012 till 2016, he was director for Industry, Commerce and Agribusiness in Russia. During his time at the bank and following leaving full time work for EBRD in 2016, he has represented EBRD on the Boards and Audit Committees of more than a dozen listed and unlisted corporates and banks in a variety of countries, including Croatia, Poland, Romania, Kazakhstan, Russia and Egypt.

Before joining EBRD, Mr. Forbes spent 13 years with the British Linen Bank, the Investment Bank subsidiary of the Bank of Scotland, specializing in commercial lending and private equity in various locations, including the USA, where he resided from 1988 until 1991.

He qualified as a Solicitor with Norton Rose in 1978 and worked in Shipping Finance until 1980. He has Degree in Jurisprudence from Oxford University (1975) and an MBA from INSEAD (1981).

Robert von Rekowsky

Independent non-executive Director

Robert von Rekowsky was appointed Board Member in October 2012.

Mr. von Rekowsky has around 30 years of experience in global asset management. He was vice-president at Emerging Markets Strategy and portfolio manager for Fidelity Investments. He's been managing several institutional and retail emerging market equity funds for US and Canadian investors.

Mr. von Rekowsky joined Fidelity's fixed-income division in 1989. In 1995, he moved along with the emerging markets debt group into the company's high-income division as a sovereign debt analyst. He continued in that role while working from Fidelity's London office (1996 - mid-1998), when he moved into European equity research. From 2002 to 2004, Mr. von Rekowsky was an associate fund manager for the emerging markets funds, responsible for the EMEA region. In 2004, he relocated to Boston to assume responsibility for Fidelity's global emerging market equity funds.

He received a BA in Political Science and Government from the University of New York at Albany (SUNY) and an MA in Political Science from Northeastern University. He received an MSc in Finance from Brandeis University.

Philip Lynch

Independent non-executive Director

Philip Lynch was appointed Board Member in October 2018.

Mr. Lynch has over 30 years of experience in finance, including more than 20 years with Lehman Brothers. Starting his career as an analyst, he later moved to senior operating positions at Lehman Brothers – Co-head of Asia Pacific Investment Banking(1999-2002), Head of European Financing (2003-2006) and Co-head of European Equities (2007-2008).

After the sale of Lehman Brothers' European, Middle East and Asian businesses to Nomura, Mr. Lynch became the CEO of Middle East and Africa (2008-2009), later becoming the CEO for Asia Pacific and Middle East (2010-2012) at Nomura.

Since 2013 Mr. Lynch has been the founding Partner of Stem Capital Partners – an independent direct investment (PE) business focusing on financial and professional services in Asia.

Mr. Lynch earned his Bachelor Degree in History at Yale University (USA) in 1987.

Richard Ogdon

Independent non-executive Director

Richard Ogdon was appointed Board member in July 2020.

Richard Ogdon has 30 years of experience in the financial sector, with senior positions in investment banking, private equity, and fintech with a focus on the development of the Russian and CIS financial markets.

In 2012-2018, Mr. Ogdon served as an Independent Non-Executive Director and Board Audit Committee Chair at the UK FCA-regulated Russian securities brokerage Sova (previously Otkritie) Capital.

In the 2000s Richard Ogdon worked in Moscow at Russia's leading independent investment bank Troika Dialog as the Head of Investment Banking (2003-2005) and then as Chief Risk and Capital Officer (2006-2011).

Mr. Ogdon began his career at UBS Warburg in 1987 where he worked for 13 years until 2000 starting the bank's business in Russia in 1992 and establishing the bank's Moscow office in 1994.

Mr. Ogdon also worked in education at his alma mater Eton College in 2013 and at the Cambridge Careers Research Advisory Centre in 2000-2003 helping both organizations raise money for new educational projects.

Mr. Ogdon is a member of the supervisory board of the Russian Independent Directors Association and international goodwill ambassador of the Aurora Forum – a global humanitarian initiative.

Mr. Ogdon graduated from Lincoln College, Oxford University, Department of Classics and Modern Languages, BA (1984-1987).

Kakhaber Kiknavelidze

Independent non-executive Director

Kakhaber (Kaha) Kiknavelidze was appointed Board member in July 2020.

Mr. Kiknavelidze has more than 25 years of experience in commercial and investment banking. He was the CEO of Bank of Georgia Group, the leading financial institution in Georgia, from 2016 till 2019, and Advisor to the CEO and the board on strategic and operational issues from 2019 to February, 2020.

Prior to that, Mr Kiknavelidze served as an Independent Non-Executive Director and member of Audit and Risk Committees of BGEO Group from 2008 to 2016.

Mr. Kiknavelidze was Managing Partner, Chief Investment Officer of Rioni Capital Partners, a UK based investment management company from 2007 to 2016.

Mr. Kiknavelidze has extensive experience in equity markets, including serving as an Executive Director of UBS, where he supervised the Russian oil and gas research team from 2005 to 2007. Prior to joining UBS, he spent eight years at Troika Dialog, initially covering metals and mining and the utilities sectors and, later, as Deputy Head of Research and Associate Partner, leading the oil and gas team. Prior to that he served as Investment Associate at Legacy Investment Group, a US based investment company.

Mr. Kiknavelidze began his career at the Bank of Georgia as a Financial Manager in 1994.

Mr. Kiknavelidze received his undergraduate degree (BA) in Economics from the Georgian Agrarian University (Tbilisi, Georgia) and MBA from Emory University (Georgia, USA).

Tigran Davtyan

Independent non-executive Director

Tigran Davtyan was appointed Board member in July 2020.

Tigran Davtyan has considerable executive experience in the Armenian financial sector and academic experience in the leading universities of Armenia.

Mr. Davtyan held senior management positions at commercial banks of Armenia, acting as CEO, Chairman of Management Board at Inecobank CJSC (2018-2019) and CEO, Chairman of Management Board at Converse Bank CJSC (2009-2016). Prior to that, he was deputy CEO, Head of Financial Markets Department at Converse Bank (2008-2009).

From 2016 to 2018, Mr. Davtyan was the Director of Financial Policy Department at Eurasian Economic Commission.

Tigran Davtyan was the Team Leader of USAID/EMG Financial Sector Development Project in Armenia (2006-2008) and Team Leader of USAID/IBM BCS Capital Markets Development Program in Armenia (2002-2004).

Mr. Davtyan was the Board Chairman of the Central Depository of Armenia in 1999-2002. Prior to that, he held the position of Advisor to Prime Minister of Armenia, advising on financial markets (1998-1999).

Mr. Davtyan started his career as a director of a boutique investment company in 1991, before moving to the Central Bank of Armenia where he held several managerial positions from 1994 until 1998.

He held Project Manager and Director positions in Energyinvest PIO SI, WB/JBIC Electricity Distribution and Transmission Project (2004-2006).

Mr. Davtyan was a member of the Coordinating Council of the Financial and Banking Association of Euro-Asian Cooperation (2016-2020). He was also a Member of the Board of Trustees of Insurance Foundation of Servicemen (2017-2020).

Mr. Davtyan graduated from the Department of Economics of Yerevan State University with the qualification of Economist-Mathematician. He holds PhD (Candidate of Science) in Economy.

Management Board and CEO

The day-to-day operations of the Bank are run by the executive body represented by the Management Board and the CEO. The Management Board consists of the Chairman of the Management Board and 6 other members (including Deputy CEO and Chief Accountant). The CEO is appointed by the Board of Directors, while other members of the Management Board are appointed by the Board of Directors upon nomination of the CEO. The scope of the Management Board and CEO's authorities cover all issues related to daily activities of the Bank, other than those reserved to the sole competence of other bodies defined in the Charter and internal regulations of the Bank.

Artak Hanesyan

Chairman of the Management Board – CEO

Artak Hanesyan has been the CEO of Ameriabank since October 2007. In April 2008, he was appointed as Chairman of the Management Board – CEO of Ameriabank.

Mr. Hanesyan has extensive experience as a C-suite executive in the modern banking sector of Armenia. With more than 25 years of experience in banking, he started his career as a loan officer at Arminvestbank (1993-1994). Mr. Hanesyan held several key positions at Converse Bank, serving as CEO (2006-2007), Deputy CEO, coordinating Lending, Trading and Correspondent Relations Departments (1998-2006). Early in his career, he also worked at the Central Bank of Armenia as the Head of the First Division of Supervision Department, Senior Specialist, Specialist at Supervision, Regulation and Licensing Department (1995-1998), as well as headed the Basel Committee secretariat for Armenia. Currently Mr. Hanesyan is also a Board of Trustees member of the Deposit Guarantee Fund of Armenia.

In 1995, Mr. Hanesyan graduated from Yerevan State University, Faculty of International Economic Relations with a Master's degree in Economics.

Gevorg Tarumyan

Member of the Management Board, Deputy CEO, CFO

Gevorg Tarumyan has been a member of the Management Board of Ameriabank since August 2012.

Mr. Tarumyan graduated from Yerevan State Economic Institute in 1992 and attended an executive program at London School of Economics in 2004.

Mr. Tarumyan has 23 years of experience serving as Deputy CEO and CFO both in local banks and global/regional banks represented in the banking system of Armenia, thus bringing the breadth and depth of his truly dedicated expertise to the Management Board of Ameriabank. He began his career in the banking sector in 1994 in the Supervision Service of the CBA, where he occupied various executive positions and coordinated the activities of the Regional Group of Basel Committee on Banking Supervision of Central Asian and South Caucasus banks in Armenia. In 1999, Mr. Tarumyan moved to Armimpexbank as CFO, where he was appointed Deputy General Director in 2006. He worked as Deputy Chairman of the Management Board-General Director and Financial Director at VTB Bank Armenia (2007-2008) and CFO at HSBC Bank Armenia, where he was appointed Deputy CEO in March 2012. Mr. Tarumyan joined Ameriabank in June 2012, as Deputy CEO and CFO.

Along with his work in the banking sector, Mr. Tarumyan has lectured to the banking sector specialists on financial analysis and risk management. He has authored and coauthored a number of tutorials on banking, financial analysis and risk management.

Gagik Sahakyan

Member of the Management Board, Corporate and Investment Banking Director

Gagik Sahakyan has been a member of the Management Board of Ameriabank since February 2012.

In 1995, Mr. Sahakyan graduated from Yerevan State University, with a major in Mathematics. He received MBA degree from the American University of Armenia, College of Business and Management (1995-1997). Mr. Sahakyan has also taken a number of professional courses, including executive training at the Harvard University, Cambridge, MA, Kennedy School of Government (2004), and Harvard Business School in 2018.

Mr. Sahakyan has vast experience working as an advisor and banking executive with key industry players of Armenian economy. He has stood at the roots of Ameria's development. Mr. Sahakyan joined Ameria as Senior Advisor and later as Partner and Head of Management Advisory Services (1999-2012). As part of the team that led Armimpexbank acquisition deal from its inception to closing, Mr. Sahakyan has taken up key positions at Ameriabank. His professional career with Ameriabank includes positions of Advisor (2008-2010), Corporate Banking Director (2010-2012), Member of the Management Board-Corporate Banking Director (2012-2019) and Member of the Management Board-Corporate and Investment Banking Director (from 2019 up to present).

Arman Barseghyan

Member of the Management Board, Retail Banking Director

Arman Barseghyan has been a member of the Management Board of Ameriabank since September 2012.

Mr. Barseghyan graduated from Yerevan Institute of National Economy with a major in International Economics. Later he earned his PhD (Candidate of Science) in Economy at the Institute of Economics under the National Academy of Sciences of the Republic of Armenia.

Mr. Barseghyan has broad experience of more than 20 years in retail banking. He started his career in banking in 1997 as a specialist at Financial Control Department in HSBC Bank Armenia CJSC. His career path at HSBC Bank Armenia assumed several key positions including Operations Manager at the Financial Control Department (2001-2004), Branch Manager (2004-2008) and Retail Banking Director (2008-2012).

In June 2012, Mr. Barseghyan joined Ameriabank as Retail Banking Director.

Gohar Khachatryan

Member of the Management Board, Chief Accountant

Gohar Khachatryan has been the Chief Accountant and Member of the Management Board of Ameriabank since 2008.

Mrs. Khachatryan graduated from Yerevan Institute of National Economy with a major in Economics. Mrs. Khachatryan has around 30 years of experience holding key positions both in the regulatory body of the banking system and in private banks.

Mrs. Khachatryan built sterling career path in the Central Bank of Armenia in the positions of Accountant (1990-1992) in Bookkeeping Division of Operations Department, Economist (1992-1994), Chief Economist (1994) in Economic Analyses Division of Operations Department and Leading Specialist (1994-2000) in Supervision Department.

Afterwards Mrs. Khachatryan joined Armimpexbank (currently Ameriabank) as Head of Balance Sheets and Reports Analyses Division, Financial Department (2000); Head of Financial Statements and Expenditures Control Department (2000-2001); Head of Administrative Accounting Division, Department of Finance (2001-2003), Chief Administrative Accountant (2003-2006); Chief Accountant/Admin Accounting Manager (2006-2008). After the acquisition of Armimpexbank by Ameria Group, Mrs. Khachatryan was appointed Chief Accountant/Member of the Management Board (2008-up to present).

Mrs. Khachatryan has combined her bank career with lecturing activities, and is a co-author of accounting-related publications.

Andranik Barseghyan

Member of the Management Board, Risk Management Director

Andranik Barseghyan has been a member of the Management Board of Ameriabank since December 2009.

Mr. Barseghyan graduated from the State Engineering University of Armenia (SEUA), Faculty of Computer Engineering and Informatics. He received a Master's Degree at SEUA, followed by PhD in Engineering (Candidate of Technical Science).

Mr. Barseghyan has authored a number of research papers and publications locally and internationally, some of which focus on bank risk management.

Mr. Barseghyan has a distinguished career in banking, economics and risk management. Mr. Barseghyan started his career in banking technologies in the Department of Bank Technologies Automation at Armagrobank in 1995, initially as Head of the Liquidity and Resources Management Unit, then Head of Bank Risks Regulation Division, and finally Head of the Automation Division (1995-2002). In 2003, Mr. Barseghyan became Head of the Reporting & Analysis Division at Converse Bank. Later he was appointed Head of the Department of Risk Management and member of the Management Board of Converse Bank. Mr. Barseghyan joined Ameriabank's team in 2009 as Risk Management Director and member of the Management Board.

Armine Ghazaryan

Member of the Management Board, Chief People and Services Officer

Armine Ghazaryan has been a member of the Management Board of Ameriabank since October 2019.

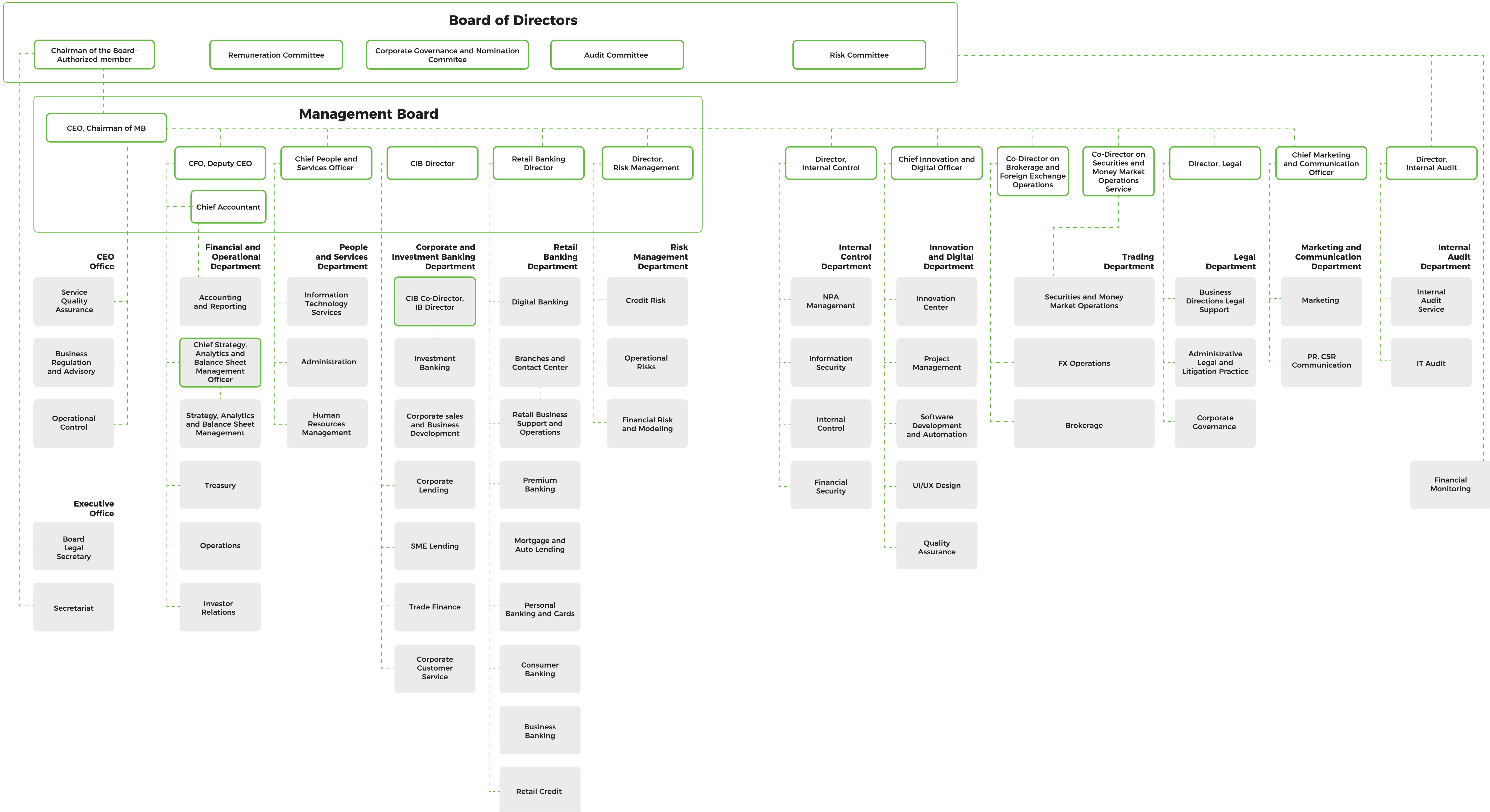
Ms. Ghazaryan graduated from Yerevan State University, Faculty of Oriental Studies, with a major in Oriental Languages and Literature in 1999. She received degree in Public Administration from the Public Administration Academy of the Republic of Armenia in 2009.

Ms. Ghazaryan has attended professional and training courses and events organized by a number of internationally acclaimed institutions (such as Stanford Graduate School of Business, Skolkovo Business School, Oxford Training LTD, Sberbank Corporate University, KFW Business School, Silicon Valley companies, 15 leading European banks, World Economic Forum, etc.).

She began her professional career in 2001, as Credit Department Assistant at Converse Bank CJSC. In 2004-2008, Ms. Ghazaryan continued her professional development in HR management as the Head of Personnel Management Division at the same bank. In October 2008, she was appointed Head of Human Resources Management Unit at Ameriabank.

Given her breadth of experience in people management and extensive leadership skills, she was appointed Chief People and Services Officer of the Bank in May 2019. Since October 2019, she has been holding the position of member of the Management Board, Chief People and Services Officer.

Organizational Chart



Our People

Overview

As one of the best employers in Armenia, Ameriabank aims to ensure high human centricity, efficiency and change delivery. Our Dream Team with motivated and engaged people as well as our value-driven culture are the cornerstone of our success. We strive for continuous development, knowledge sharing and supporting each other in continuous growth. We believe that high engagement, motivation and continuous development create a high-performing team and lead to higher client and shareholders satisfaction.

We are committed to diversity in workforce, diversity of minds, where the good mix of people with different backgrounds and experiences are treated equally, regardless of gender, age, religious beliefs, political views, disability or any other social status.

Being a human-centered company, throughout the COVID-19 pandemic we undertook a number of measures and actions to ensure safety, security and wellbeing of our customers and employees.

Talent acquisition

Trying to attract the best talent, we strongly support and engage enthusiastic, motivated, driven, ambitious and innovative people, who want to join our Dream Team. With readiness to invest in the professional development of the selected candidates, we widely practice mentoring approach to ensure smooth onboarding and integration both for beginners and experienced professionals. We believe that by doing so, we create a more dynamic team to deliver better performance.

The established successful cooperation with the best universities and colleges of Armenia as well as diaspora helps Ameriabank identify bright talents and recruit them into the Dream Team.

Recruitment process was challenging during the pandemic, but we quickly revisited our recruitment processes and practices to ensure business continuity and implementation of all hiring plans despite restrictions and limitations. We started to actively use digital and distance channels in the recruitment process.

In line with our practice of enrolling and coaching entry-level specialists, we continued engaging interns and relaunched our flagship “Generation A 13” program. As a result, 26 finalists out of overall 930 applicants are part of our team today. This program offers a life-changing opportunity for 20-27 year-old university graduates to gain theoretical and practical knowledge in finance and banking through interaction with experienced professionals right on the site.

Highly valuing our relations with the diaspora, we actively cooperate with various foundations to create internship and job opportunities for young talents, encourage them to return and serve to the benefit of Armenia after completing their studies abroad. The economic growth is another factor to target diaspora candidates who will invest their knowledge and experience gained in international markets in the development of Armenia.

Overall, 48 talented young people took courses and did remote internship in Ameriabank in 2021, upgrading their skills and knowledge.

We continued active representation of our company in different communities and universities. In 2021, we participated in various events both for IT community (Bar Camp, Data Fest, React Conference) and for entry-level specialists in different partner universities.

Talent acquisition process in Ameriabank combines internal promotions with external recruitment, supporting current staff members in moving up the career ladder and/or changing their specialization. In 2021, about 22% of staff members were promoted, while 216 new team members joined Ameriabank to make the total number of employees 1,157.

We pay special attention and fair consideration to candidates who have disabilities, excluding any discrimination based on their disability. Moreover, we make workplace adjustments to create flexible conditions and equal opportunities for all people in the team to perform to the best of their ability.

Performance and talent management

The aim of the performance management system of the Company is to set performance goals for the employees that are aligned with organizational strategic goals, ensure strategy execution and continuous development, recognition and retention of employees. It creates meaningful job, sets performance standards and assesses progress towards achieving strategic goals through KPI assessment, creates value-driven behavior, feedback culture and personal development through 360-degree assessment of corporate competencies.

There are several processes interlinked with performance management system, such as talent management and succession management. Talent management helps to identify our high-performing employees, create tailored development programs, motivate and retain them. Succession management is aimed at identifying and developing internal talents to fill critical roles in Ameriabank and thus ensure business continuity and growth.

We promote high ethical values, respect for human rights and encourage open communication. We have established grievance and whistleblowing systems to make sure that all ethics and business conduct rules are properly followed. We regularly measure employee engagement and based on the results develop targeted action plans. We also run daily internal communication, arrange corporate events, wellbeing and CSR programs.

Learning and development

We continuously invest in our employees' professional development by offering various trainings as well as by promoting and contributing to their self-development. We assist our employees by financing various courses and certifications. Among essential components of our development program are executive trainings for top and mid-level managers conducted by world-class practitioners, professionals, including founders of leading business schools with years of expertise.

Ameriabank cooperates with various international institutions to allow more flexibility for employees to be actively involved in distance learning programs, especially during the pandemic, and gain international certifications provided by internationally acclaimed institutions, such as Harvard Business School, Stanford Graduate School of Business, Chartered Management Institution, CFA Institute, ACCA, PMP and others.

The last two years were challenging for training and development industry due to the pandemic, but at the same time, it also opened new development horizons and opportunities towards our commitment to digitalization. We quickly shifted to online learning channels, increasing participation in world-class conferences via distance channels. We also focused on internal trainings, thus improving knowledge on the Bank's products and processes, improving service quality, and fostering internal trainers' resources.

Despite the market limitations throughout the year and strict travel regulations, Ameriabank continued investing in various staff development activities, staying committed to its principles and valuing the importance of continuous development of its employees. Overall, more than 250 trainings were organized during 2021.

The key learning and development metrics for 2021:

- 7,118 participations in various trainings and development activities
- a total of 27,000 hours of various training and development activities
- on average, each staff member attended 6 various training and development activities throughout 2021
- on average, each staff member attended 23 hours of training throughout 2021
- 44% of total training hours were directed to internal trainings, improvement of knowledge on the Bank's products and processes, improvement of service quality
- 28% of total training hours were directed to staff professional development and certifications
- 15% of total training hours were directed to digital skills improvement, participation in various tech events

Employee benefits

Attractive remuneration with a good package of benefits ensures high level of employee motivation and engagement, making us an employer-of-choice in the local financial market. We recognize that the stronger the incentive is, the longer and deeper the commitment and dedication of the team are to support the organization's mission, values, and goals.

To ensure employees' happiness and motivation at work, we value the maintenance and expansion of a robust incentive system, which includes special discounts in various cultural events, restaurants, shops, special offers from sport clubs promoting a healthy life-style. We provide our employees with health, travel and accident insurance, paid annual and sick leaves, paid maternity and paternity leaves and paid leave on personal purposes. In addition, we offer special banking terms to our employees, enabling them to benefit from our services at a very small and, often no financial cost.

Being engaged in various social activities in the country, we frequently take part in different championships, competitions and sport events held among financial institutions, including chess, football, bowling and volleyball tournaments , intellectual game "What? Where? When?" and other events. The Bank supports employee wellbeing activities, organizes team buildings, internal sports & yoga clubs, employee CSR projects, etc. Although we continued following strict social distancing rules throughout 2021 to ensure safety and health of the staff amid COVID-19, some of the activities were restarted after easing of the lockdown rules. We are hopeful that we can bring all social and sports activities back into our daily routine in 2022.

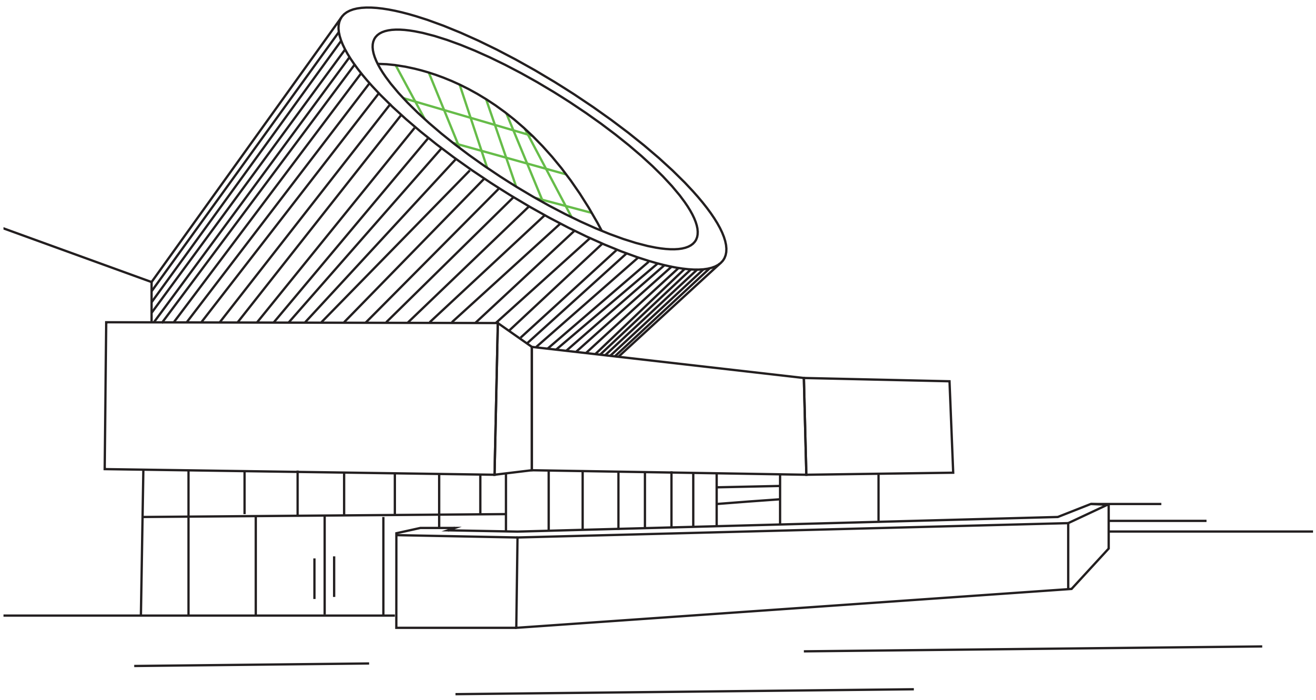
Culture and Communication

We value honesty, open and constructive feedback, constant communication and people awareness as an important part of our culture. We have designed strong and effective communication channels to support and promote corporate communication, including strategy discussions, quarterly management meetings, and orientation sessions for newcomers, daily social and process related communication, etc. We aim to ensure equal opportunities and open communication at all levels within the company.

During 2021, we launched a new corporate space for communication under the news portal for better accessibility and better user experience. We focus mainly on strategy, brand and digital agenda communication to ensure acceptance, understanding and engagement of people considering our main priorities and challenges. We equally value personal and team achievements, so we share news on accomplishments, success stories and case studies with the team. Another important part of communication for the last two years has been consistent communication of health and safety rules, aiming to create save environment for both employees and clients. We also promoted care and social responsibility through our regular communications materials and messages covering CSR projects, responsible and environmentally friendly business and activities.

Priorities for 2022

2022 is expected to be a year of re-skilling, enhancing existing expertise and unlocking internal potential. Special focus will be put on improving staff competence and skills in information technologies, aiming to support the digital transformation. The next priority will be implementing mid-management and leadership development programs, aiming to ensure succession planning, driving service excellence with the strong focus on sales and cross-selling competences development. Within our talent development objective, we have designed and will implement several up-skilling and re-skilling programs to encourage people growth in new directions in the company. Considering fast-changing market opportunities and high demand for qualified professionals in the market, we plan to implement new well-being programs and enhance incentive mechanisms to increase employees' engagement and strengthen their motivation.

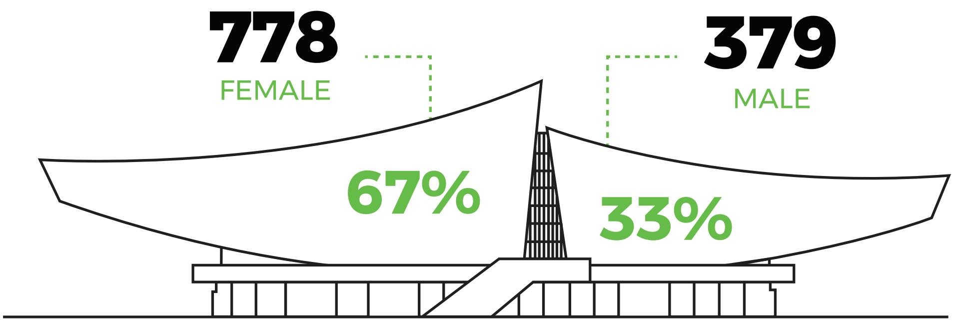


People at a glance

STAFF NUMBER

1,157

Total number of employees
(as of YE 2021)



58,5% (677) Business staff

41.5% (480) Support staff

Age	up to 25 years	25-35 years	35-45 years	45-60 years	60 and above
Number	179	626	260	78	14
Share	15,5%	54,1%	22,5%	6,7%	1,2%

Top Managers	Mid Managers	Chief and Senior Specialists	Specialists	Juniors	Technical Staff
17	190	361	463	99	27
1,5%	16,4%	31,2%	40%	8,6%	2,3%

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05.

RESPONSIBILITY STATEMENT

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Amberd Fortress, Aragatsotn Province

SKY

Clean air is fundamental to health, and air pollution is a major environmental risk we are facing today. Our response to this threat comes through investments in environmentally friendly and innovative projects to reduce greenhouse gas emissions as well as health relevant air pollutants. By doing so, we protect human health and mitigate the global climate crisis.

"AMERIABANK" CLOSED JOINT STOCK COMPANY

Address: 2 V. Sargsyan str., Yerevan Republic of Armenia

Tel.: (+37410) 56 11 11; Fax: (+37410) 51 31 33

STATEMENT OF THE RESPONSIBLE PERSONS OF THE REPORTING ISSUER

Hereby we state, that to the best of our knowledge

1. The information in the 2021 Annual Report of "Ameriabank" CJSC (hereinafter "the Issuer") is accurate and complete and in all material aspects complies with the requirements of the Republic of Armenia Law on Securities Market and the Central Bank of Armenia Regulation 4/04.
2. The presented annual audited financial statements for 2021 are composed in accordance with the International Financial Reporting Standards and, in all material aspects, completely and accurately reflect the Issuer's assets and liabilities, financial position, profit and loss as of December 31, 2021 as well as Issuer's financial performance and cash flows for the reporting period

(name, surname)	(position)	(signature)
Artak Hanesyan	**Chairman of the Management Board-CEO**	
Gevorg Tarumyan	Deputy CEO, CFO	
Gohar Khachatryan	Chief Accountant	
Gagik Sahakyan	Corporate and Investment Banking Director	

RESPONSIBILITY STATEMENT

Arman Barseghyan	Retail Banking Director	
(name, surname)	(position)	(signature)
Armine Ghazaryan	Chief People and Services Officer	
(name, surname)	(position)	(signature)
Andranik Barseghyan	Risk Management Director	
(name, surname)	(position)	(signature)

06.

FINANCIAL STATEMENTS

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Chinchin village,
Tavush Province

LANDS

Soil is vital for the livelihoods of people. To counter soil degradation, we push for initiatives to reduce negative impact on the land and educate people about environmental values. We are guided by the idea of creating a livable space for generations to come.

KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

Independent Auditors' Report

To the Board of Directors of Ameriabank CJSC

Opinion

We have audited the financial statements of Ameriabank CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ameriabank CJSC
Independent Auditors' Report
Page 2

Expected credit losses for loans to corporate and retail customers	
Please refer to the Note 19 in the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans and advances to customers represent 61% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below. The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas: • timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 Financial Instruments (hereinafter, "IFRS 9")); • assessment of probability of default (PD) and loss given default (LGD); • expected cash flows forecast, including from realisation of collateral for loans to customers classified in Stage 3. Due to the significant volume of loans to customers, and complexity and subjectivity over estimating timing and amount of ECL this area is a key audit matter.	We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of financial risks management specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate, our audit procedures included the following: • for loans to corporate clients we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages. • for retail loans we tested the design, implementation and operating effectiveness of controls over calculation of overdue days. • for a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements applied by the Bank. • for loans to customers assigned to Stages 1 and 2, where ECL are assessed collectively, we, based on our knowledge, assessed the appropriateness of the related models, and reconciled the model input data against primary sources, on a sample basis. • for a sample of Stage 2 loans to corporate clients, where ECL are assessed individually, we assessed appropriateness of the data inputs for LGD calculation. We have involved our internal valuation specialists to help us to assess the appropriateness of the values of pledged collateral used for LGD calculation, on a sample basis. • for a sample of Stage 3 loans to corporate customers, where ECL are assessed individually, we assessed the assumptions used by the Bank to forecast future cash flows, including estimated proceeds from collateral and their expected disposal terms. We specifically focused on those loans to customers that potentially may have the most significant impact on the financial statements.

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	• for loans to retail customers, on a sample basis we checked the completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and allocation of loans into Stages. • for a sample of Stage 3 loans to retail customers, where ECL are assessed individually, we assessed, by comparing to information available in the market, the assumptions used by the Bank to forecast future cash flows, including estimated proceeds from collateral and their expected disposal terms. • we assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 1 January 2021 with the actual results for 2021. • we also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

«KPMG ARMENIA»
02529689

KPMG Armenia LLC
9 March 2022

	Notes	2021 AMD'000	2020 AMD'000
Interest income calculated using effective interest rate	6	69,992,691	65,387,533
Other interest income	6	3,144,325	1,873,340
Interest expense	6	(32,662,210)	(31,179,929)
Net interest income		**40,474,806**	**36,080,944**
Fee and commission income	7	7,144,770	5,250,022
Fee and commission expense	7	(2,053,290)	(1,471,612)
Net fee and commission income		**5,091,480**	**3,778,410**
Net gain/(loss) on financial instruments at fair value through profit or loss	8	2,465,815	(3,602,132)
Net foreign exchange gain	9	5,920,451	8,653,830
Net (loss)/gain on investment securities measured at fair value through other comprehensive income		(106,457)	365,430
Other operating income	10	588,832	2,877,652
Other operating expenses	11	(3,805,377)	(3,376,726)
Operating income		**50,629,550**	**44,777,408**
Net impairment losses on financial instruments	12	(6,157,183)	(17,968,823)
Other impairments and provisions		(65,466)	85,872
Operating income after impairment		**44,406,901**	**26,894,457**
Personnel expenses		(13,303,851)	(9,239,870)
Other general administrative expenses	13	(7,231,329)	(6,472,458)
Profit before income tax		**23,871,721**	**11,182,129**
Income tax expense	14	(4,455,654)	(2,181,925)
Profit for the year		**19,416,067**	**9,000,204**
Other comprehensive loss, net of income tax			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve for investment securities:			
• net change in fair value		(386,132)	(317,511)
• net amount reclassified to profit or loss		87,295	(299,653)
Total items that are or may be reclassified subsequently to profit or loss		(298,837)	*(617,164)*
Other comprehensive loss for the year, net of income tax		**(298,837)**	**(617,164)**
Total comprehensive income for the year		**19,117,230**	**8,383,040**
Earnings per share			
Basic	29	166.04	77.05
Diluted	29	166.04	77.05

The financial statements as set out on pages 156 to 245 were approved by the Management Board on 9 March 2022 and were signed on its behalf by:

Artak Hanesyan

Chairman of Management Board – General Director

Gohar Khachatryan

Chief Accountant

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2021 AMD'000	2020 AMD'000
ASSETS			
Cash and cash equivalents	15	264,090,145	234,412,812
Financial assets measured at fair value through profit or loss	16(a)		
• Held by the Bank		8,223,960	9,476,566
Investment securities measured at fair value through other comprehensive income	16(b)		
• Held by the Bank		7,920,255	8,026,999
• Pledged under sale and repurchase agreements		4,096,530	3,181,002
Investment securities measured at amortised cost	16(c)		
• Held by the Bank		37,915,734	33,722,305
• Pledged under sale and repurchase agreements		15,770,574	17,814,988
Loans and advances to banks	17	43,333,261	35,523,809
Amounts receivable under reverse repurchase agreements	18	7,533,683	17,258,217
Loans and advances to customers	19	673,086,264	696,495,523
Property, equipment and intangible assets	20	10,649,082	10,740,536
Right of use asset	21	11,163,102	10,643,891
Deferred tax asset	14	-	1,028,409
Repossessed assets	19	1,326,280	1,823,888
Other assets	22	11,278,135	10,613,778
Total assets		**1,096,387,005**	**1,090,762,723**
LIABILITIES			
Derivative financial liabilities	16(a)	92,827	504,412
Deposits and balances from banks	23	56,649,761	55,845,516
Amounts payable under repurchase agreements	28	18,011,594	20,005,910
Current accounts and deposits from customers	24	600,614,296	598,960,666
Debt securities issued	25	111,074,943	106,916,313
Other borrowed funds	26	127,712,418	128,907,362
Subordinated borrowings	26	27,393,716	48,416,832
Current tax liability		454,831	2,610,472
Deferred tax liability	14	664,044	-
Provision for commitments	32	244,929	359,219
Lease liability	21	12,106,310	11,231,832
Other liabilities	27	12,436,087	7,298,587
Total liabilities		**967,455,756**	**981,057,121**
EQUITY	29		
Share capital		54,385,935	37,386,880
Share premium		174,726	17,065,364
Revaluation reserve for investment securities		(265,959)	32,878
Retained earnings		74,636,547	55,220,480
Total equity		**128,931,249**	**109,705,602**
Total liabilities and equity		**1,096,387,005**	**1,090,762,723**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2021 AMD'000	2020 AMD'000
Cash flows from operating activities			
Interest receipts		73,975,542	65,690,282
Interest payments		(32,080,253)	(29,533,354)
Fee and commission receipts		7,144,770	5,250,022
Fee and commission payments		(2,053,290)	(1,471,612)
Net receipts from financial assets at fair value through profit or loss		290,078	400,657
Net receipts from foreign exchange transactions		7,647,683	6,120,126
Other operating (payments)/receipts		(3,805,377)	407,760
Salaries and other payments to employees		(9,491,879)	(10,220,658)
Other general administrative expenses payments		(3,798,652)	(3,376,062)
(Increase) / decrease in operating assets			
Financial instruments at fair value through profit or loss		1,022,948	(1,361,058)
Loans and advances to banks		(7,696,239)	(8,004,235)
Amounts receivable under reverse repurchase agreements		9,809,681	7,399,559
Loans and advances to customers		(33,699,271)	(76,194,832)
Other assets		124,158	(2,626,135)
(Decrease)/increase in operating liabilities			
Financial instruments at fair value through profit or loss		1,676,826	(3,185,246)
Deposits and balances from banks		4,962,739	18,322,438
Amounts payable under repurchase agreements		(2,000,002)	19,997,109
Current accounts and deposits from customers		37,699,399	(27,258,508)
Other liabilities		1,773,309	(1,046,605)
Net cash from / (used in) operating activities before income tax paid		**51,502,170**	**(40,690,352)**
Income tax paid		(4,853,245)	(1,667,413)
Cash flows from / (used in) operations		**46,648,925**	**(42,357,765)**
Cash flows from investing activities			
Purchases of property and equipment and intangible assets		(2,580,288)	(1,975,728)
Acquisition of investment securities measured at fair value through other comprehensive income		(5,199,788)	(1,360,698)
Proceeds from sale and repayment of investment securities measured at fair value through other comprehensive income		4,708,651	977,321
Acquisition of investment securities measured at amortised cost		(15,248,444)	(31,158,779)
Proceeds from sale and repayment of investment securities measured at amortised cost		13,009,591	13,682,127
Cash flows used in investing activities		**(5,310,278)**	**(19,835,757)**
Cash flows from financing activities			
Repayment of lease liabilities	21	(1,988,756)	(1,853,981)
Proceeds from issue of share capital	29	108,417	95,484
Receipt of other borrowed funds and subordinated liabilities	26	60,442,469	29,686,570
Repayment of other borrowed funds and subordinated liabilities	26	(63,438,777)	(33,524,720)
Proceeds from debt securities issued	25	113,175,030	61,954,944
Repayment of debt securities issued	25	(99,882,931)	(15,091,797)
Cash flows from financing activities		**8,415,452**	**41,266,500**
Net increase / (decrease) in cash and cash equivalents		**49,754,099**	**(20,927,022)**
Effect of changes in exchange rates on cash and cash equivalents		(20,034,617)	7,991,450
Effect of changes in impairment allowance		(42,149)	(5,306)
Cash and cash equivalents as at the beginning of the year		234,412,812	247,353,690
Cash and cash equivalents as at the end of the year	15	**264,090,145**	**234,412,812**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

AMD'000	Share capital	Share premium	Revaluation reserve for investment securities	Retained earnings	Total equity
Balance as at 1 January 2020	37,347,200	17,009,560	650,042	46,220,276	101,227,078
Profit for the year	-	-	-	9,000,204	9,000,204
Other comprehensive loss					
Fair value reserve for investment securities					
• net change in fair value	-	-	(317,511)	-	(317,511)
• net amount reclassified to profit or loss	-	-	(299,653)	-	(299,653)
Total comprehensive income for the year	**-**	**-**	**(617,164)**	**9,000,204**	**8,383,040**
Transactions with owners, recorded directly in equity					
Issue of share capital	39,680	55,804	-	-	95,484
Total transactions with owners	**39,680**	**55,804**	**-**	**-**	**95,484**
Balance as at 31 December 2020	**37,386,880**	**17,065,364**	**32,878**	**55,220,480**	**109,705,602**
Balance as at 1 January 2021	37,386,880	17,065,364	32,878	55,220,480	109,705,602
Profit for the year	-	-	-	19,416,067	19,416,067
Other comprehensive loss					
Fair value reserve for investment securities					
• net change in fair value	-	-	(386,132)	-	(386,132)
• net amount reclassified to profit or loss	-	-	87,295	-	87,295
Total comprehensive income for the year	**-**	**-**	**(298,837)**	**19,416,067**	**19,117,230**
Transactions with owners, recorded directly in equity					
Issue of share capital	16,999,055	(16,890,638)	-	-	108,417
Total transactions with owners	**16,999,055**	**(16,890,638)**	**-**	**-**	**108,417**
Balance as at 31 December 2021	**54,385,935**	**174,726**	**(265,959)**	**74,636,547**	**128,931,249**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

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.

As at 31 December 2021 and 2020 the Bank's shareholding structure was as follows:

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

As at 31 December 2021 and 2020 the Bank had no ultimate controlling party.

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

The Bank has 23 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

The number of the Bank's employees as at 31 December 2021 was 1,157 (2020: 1,109).

Related party transactions are detailed in Note 34.

(b) Armenian business environment

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

2021 financial year is marked as rehabilitation period after the economic downturns caused by the Covid-19 pandemic during 2020. Per International Monetary Fund's (IMF) performance review, an economic rebound is now underway, with projected growth of 4.5% in 2022. The government's 2021-2026 economic program seeks to advance an export-oriented and investment-driven growth model through a broad-based reform effort.

To overcome the political turmoil, the RA government announced and held extraordinary parliamentary elections which were held in June 2021.

The mitigation of the negative results from Covid-19 pandemic is also fixed by Standard & Poor's credit rating for Armenia which stands at B+ with positive outlook dated 12 October 2021.

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 2021 and 2020, were AMD 480.14 and AMD 522.59 to USD 1, and AMD 542.61 and AMD 641.11 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.

3 Changes in significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

The details of the accounting policies are disclosed in Note 4. See also Note 30 for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR.

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

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

4 Significant accounting policies

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

(a) Foreign currency transactions

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

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

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

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

(b) Cash and cash equivalents

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

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

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

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

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

(d) Fees and commission

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

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

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

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

(e) Financial assets and financial liabilities

i. Classification

Financial assets

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

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

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

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

Reclassification

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

Financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

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

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

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

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

Financial liabilities

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

iii. Modification of financial assets and financial liabilities

Interest rate benchmark reform

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

iv. Impairment

See also Note 30(c).

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

Measurement of ECL

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

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

See also Note 30(c).

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-offs

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

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

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

Non-integral financial guarantee contracts

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

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

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

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

The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on debt financial assets'.

(f) Loans and advances to customers

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

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

(g) Deposits, debt securities issued and subordinated liabilities

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

(h) Financial guarantees and loan commitments

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

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

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

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

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

(i) Repurchase and reverse repurchase agreements

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

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

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

(j) Property and equipment

(i) Owned assets

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

(ii) Depreciation

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

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

(k) Intangible assets

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

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

(l) Provisions

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

(m) Share capital

(i) Ordinary shares

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

(ii) Share premium

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

(iii) Dividends

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

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

(n) Repossessed property

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

(o) Impairment of non-financial assets

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

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

(p) Earnings per share

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

(q) Segment reporting

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

(r) Taxation

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

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

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

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

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

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

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

(s) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

COVID-19-related rent concessions

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

(ii) As a lessor

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

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

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

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

(t) New standards and interpretations not yet adopted

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

(i) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Bank has determined that there will be no uncompleted contracts before the amendments become effective.

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

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

(iii) Other standards

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

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

5 Segment information

For management purposes, the Bank is organised into three operating segments based on products and services as follows:

Retail banking	Handling individual and small and micro legal entity customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and small and micro loans.
Corporate and investment banking	Handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers and provision of investment banking services such as underwriting, financial consulting, etc.
Trading	Currency conversion transactions, management of bonds portfolio, attractions or disbursement of short-term funds through interbank loans and repo agreements for liquidity management, provision of brokerage services, etc.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes is managed on a profit before income tax basis and is allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2021 or 2020.

The following tables present income and profit and certain asset and liability information regarding the Bank's operating segments.

2021	**Retail banking AMD'000**	**Corporate and investment banking AMD'000**	**Trading AMD'000**	**Total AMD'000**
Net interest income	14,449,310	21,076,214	4,949,282	40,474,806
Net non-interest income	2,283,544	3,939,271	3,931,929	10,154,744
Inter-segment revenue	6,964,106	(2,854,350)	(4,109,756)	-
Operating profit	**23,696,960**	**22,161,135**	**4,771,455**	**50,629,550**
Net impairment losses on financial instruments	(1,502,253)	(4,654,930)	-	(6,157,183)
Other impairments and provisions	(32,733)	(32,733)	-	(65,466)
Depreciation and amortisation	(2,735,327)	(546,635)	(151,752)	(3,433,714)
Personnel and other general administrative expenses	(11,897,456)	(4,137,137)	(1,066,873)	(17,101,466)
Profit before income tax	**7,529,191**	**12,789,700**	**3,552,830**	**23,871,721**
Income tax expense	(1,405,323)	(2,387,196)	(663,135)	(4,455,654)
Profit for the year	**6,123,868**	**10,402,504**	**2,889,695**	**19,416,067**

2021	Retail banking AMD'000	Corporate and investment banking AMD'000	Trading AMD'000	Total AMD'000
Interest earning financial assets	261,792,092	428,180,027	90,093,635	780,065,754
Interest bearing financial liabilities	488,883,792	434,238,586	18,403,228	941,525,606

2020	Retail banking AMD'000	Corporate and investment banking AMD'000	Trading AMD'000	Total AMD'000
Net interest income	11,793,376	18,454,424	5,833,144	36,080,944
Net non-interest income	697,356	4,791,999	3,207,109	8,696,464
Inter-segment revenue	8,296,441	(3,419,688)	(4,876,753)	-
Operating profit	**20,787,173**	**19,826,735**	**4,163,500**	**44,777,408**
Net impairment losses on financial instruments	(10,255,619)	(7,713,204)	-	(17,968,823)
Other impairments and provisions	42,936	42,936	-	85,872
Depreciation and amortisation	(2,339,628)	(589,175)	(167,593)	(3,096,396)
Personnel and other general administrative expenses	(8,449,813)	(3,260,777)	(905,342)	(12,615,932)
Profit before income tax	**(214,951)**	**8,306,515**	**3,090,565**	**11,182,129**
Income tax expense	41,943	(1,620,818)	(603,050)	(2,181,925)
Profit for the year	**(173,008)**	**6,685,697**	**2,487,515**	**9,000,204**

2020	Retail banking AMD'000	Corporate and investment banking AMD'000	Trading AMD'000	Total AMD'000
Interest earning financial assets	232,578,086	487,509,039	91,845,467	811,932,592
Interest bearing financial liabilities	365,962,851	572,730,409	20,817,666	959,510,926

Interest earning assets include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, interest bearing loans and advances to banks, amounts receivable under reverse repurchase agreements, gross loans and advances to customers and debt instruments at amortised cost.

Interest bearing financial liabilities include deposits and balances from banks (excluding vostro accounts), amounts payable under repurchase agreements, current accounts and deposits from customers, debt securities issued, other borrowed funds, subordinated borrowings.

Revenue from contracts with customers

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the years ended 31 December 2021 and 2020 was as follows:

2021	Retail banking AMD'000	Corporate and investment banking AMD'000	Trading AMD'000	Total AMD'000
Fee and commission income	4,987,194	1,855,623	301,953	7,144,770
Income from advisory and arrangement services	-	29,012	-	29,012
Other revenue from contracts with customers	118,244	93,285	5,607	217,136
Total revenue from contracts with customers	**5,105,438**	**1,977,920**	**307,560**	**7,390,918**

2020	Retail banking AMD’000	Corporate and investment banking AMD’000	Trading AMD’000	Total AMD’000
Fee and commission income	3,273,109	1,629,796	347,117	5,250,022
Income from advisory and arrangement services	-	1,979,083	-	1,979,083
Other revenue from contracts with customers	372,757	331,269	41	704,067
Total revenue from contracts with customers	**3,645,866**	**3,940,148**	**347,158**	**7,933,172**

Revenue from contracts with customers is generated primarily from customers in Armenia.

In 2021 no customer represented more than 10% of the Bank’s total revenue. In 2020, revenue from one customer of the Bank’s Corporate and investment banking segment represented approximately 25% (AMD 1,960,000 thousand) of the Bank’s total revenue.

6 Net interest income

	2021 AMD’000	2020 AMD’000
Interest income calculated using effective interest rate		
Financial assets measured at amortised cost		
Loans and advances to customers	63,070,967	58,367,764
Investment securities measured at amortised cost	3,712,701	3,793,887
Receivables from factoring	949,037	967,301
Amounts receivable under reverse repurchase agreements	664,777	654,823
Receivables from letters of credit	663,644	529,034
Loans and advances to banks	104,483	135,159
Other	12,843	11,485
	69,178,452	**64,459,453**
Financial assets measured at fair value through other comprehensive income		
Investment securities measures at FVOCI	814,239	928,080
Interest income calculated using effective interest rate	**69,992,691**	**65,387,533**
Other interest income		
Receivables from finance leases	1,888,452	935,850
Investment securities measured at FVTPL	708,203	592,525
Derivative financial assets	547,670	344,965
Other interest income	**3,144,325**	**1,873,340**
Total interest income	**73,137,016**	**67,260,873**
Interest expense		
Current accounts and deposits from customers	14,605,028	14,893,638
Other borrowed funds and subordinated borrowings	6,520,139	8,537,676

	2021 AMD'000	2020 AMD'000
Debt securities issued	6,471,167	3,880,180
Deposits and balances from banks	1,859,651	1,723,106
Amounts payable under repurchase agreements	1,444,073	455,751
Lease liabilities	1,343,129	1,359,428
Payables under letters of credit and issued guarantees	408,246	329,915
Other	10,777	235
Total interest expense	**32,662,210**	**31,179,929**
Net interest income	**40,474,806**	**36,080,944**

7 Net fee and commission income

	2021 AMD'000	2020 AMD'000
Fee and commission income		
Plastic card servicing fees	3,949,186	2,466,956
Money transfers	925,905	788,726
Cash withdrawal, account service and distance system services	853,484	771,339
Brokerage services and underwriting	609,604	416,582
Guarantee and letter of credit issuance	426,030	561,626
Settlement operations	212,819	160,277
Other	167,742	84,516
Total fee and commission income	**7,144,770**	**5,250,022**
Fee and commission expense		
Plastic card maintenance	1,610,638	1,032,296
Money transfers	279,707	225,418
Guarantee and letter of credit issuance	71,130	72,177
Other	91,815	141,721
Total fee and commission expense	**2,053,290**	**1,471,612**
Net fee and commission income	**5,091,480**	**3,778,410**

(a) Revenue from contracts with customers

The Bank's revenue from contract with customers mainly comprises fee and commission income and revenue from provision of advisory and arrangement services. Bank' recognises majority of revenue from fees and commission and from advisory and arrangement services at a point in time. Revenue from contracts with customers recognised in the statement of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020 comprised to:

	2021 AMD'000	2020 AMD'000
Fee and commission income	7,144,770	5,250,022
Income from advisory and arrangement services	29,012	1,979,083
Other revenue from contracts with customers	217,136	704,067
	7,390,918	**7,933,172**

(b) Contract balances

The following table provides information about receivable from contracts with customers.

	2021 AMD'000	2020 AMD'000
Receivable included in other assets	**74,113**	**77,288**

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

	2021 AMD'000	2020 AMD'000
Net gain/(loss) from currency and interest rate derivative instruments	2,205,984	(3,281,828)
Net gain/(loss) from investment securities at fair value through profit or loss	259,831	(320,304)
	2,465,815	**(3,602,132)**

9 Net foreign exchange gain

	2021 AMD'000	2020 AMD'000
Net gain on spot transactions	7,647,683	6,120,126
Net (loss)/gain from revaluation of financial assets and liabilities	(1,727,232)	2,533,704
	5,920,451	**8,653,830**

10 Other operating income

	2021 AMD'000	2020 AMD'000
Income from rendered services	174,011	126,532
Income from insurance agency	110,943	71,260
Income from deposit boxes	60,296	45,671
Net income from sale of repossessed assets	59,654	282,000
Income from reimbursement of legal cases	39,487	13,322
Income from payment terminals	30,282	11,344
Income from advisory and arrangement services	29,012	1,979,083
Income from insurance	28,369	26,793
Net gain from sale of investment securities measured at amortised cost	-	193,942
Other	56,778	127,705
	588,832	**2,877,652**

11 Other operating expenses

	2021 AMD'000	2020 AMD'000
Payment system charges	1,283,681	861,254
Guarantee payments to Armenian Deposit Guarantee Fund	685,324	630,564
Software maintenance	418,844	413,532
Collateral registration charges	158,183	198,886
Fees for brokerage services	131,741	156,106
Agent fee	125,500	220,521
Insurance charges	121,987	121,967
Credit register charges	110,957	73,423
Financial system mediator	110,019	95,657
ATM service charge	100,935	88,881
Encashment	86,716	88,723
Depositary services	76,671	54,753
Paid fees and penalties	18,426	3,284
Other	376,393	369,175
	3,805,377	**3,376,726**

12 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 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**

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

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

13 Other general administrative expenses

	2021 AMD'000	2020 AMD'000
Depreciation and amortisation	3,433,714	3,096,396
Advertising and marketing	831,369	711,146
Repairs and maintenance	444,066	375,571
Loan recovery charges	365,015	296,809
Unrecoverable taxes from lease agreements	348,517	336,814
Staff training and other expenses	339,430	328,010
Professional services	288,231	215,120
Security	238,604	219,359
Other lease expense	184,568	134,854
Communications and information services	137,451	143,035
Charity and sponsorship	117,736	233,664
Electricity and utilities	104,090	85,758
Insurance	87,629	67,693
Office supplies	67,764	35,305
Taxes other than on payroll and income	43,528	38,755
Business trips and representation	28,882	20,817
Other	170,735	133,352
	7,231,329	**6,472,458**

14 Income tax expense

	2021 AMD'000	2020 AMD'000
Current tax expense	2,697,604	3,993,304
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	1,758,050	(1,811,379)
Total income tax expense	**4,455,654**	**2,181,925**

In 2021 the applicable tax rate for current tax is 18% (no change comparing with 2020).

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

	2021 AMD'000	%	2020 AMD'000	%
Profit before income tax	23,871,721		11,182,129	
Income tax at the applicable tax rate	(4,296,910)	(18.0)	(2,012,783)	(18.0)
Non-deductible expenses	(158,744)	(0.7)	(169,142)	(1.5)
Total income tax expense	**(4,455,654)**	**(18.7)**	**(2,181,925)**	**(19.5)**

(a) Deferred tax asset and liability

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

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

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

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)**

AMD'000	Balance 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2020
Financial instruments at fair value through profit or loss	(70,940)	145,517	-	74,577
Investment securities at fair value through other comprehensive income	(103,230)	(7,356)	135,475	24,889
Loans and advances to customers	(1,257,594)	1,551,931	-	294,337
Other financial instruments at amortised cost and provisions	(138,415)	149,541	-	11,126
Property and equipment	(16,916)	30,583	-	13,667
Right of use asset	(1,957,487)	41,586		(1,915,901)
Lease liabilities	2,047,186	(25,456)	-	2,021,730
Other assets	82,733	(50,558)	-	32,175
Other liabilities	601,295	(31,958)	-	569,337
Other borrowed funds	(105,077)	7,549	-	(97,528)
Total deferred tax asset/ (liability)	**(918,445)**	**1,811,379**	**135,475**	**1,028,409**

15 Cash and cash equivalents

	2021 AMD'000	2020 AMD'000
Cash on hand	22,847,846	20,782,469
Nostro accounts with the Central Bank of Armenia	227,124,335	197,979,703
Nostro accounts with other banks		
• rated Aa1 to Aa3	6,006,225	5,398,655
• rated A1 to A3	4,476,989	6,047,879
• rated from Baa1 to Baa3	2,753,282	3,773,668
• rated from Ba1 to Ba3	853,311	340,486
• not rated	70,306	107,995
Total nostro accounts with other banks	**14,160,113**	**15,668,683**
Total gross cash and cash equivalents	**264,132,294**	**234,430,855**
Credit loss allowance	(42,149)	(18,043)
Total net cash and cash equivalents	**264,090,145**	**234,412,812**

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

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020 the Bank had no placement with banks besides the Central Bank of Armenia whose balances exceeded 10% of the Bank's equity.

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

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 2021 and 2020

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

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

16 Investment securities and derivative financial assets

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

	2021 AMD'000	**2020 AMD'000**
Held by the Bank		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	4,285,560	5,499,944
Government Eurobonds of the Republic of Armenia	637,242	-
Total government bonds	**4,922,802**	**5,499,944**
Corporate bonds of Armenian companies		

	2021 AMD'000	2020 AMD'000
• rated from Ba1 to Ba3	1,449,305	1,087,359
• rated from B1 to B3	714,740	1,699,343
• not rated	1,059,391	1,172,405
Total corporate bonds	**3,223,436**	**3,959,107**
Total debt and other fixed-income instruments held by the Bank	**8,146,238**	**9,459,051**
Total investment securities measured at fair value through profit or loss	**8,146,238**	**9,459,051**

	2021 AMD'000	2020 AMD'000
Derivative financial assets		
Currency swaps	77,722	17,515
Total derivative financial assets	**77,722**	**17,515**
Total financial assets measured at fair value through profit or loss	**8,223,960**	**9,476,566**
Derivative financial liabilities		
Currency swaps	92,827	504,412
Total derivative financial liabilities	**92,827**	**504,412**

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

	2021 AMD'000	2020 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	6,256,620	4,967,983
Government Eurobonds of the Republic of Armenia	616,137	-
Total government bonds	**6,872,757**	**4,967,983**
Corporate bonds of Armenian companies		
- rated from Ba1 to Ba3	6,883	-
- rated from B1 to B3	-	91,377
- not rated	487,810	1,905,870
Corporate bonds of foreign companies		
- rated from B1 to B3	474,498	978,804
Total corporate bonds	**969,191**	**2,976,051**
Total debt and other fixed-income instruments	**7,841,948**	**7,944,034**
Equity investments		
Corporate shares	78,307	82,965

	2021 AMD'000	2020 AMD'000
Total investment securities measured at fair value through other comprehensive income	**7,920,255**	**8,026,999**
Pledged under sale and repurchase agreements		
Government bonds of the Republic of Armenia	-	3,181,002
Government Eurobonds of the Republic of Armenia	4,096,530	-
Total government bonds	**4,096,530**	**3,181,002**

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

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

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the years ended 31 December 2021 and 2020. The loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities measured at fair value through other comprehensive income is their fair value.

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

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

(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 2021	% controlled 2020	2021 AMD'000	2020 AMD'000
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	44,841	49,499
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					78,307	**82,965**

As at 31 December 2021 and 2020 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 2021 and 2020.

(c) Investment securities measured at amortised cost

	2021 AMD'000	2020 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
Government bonds of the Republic of Armenia	36,440,646	33,667,392
Government Eurobonds of the Republic of Armenia	639,897	-
Total government bonds	**37,080,543**	**33,667,392**
Corporate bonds of Armenian companies		
• rated from B1 to B3	-	152,601
• not rated	965,804	-
Total corporate bonds	**965,804**	**152,601**
Total debt and other fixed-income instruments held by the Bank	**38,046,347**	**33,819,993**
Credit loss allowance	(130,613)	(97,688)
Total net investment securities measured at amortised cost held by the Bank	**37,915,734**	**33,722,305**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Government bonds of the Republic of Armenia	8,324,800	-
Government Eurobonds of the Republic of Armenia	7,445,774	17,814,988
Total government bonds	**15,770,574**	**17,814,988**

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 2021 and 2020.

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 2021 and 2020.

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)**

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

17 Loans and advances to banks

	2021 AMD'000	2020 AMD'000
Due from the Central Bank of Armenia		
Credit card settlement deposit with the Central Bank of Armenia	3,364,500	2,312,500
Deposit with the Central Bank of Armenia, obligatory reserves	31,416,814	30,931,188
Loans and deposits with other banks		
Armenian banks		
• rated from Ba1 to Ba3	487,895	528,866
• not rated	-	1,836,523
Other banks		
• rated from Ba1 to Ba3	8,145,003	-
• not rated	-	2,824
Total loans and deposits with other banks	**8,632,898**	**2,368,213**
Total gross loans and advances to banks	**43,414,212**	**35,611,901**
Credit loss allowance	(80,951)	(88,092)
Total net loans and advances to banks	**43,333,261**	**35,523,809**

(a) Balances with the Central Bank of Armenia

The credit card settlement deposit with the Central Bank of Armenia is a non-interest bearing deposit calculated in accordance with regulations issued by the Central Bank of Armenia and with drawability 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% (2020: 2%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 10% is maintained in AMD and 8% in the respective currency of funds attracted (2020: 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 2021, included in deposits with the Central Bank of Armenia is the amount of obligatory reserve of AMD 31,416,814 thousand for the amounts attracted in foreign currency (2020: AMD 30,931,188 thousand).

(b) Concentration of loans and advances to banks

As at 31 December 2021 and 2020 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 2021 and 2020. All the loans and advance to banks are measured at amortised cost as at 31 December 2021 and 2020.

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 2021 and 2020.

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

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

18 Amounts receivable under reverse repurchase agreements

	2021 AMD'000	2020 AMD'000
Amounts receivable from small and medium Armenian financial institutions, not rated	6,509,063	9,988,781
Amounts receivable from medium size Armenian banks		
• rated from B1 to B3	-	4,651,941
• not rated	1,024,620	2,617,496
Total gross amounts receivable under reverse repurchase agreements	**7,533,683**	**17,258,218**
Credit loss allowance	-	(1)
Total net amounts receivable under reverse repurchase agreements	**7,533,683**	**17,258,217**

As at 31 December 2021 and 2020 the Bank has no banks and other financial institutions, whose balances exceeded 10% of equity.

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 2021 and 2020.

Collateral accepted as security for assets

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

19 Loans and advances to customers

	Notes	2021 AMD'000	2020 AMD'000
Loans to legal entities	19(a)	428,111,574	486,218,524
Loans to individuals	19(a)	220,437,296	196,622,644
Receivables from factoring	19(b)	10,820,379	11,352,912
Receivables from letters of credit	19(c)	10,702,129	12,859,539
Total gross loans and advances to customers at amortised cost		**670,071,378**	**707,053,619**
Receivables from finance lease	19(d)	19,900,741	13,033,506
Credit loss allowance		(16,885,855)	(23,591,602)
Total net loans and advances to customers		**673,086,264**	**696,495,523**

(a) Loans to legal entities and individuals

	2021 AMD'000	2020 AMD'000
Loans to legal entities		
Loans to large companies	278,128,033	353,785,213
Loans to small and medium size companies	149,983,541	132,433,311
Total loans to legal entities	**428,111,574**	**486,218,524**
Loans to individuals		
Mortgage loans	141,193,211	116,987,087
Consumer loans to individuals	79,244,085	79,635,557
Total loans to individuals	**220,437,296**	**196,622,644**
Total gross loans to legal entities and individuals	**648,548,870**	**682,841,168**
Credit loss allowance	(16,405,548)	(22,966,663)
Total net loans to legal entities and individuals	**632,143,322**	**659,874,505**

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

	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**

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

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

AMD'000	2021 Stage 1	 Stage 2	 Stage 3	 Total
Loans to legal entities				
Balance at 1 January	3,721,879	3,217,165	7,408,239	14,347,283
New assets originated or purchased	1,352,666	-	-	1,352,666
Assets repaid	(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**

AMD'000	2020 Stage 1	 Stage 2	 Stage 3	 Total
Loans to legal entities				
Balance at 1 January	1,169,370	3,999,711	5,206,502	10,375,583
New assets originated or purchased	2,190,533	-	-	2,190,533
Assets repaid	(370,090)	(203,775)	(12,186)	(586,051)
Transfer to Stage 1	16,594	(14,579)	(2,015)	-
Transfer to Stage 2	(377,536)	377,536	-	-
Transfer to Stage 3	(144,023)	(2,388,641)	2,532,664	-
Unwinding of discount	-	-	(98,902)	(98,902)
Recoveries	-	-	343,277	343,277
Amounts written off	-	-	(6,965,771)	(6,965,771)
Foreign exchange adjustments	283,468	339,267	648,130	1,270,865

	2020			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	953,563	1,107,646	5,756,540	7,817,749
Balance at 31 December	**3,721,879**	**3,217,165**	**7,408,239**	**14,347,283**

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

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

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

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

	2021			
AMD'000	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	3,573,341	1,509,225	3,536,814	8,619,380
New assets originated or purchased	2,413,070	-	-	2,413,070
Assets repaid	(1,702,753)	(63,193)	(136,503)	(1,902,449)
Transfer to Stage 1	8,662	(8,662)	-	-

AMD'000	2021 Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 2	(180,549)	180,549		-
Transfer to Stage 3	(457,945)	(747,552)	1,205,497	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	(1,882,741)	1,013,307	2,505,302	1,635,868
Unwinding of discount	-	-	251,952	251,952
Recoveries	-	-	1,388,061	1,388,061
Amounts written off	-	-	(6,937,279)	(6,937,279)
Foreign exchange adjustments	(145,810)	(16,589)	(380,760)	(543,159)
Balance at 31 December	**1,625,275**	**1,867,085**	**1,433,084**	**4,925,444**

AMD'000	2020 Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Balance at 1 January	1,407,771	217,051	1,553,641	3,178,463
New assets originated or purchased	2,298,415	-	-	2,298,415
Assets repaid	(1,237,597)	(63,771)	(273,601)	(1,574,969)
Transfer to Stage 1	21,796	(8,662)	(13,134)	-
Transfer to Stage 2	(279,088)	279,088	-	-
Transfer to Stage 3	(581,425)	(50,400)	631,825	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	1,938,436	1,192,506	4,006,286	7,137,228
Unwinding of discount	-	-	221,987	221,987
Recoveries	-	-	1,345,075	1,345,075
Amounts written off	-	-	(3,815,988)	(3,815,988)
Foreign exchange adjustments	5,033	(56,587)	(119,277)	(170,831)
Balance at 31 December	**3,573,341**	**1,509,225**	**3,536,814**	**8,619,380**

(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 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**

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

The following table provides information on the credit quality loans to legal entities and individuals as at 31 December 2020:

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

* 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 2021 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 2021 and 2020.

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**

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

Repossessed collateral

During the year ended 31 December 2021, the Bank obtained certain assets by taking possession of collateral for loans to customers with a carrying amount of AMD 2,530,398 thousand (2020: AMD 181,485 thousand). Part of the repossessed collateral in the amount of AMD 2,962,540 thousand was sold during the year ended 31 December 2021 (2020: AMD 1,454,203 thousand). As at 31 December 2021 and 2020, the repossessed collateral comprises:

	2021 AMD'000	2020 AMD'000
Real estate	1,325,905	1,905,402
Other	158,718	11,363
Write down to net realisable value	(158,343)	(92,877)
Total repossessed collateral	**1,326,280**	**1,823,888**

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:

	2021 AMD'000	2020 AMD'000
Wholesale trade	60,088,783	107,520,522
Construction	48,905,283	29,940,834
Agriculture, forestry and timber	42,468,352	29,530,102
Food and beverage	37,974,102	38,329,741
Transportation	37,835,056	43,796,861
Retail trade	33,958,590	31,209,552

	2021 AMD'000	2020 AMD'000
Hotel services	31,295,097	36,438,293
Energy	29,210,379	51,052,777
Mining/metallurgy	29,142,735	34,392,138
Real estate	22,686,452	26,125,399
Communication services	20,400,077	26,957,558
Finance and investment	9,931,454	6,588,265
Manufacturing	9,849,730	9,134,331
Other	14,365,484	15,202,151
Loans to individuals	220,437,296	196,622,644
	648,548,870	**682,841,168**
Credit loss allowance	(16,405,548)	(22,966,663)
	632,143,322	**659,874,505**

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

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

(iv) Significant credit exposures

As at 31 December 2021 the Bank has one borrower or group of connected borrowers (2020: seven), whose loan balances exceed 10% of the Bank's equity. The exposure on these loans as at 31 December 2021 is AMD 14,216,785 thousand (2020: AMD 90,559,754 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

	2021 AMD'000	2020 AMD'000
Receivables from factoring	10,820,379	11,352,912
Credit loss allowance	(13,379)	(20,561)
	10,807,000	**11,332,351**

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

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

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

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

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

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

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

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

(c) Receivables from letters of credit

	2021 AMD'000	2020 AMD'000
Receivables from letters of credit from legal entities	10,702,129	12,859,539
Credit loss allowance	(42,599)	(55,462)
	10,659,530	**12,804,077**

As at 31 December 2021 the Bank has no customers (2020: 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 2021 and 2020.

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

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

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

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

AMD'000	2021 Stage 1	Stage 2	Stage 3	Total
Balance at 31 December	**42,599**	-	-	**42,599**

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

(d) Receivables from finance leases

	2021 AMD'000	2020 AMD'000
Gross investment in finance leases receivable		
Less than one year	6,477,120	3,841,013
Between one and five years	16,339,246	10,788,243
More than five years	2,028,022	1,122,663
	24,844,388	**15,751,919**
Unearned finance income	(4,943,647)	(2,718,413)
Gross investment in finance lease receivables	**19,900,741**	**13,033,506**
Impairment allowance	(424,329)	(548,916)
Net investment in finance leases	**19,476,412**	**12,484,590**
The net investment in finance leases comprises		
Less than one year	5,072,802	3,075,850
Between one and two years	4,574,317	3,052,556
Between two and three years	3,755,284	2,512,927
Between three and four years	2,844,554	1,852,526
Between four and five years	1,641,133	1,099,538
More than five years	1,588,322	891,193
	19,476,412	**12,484,590**

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

AMD'000	2021 Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	12,363,152	91,744	578,610	13,033,506
New assets originated or purchased	11,198,007	-	-	11,198,007

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Assets repaid	(3,590,108)	(292,192)	-	(3,882,300)
Transfer to Stage 1	44,648	(25,936)	(18,712)	-
Transfer to Stage 2	(242,513)	242,513	-	-
Transfer to Stage 3	(404,097)	-	404,097	-
Write off amounts	-	-	(586,870)	(586,870)
Recoveries	-	-	138,398	138,398
Balance at 31 December	**19,369,089**	**16,129**	**515,523**	**19,900,741**

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

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

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

AMD'000	2020 Stage 1	Stage 2	Stage 3	Total
Receivables from finance lease				
Balance at 1 January	15,746	-	231,416	247,162
New assets originated or purchased	76,311	-	-	76,311
Assets repaid	-	-	(21,859)	(21,859)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(268)	268	-	-
Transfer to Stage 3	(638)	-	638	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	70,623	18,669	160,087	249,379
Unwinding of discount	-	-	(2,077)	(2,077)
Balance at 31 December	**161,774**	**18,937**	**368,205**	**548,916**

(i) Quality analysis of finance leases

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

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Receivables from finance leases				
• not overdue	19,251,813	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**

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

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

(ii) Concentration of receivables from finance leases

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

	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
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**

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 2020:

	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
31 December 2020								
Finance lease	578,610	39,293	154,020	76,078	(17,843)	251,548	327,062	368,205
Total	**578,610**	**39,293**	**154,020**	**76,078**	**(17,843)**	**251,548**	**327,062**	**368,205**

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 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**

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

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

	2021 AMD'000	2020 AMD'000
Balance at 1 January	10,643,891	11,235,119
Additions to right of use assets	763,001	192,695
Depreciation charge for the period	(1,017,247)	(943,483)
Lease contract modifications	773,457	159,560
Balance at 31 December	**11,163,102**	**10,643,891**

(b) Amounts recognised in profit or loss

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

(c) Amounts recognised in statement of cash flows

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

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

	2021 AMD'000	2020 AMD'000
Balance at 1 January 2021	**11,231,832**	**11,373,257**
Changes from financing cash flows		
Repayments	(1,988,756)	(1,853,981)
Total changes from financing cash flows	**(1,988,756)**	**(1,853,981)**
Other changes		
Additions to lease liability	1,520,105	353,128
Interest expense	1,343,129	1,359,428
Balance at 31 December 2021	**12,106,310**	**11,231,832**

22 Other assets

	2021 AMD'000	2020 AMD'000
Receivables from unsettled transactions	1,753,611	1,839,832
Brokerage accounts	1,214,055	765,568
Restricted accounts with clearing houses	573,370	622,671
Credit loss allowance	(24,903)	(70,434)
Total other financial assets at amortised cost	**3,516,133**	**3,157,637**
Prepayments to suppliers	6,563,381	6,030,644
Standard bullions of precious metals	1,031,181	1,215,094
Inventories	153,669	194,032
Other	13,771	16,371
Total other non-financial assets	**7,762,002**	**7,456,141**
Total other assets	**11,278,135**	**10,613,778**

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

	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**

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

23 Deposits and balances from banks

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

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

24 Current accounts and deposits from customers

	2021 AMD'000	2020 AMD'000
Current accounts and demand deposits		
• Individuals	119,887,810	90,671,553
• Legal entities	189,457,843	261,862,919
Term deposits		
• Individuals	182,878,019	157,045,702
• Legal entities	108,390,624	89,380,492
	600,614,296	**598,960,666**

As at 31 December 2021, the Bank maintained customer current accounts and deposit balances that serve as collateral for loans and credit related commitments granted by the Bank amounting to AMD 12,846,772 thousand (2020: AMD 9,571,865 thousand).

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

25 Debt securities issued

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

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

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

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

	2021 AMD'000	2020 AMD'000
Balance at 1 January	106,916,313	54,573,055
Changes from financing cash flows		
Sale of debt securities issued	113,175,030	61,954,944
Repayment of debt securities issued	(99,882,931)	(15,091,797)
Total changes from financing cash flows	**13,292,099**	**46,863,147**
The effect of changes in foreign exchange rates	**(8,882,959)**	**5,235,413**
Other changes		
Interest expense	6,471,167	3,880,180
Interest paid	(6,721,677)	(3,635,482)
Balance at 31 December	**111,074,943**	**106,916,313**

26 Other borrowed funds and subordinated borrowings

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

(a) Concentration of borrowings from international financial institutions

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

(b) Subordinated borrowing

As at 31 December 2021 subordinated borrowings represent borrowings received from five financial institutions:

- AMD 4,350,235 thousand maturing on 15 January 2026;
- AMD 7,234,031 thousand maturing on 15 January 2027;
- AMD 241,756 thousand maturing on 3 January 2031;
- AMD 7,013,171 thousand maturing on 3 January 2031;
- AMD 4,541,285 thousand maturing on 8 January 2029;
- AMD 4,013,238 thousand maturing on 2 January 2032.

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

(c) Covenants

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

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

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

’000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2020	126,685,607	36,495,281
Changes from financing cash flows		
Receipt	22,405,950	7,280,620
Repayments	(33,524,720)	-
Total changes from financing cash flows	**(11,118,770)**	**7,280,620**
The effect of changes in foreign exchange rates	13,370,552	4,994,383
Other changes		
Interest expense	5,560,007	2,977,669
Interest paid	(5,590,034)	(3,331,121)
Balance at 31 December 2020	**128,907,362**	**48,416,832**

27 Other liabilities

	2021 AMD’000	2020 AMD’000
Payables to staff	6,204,477	2,452,591
Payables in transit	2,544,251	1,795,366
Financial liabilities related to factoring contracts	726,794	837,651
Tarde payables	795,497	656,800
Payables to deposit guarantee fund	175,312	152,325
Other payables	434,309	246,338
Total other financial liabilities	**10,880,640**	**6,141,071**
Other taxes payable	1,524,071	1,128,154
Deferred income	31,376	29,362
Total other non-financial liabilities	**1,555,447**	**1,157,516**
Total other liabilities	**12,436,087**	**7,298,587**

28 Amounts payable under repurchase agreements

	2021 AMD'000	2020 AMD'000
Amounts payable to the Central Bank of Armenia	18,011,594	20,005,910
Total amounts payable under reverse repurchase agreements	**18,011,594**	**20,005,910**

(a) Concentration of amounts payable under repurchase agreements

As at 31 December 2021 and 2020, the Bank has no counterparty except for the Central Bank of Armenia whose balances exceed 10% of equity.

29 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2021 the authorised, issued and outstanding share capital comprises 116,959 ordinary shares (2020: 116,834). All shares have a nominal value of AMD 465 thousand (2020: AMD 320 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 2021 and 2020.

(d) Earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders of AMD 19,416,067 thousand (2020: AMD 9,000,204 thousand), and a weighted-average number of ordinary shares outstanding of 116,936 (2020: 116,817), calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2021 AMD'000	2020 AMD'000
Issued shares at 1 January	116,834	116,710
Effect of shares issued in February	-	124
Effect of shares issued in March	125	-
Weighted average number of shares for the year ended 31 December	**116,936**	**116,817**
Earnings per share – basic	**166.04**	**77.05**

30 Risk management

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

(a) Risk management policies and procedures

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

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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 are linked to term SOFR rates published by CME for USD loans and EURIBOR for EUR loans.

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

As at 31 December 2021, the IBOR reform in respect of currencies to which the Bank has exposure has been largely completed. The table below sets out the IBOR rates that the Bank had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before reform	Benchmark after reform	Status as at 31 December 2021
USD	USD LIBOR	SOFR	Completed
EUR	EUR LIBOR	EURIBOR reformed	Completed

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

Non-derivative financial assets and loan commitments

During 2021, the Bank had the following principal IBOR exposures in respect of non-derivative financial assets and loan commitments subject to the reform:

- floating-rate loans to customers: USD LIBOR, EUR LIBOR held throughout its operations.

The following table shows the total amounts of unreformed non-derivative financial assets and those with appropriate fallback language at 1 January 2021 and 31 December 2021.

	USD LIBOR		EUR LIBOR	
AMD'000	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2021				
Loans to legal entities	63,663,436	24,988,330	30,507,900	27,256,345
Loans to individuals	32,345,343	21,590,573	8,889,603	5,341,316
1 January 2021				
Loans to legal entities	77,161,300	23,780,480	25,153,015	17,521,779
Loans to individuals	28,386,325	14,334,492	7,959,231	3,633,996

Non-derivative financial liabilities

The following table shows the total amounts of unreformed non-derivative financial liabilities and amounts that include appropriate fallback language at 1 January 2021 and 31 December 2021. The amounts shown in the table are the carrying amounts.

AMD'000	USD LIBOR Total amount of unreformed contracts	USD LIBOR Amount with appropriate fallback clause
31 December 2021		
Other borrowed funds	79,883,032	79,883,032
Subordinated liabilities	11,163,255	11,163,255
	91,046,287	**91,046,287**
1 January 2021		
Other borrowed funds	64,268,980	64,268,980
Subordinated liabilities	31,209,100	31,209,100
	95,478,080	**95,478,080**

Average effective interest rates

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2021 and 31 December 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2021 Average effective interest rate, %			2020 Average effective interest rate, %		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest earning assets						
Investment securities measured at fair value through profit or loss	9.2%	6.4%	2.7%	8.2%	7.1%	3.4%
Investment securities measured at fair value through other comprehensive income	8.9%	4.7%	-	8.7%	7.7%	-
Investment securities measured at amortised cost	8.0%	4.8%	-	7.8%	-	-
Loans and advances to banks	-	7.1%	0.7%	6.8%	3.7%	-
Amounts receivable under reverse repurchase agreements	9.2%	-	-	6.6%	3.6%	-
Loans and advances to customers	14.0%	8.1%	6.5%	11.8%	7.9%	6.2%
Receivables from finance leases	11.4%	8.0%	6.1%	10.8%	7.1%	5.8%
Receivables from factoring	15.9%	9.9%	19.1%	12.0%	8.5%	5.9%
Receivables from letter of credit	-	5.0%	5.1%	-	4.8%	4.4%
Interest bearing liabilities						
Deposits and balances from banks	6.2%	2.9%	0.6%	6.3%	2.1%	0.5%
Amounts payable under repurchase agreements	7.8%	-	-	5.4%	-	-
Debt securities issued	10.0%	4.9%	3.2%	9.5%	5.0%	3.1%
Term deposits from customers	9.3%	3.5%	1.8%	8.8%	3.6%	1.5%
Subordinated borrowings	-	6.4%	6.5%	-	3.6%	6.3%
Other borrowed funds	11.0%	2.8%	3.3%	8.0%	3.0%	2.8%

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 2021 and 2020, is as follows:

	2021 AMD'000	2020 AMD'000
100 bp parallel rise	(610,497)	(461,000)
100 bp parallel fall	610,497	461,000

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 2021 and 2020 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2021	2020
	Equity AMD'000	Equity AMD'000
100 bp parallel rise	(212,596)	(307,040)
100 bp parallel fall	212,596	307,040

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 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**

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
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)**

* As at 31 December 2021 the Bank had signed several short-term currecny 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 2020.

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

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2021 and 2020, would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis is on net of tax basis, and is based on foreign currency exchange rate variances that the Bank considers to be reasonably possible at the end of the reporting period. The income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2021 AMD'000	2020 AMD'000
10% appreciation of USD against AMD	234,231	(760,432)
10% appreciation of EUR against AMD	(145,638)	(653,867)

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

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (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.

Impairment assessment

From 1 January 2018, the Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial

recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

PD estimation process

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Loans and advances to customers

Bucketing

The Bank does not have internal credit rating system implemented for corporate customers, which can be used in PD estimation. The following portfolios are segregated by the Bank.

- corporate loans;
- mortgages loans;
- consumer loans.

PDs for loans and advances to customers are based on historic information are calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring between overdue categories from the total number at the beginning of the period. Calculated PDs are further adjusted based on forward looking information.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12m ECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

For Stage 3 and POCI financial assets exposure at default is equal to the gross amount of the loans.

EAD is derived from the historical behaviour of amortised costs of defaulted loans before the date when the default has occurred.

Loss given default

For Stage 1 loans to customers, as well as for individually not significant Stage 2 and Stage 3 exposures, the Bank calculated LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate of each loan. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.). For individually significant Stage 2 and Stage 3 exposures the Bank calculates LDG individually considering expected cash, including cash flows from realisation of collateral.

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The main criterion used by the Bank is the information on overdue days of the loans. The Bank concludes that there is a significant risk in credit risk of the assets, when payments related to that assets are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- overdue days of the borrower in other financial institutions in Armenia;
- significant difficulties in the financial conditions of the borrower;
- renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- deterioration of macroeconomic indicators and their possible effect on the borrower's financial performance.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of macroeconomic indicators as forward-looking information, such as:

- consumer price index;
- USD/AMD exchange rate;

- RUR/AMD exchange rate;
- volumes of export;
- volumes of import,
- real GDP growth;
- industrial production growth.

The Bank obtains the forecasts of macroeconomic data from third party source (Economic Intelligence Unit). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios. The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations.

	ECL scenario	Assigned probabilities, %	2022	2023
Key drivers				
CPI index				
	Upside	20%	102.098	100.998
	Base case	50%	105.100	104.000
	Downside	30%	108.102	107.002
USD/AMD exchange rate				
	Upside	20%	447.299	450.699
	Base case	50%	496.000	499.400
	Downside	30%	544.701	548.101
RUR/AMD exchange rate				
	Upside	20%	9.4893	9.5293
	Base case	50%	6.8800	6.9200
	Downside	30%	4.2707	4.3107
Export, AMD million				
	Upside	20%	4,157.81	4,454.81
	Base case	50%	3,531.00	3,828.00
	Downside	30%	2,904.19	3,201.19
Import, AMD million				
	Upside	20%	6,595.91	7,001.91
	Base case	50%	5,890.00	6,296.00
	Downside	30%	5,184.09	5,590.09
Real GDP growth				
	Upside	20%	108.315	108.115
	Base case	50%	104.200	104.000
	Downside	30%	100.084	99.885
Industrial production growth				
	Upside	20%	10.349	8.249
	Base case	50%	5.500	3.400
	Downside	30%	0.651	(1.449)

Along with baseline forecasts (with 50% probability of occurrence) listed in the table above, additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the optimistic (with 20% probability of occurrence) and pessimistic (30% probability of occurrence) scenarios. These rates are weighted to form final ECL rates. In 2020 the Bank had applied the following weights for the scenarios: 50% probability of occurrence of baseline scenario, 20% probability of occurrence of optimistic and 30% of pessimistic scenarios respectively.

Offsetting financial assets and financial liabilities

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

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

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

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

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

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of 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 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 table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

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	17,258,217	-	17,258,217	(17,258,217)	-
Total financial assets	**17,258,217**	**-**	**17,258,217**	**(17,258,217)**	**-**
Amounts payable under repurchase agreements	(20,005,910)	-	(20,005,910)	20,005,910	-
Total financial liabilities	**(20,005,910)**	**-**	**(20,005,910)**	**20,005,910**	**-**

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 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 maturity analysis for financial liabilities as at 31 December 2020 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	671,173	9,788,969	2,140,395	10,044,487	27,041,389	8,879,204	58,565,617	55,845,516
Amounts payable under repurchase agreements	20,005,910	-	-	-	-	-	20,005,910	20,005,910
Current accounts and deposits from customers	377,784,438	33,918,155	62,517,276	102,828,820	29,500,256	31,671	606,580,616	598,960,666
Debt securities issued	289,902	1,809,383	9,345,396	13,882,209	92,369,439	-	117,696,329	106,916,313
Subordinated borrowings	382,925	246,845	429,396	1,047,523	32,043,921	24,811,934	58,962,544	48,416,832
Other borrowed funds	44,891	2,169,847	25,886,044	24,629,226	81,521,573	2,234,003	136,485,584	128,907,362
Lease liability	381,931	78,286	460,217	920,433	6,526,415	16,143,973	24,511,255	11,231,832
Total financial liabilities	**399,561,170**	**48,011,485**	**100,778,724**	**153,352,698**	**269,002,993**	**52,100,785**	**1,022,807,855**	**970,284,431**
Credit related commitments	**63,218,127**	**-**	**-**	**-**	**-**	**-**	**63,218,127**	**63,218,127**

Included in due to customers in the table above and in the table below are term deposits of individuals. In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The classification of these deposits in accordance with their stated maturity dates is presented below:

	2021 AMD'000	2020 AMD'000
Demand and less than 1 month	12,670,205	15,504,582
From 1 to 3 months	24,128,072	22,458,045
From 3 to 6 months	34,370,019	28,460,763
From 6 to 12 months	89,933,056	72,668,859
More than 1 year	21,776,667	17,953,453
	182,878,019	**157,045,702**

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 anaylsis in the table above reflects the historical behavior and actual repayment patern 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 2020:

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

The maturity anaylsis in the table above reflects the historical behavior and actual repayment patern 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:

	2021 AMD'000 Unaudited	2020 AMD'000 Unaudited
At 31 December	118.5%	105.5%
Average for December	110.18%	85.32%

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%.

31 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to 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 (2020: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2021 and 2020.

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

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, as at 31 December:

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

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

32 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.

	2021 AMD'000	2020 AMD'000
Contracted amount		
Credit card commitments	19,626,093	17,191,180
Non-financial guarantees	17,939,675	16,357,723
Financial guarantees and letters of credit	6,716,448	12,085,764
Undrawn loans and credit lines	8,068,230	9,094,265
Undrawn overdraft facilities	14,872,110	8,489,195
	67,222,556	**63,218,127**
Impairment allowance	**(244,929)**	**(359,219)**

In addition to the above credit related commitments, the Bank has undrawn loans and credit lines the withdrawal of which is subject to additional approval by the Bank. The Bank considers such balances as uncommited. The total amount of such uncommited balances as at 31 December 2021 comprised AMD 22,241,919 thousand (2020: AMD 11,884,119 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 2021 and 2020.

AMD'000	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 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**

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

33 Contingencies

(a) 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.

34 Related party transactions

(a) Control relationships

The shareholders of the Bank as at 31 December 2021 are Imast Group (CY) (48.90%), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

As at 31 December 2021 and 2020 the Bank had no ultimate controlling party.

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

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

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

These amounts include benefits in respect of members of the Board of Directors and the Management Board 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 2021 and 2020 for transactions with the members of the Board of Directors and the Management Board are as follows:

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

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

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

(c) Transactions with other related parties

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

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

The outstanding balances and the related average effective interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Statement of financial position									
Assets									
Loans and advances to customers	-	-	-	-	-	-	1,535,715	8.89%	1,535,715
Other asset	-	-	-	-	-	-	364	-	364
Liabilities									

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Current accounts and deposits from customers									
• Current accounts and demand deposits	22,369	-	570,317	-	119,459	-	1,012,132	-	1,724,277
• Term deposits	-	-	-	-	520,051	5.64%	223,520	3.16%	743,571
Other borrowed funds	-	-	24,812,076	2.68%	-	-	-	-	24,812,076
Other liabilities	-	-	77,936	-	6	-	-	-	77,942
Items not recognised in the statement of financial position									
Guarantees received	-	-	5,090,815	1.00%	-	-	-	-	5,090,815
Profit/(loss)									
Interest income	-	-	953	-	-	-	128,393	-	129,346
Interest expense	-	-	(852,535)	-	(40,216)	-	(10,233)	-	(902,984)
Operating lease expenses	-	-	-	-	(81,868)	-	-	-	(81,868)

35 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 2021 and 2020 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 2021 and 2020:

2021	Carrying amount AMD'000	Fair value AMD'000	Difference AMD'000
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)**

2020	Carrying amount AMD'000	Fair value AMD'000	Difference AMD'000
Loans and advances to customers	696,495,523	695,334,192	(1,161,331)
Investment securities measured at amortised cost	51,537,293	51,276,359	(260,934)
Total	**748,032,816**	**746,610,551**	**(1,422,265)**

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 table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2020, 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	-	9,459,051	-	9,459,051
• Derivative assets	-	17,515	-	17,515
• Derivative liabilities	-	(504,412)	-	(504,412)
Financial assets at fair value through other comprehensive income				
• Investment securities	978,804	10,229,197	-	11,208,001
	978,804	**19,201,351**	**-**	**20,180,155**

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.

36 Events after reporting period

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

37 Glossary of terms

Abbreviation	Definition
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
IESBA Code	International Ethics Standards Board for Accountants International Code
IMF	International Monetary Fund
CBA	Central Bank of Armenia
ALCO	Asset and Liability Management Committee
FCA	Financial Conduct Authority
ECL	Expected credit loss
PD	Probability of default
LGD	Loss given default
FVTPL	Financial instruments at fair value through profit or loss
FVOCI	Fair value through other comprehensive income
EIR	Effective interest rate
SPPI	Solely payments of principal and interest
EPS	Earnings per share
LTECL	Lifetime expected credit loss
12mECL	12 months expected credit loss
POCI	Purchased or originated credit-impaired
EAD	Exposure at default
SOFR	Secured Overnight Financing Rate
LIBOR	London Interbank Offered Rate
EURIBOR	Euro Interbank Offer Rate

07.

APPENDIX

Abbreviations

ACCA	Association of Chartered Certified Accountants
ACRA	ACRA Credit Reporting CJSC
ADB	Asian Development Bank
AEA	American Economic Association
ALCM	Asset, Liability & Capital Management
ALCO	Assets and Liabilities Management Committee
ALM	Asset & Liability Management
AMD	Armenian Dram
AMEX	American Stock Exchange
AML	Anti-Money Laundering
AMLC	Anti-Money Laundering Center
AMX	Armenian Securities Exchange
AZN	Azerbaijani Manat
API	Application Program Interface
ARCA	Armenian Card
ASX	Australian Stock Exchange
ATM	Automated Teller Machine
BA	Bachelor of Arts
BC	Business Center
BCA	Baseline Credit Assessment
BCS	Business Consulting Services
BGEO	Bank of Georgia Group PLC
bln	billion
bn	billion
BoD	Board of Directors
BPM	Business Process Management
BS	Bachelor of Science
CAB	Current Account Balance
CAGR	Compound Annual Growth Rate
CAR	Capital Adequacy Ratio
CB	Central Bank
CBA	Central Bank of Armenia
CBOT	Chicago Board of Trade
CEI	Client Experience Index
CF	Corporate Finance
CFA	Chartered Financial Analyst
CIB	Corporate and Investment Banking
CIS	Commonwealth of Independent States

CJSC	Closed Joint-Stock Company
CMTPL	compulsory motor third-party liability
CNY	Chinese Yuan
CPI	Consumer Price Index
CPS	Country Partnership Strategy
CRA	Counterparty Risk Assessment
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DSCR	Debt-Service Coverage Ratio
DEG	German Investment Corporation
DMI	Digital Maturity Index
EAD	Exposure at Default
ECL	Expected Credit Loss
E&S	Environmental & Social
EBITDA	Earnings Before Interest, Tax, Depriciation and Amotization
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
EDFI	European Development Finance Institutions
EKENG	e-Governance Infrastructure Implementation Unit CJSC
EMEA	Europe, Middle East and Africa
EMG	Emerging Markets Group
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FCA	Financial Conduct Authority
FI	Financial Institution
FMO	The Netherlands Development Finance Company
FWB	Frankfurt Stock Exchange
FX	Foreign Exchange
FY	Financial Year
GBF	Green Bond Framework
GCPF	Global Climate Partnership Fund
GDP	Green Bond Principles
GEL	Georgian Lari
GHG	Greenhouse Gas
GMS	General Meeting of Shareholders
GTFP	Global Trade Finance Program
HR	Human Resource
HRM	Human Resource Management
HSBC	Hongkong and Shanghai Banking Corporation Limited
IB	Internet Banking
IB	Investment Banking
IBM	International Business Machines

IBOR	Interbank Offered Rate
IBX	Interactive Brokers Platform
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IE	Individual Entrepreneur
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INSEAD	European Institute of Business Administration
IPO	Initial Public Offer
IRR	Internal Rate of Return
IT	Information Technology
KBC	Kredietbank, Belgian universal multi-channel bank
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KZT	Kazakhstan Tenge
L/C	Letter of Credit
LCC	Large Credit Committee
LCR	Liquidity Coverage Ratio
LE	Large Enterprise
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LSE	London Stock Exchange
LTD	Limited Liability Company
LTECL	Lifetime Expected Credit Loss
LTV	Loan to Value
M&A	Mergers & Acquisitions
MA	Master of Arts
MB	Management Board
MBA	Master of Business Administration
MIS	Management Information Systems
ML	Machine Learning
mn	Million
NASDAQ	National Association of Securities
OMX	Dealer Automated Quotation system
NED	Non-executive Directors
NII	Net-Interest Income
NPA	Non Performing Asset
NPL	Non Performing Loan
NPS	Net Promoter Score
NYSE	New York Stock Exchange

ODDO BHF	Franco-German Fnancial Services Group
OeEB	Development Bank of Austria
OFID	OPEC Fund for International Development
OPEC	Organization of The Petroleum Exporting Countries
OpLoss	Operating Loss
OTC	Over-The-Counter
PD	Probability of Default
PhD	Doctor of Philosophy
PMP	Project Management Professional
POCI	Purchased or Originated Credit Impaired
POS	Point of Sale
pp	Percentage Points
PROPARCO	French Financial Development Institution (Promotion et Participation pour la Coopération Économique)
Q1	the 1st quarter of the year
Q2	the 2nd quarter of the year
Q3	the 3rd quarter of the year
Q4	the 4th quarter of the year
RA	Republic of Armenia
REPO	Repurchase agreement
RM	Risk Management
RMD	Risk Management Department
ROA	Return on Assets
ROAE	Return on Average Equity
ROE	Return on Equity
RUB	Russian Ruble
RWA	Risk Weighted Assets
S&P	Standard & Poor's
SACP	Stand-Alone Credit Profile
SBF	French Stock Market Index
SCC	Small Credit Committee
SDG	Sustainable Development Goals
SEHK	Stock Exchange of Hong Kong
SEK	Swedish Krona
SEUA	State Engineering University of Armenia
SME	Small or Medium-Sized Enterprise
SOFR	Secured Overnight Financing Rate
SUNY	State University of New York
SWOT	Strengths, Weaknesses, Opportunities, and Threats
SWX	Swiss Exchange
TFP	Trade Facilitation Program
TRY	Turkish Lira
TSE JPN	Tokyo Stock Exchange, Japan
UBS	Union Bank of Switzerland

UCO	Universal Credit Organization
UK	United Kingdom
UN	United Nations
UNICEF	United Nations International Children’s Emergency Fund
US	United States
USA	United States of America
USAID	United States Agency for International Developmen
USD	United States dollar
VISA	American Card Payment Organization
vPOS	Virtual Point of Sale
VSE	Vienna Stock Exchange
WB	World Bank
YE	Year End
YoY	Year over Year
ZCMC	Zangezur Copper Molybdenum Combine

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