

Byblos Bank Armenia CJSC
Interim Financial Statements
for the year ended
31 December 2021

Contents

Interim Statement of Profit or Loss and other Comprehensive Income.....2

Interim Statement of Financial Position.....3

Interim Statement of Cash Flows.....4

Interim Statement of Changes in Equity.....5

Notes to the Interim Financial Statements.....6

Byblos Bank Armenia CJSC
Interim Statement of Profit or Loss and Other Comprehensive Income for the year ended
31 December 2021

		1 October 2021	1 January 2021	1 October 2020	1 January 2020
		31 December 2021	31 December 2021	31 December 2020	31 December 2020
	Notes	AMD'000	AMD'000	AMD'000	AMD'000
Interest income calculated using the effective interest method	5	1,604,594	6,312,968	1,593,822	6,409,130
Interest expense	5	(885,018)	(3,439,257)	(890,278)	(3,688,592)
Net interest income	5	719,576	2,873,711	703,544	2,720,538
Fee and commission income		37,506	144,756	36,316	139,815
Fee and commission expense		(35,585)	(119,257)	(27,000)	(101,850)
Net fee and commission income		1,921	25,499	9,316	37,965
Net foreign exchange gain / (loss)		46,967	107,226	73,339	50,199
Net realised gain on investment securities		-	14,669	429,190	1,087,548
Other operating (expenses) / income, net		(43,607)	(139,482)	(40,083)	(135,127)
Operating income		724,857	2,881,623	1,175,306	3,761,123
Impairment release/(losses) on investment securities and other financial assets, loans to customers and loan commitments	6	260,980	543,479	(136,878)	(328,791)
Personnel expenses		(314,989)	(1,005,122)	(244,541)	(869,408)
Other general administrative expenses	7	(283,833)	(823,946)	(220,433)	(722,045)
Profit before income tax		387,015	1,596,034	573,454	1,840,879
Income tax (expense)/benefit	8	(133,447)	(412,902)	(131,565)	(414,289)
Profit for the period		253,568	1,183,132	441,889	1,426,590
Other comprehensive income for the period, net of income tax					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve for investment securities:					
- net change in fair value		(97,798)	(798,328)	(969,921)	(679,794)
- net amount reclassified to profit or loss		-	(13,975)	(369,067)	(943,238)
Other comprehensive (loss) / income for the period, net of income tax		(97,798)	(812,303)	(1,338,988)	(1,623,032)
Total comprehensive income/(loss) for the period		155,770	370,829	(897,099)	(196,442)

The financial statements as set out on pages 2 to 63 were approved by management on 14 January 2022 and were signed on its behalf by:

Hayk Stepanyan
Chief Executive Officer

Ani Sargsyan
Head of Finance and Administration

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

Byblos Bank Armenia CJSC
Interim Statement of Financial Position as at 31 December 2021

		AMD'000	AMD'000
		31 December 2021	31 December 2020
	Notes	AMD'000	AMD'000
ASSETS			
Cash and cash equivalents	9	21,714,121	13,688,593
Amounts receivable under reverse repurchase agreements	10	-	5,898,754
Loans to banks and other placements	11	12,686,843	13,168,901
Loans to customers	12	40,479,645	39,321,912
Investment securities	13	22,513,858	27,059,431
Right-of-use assets	14	567,381	637,569
Property, equipment and intangible assets	15	2,720,289	2,259,864
Repossessed assets	12	283,448	881,686
Other assets		208,718	199,134
Total assets		101,174,303	103,115,844
LIABILITIES			
Deposits and balances from banks		387,525	687,406
Current accounts and deposits from customers	16	61,761,731	58,995,826
Other borrowed funds	17	380,988	3,908,835
Subordinated loans from Parent	17, 18	7,712,584	8,874,650
Current tax liabilities		102,517	64,301
Deferred tax liabilities		186,517	301,531
Lease liability		432,503	458,508
Other liabilities		322,902	308,580
Total liabilities		71,287,267	73,599,637
EQUITY			
Share capital		26,249,100	26,249,100
Share premium	19	257,149	257,149
Fair value reserve for investment securities		(43,797)	768,506
Retained earnings		3,424,584	2,241,452
Total equity		29,887,036	29,516,207
Total liabilities and equity		101,174,303	103,115,844

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

Byblos Bank Armenia CJSC
Interim Statement of Cash Flows for the year ended
31 December 2021

	1 January 2021	1 January 2020
Notes	31 December 2021	31 December 2020
	AMD'000	AMD'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Interest receipts	6,576,918	6,495,603
Interest payments	(3,504,286)	(4,030,741)
Fee and commission receipts	143,135	139,290
Fee and commission payments	(119,156)	(101,803)
Net receipts from operations with investment securities	14,668	1,133,960
Net receipts from foreign exchange	121,123	113,485
Tax payments (other than income tax)	(41,472)	(10,958)
Salaries and other payments to employees	(1,012,173)	(883,488)
Other general administrative expenses payments	(584,138)	(558,699)
Other payments	(163,132)	(136,757)
(Increase)/decrease in operating assets		
Investment securities	3,412,114	5,742,425
Amounts receivable under reverse repurchase agreements	5,867,676	1,127,145
Loans to banks and other placements	12,070	7,222,507
Loans to customers	(3,040,287)	(2,860,221)
Other assets	539,625	651
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(279,726)	5,696
Current accounts and deposits from customers	6,341,645	(12,284,529)
Other liabilities	83,865	(107,923)
Net cash flows from operations before income tax	14,368,469	1,005,643
Income tax	(311,263)	(333,631)
Net cash flows from operations	14,057,206	672,012
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(519,835)	(1,050,376)
Net cash flows used in investing activities	(519,835)	(1,050,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other borrowed funds	(3,464,953)	(77,848)
Lease payments	(72,078)	(70,322)
Net cash flows used in financing activities	(3,537,031)	(148,170)
	-	-
Net increase/(decrease) in cash and cash equivalents	10,000,340	(526,534)
Effect of changes in exchange rates on cash and cash equivalents	(1,973,991)	1,252,925
Effect of changes in credit loss allowance on cash and cash equivalents	(821)	577
Cash and cash equivalents at the beginning of the year	13,688,593	12,961,625
Cash and cash equivalents at the end of the period	21,714,121	13,688,593

9

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

Byblos Bank Armenia CJSC
Interim Statement of Changes in Equity for the year ended
31 December 2021

	Share capital	Share premium	Revaluation reserve for investment securities	Retained earnings/ (accumulated losses)	Total
AMD'000					
Balance as at 1 January 2020	26,249,100	257,149	2,391,538	814,862	29,712,649
Total comprehensive income					
Profit for the period	-	-	-	1,426,590	1,426,590
Other comprehensive (loss)/income					
Fair value reserve for investment securities:					
- net change in fair value, net of deferred tax	-	-	(679,794)	-	(679,794)
- net amount reclassified to profit or loss, net of deferred tax	-	-	(943,238)	-	(943,238)
Total other comprehensive (loss)/income	-	-	(1,623,032)	-	(1,623,032)
Total comprehensive income for the period	-	-	(1,623,032)	1,426,590	(196,442)
Balance as at 31 December 2020	26,249,100	257,149	768,506	2,241,452	29,516,207
Balance as at 1 January 2021	26,249,100	257,149	768,506	2,241,452	29,516,207
Total comprehensive income					
Profit for the period	-	-	-	1,183,132	1,183,132
Other comprehensive (loss)/income					
Fair value reserve for investment securities:					
- net change in fair value, net of deferred tax	-	-	(798,328)	-	(798,328)
- net amount reclassified to profit or loss, net of deferred tax	-	-	(13,975)	-	(13,975)
Total other comprehensive (loss)/income	-	-	(812,303)	-	(812,303)
Total comprehensive income for the period	-	-	(812,303)	1,183,132	370,829
Balance as at 31 December 2021	26,249,100	257,149	(43,797)	3,424,584	29,887,036

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

1 Background

(a) Organisation and operations

Byblos Bank Armenia CJSC (the Bank) was established in 2007 under the laws of the Republic of Armenia.

The principal activities of the Bank are deposit taking and customer account maintenance, lending, cash and settlement transactions 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 Bank's registered head office is 18/3 Amiryan Street, Yerevan, Republic of Armenia. The Bank has four branches.

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

The Bank is wholly-owned by Byblos Bank SAL. The ultimate controlling party is a single individual Francois Bassil.

Related party transactions are described in detail in Note 24.

(b) Armenian business environment

The Bank's operations are 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, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

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

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2020 ("last annual financial statements").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that 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 them.

The AMD is also the presentation currency for the purposes of these financial statements.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these 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 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, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL –

Assumptions and estimations uncertainty

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

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 20(b);
- estimates of fair values of financial assets and liabilities – Note 25;
- fair value of forward and option instruments of loans from a related party and subordinated loans from Parent – Notes 17 and 18.

3 Changes in accounting policies and presentation

IFRS 16

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating

(a) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease.

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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Bank leases new office space starting from November 2019. The Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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 price.

(c) As a lessor

The accounting policies applicable to the Bank as a lessor are not different from those under IAS 17 and the Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

4 Significant accounting policies

Except for the changes disclosed in Note 3, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

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

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

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

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

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBA and other banks. The minimum reserve deposit with the CBA is not considered to be a cash equivalents, due to restrictions on its withdrawability. 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

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.

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 expensed as the services are received.

(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 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
- 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.

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, as explained in Note 4(e)(i). 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

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

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.

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

- 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 20 (b).

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;
- 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 on which credit risk has not increased significantly since their initial recognition (see Note 20(b)).

The Bank does not apply the low credit risk exemption to any financial instruments.

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.

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 20(b).

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 20(b)).
- 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

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 are credit-impaired (referred to as 'Stage 3 financial assets'). 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 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

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 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'.

v. Designation at fair value through profit or loss

Financial assets

At initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Bank has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(f) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Loans to customers

‘Loans to customers’ caption in the statement of financial position include loans to customers 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.

(h) Investment securities

The ‘investment securities’ caption in the statement of financial position includes:

- debt securities measured at FVOCI (see Note 4(e)(i)); and
- equity investment securities designated as at FVOCI (see Note 4(e)(i)).

(i) 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.

(j) 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 as follows: 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.

(k) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

- Buildings	50 years
- computers and communication equipment	1-8 years
- fixtures and fittings	8 years
- motor vehicles	5 years

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

(l) Intangible assets

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

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

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1-10 years.

(m) Repossessed assets

The Bank recognizes repossessed assets in the statement of financial position when it has the full and final settlement rights to the collateral.

Repossessed assets are measured at the lower of the carrying amount and the fair value less costs to sell. At initial recognition repossessed assets are measured based on the carrying value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure. Fair value less costs to sell is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs. Subsequent to initial recognition, repossessed assets are reviewed for held for sale classification criteria and are reclassified accordingly when the criteria are met.

Gains and losses on disposal of repossessed assets are recognized net in “other operating income” in profit or loss.

(n) Impairment of non-financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use.

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

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

(o) Provisions

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

(p) 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 recognized 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 recognized as 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.

(q) Taxation

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

(i) Current tax

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.

(ii) Deferred tax

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

5 Net interest income

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Interest income calculated using the effective interest method				
Loans to customers	995,697	3,713,836	860,383	3,153,615
Investment securities	504,504	2,125,326	603,554	2,712,087
Loans to banks	100,820	407,855	99,172	402,262
Amounts receivable under reverse repurchase agreements	3,452	65,072	30,496	125,959
Other	121	879	217	15,207
	1,604,594	6,312,968	1,593,822	6,409,130
Interest expense				
Current accounts and deposits from customers	731,560	2,761,627	651,596	2,766,703
Subordinated loans from Parent	124,921	536,769	134,632	507,348
Other borrowed funds	8,528	53,617	78,445	310,556
Lease	11,470	46,515	12,136	49,112
Deposits and balances from banks	8,539	40,342	13,469	54,324
Other	-	387	-	549
	885,018	3,439,257	890,278	3,688,592
	719,576	2,873,711	703,544	2,720,538

6 Impairment recovery/(losses) on investment securities and other financial assets, loans to customers and loan commitments

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Loans to customers and loan commitments	255,848	497,076	(146,465)	(367,029)
Investment securities and other financial assets	5,132	46,403	9,587	38,238
	260,980	543,479	(136,878)	(328,791)

7 Other general administrative expenses

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Depreciation and amortisation	59,236	192,861	35,709	139,332
Advertising and marketing	64,685	146,537	36,363	109,613
Maintenance of computer software	25,037	84,986	20,026	81,073
Repairs and maintenance	19,375	82,771	13,722	51,939
Insurance	15,197	58,006	14,769	54,824
Professional services	28,099	48,562	4,902	28,902
Taxes other than on income	19,429	47,876	24,950	60,395
Security	7,870	32,366	8,175	32,508
Communications and information services	5,621	21,409	5,158	20,318
Legal services	5,020	13,020	2,120	7,440
Training expenses	2,955	10,232	269	9,393
Office supplies	2,274	10,058	1,143	8,537
Lease	-	8,374	5,127	20,250
Membership expenses	2,427	8,279	1,895	7,526
Maintenance of cars	2,206	6,768	1,369	5,986
Other	24,402	51,841	44,736	84,009
	283,833	823,946	220,433	722,045

8 Income taxes

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Current year tax expense	(88,760)	(287,765)	(128,972)	(207,931)
Under provided in prior year	-	(61,810)	-	(53,920)
Origination and reversal of temporary differences	(44,687)	(63,327)	(2,593)	(152,438)
Total income tax (expense)/benefit	(133,447)	(412,902)	(131,565)	(414,289)

In 2021, the applicable tax rate for current and deferred tax is 18% (2020: 18%).

Reconciliation of effective tax rate for the year ended 31 December 2021:

	1 October 2021 31 December 2021 AMD'000	%	1 October 2020 31 December 2020 AMD'000	%
Profit before income tax	1,596,034	100.0%	1,840,879	100.0%
Tax at the applicable tax rate	(287,286)	-18.0%	(331,358)	-18.0%
Non-deductible costs	(63,806)	-4.0%	(29,010)	-1.6%
Under provided in prior year	(61,810)	-3.9%	(53,920)	-2.9%
	(412,902)	-25.9%	(414,289)	-22.5%

(a) Deferred tax assets and liabilities

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

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

31 December 2021

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
AMD'000				
Cash and cash equivalents	(2,878)	(3,734)	-	(6,612)
Investment securities	(149,616)	(4,835)	178,341	23,891
Amounts receivable under reverse repurchase agreements	(10,618)	10,618	-	-
Loans to banks	(6,478)	(3,727)	-	(10,205)
Loans to customers	(116,987)	(44,185)	-	(161,172)
Property, equipment and intangible assets	(9,703)	(27,132)	-	(36,835)
Other assets	6,266	9,827	-	16,093
Other liabilities	(11,517)	(159)	-	(11,676)
	(301,531)	(63,327)	178,341	(186,517)

31 December 2020

	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
AMD'000				
Cash and cash equivalents	(5,525)	2,647	-	(2,878)
Investment securities	(503,997)	(1,895)	356,276	(149,616)
Amounts receivable under reverse repurchase agreements	(12,037)	1,419	-	(10,618)
Loans to banks	(20,323)	13,845	-	(6,478)
Loans to customers	49,140	(166,127)	-	(116,987)
Property, equipment and intangible assets	(9,030)	(673)	-	(9,703)
Other assets	5,470	796	-	6,266
Other liabilities	(9,067)	(2,450)	-	(11,517)
	(505,369)	(152,438)	356,276	(301,531)

(b) Income tax recognized in other comprehensive income/(loss)

The tax effects relating to components of other comprehensive income for the year ended 31 December 2021 and 2020 comprise the following:

	31 December 2021		
AMD'000	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of investment securities at FVOCI	(973,601)	175,273	(798,328)
Net change in fair value of investment securities at FVOCI transferred to profit or loss	(17,043)	3,068	(13,975)
Other comprehensive income/(loss)	(990,644)	178,341	(812,303)

	31 December 2020		
AMD'000	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of investment securities at FVOCI	(829,018)	149,224	(679,794)
Net change in fair value of investment securities at FVOCI transferred to profit or loss	(1,150,290)	207,052	(943,238)
Other comprehensive income/(loss)	(1,979,308)	356,276	(1,623,032)

9 Cash and cash equivalents

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Cash on hand	905,524	720,060
Nostro accounts with the CBA	16,980,648	11,296,293
Nostro accounts with other banks		
- Rated B to BBB-	376,299	2,951
- Not Rated	3,453,214	1,670,032
Total nostro accounts with other banks	3,829,513	1,672,983
Total gross cash and cash equivalents	21,715,685	13,689,336
Credit loss allowance	(1,564)	(743)
Total net cash and cash equivalents	21,714,121	13,688,593

No cash and cash equivalents are past due.

As at 31 December 2021 the Bank has no bank except for CBA (as at 31 December 2020: no bank except for the CBA) whose balances exceeded 10% of the equity.

Nostro accounts with the CBA

Nostro accounts with the CBA are related to settlement activity and are available for withdrawal at the end of the year.

10 Amounts receivable under reverse repurchase agreements

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Amounts receivable rated B to B+	-	1,210,106
Amounts receivable from not rated banks	-	4,688,648
	-	5,898,754

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

Amounts receivable under reverse repurchase agreements are not past due.

Collateral

As at 31 December 2021 there are no government securities with fair value measurement for collateralization of amounts receivable under reverse repurchase agreements (31 December 2020: AMD 6,181,546 thousand).

11 Loans to banks

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Credit card settlement deposit with the CBA	101,500	170,000
Deposit and other placements in the CBA including obligatory reserve	3,092,266	3,640,496
Loans and deposits with other banks		
- Rated A+	79,637	86,678
- Rated B to B+	8,651,532	6,804,106
- Not Rated	800,529	2,525,801
Total loans and deposits with other banks	9,531,698	9,416,585
Total gross loans to banks	12,725,464	13,227,081
Credit loss allowance	(38,621)	(58,180)
Total net loans to banks	12,686,843	13,168,901

No amounts due from banks are past due.

As at 31 December 2021 included in loans and deposits with A+ rated banks is AMD 79,637 thousand (31 December 2020: AMD 86,678 thousand) which represents a blocked deposit in HSBC Bank Plc for membership in Europay International.

(a) Balances with the CBA

Balances with the Central Bank of Armenia include credit card settlement deposit, that is a non-interest bearing deposit calculated in accordance with regulations issued by the CBA and whose withdrawability 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 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. 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 daily amount of reserve sanctions may be applied. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 10) 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.

(b) Concentration of loans to banks

As at 31 December 2021 the Bank has two banks (31 December 2020: one), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2021 is AMD 8,651,532 thousand (31 December 2020: AMD 5,235,134 thousand).

12 Loans to customers

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Loans to customers at amortised cost		
Loans to corporate customers		
Loans to large corporates	20,604,905	20,578,611
Loans to small and medium sized companies	957,376	2,016,361
Total loans to corporate customers	21,562,281	22,594,972
Loans to retail customers		
Mortgage loans	16,530,845	15,156,700
Consumer loans secured by real estate	667,582	748,696
Credit cards	648,154	606,079
Small business loans	588,144	253,442
Consumer loans with salary domiciliation	308,022	273,255
Auto loans	129,718	171,685
Other loans	475,642	329,163
Total loans to retail customers	19,348,107	17,539,020
Gross loans to customers at amortised cost	40,910,388	40,133,992
Credit loss allowance	(430,743)	(812,080)
Net loans to customers at amortised cost	40,479,645	39,321,912

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2021

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to corporate customers				
Loans to large corporate				
Loans without individual signs of impairment	20,159,218	-	-	20,159,218
Impaired loans:				
- not overdue	-	-	-	-
- overdue more than 365 days	-	-	445,687	445,687
Total impaired loans	-	-	445,687	445,687
Credit loss allowance	(221,183)	-	(96,688)	(317,871)
Total net loans to large corporate customers	19,938,035	-	348,999	20,287,034
Loans to small and medium size companies				
Loans without individual signs of impairment	957,376	-	-	957,376
Impaired loans:				
- not overdue	-	-	-	-
Total impaired loans	-	-	-	-
Credit loss allowance	(1,349)	-	-	(1,349)
Total net loans to small and medium size companies	956,027	-	-	956,027
Gross loans to corporate customers	21,116,594	-	445,687	21,562,281
Total credit loss allowance on corporate customers	(222,532)	-	(96,688)	(319,220)
Total net loans to corporate customers	20,894,062	-	348,999	21,243,061
Loans to retail customers				
Mortgage loans				
- not overdue	15,942,061	-	-	15,942,061
- not overdue in the Bank, but in Stage 2	-	185,945	-	185,945
- overdue less than 30 days	21,782	59,200	-	80,982
- overdue 31-90 days	-	191,586	-	191,586
- overdue 91-180 days	-	-	56,240	56,240
- overdue 181-270 days	-	-	-	-
- overdue more than 271 days	-	-	74,031	74,031
	15,963,843	436,731	130,271	16,530,845
Credit loss allowance	(26,738)	(35,253)	(14,946)	(76,937)
Total net mortgage loans	15,937,105	401,478	115,325	16,453,908
Consumer loans secured by real estate				
- not overdue	592,960	-	-	592,960
- not overdue in Bank, but in Stage 2	-	27,207	-	27,207
- overdue less than 30 days	2,123	19,551	-	21,674
- overdue 31-90 days	-	8,138	-	8,138
- overdue 91-180 days	-	-	1,134	1,134
- overdue 181-270 days	-	-	8,072	8,072
- overdue more than 271 days	-	-	8,397	8,397
	595,083	54,896	17,603	667,582
Credit loss allowance	(1,489)	(3,982)	(1,748)	(7,219)
Total net consumer loans secured by real estate	593,594	50,914	15,855	660,363

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Credit cards				
- not overdue	626,879	-	-	626,879
- not overdue in Bank, but in Stage 2	-	6,386	-	6,386
- overdue less than 30 days	9,569	819	-	10,388
- overdue 31-90 days	-	1,513	-	1,513
- overdue 91-180 days	-	-	989	989
- overdue 181-270 days	-	-	1,999	1,999
	636,448	8,718	2,988	648,154
Credit loss allowance	(12,808)	(1,391)	(670)	(14,869)
Total net credit cards	623,640	7,327	2,318	633,285
Consumer loans with salary domiciliation				
- not overdue	301,707	-	-	301,707
- overdue less than 30 days	431	-	-	431
- overdue 31-90 days	-	1,008	-	1,008
- overdue 91-180 days	-	-	1,238	1,238
- overdue 181-270 days	-	-	3,638	3,638
	302,138	1,008	4,876	308,022
Credit loss allowance	(1,401)	(302)	(1,902)	(3,605)
Total net consumer loans with salary domiciliation	300,737	706	2,974	304,417
Auto loans				
- not overdue	110,698	-	-	110,698
- overdue 91-180 days	-	-	19,020	19,020
	110,698	-	19,020	129,718
Credit loss allowance	(317)	-	(3,669)	(3,986)
Total net auto loans	110,381	-	15,351	125,732
Individual entrepreneur and other small businesses loans				
- not overdue	588,144	-	-	588,144
	588,144	-	-	588,144
Credit loss allowance	(4,907)	-	-	(4,907)
Total net individual entrepreneur loans	583,237	-	-	583,237
Other retail loans				
- not overdue	475,642	-	-	475,642
	475,642	-	-	475,642
Credit loss allowance	-	-	-	-
Total net other retail loans	475,642	-	-	475,642
Gross retail loans	18,671,996	501,353	174,758	19,348,107
Total credit loss allowance on retail loans	(47,660)	(40,928)	(22,935)	(111,523)
Total net retail loans	18,624,336	460,425	151,823	19,236,584
Total net loans to customers	39,518,398	460,425	500,822	40,479,645

The following table provides information on the credit quality of loans to customers as at 31 December 2020:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to corporate customers				
Loans to large corporate				
Loans without individual signs of impairment	19,644,702	-	-	19,644,702
Impaired loans:				
- not overdue	-	276,432	-	276,432
- overdue 91-365	-	-	308,328	308,328
- overdue more than 365 days	-	-	349,149	349,149
Total impaired loans	-	276,432	657,477	933,909
Credit loss allowance	(226,514)	(60,302)	(258,990)	(545,806)
Total net loans to large corporate customers	19,418,188	216,130	398,487	20,032,805
Loans to small and medium size companies				
Loans without individual signs of impairment	1,799,382	-	-	1,799,382
Impaired loans:				
- not overdue	-	216,979	-	216,979
Total impaired loans	-	216,979	-	216,979
Credit loss allowance	(6,360)	(25,976)	-	(32,336)
Total net loans to small and medium size companies	1,793,022	191,003	-	1,984,025
Gross loans to corporate customers	21,444,084	493,411	657,477	22,594,972
Total credit loss allowance on corporate customers	(232,874)	(86,278)	(258,990)	(578,142)
Total net loans to corporate customers	21,211,210	407,133	398,487	22,016,830
Loans to retail customers				
Mortgage loans				
- not overdue	14,066,590	-	-	14,066,590
- not overdue in the Bank, but in Stage 2	-	655,683	-	655,683
- overdue less than 30 days	4,283	38,630	-	42,913
- overdue 31-90 days	-	213,711	-	213,711
- overdue 91-180 days	-	-	60,641	60,641
- overdue 181-270 days	-	-	44,901	44,901
- overdue more than 271 days	-	-	72,261	72,261
	14,070,873	908,024	177,803	15,156,700
Credit loss allowance	(42,686)	(116,871)	(29,230)	(188,787)
Total net mortgage loans	14,028,187	791,153	148,573	14,967,913
Consumer loans secured by real estate				
- not overdue	651,125	-	-	651,125
- not overdue in Bank, but in Stage 2	-	62,796	-	62,796
- overdue less than 30 days	5,680	-	-	5,680
- overdue 31-90 days	-	7,120	-	7,120
- overdue 91-180 days	-	-	5,048	5,048
- overdue 181-270 days	-	-	11,182	11,182
- overdue more than 271 days	-	-	5,745	5,745
	656,805	69,916	21,975	748,696
Credit loss allowance	(2,475)	(6,219)	(2,511)	(11,205)
Total net consumer loans secured by real estate	654,330	63,697	19,464	737,491

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total loans
	AMD'000	AMD'000	AMD'000	AMD'000
Credit cards				
- not overdue	546,385	-	-	546,385
- not overdue in Bank, but in Stage 2	-	27,715	-	27,715
- overdue less than 30 days	24,036	-	-	24,036
- overdue 31-90 days	-	552	-	552
- overdue 91-180 days	-	-	7,391	7,391
	570,421	28,267	7,391	606,079
Credit loss allowance	(12,452)	(4,002)	(1,412)	(17,866)
Total net credit cards	557,969	24,265	5,979	588,213
Consumer loans with salary domiciliation				
- not overdue	250,716	-	-	250,716
- not overdue in Bank, but in Stage 2	-	15,866	-	15,866
- overdue less than 30 days	1,706	-	-	1,706
- overdue 31-90 days	-	50	-	50
- overdue 91-180 days	-	-	4,917	4,917
	252,422	15,916	4,917	273,255
Credit loss allowance	(1,598)	(3,396)	(1,787)	(6,781)
Total net consumer loans with salary domiciliation	250,824	12,520	3,130	266,474
Auto loans				
- not overdue	154,420	-	-	154,420
- not overdue in Bank, but in Stage 2	-	16,506	-	16,506
- overdue more than 271 days	-	-	759	759
	154,420	16,506	759	171,685
Credit loss allowance	(960)	(1,342)	(127)	(2,429)
Total net auto loans	153,460	15,164	632	169,256
Individual entrepreneur and other small businesses loans				
- not overdue	218,921	-	-	218,921
- not overdue in the Bank, but in Stage 2	-	8,595	-	8,595
- overdue less than 30 days	23,883	-	-	23,883
- overdue more than 271 days	-	-	2,043	2,043
	242,804	8,595	2,043	253,442
Credit loss allowance	(6,268)	(323)	(279)	(6,870)
Total net individual entrepreneur and other small businesses loans	236,536	8,272	1,764	246,572
Other retail loans				
- not overdue	329,163	-	-	329,163
	329,163	-	-	329,163
Credit loss allowance	-	-	-	-
Total net other retail loans	329,163	-	-	329,163
Gross retail loans	16,276,908	1,047,224	214,888	17,539,020
Total credit loss allowance on retail loans	(66,439)	(132,153)	(35,346)	(233,938)
Total net retail loans	16,210,469	915,071	179,542	17,305,082
Total net loans to customers	37,421,679	1,322,204	578,029	39,321,912

(b) Analysis of collateral

(i) Loans to corporate customers

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

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2021

	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of loan	Fair value of collateral: for collateral assessed as of loan
AMD'000			
Loans without individual signs of impairment			
Cash and deposit	-	-	-
Real estate	18,187,185	-	18,187,185
Corporate shares	397,892	-	397,892
Other	1,010,193	-	1,010,193
No collateral	1,298,792	-	-
Total loans without individual signs of impairment	20,894,062	-	19,595,270
Overdue or impaired loans			
Real estate	328,799	328,799	-
Other	20,200	20,200	-
Total overdue or impaired loans	348,999	348,999	-
Total loans to corporate customers	21,243,061	348,999	19,595,270

31 December 2020

	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of loan reporting date	Fair value of collateral: for collateral assessed as of loan inception date
AMD'000			
Loans without individual signs of impairment			
Cash and deposit	157,921	-	157,921
Real estate	10,392,451	-	10,392,451
Corporate shares	4,951,804	-	4,951,804
No collateral	5,709,034	-	-
Total loans without individual signs of impairment	21,211,210	-	15,502,176
Overdue or impaired loans			
Real estate	780,320	780,320	-
Other	25,300	25,300	-
Total overdue or impaired loans	805,620	805,620	-
Total loans to corporate customers	22,016,830	805,620	15,502,176

The tables above excludes overcollateralisation.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Securities received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

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

(ii) Loans to retail customers

Mortgage loans and consumer loans secured by real estate are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans and consumer loans secured by real estate with a loan-to-value ratios of a maximum of 70% and 50% respectively at the date of loan issuance. Individual entrepreneur loans are secured by real estate. Auto loans are secured by the underlying cars. Consumer loans with salary domiciliation and credit card loans are secured by salaries.

(iii) 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 net carrying amount of AMD 15,333 thousand (During the year ended 31 December 2020 AMD 96,347 thousand). Part of the repossessed collateral in the amount of AMD 548,811 thousand was sold during the year ended 31 December 2021 (During the year ended 31 December 2020 AMD 47,248 thousand was sold or transferred to property, plant and equipment).

As at 31 December 2021 and 31 December 2020 the repossessed collateral comprises:

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Real estate	283,448	881,686
Total repossessed collateral	283,448	881,686

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

(c) Asset under lien

As at 31 December 2021 loans to customers with a gross value of AMD 2,232,728 thousand (31 December 2020: AMD 2,729,075 thousand) serve as collateral for deposits and balances from banks and other borrowed funds.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Public catering and other services	3,647,030	5,883,717
Energy and gas	3,642,697	5,228,762
Construction	3,635,263	2,501,249
Processing of agricultural produce	3,615,131	4,347,025
Real estate	3,546,036	3,370,672
Trade	3,476,124	1,125,834
Manufacturing	-	137,713
Loans to retail customers	19,348,107	17,539,020
	40,910,388	40,133,992
Credit loss allowance	(430,743)	(812,080)
	40,479,645	39,321,912

(e) Significant credit exposures

As at 31 December 2021 the Bank has no borrower or group of connected borrowers (31 December 2020: two), whose net loan balances exceed 10% of equity. The carrying value of these loans as at 31 December 2020 was AMD 10,167,044 thousand.

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 20 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

13 Investment securities

	31 December 2021 AMD'000	31 December 2020 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government securities of the Republic of Armenia	19,446,695	23,958,244
Bonds issued by banks and other financial institutions of the Republic of Armenia		
- Rated B to B+	3,049,646	2,878,322
- Not Rated	-	205,348
	22,496,341	27,041,914
Equity instruments		
- Corporate shares	17,517	17,517
	22,513,858	27,059,431
Credit loss allowance	(79,315)	(106,174)
Carrying amount – fair value	22,513,858	27,059,431

None of investment securities are past due.

(a) Non-quoted equity investment securities designated at FVOCI

At 1 January 2018, the Bank designated certain investments shown in the following table as equity securities as at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term.

Name and Country of incorporation	Main activity	% Controlled	31 December 2021 AMD'000	31 December 2020 AMD'000
ArCa - Republic of Armenia	Payment system	1.25%	16,500	16,500
SWIFT - Belgium	Money transfer	0%	1,017	1,017
			17,517	17,517

None of these investments was disposed of during year ended 31 December 2021, no dividend income recognized in year ended 31 December 2021 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

The management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2021 and 31 December 2020.

14 Lease

The Bank leases a building for 10 years without an automatic option to renew the lease after that date. Information about leases for which the Bank is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented below.

	31 December 2021 AMD'000		31 December 2020 AMD'000	
	Land and buildings	Total	Land and buildings	Total
Balance at 1 January	637,569	637,569	491,361	491,361
Depreciation charge	(70,238)	(70,238)	(57,826)	(57,826)
Additions to right-of-use assets	50	50	204,034	204,034
Balance at the end of the reporting period	567,381	567,381	637,569	637,569

(b) Amounts recognized in profit and loss

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Interest on lease liabilities	<u>11,470</u>	<u>46,515</u>	<u>12,136</u>	<u>49,112</u>

(c) Amounts recognised in statement of cash flows

	1 October 2021 31 December 2021 AMD'000	1 January 2021 31 December 2021 AMD'000	1 October 2020 31 December 2020 AMD'000	1 January 2020 31 December 2020 AMD'000
Lease payments	<u>18,461</u>	<u>72,078</u>	<u>17,845</u>	<u>70,322</u>

15 Property, equipment and intangible assets

AMD'000	Land and buildings	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost						
Balance at 1 January 2021	1,893,444	646,379	401,127	41,311	231,065	3,213,326
Additions	165,267	196,478	153,084	7,512	60,817	583,158
Disposals	-	(11,536)	(4,857)	(3,726)	-	(20,119)
Balance as at 31 December 2021	2,058,711	831,321	549,354	45,097	291,882	3,776,365
Depreciation and amortization						
Balance at 1 January 2021	(261,341)	(310,749)	(257,416)	(23,475)	(100,481)	(953,462)
Depreciation and amortization for the period	(33,726)	(44,775)	(31,078)	(7,169)	(5,875)	(122,623)
Disposals	-	11,536	4,747	3,726	-	20,009
Balance as at 31 December 2021	(295,067)	(343,988)	(283,747)	(26,918)	(106,356)	(1,056,076)
Carrying amount						
At 31 December 2021	1,763,644	487,333	265,607	18,179	185,526	2,720,289
Cost						
Balance at 1 January 2020	1,427,126	340,776	272,764	41,311	201,116	2,283,093
Additions	466,318	305,603	128,363	-	29,949	930,233
Disposals	-	-	-	-	-	-
Balance at 31 December 2020	1,893,444	646,379	401,127	41,311	231,065	3,213,326
Depreciation and amortization						
Balance at 1 January 2020	(242,146)	(277,148)	(238,037)	(16,790)	(97,835)	(871,956)
Depreciation and amortization for the year	(19,195)	(33,601)	(19,379)	(6,685)	(2,646)	(81,506)
Disposals	-	-	-	-	-	-
Balance at 31 December 2020	(261,341)	(310,749)	(257,416)	(23,475)	(100,481)	(953,462)
Carrying amount						
At 31 December 2020	1,632,103	335,630	143,711	17,836	130,584	2,259,864

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during year ended 31 December 2021 (2020: nil).

16 Current accounts and deposits from customers

	31 December 2021 AMD'000	31 December 2020 AMD'000
Current accounts and demand deposits		
- Retail	6,546,201	7,467,021
- Corporate	2,457,550	2,227,287
Term deposits		
- Retail	32,560,624	32,897,766
- Corporate	20,197,356	16,403,752
	61,761,731	58,995,826

As at 31 December 2021 the Bank maintained customer deposit balances of AMD 1,301,130 thousand that serve as collateral for loans and credit related commitments granted by the Bank (31 December 2020: AMD 1,124,420 thousand).

As at 31 December 2021 the Bank has four customers (31 December 2020: three), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2021 is AMD 18,179,576 thousand (31 December 2020: AMD 9,164,111 thousand).

17 Other borrowed funds

	31 December 2021 AMD'000	31 December 2020 AMD'000
Loan from a related party	-	3,310,278
Loans from National Mortgage Company	282,753	495,219
Other	98,235	103,338
	<u>380,988</u>	<u>3,908,835</u>

(a) Convertible borrowing

On 19 January 2017 the Bank received a loan from the related party of USD 6,200 thousand convertible into the ordinary shares of the Bank at the nominal value per share within 4 years. The loan contains mandatory conversion clause, representing forward financial instrument. Management believes that the fair value of this instrument is not material as at 31 December 2021 and 31 December 2020.

18 Subordinated loans from Parent

On 30 April 2015, on 30 September 2016 and on 13 December 2016 the Bank obtained subordinated loans from the Parent of USD 5,000 thousand, EUR 9,375 thousand and USD 5,200 thousand convertible into the ordinary shares of the Bank at the nominal value per share within 10 years, at the option of the holder. The loans contain mandatory, voluntary and accelerated conversion options, representing forward and option financial instruments, respectively.

Subordinated loan issued on 30 April 2015 was converted into shares applying accelerated conversion option (see Note 19(a)).

Management believes that the fair value of these instruments is not material as at 31 December 2021 and 31 December 2020.

19 Share capital and reserves

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 262,491 ordinary shares (31 December 2020: 262,491 shares). All shares have a nominal value of AMD 100,000.

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

Fair value reserve for investment securities

Fair value reserve for investment securities comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

(c) Dividends

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

20 Risk management

(a) Risk management policies and procedures

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

The Bank's risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Bank has developed a system of reporting on significant risks and capital.

The Board of Directors 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 Management Committee with the support of the Assets and Liability Committee (ALCO Committee) is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters.

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 determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Management Committee monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

In compliance with the Bank's internal documentation the Management Committee and internal audit function frequently prepare reports, which cover the Bank's significant risks management. The reports include observations as to assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement.

(b) Financial risk review

This note presents information about the Bank's exposure to financial risks.

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 recognized financial assets and unrecognized contractual commitments).

Corporate loan credit applications are originated and analyzed by the relevant relationship managers from the Commercial Banking Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Department and a second opinion is given accompanied by verification that credit policy requirements are met. The Management Committee reviews the loan credit application on the basis of submissions by the Commercial Banking Department. Individual transactions are also reviewed by the Legal Unit, depending on the specific risks and pending final approval of the Management 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. The current market value of collateral is regularly assessed by independent appraisal companies or the Bank's specialists.

Retail loan credit applications are reviewed by the Retail Approval Unit, Retail Approval Committee and Management Committee based on the authorized limits. Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4(e)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes

- Data from credit reference agencies, press articles, changes in external credit ratings

- Quoted bond and credit default swap (CDS) prices for the borrower where available

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

All exposures (corporate and retail exposures)

- Payment record – this includes overdue status as well as a range of variables about payment ratios

- Utilisation of the granted limit

- Requests for and granting of forbearance

- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Bank sets the maximum level of PDs equal to PD of the country's rating grade where the borrower operates.

Overdue days are primary input into the determination of the term structure of PD for retail exposures in Markov's model of migration matrices. Migration matrices are constructed using historical data over the past 48 months.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant will differ for different types of lending, in particular between corporate and retail.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank uses expert judgment in assessment of forward-looking information.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts, changes in exchange rates and prices in real estate market.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4(e)(iii).

Byblos Bank Armenia CJSC
*Notes to, and forming part of, the interim financial statements for the year ended
31 December 2021*

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4(e)(iv)). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models

Byblos Bank Armenia CJSC
*Notes to, and forming part of, the interim financial statements for the year ended
31 December 2021*

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- collateral type.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

31 December 2021

AMD'000	Exposure	External benchmarks used	
		PD	LGD
Debt investment securities at FVOCI	22,496,341	S&P default study	Moody's recovery studies
Loans to corporate customers	1,065,848	S&P default study	Moody's recovery studies
Loans to corporate customers	20,177,213	S&P default study	-

31 December 2020

AMD'000	Exposure	External benchmarks used	
		PD	LGD
Debt investment securities at FVOCI	27,041,914	S&P default study	Moody's recovery studies
Loans to corporate customers	5,709,755	S&P default study	Moody's recovery studies
Loans to corporate customers	16,307,075	S&P default study	-

Loss allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instruments for the year ended 31 December 2021

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Cash and cash equivalents				
Balance at 1 January	(743)	-	-	(743)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	743	-	-	743
New financial assets originated or purchased	(1,564)	-	-	(1,564)
Balance at 31-December 2021	(1,564)	-	-	(1,564)

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to banks at amortized cost				
Balance at 1 January	(58,180)	-	-	(58,180)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	20,278	-	-	20,278
New financial assets originated or purchased	(719)	-	-	(719)
Balance at 31-December 2021	(38,621)	-	-	(38,621)

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	(232,874)	(86,278)	(258,990)	(578,142)
Transfer to Stage 1	(60,302)	60,302	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	248,295	25,976	162,302	436,573
New financial assets originated or purchased	(177,651)	-	-	(177,651)
Write-offs*	-	-	-	-
Balance at 31 December 2021	(222,532)	-	(96,688)	(319,220)

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – retail customers				
Balance at 1 January	(66,439)	(132,153)	(35,346)	(233,938)
Transfer to Stage 1	(80,926)	75,179	5,747	-
Transfer to Stage 2	539	(1,606)	1,067	-
Transfer to Stage 3	359	4,718	(5,077)	-
Net remeasurement of loss allowance	86,291	13,824	(23,760)	76,355
New financial assets originated or purchased	(13,263)	(4,449)	-	(17,712)
Write-offs*	25,779	3,559	34,434	63,772
Balance at 31 December 2021	(47,660)	(40,928)	(22,935)	(111,523)

* Prior year write-offs figure is net of recoveries for the period.

AMD'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at 1 January	(106,174)	-	-	(106,174)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	14,205	-	-	14,205
New financial assets originated or purchased	12,654	-	-	12,654
Other	-	-	-	-
Balance at 31-December-2021	(79,315)	-	-	(79,315)

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

The below tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instruments for the year ended 31 December 2020.

AMD'000	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	(1,320)	-	-	(1,320)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	1,320	-	-	1,320
New financial assets originated or purchased	(743)	-	-	(743)
Balance at 31 December 2020	(743)	-	-	(743)

AMD'000	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to banks at amortized cost				
Balance at 1 January	(56,088)	-	-	(56,088)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(28)	-	-	(28)
New financial assets originated or purchased	(2,064)	-	-	(2,064)
Balance at 31 December 2020	(58,180)	-	-	(58,180)

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	(206,805)	(80,926)	(727,273)	(1,015,004)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	5,007	(5,007)	-	-
Transfer to Stage 3	-	80,926	(80,926)	-
Net remeasurement of loss allowance	3,526	(81,271)	(131,960)	(209,705)
New financial assets originated or purchased	(34,602)	-	-	(34,602)
Write-offs*	-	-	681,169	681,169
Balance at 31 December 2020	(232,874)	(86,278)	(258,990)	(578,142)

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Loans to customers at amortised cost – retail customers				
Balance at 1 January	(25,954)	(30,350)	(18,023)	(74,327)
Transfer to Stage 1	(2,166)	1,926	240	-
Transfer to Stage 2	1,222	(3,677)	2,455	-
Transfer to Stage 3	160	5,461	(5,621)	-
Net remeasurement of loss allowance	(39,171)	(110,635)	(29,524)	(179,330)
New financial assets originated or purchased	(17,206)	(2,425)	(406)	(20,037)
Write-offs*	16,676	7,547	15,533	39,756
Balance at 31 December 2020	(66,439)	(132,153)	(35,346)	(233,938)

* Prior year write-offs figure is net of recoveries for the period.

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AMD'000				
Debt investment securities at FVOCI				
Balance at 1 January	(116,701)	-	-	(116,701)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	17,714	-	-	17,714
New financial assets originated or purchased	(7,187)	-	-	(7,187)
Other	-	-	-	-
Balance at 31 December 2020	(106,174)	-	-	(106,174)

The following table provides reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the ‘impairment losses on debt financial assets’ and ‘impairment losses on loan commitments and financial guarantees’ line items in the statement of profit or loss and other comprehensive income.

Reconciliation for the year ended 31 December 2021

AMD'000	Cash and cash equivalents	Loans to banks at amortised cost	Loans to customers at amortised cost - corporate customers	Loans to customers at amortised cost - retail customers	Debt investment securities at FVOCI	Other assets	Total
Net remeasurement of loss allowance	743	20,278	436,573	76,355	14,205	-	548,154
New financial assets originated or purchased	(1,564)	(719)	(177,651)	(17,712)	12,654	-	(184,992)
Effect of changes in exchange rates	-	-	(48,313)	(8,592)	-	-	(56,905)
Subtotal	(821)	19,559	210,609	50,051	26,859	-	306,257
Recoveries of amounts previously written off	-	-	209,655	26,761	-	806	237,222
Total	(821)	19,559	420,264	76,812	26,859	806	543,479

Reconciliation for the year ended 31 December 2020

AMD'000	Cash and cash equivalents	Loans to banks at amortised cost	Loans to customers at amortised cost - corporate customers	Loans to customers at amortised cost - retail customers	Debt investment securities at FVOCI	Other assets	Total
Net remeasurement of loss allowance	1,320	(28)	(209,705)	(179,330)	17,714	-	(370,029)
New financial assets originated or purchased	(743)	(2,064)	(34,602)	(20,037)	(7,187)	-	(64,634)
Subtotal	577	(2,092)	(244,307)	(199,367)	10,527	-	(434,663)
Recoveries of amounts previously written off	-	-	-	76,646	-	29,226	105,872
Total	577	(2,092)	(244,307)	(122,721)	10,527	29,226	(328,791)

Significant changes in the gross carrying amount of retail and corporate portfolios during year ended 31 December 2021 that contributed to changes in loss allowance were as follows:

AMD'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – corporate customers – gross carrying amount				
Balance at 1 January	21,444,084	493,411	657,477	22,594,972
Transfer to Stage 1	276,432	(276,432)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	15,235,241	-	-	15,235,241
Financial assets that have been fully or partially repaid and other changes	(15,839,163)	(216,979)	(211,790)	(16,267,932)
Write-offs	-	-	-	-
Balance at 31 December	21,116,594	-	445,687	21,562,281

Loans to customers at amortised cost - retail customers – gross carrying amount

Balance at 1 January	16,276,908	1,047,224	214,888	17,539,020
Transfer to Stage 1	636,083	(601,123)	(34,960)	-
Transfer to Stage 2	(144,605)	150,892	(6,287)	-
Transfer to Stage 3	(67,421)	(37,895)	105,316	-
New financial assets originated or purchased	5,125,212	57,070	-	5,182,282
Financial assets that have been fully or partially repaid and other changes	(3,128,402)	(111,256)	(69,765)	(3,309,423)
Write-offs	(25,779)	(3,559)	(34,434)	(63,772)
Balance at 31 December	18,671,996	501,353	174,758	19,348,107

Significant changes in the gross carrying amount of retail and corporate portfolios during the year ended 31 December 2020 that contributed to changes in loss allowance were as follows:

AMD'000	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost – corporate customers – gross carrying amount				
Balance at 1 January	19,681,072	609,159	817,160	21,107,391
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(426,682)	426,682	-	-
Transfer to Stage 3	-	(609,159)	609,159	-
New financial assets originated or purchased	8,839,005	79,266	-	8,918,271
Financial assets that have been fully or partially repaid and other changes	(6,649,311)	(12,537)	(87,673)	(6,749,521)
Write-offs	-	-	(681,169)	(681,169)
Balance at 31 December	21,444,084	493,411	657,477	22,594,972

AMD'000	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost - retail customers – gross carrying amount				
Balance at 1 January	13,929,666	381,673	188,323	14,499,662
Transfer to Stage 1	29,045	(25,210)	(3,835)	-
Transfer to Stage 2	(693,206)	717,109	(23,903)	-
Transfer to Stage 3	(56,046)	(71,792)	127,838	-
New financial assets originated or purchased	5,075,911	16,979	3,552	5,096,442
Financial assets that have been fully or partially repaid and other changes	(1,991,786)	36,012	(61,554)	(2,017,328)
Write-offs	(16,676)	(7,547)	(15,533)	(39,756)
Balance at 31 December	16,276,908	1,047,224	214,888	17,539,020

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2021. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: Stage 1, Stage 2, Stage 3 are included in Note 4(e)(iv).

AMD'000	31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	
Cash and cash equivalents				
Rated B- to BBB-	376,299	-	-	376,299
Not rated	20,433,862	-	-	20,433,862
	20,810,161	-	-	20,810,161
Loss allowance	(1,564)	-	-	(1,564)
Carrying amount	20,808,597	-	-	20,808,597
Loans to banks at amortised cost				
Rated A+	79,637	-	-	79,637
Rated B to B+	8,651,532	-	-	8,651,532
Not rated	3,994,295	-	-	3,994,295
	12,725,464	-	-	12,725,464
Loss allowance	(38,621)	-	-	(38,621)
Carrying amount	12,686,843	-	-	12,686,843
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment	21,116,594	-	-	21,116,594
Not overdue	-	-	-	-
Overdue less than 91-365 days	-	-	-	-
Overdue more than 365 days	-	-	445,687	445,687
	21,116,594	-	445,687	21,562,281
Loss allowance	(222,532)	-	(96,688)	(319,220)
Carrying amount	20,894,062	-	348,999	21,243,061
Loans to customers at amortised cost – retail customers*				
Not overdue	18,638,091	219,538	-	18,857,629
Overdue less than 30 days	33,905	79,570	-	113,475
Overdue 31-90 days	-	202,245	-	202,245
Overdue 91-180 days	-	-	78,621	78,621
Overdue 181-270 days	-	-	13,709	13,709
Overdue more than 271 days	-	-	82,428	82,428
	18,671,996	501,353	174,758	19,348,107
Loss allowance	(47,660)	(40,928)	(22,935)	(111,523)
Carrying amount	18,624,336	460,425	151,823	19,236,584
Debt investment securities at FVOCI				
Rated B- to B+	22,496,341	-	-	22,496,341
Not rated	-	-	-	-
	22,496,341	-	-	22,496,341
Loss allowance	(79,315)	-	-	(79,315)
Carrying amount – fair value	22,496,341	-	-	22,496,341

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2020.

AMD'000	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Cash and cash equivalents				
Rated B- to BBB-	2,950	-	-	2,950
Not rated	12,966,326	-	-	12,966,326
	12,969,276	-	-	12,969,276
Loss allowance	(743)	-	-	(743)
Carrying amount	12,968,533	-	-	12,968,533
Loans to banks at amortised cost				
Rated A+	86,678	-	-	86,678
Rated B to B+	6,974,106	-	-	6,974,106
Not rated	6,166,297	-	-	6,166,297
	13,227,081	-	-	13,227,081
Loss allowance	(58,180)	-	-	(58,180)
Carrying amount	13,168,901	-	-	13,168,901
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment	21,444,084	-	-	21,444,084
Not overdue	-	493,411	-	493,411
Overdue 91-365 days	-	-	308,328	308,328
Overdue more than 365 days	-	-	349,149	349,149
	21,444,084	493,411	657,477	22,594,972
Loss allowance	(232,874)	(86,278)	(258,990)	(578,142)
Carrying amount	21,211,210	407,133	398,487	22,016,830
Loans to customers at amortised cost – retail customers*				
Not overdue	16,217,320	787,161	-	17,004,481
Overdue less than 30 days	59,588	38,630	-	98,218
Overdue 31-90 days	-	221,433	-	221,433
Overdue 91-180 days	-	-	77,997	77,997
Overdue 181-270 days	-	-	56,083	56,083
Overdue more than 271 days	-	-	80,808	80,808
	16,276,908	1,047,224	214,888	17,539,020
Loss allowance	(66,439)	(132,153)	(35,346)	(233,938)
Carrying amount	16,210,469	915,071	179,542	17,305,082
Debt investment securities at FVOCI				
Rated B- to B+	26,836,566	-	-	26,836,566
Not rated	205,348	-	-	205,348
	27,041,914	-	-	27,041,914
Loss allowance	(106,174)	-	-	(106,174)
Carrying amount – fair value	27,041,914	-	-	27,041,914

* Expected credit losses under IFRS 9 for loans to customers include ECL for undrawn loan commitments.

Collateral held and other credit enhancements

At 31 December 2021 and 31 December 2020 the Bank had financial instruments for which no loss allowance is recognised because of collateral.

	Exposure as at 31 December 2021 AMD'000	Exposure as at 31 December 2020 AMD'000
Amounts receivable under reverse repurchase agreements	-	5,898,754
Loans to corporate customers	5,160,870	3,347,612
Loans to retail customers	475,642	329,163

During the period, there was no change in the Bank's collateral policies.

Concentrations of credit risk

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2021 AMD'000	31 December 2020 AMD'000
Assets		
Cash and cash equivalents	20,808,597	12,968,533
Amounts receivable under reverse repurchase agreements	-	5,898,754
Loans to banks and other placements	12,686,843	13,168,901
Loans to customers	40,479,645	39,321,912
Investment securities	22,513,858	27,059,431
Other financial assets	72,606	20,610
Total maximum exposure	96,561,549	98,438,141

Collateral generally is not held against investments in securities, and loans to banks, except when securities are held as part of reverse repurchase activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 12.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 22.

As at 31 December 2021 the Bank has two debtors or groups of connected debtors (as at 31 December 2020: two), credit risk exposure to whom exceeded 10 percent maximum credit risk exposure. The credit risk exposure for these counterparties as at 31 December 2021 is AMD 39,620,992 thousand (as at 31 December 2020: AMD 39,064,958 thousand).

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. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

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

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

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

As at 31 December 2021 the Bank has no financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements.

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	Gross amounts of recognized financial assets	Gross amount of recognized financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts subject to offsetting in case of bankruptcy	
				Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	5,898,754	-	5,898,754	5,898,754	-
Total financial assets	5,898,754	-	5,898,754	5,898,754	-

(c) 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 debt and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk management is vested in the ALCO Committee. Market risk limits are approved by the ALCO Committee.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the ALCO Committee.

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows as at 31 December 2021:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2021							
ASSETS							
Cash and cash equivalents	1,825,951	-	-	-	-	19,888,170	21,714,121
Loans to banks and other placements	4,633,372	2,390,034	-	2,390,034	79,637	3,193,766	12,686,843
Loans to customers	3,251,005	4,280,657	10,949,929	20,970,074	1,027,980	-	40,479,645
Investment securities	761,901	3,872,935	2,802,068	12,734,967	2,324,470	17,517	22,513,858
Other financial assets	-	-	-	-	-	72,606	72,606
	10,472,230	10,543,626	13,751,997	36,095,075	3,432,087	23,172,058	97,467,073
Liabilities							
Deposits and balances from banks	-	16,903	6,319	364,303	-	-	387,525
Current accounts and deposits from customers	14,258,348	11,689,196	19,182,872	12,211,039	4,281	4,415,995	61,761,731
Other borrowed funds	23,975	20,650	44,860	243,794	47,709	-	380,988
Subordinated loans from Parent	128,887	-	-	7,583,697	-	-	7,712,584
Lease liability	7,525	7,601	15,941	189,366	212,070	-	432,503
Other financial liabilities	-	-	-	-	-	267,191	267,191
	14,418,735	11,734,350	19,249,992	20,592,199	264,060	4,683,186	70,942,522
	(3,946,505)	(1,190,724)	(5,497,995)	15,502,876	3,168,027	18,488,872	26,524,551

A summary of the interest gap position for major financial instruments is as follows as at 31 December 2020:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2020							
ASSETS							
Cash and cash equivalents	323,197	-	-	-	-	13,365,396	13,688,593
Amounts receivable under reverse repurchase agreements	5,898,754	-	-	-	-	-	5,898,754
Loans to banks and other placements	4,101,601	-	-	5,170,126	86,678	3,810,496	13,168,901
Loans to customers	7,359,472	2,372,702	10,977,560	17,170,307	1,441,871	-	39,321,912
Investment securities	1,263,719	3,111,712	1,554,221	18,114,112	2,998,150	17,517	27,059,431
Other financial assets	-	-	-	-	-	20,610	20,610
	18,946,743	5,484,414	12,531,781	40,454,545	4,526,699	17,214,019	99,158,201
LIABILITIES							
Deposits and balances from banks	-	19,751	8,429	659,226	-	-	687,406
Current accounts and deposits from customers	17,330,674	11,222,910	15,991,016	10,353,110	3,750	4,094,366	58,995,826
Other borrowed funds	3,348,669	37,391	68,967	352,830	100,978	-	3,908,835
Subordinated loans from Parent	146,776	-	-	-	8,727,874	-	8,874,650
Lease liability	6,302	6,337	13,285	161,706	270,878	-	458,508
Other financial liabilities	-	-	-	-	-	243,368	243,368
	20,832,421	11,286,389	16,081,697	11,526,872	9,103,480	4,337,734	73,168,593
	(1,885,678)	(5,801,975)	(3,549,916)	28,927,673	(4,576,781)	12,876,285	25,989,608

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 31 December 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2021			31 December 2020		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Amounts receivable under reverse repurchase agreements	-	-	-	5.6%	-	3.0%
Loans to banks and other placements	8.1%	4.1%	-	5.5%	5.9%	2.5%
Loans to customers	11.1%	7.9%	5.3%	11.5%	7.4%	7.4%
Investment securities	9.2%	-	-	9.3%	-	-
Interest bearing liabilities						
Deposits and balances from banks	7.9%	-	-	7.9%	-	-
Amounts receivable under repurchase agreements	-	-	-			
Current accounts and deposits from customers	-	-	-			
- Current accounts and demand deposits	1.0%	0.7%	0.0%	1.0%	0.7%	-
- Term deposits	8.2%	4.4%	2.1%	7.9%	4.3%	2.1%
Other borrowed funds	8.3%	-	-	8.6%	8.3%	-
Subordinated loans from parent	-	6.5%	6.5%	-	6.5%	6.5%

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of 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 existing as at 31 December 2021 and 31 December 2020, respectively, as follows:

	31 December 2021	31 December 2020
	AMD'000	AMD'000
100 bp parallel fall	69,092	41,194
100 bp parallel rise	(69,092)	(41,194)

An analysis of sensitivity of net profit or loss and equity as a result of changes in fair value of financial assets at FVOCI due to changes in the interest rates based on positions existing at 31 December 2021 and 31 December 2020 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, respectively, is as follows:

	31 December 2021		31 December 2020	
	Net profit or loss	Equity	Net profit or loss	Equity
	AMD'000	AMD'000	AMD'000	AMD'000
100 bp parallel fall	-	408,608	-	603,656
100 bp parallel rise	-	(408,608)	-	(603,656)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank does not hedge its exposure to currency risk.

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

	AMD	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS					
Cash and cash equivalents	4,701,777	11,795,122	5,194,529	22,692	21,714,121
Loans to banks and other placements	901,844	11,676,477	108,522	-	12,686,843
Loans to customers	19,852,361	19,397,325	1,229,959	-	40,479,645
Investment securities	22,513,858	-	-	-	22,513,858
Other financial assets	48,053	24,543	9	1	72,606
Total assets	48,017,893	42,893,467	6,533,019	22,693	97,467,072
LIABILITIES					
Deposits and balances from banks	387,525	-	-	-	387,525
Current accounts and deposits from customers	20,454,657	39,941,686	1,349,585	15,803	61,761,731
Other borrowed funds	380,988	-	-	-	380,988
Subordinated loans from Parent	-	2,539,053	5,173,531	-	7,712,584
Lease liability	432,503	-	-	-	432,503
Other financial liabilities	232,074	34,873	244	-	267,191
Total liabilities	21,887,747	42,515,612	6,523,360	15,803	70,942,522
Net position	26,130,146	377,855	9,659	6,890	26,524,550

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

	AMD	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS					
Cash and cash equivalents	4,871,840	5,700,439	3,104,021	12,293	13,688,593
Amounts receivable under reverse repurchase agreements	3,654,448	-	2,244,306	-	5,898,754
Loans to banks and other placements	769,954	10,345,411	2,053,536	-	13,168,901
Loans to customers	12,942,739	26,202,874	176,299	-	39,321,912
Investment securities	27,059,431	-	-	-	27,059,431
Other financial assets	10,149	10,445	16	-	20,610
Total assets	49,308,561	42,259,169	7,578,178	12,293	99,158,201
LIABILITIES					
Deposits and balances from banks	687,406	-	-	-	687,406
Current accounts and deposits from customers	21,404,383	36,109,241	1,478,686	3,516	58,995,826
Other borrowed funds	598,558	3,310,277	-	-	3,908,835
Subordinated loans from Parent	-	2,763,027	6,111,623	-	8,874,650
Lease liability	458,508	-	-	-	458,508
Other financial liabilities	215,956	25,147	2,265	-	243,368
Total liabilities	23,364,811	42,207,692	7,592,574	3,516	73,168,593
Net position	25,943,750	51,477	(14,396)	8,777	25,989,608

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2021 and 31 December 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2021 AMD'000	31 December 2020 AMD'000
10% appreciation of USD against AMD	37,786	5,148
10% appreciation of EUR against AMD	966	(1,440)

A strengthening of the AMD against the above currencies at 31 December 2021 and 31 December 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 remain constant.

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty 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 ALCO Committee.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, 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 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 Treasury Unit receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Unit then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

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 Treasury Unit. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the liquidity management are made by the ALCO Committee, based on the reports of Risk Management and Treasury Unit.

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.

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
AMD'000							
31 December 2021							
Non-derivative liabilities							
Deposits and balances from banks	-	-	25,495	21,283	383,178	429,956	387,525
Current accounts and deposits from customers	14,019,021	4,842,452	12,172,724	19,999,878	12,784,434	63,818,510	61,761,731
Other borrowed funds	11,410	17,362	27,999	58,701	344,075	459,547	380,988
Subordinated loans from Parent	-	245,420	-	247,970	9,564,751	10,058,141	7,712,584
Lease liability	6,187	12,373	18,561	37,492	565,959	640,572	432,503
Other financial liabilities	-	-	-	-	267,191	267,191	267,191
Total	14,036,618	5,117,607	12,244,779	20,365,325	23,909,589	75,673,918	70,942,522
Credit related commitments	6,631,359	-	-	-	-	6,631,359	6,631,359

The contractual maturity analysis for financial liabilities as at 31 December 2020 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
AMD'000							
31 December 2020							
Non-derivative liabilities							
Deposits and balances from banks	-	-	35,042	35,018	737,039	807,099	687,406
Current accounts and deposits from customers	17,367,477	4,200,789	11,580,043	16,796,635	10,927,251	60,872,195	58,995,826
Other borrowed funds	3,336,157	33,373	49,099	90,581	545,011	4,054,221	3,908,835
Subordinated loans from Parent	-	282,450	-	283,823	11,577,022	12,143,295	8,874,650
Lease liability	6,006	12,013	18,020	36,400	640,653	713,092	458,508
Other financial liabilities	-	-	-	-	243,368	243,368	243,368
Total	20,709,640	4,528,625	11,682,204	17,242,457	24,670,344	78,833,270	73,168,593
Credit related commitments	5,036,055	-	-	-	-	5,036,055	5,036,055

In accordance with Armenian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contractual maturity dates.

The classification of principal balance of these deposits in accordance with their stated maturity dates is presented below:

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Less than 1 month	2,973,166	2,547,689
From 1 to 3 months	3,650,858	3,176,015
From 3 to 12 months	21,646,526	23,731,706
More than 1 year	3,775,425	2,808,517
	32,045,975	32,263,927

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets								
Cash and cash equivalents	21,714,121	-	-	-	-	-	-	21,714,121
Loans to banks and other placements	7,717,185	8,453	2,390,034	2,390,034	-	181,137	-	12,686,843
Loans to customers	335,209	1,603,280	7,868,861	15,885,973	14,402,865	-	383,457	40,479,645
Investment securities	23,583	738,318	6,675,003	12,734,967	2,324,470	17,517	-	22,513,858
Right-of-use assets	-	-	-	-	567,381	-	-	567,381
Property, equipment and intangible assets	-	-	-	-	-	2,720,289	-	2,720,289
Repossessed assets	-	-	-	-	-	283,448	-	283,448
Other assets	-	-	-	-	-	208,718	-	208,718
Total assets	29,790,098	2,350,051	16,933,898	31,010,974	17,294,716	3,411,109	383,457	101,174,303
Liabilities								
Deposits and balances from banks	-	-	23,222	364,303	-	-	-	387,525
Current accounts and deposits from customers	13,946,978	4,638,862	30,930,687	12,239,568	5,636	-	-	61,761,731
Other borrowed funds	10,826	13,149	65,510	243,794	47,709	-	-	380,988
Subordinated loans from Parent	-	128,887	-	7,583,697	-	-	-	7,712,584
Current tax liabilities	-	-	102,517	-	-	-	-	102,517
Deferred tax liabilities	-	-	-	-	-	186,517	-	186,517
Lease liability	2,364	5,161	23,542	189,366	212,070	-	-	432,503
Other liabilities	-	-	-	-	-	322,902	-	322,902
Total liabilities	13,960,168	4,786,059	31,145,478	20,620,728	265,415	509,419	-	71,287,267
Net position	15,829,930	(2,436,008)	(14,211,580)	10,390,246	17,029,301	2,901,690	383,457	29,887,036

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

	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	13,688,593	-	-	-	-	-	-	13,688,593
Amounts receivable under reverse repurchase agreements	5,898,754	-	-	-	-	-	-	5,898,754
Loans to banks and other placements	7,732,943	9,154	-	5,170,126	-	256,678	-	13,168,901
Loans to customers	252,975	6,187,523	6,658,515	14,935,433	10,949,125	-	338,341	39,321,912
Investment securities	23,575	1,240,144	4,665,933	18,114,112	2,998,150	17,517	-	27,059,431
Right-of-use assets	-	-	-	-	637,569	-	-	637,569
Property, equipment and intangible assets	-	-	-	-	-	2,259,864	-	2,259,864
Reposessed assets	-	-	-	-	-	881,686	-	881,686
Other assets	-	-	-	-	-	199,134	-	199,134
Total assets	27,596,840	7,436,821	11,324,448	38,219,671	14,584,844	3,614,879	338,341	103,115,844
Liabilities								
Deposits and balances from banks	-	-	28,180	659,226	-	-	-	687,406
Current accounts and deposits from customers	17,320,230	4,028,124	27,219,945	10,381,639	45,888	-	-	58,995,826
Other borrowed funds	3,322,005	26,664	106,358	352,830	100,978	-	-	3,908,835
Subordinated loans from Parent	-	146,776	-	-	8,727,874	-	-	8,874,650
Current tax liabilities	-	-	64,301	-	-	-	-	64,301
Deferred tax liabilities	-	-	-	-	-	301,531	-	301,531
Lease liability	1,952	4,350	19,622	161,706	270,878	-	-	458,508
Other liabilities	-	-	-	-	-	308,580	-	308,580
Total liabilities	20,644,187	4,205,914	27,438,406	11,555,401	9,145,618	610,111	-	73,599,637
Net position	6,952,653	3,230,907	(16,113,958)	26,664,270	5,439,226	3,004,768	338,341	29,516,207

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, gold bullion, 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 ratio of highly liquid assets to demand liabilities at the 30 September 2021 is 284.75% (31 December 2020: 350.35%).

The above ratio is also used to measure compliance with the liquidity limit established by the CBA (60% minimum).

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

21 Capital management

The CBA sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, which are based on Basel Accord principles, banks have to maintain a ratio of Tier 1 and total capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level (9% and 12% respectively). The Bank is in compliance with the statutory capital ratios as at 31 December 2021 and 31 December 2020.

The following table shows the composition of the capital position calculated in accordance with the requirements of the CBA, as at 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Tier 1 capital		
Share capital	26,249,100	26,249,100
Share premium	257,149	257,149
General reserve	128,028	128,028
Retained earnings	2,611,716	1,706,510
Deductions	(847,640)	(2,011,911)
Total tier 1 capital	28,398,353	26,328,876
Tier 2 capital		
Fair value reserve for investment securities	(92,255)	923,291
Subordinated loans	6,132,003	8,623,010
Deduction of tier 2 capital as per the CBA regulations	-	(1,647,638)
Total tier 2 capital	6,039,749	7,898,663
Total capital	34,438,101	34,227,539
Total risk weighted assets	84,435,576	87,175,983
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	40.79%	39.26%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	33.63%	30.20%

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 unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

22 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 one year.

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

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

	31 December 2021	31 December 2020
	AMD'000	AMD'000
Contracted amount		
Loan and credit line commitments	4,681,158	3,264,324
Credit card commitments	979,065	718,212
Guarantees and letters of credit	971,136	1,053,519
	6,631,359	5,036,055

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

As at 31 December 2021 of these credit related commitments, AMD 4,684,974 thousand (31 December 2020: AMD 3,352,734 thousand) are to seven customers (31 December 2020: five customers). This exposure represents a significant credit risk exposure to the Bank.

23 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 500,000 thousand coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of property arising from accidents on the Bank's property or related to the Bank's operations. The Bank also has up to AMD 110,000 thousand insurance coverage of cash desks against physical damage and theft.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in the Republic of Armenia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

24 Related party transactions

(a) Control relationships

The Bank's parent Company is "Byblos Bank S.A.L", which owns 100 % of the share capital. The parent Company produces publicly available financial statements. The party with ultimate control over the Bank is Francois Bassil.

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

Total remuneration included in personnel expenses for the year ended 31 December 2021 and 31 December 2020 is as follows:

	1 October 2021	1 January 2021	1 October 2020	1 January 2020
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
	AMD'000	AMD'000	AMD'000	AMD'000
Short-term employee benefits	78,578	270,987	82,382	258,835

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

	31 December 2021	Average effective interest rate, %	31 December 2020	Average effective interest rate, %
Statement of financial position				
Loans issued (gross)	248,486	9.88%	207,627	9.48%
Expected credit loss allowance	(694)		(860)	
Deposits received	248,633	1.53%	664,741	0.25%

Loans to related parties are in Armenian Dram and foreign currency and repayable from 1 to 20 years based on the type of the loan. Loans are secured by the appropriate type of collateral, as presented in Note 12 (b).

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

	1 October 2021	1 January 2021	1 October 2020	1 January 2020
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
	AMD'000	AMD'000	AMD'000	AMD'000
Profit or loss				
Interest income	5,085	19,915	5,021	20,665
Interest expense	(924)	(3,195)	(5,091)	(51,989)
Credit (loss)/release	194	166	(276)	(512)

(c) Transactions with other related parties

Other related parties include the Parent company and its fellow subsidiaries and non-controlling shareholders. 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		Other subsidiaries of the parent company		Other companies related with the parent company		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position							
Assets							
Cash and cash equivalents							
- in USD	1,021,756		52,831		-		1,074,587
- in EUR	799,149		1,572,894		-		2,372,043
- in other currencies	5,051		-		-		5,051
Liabilities							
Current accounts and deposits from customers							
- in USD	-		-		6,063,071	5.48%	6,063,071
Other borrowed funds	-						
- in USD	-				-	-	-
Subordinated loans from Parent	-						
- in USD	2,539,054	6.52%	-		-		2,539,054
- in EUR	5,173,530	6.52%	-		-		5,173,530
Profit or loss							
Interest income	877		-		-		877
Interest expense	(536,769)		-		(344,266)		(881,035)
Fee and commission income	6,307		-		-		6,307
Fee and commission expense	(11,180)		(64)		-		(11,244)
Professional services	(24,007)		-		-		(24,007)

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		Other subsidiaries of the parent company		Other companies related with the parent company		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	ՀՀԴրամ AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position							
Assets							
Cash and cash equivalents							
- in USD	67,063		167,725		-		234,788
- in EUR	252,762		1,180,498		-		1,433,260
- in other currencies	1,232		-		-		1,232
Liabilities							
Current accounts and deposits from customers							
- in USD	-	-		-	2,970,296	5.60%	2,970,296
Other borrowed funds							
- in USD	-	-		-	3,310,278	8.30%	3,310,278
Subordinated loans from Parent							
- in USD	2,763,027	6.50%	-		-		2,763,027
- in EUR	6,111,624	6.50%	-		-		6,111,624
Profit or loss							
Interest income	7,176		-		-		7,176
Interest expense	(507,348)		-		(353,358)		(860,706)
Fee and commission income	8,580		-		-		8,580
Fee and commission expense	(7,552)		(915)		-		(8,467)
Professional services	(1,034)		-		-		(1,034)

Cash and cash equivalents held with related parties are not secured.

25 Fair values of financial instruments

The Bank measures fair values using the following fair value hierarchy, which 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.

The estimated fair values of all financial instruments except for AMD denominated loans to customers and current accounts and term deposits from customers as at 31 December 2021 and 31 December 2020 approximate their carrying amounts.

As at 31 December 2021 the fair values of loans to customers are higher than their carrying values of AMD 40,479,645 thousand (31 December 2020: AMD 39,321,912 thousand) by AMD 134,274 thousand (31 December 2020: AMD 891,075 thousand); and fair value of current accounts and term deposits is less than their carrying values of AMD 61,761,731 thousand (31 December 2020: AMD 58,995,826 thousand) by AMD 347,696 thousand (31 December 2020: AMD 162,384 thousand). The fair value measurements of loans to customers, current accounts and term deposits from customers are categorized into Level 2 respectively in the fair value hierarchy.

The table below analyses financial instruments measured at fair value 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 recognized in the statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
Investment securities				
- Debt instruments at FVOCI	-	22,496,341	-	22,496,341

The table below analyses financial instruments measured at fair value 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 recognized in the statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
Investment securities				
- Debt instruments at FVOCI	-	27,041,914	-	27,041,914

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 realizable 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 premiums 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.