Byblos Bank Armenia CJSC

Financial Statements

for the year ended 31 December 2022

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Independent Auditors' Report

To the Board of Directors of Byblos Bank Armenia CJSC

Opinion

We have audited the financial statements of Byblos Bank Armenia CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

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KPMG Armenia LLC
24 March 2023

	Notes	2022 AMD'000	2021 AMD'000
Interest income calculated using the effective interest method	5	6,744,730	6,312,968
Interest expense	5	(3,509,784)	(3,439,257)
Net interest income	5	**3,234,946**	**2,873,711**
Fee and commission income		223,831	144,756
Fee and commission expense		(161,055)	(119,257)
Net fee and commission income		**62,776**	**25,499**
Net foreign exchange gain		113,735	107,226
Net realised gain on investment securities		-	14,669
Net other operating expenses		(113,155)	(139,482)
Operating income		**3,298,302**	**2,881,623**
Impairment recovery	6	109,939	543,479
Personnel expenses		(1,207,927)	(1,005,122)
Other general administrative expenses	7	(997,532)	(823,946)
Profit before income tax		**1,202,782**	**1,596,034**
Income tax expense	8	(281,675)	(412,902)
Profit for the year		**921,107**	**1,183,132**
Other comprehensive loss for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve for investment securities:			
– net change in fair value		(636,919)	(798,328)
– net amount reclassified to profit or loss		-	(13,975)
Other comprehensive loss for the year, net of income tax		**(636,919)**	**(812,303)**
Total comprehensive income for the year		**284,188**	**370,829**

The financial statements as set out on pages 5 to 71 were approved by management on 24 March 2023 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.

	Notes	2022 AMD'000	2021 AMD'000
ASSETS			
Cash and cash equivalents	9	13,015,224	21,714,121
Amounts receivable under reverse repurchase agreements	10	6,466,185	-
Loans and advances to banks	11	8,954,714	12,686,843
Loans to customers	12	52,043,050	40,479,645
Investment securities	13	18,429,094	22,513,858
Right-of-use assets and related leashold improvment	14	484,917	567,381
Property, equipment and intangible assets	15	2,734,364	2,720,289
Repossessed assets	12	109,052	283,448
Other assets	16	310,413	208,718
Total assets		**102,547,013**	**101,174,303**
LIABILITIES			
Deposits and balances from banks	17	3,142,082	387,525
Current accounts and deposits from customers	18	61,784,306	61,761,731
Other borrowed funds	19	299,003	380,988
Subordinated loans from the Parent	20	6,086,356	7,712,584
Current tax liabilities		179,530	102,517
Deferred tax liabilities		8,471	186,517
Lease liability		389,107	432,503
Other liabilities	21	486,934	322,902
Total liabilities		**72,375,789**	**71,287,267**
EQUITY			
Share capital	22	26,249,100	26,249,100
Share premium		257,149	257,149
Fair value reserve for investment securities		(680,716)	(43,797)
Retained earnings		4,345,691	3,424,584
Total equity		**30,171,224**	**29,887,036**
Total liabilities and equity		**102,547,013**	**101,174,303**

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

	Notes	2022 AMD'000	2021 AMD'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Interest receipts		6,676,472	6,576,918
Interest payments		(3,307,883)	(3,504,286)
Fee and commission receipts		223,708	143,135
Fee and commission payments		(161,002)	(119,156)
Net receipts from operations with investment securities		-	14,668
Net receipts from foreign exchange		142,442	121,123
Tax payments (other than income tax)		(23,549)	(41,472)
Salaries and other payments to employees		(1,220,839)	(1,012,173)
Other general administrative expenses payments		(717,381)	(584,138)
Other payments		(157,867)	(163,132)
(Increase)/decrease in operating assets			
Investment securities		3,241,615	3,412,114
Amounts receivable under reverse repurchase agreements		(7,075,291)	5,867,676
Loans and advances to banks		2,039,710	12,070
Loans to customers		(15,707,481)	(3,040,287)
Other assets		189,108	539,625
Increase/(decrease) in operating liabilities			
Deposits and balances from banks		2,721,134	(279,726)
Current accounts and deposits from customers		7,614,259	6,341,645
Other liabilities		126,075	83,865
Net cash flows (used in)/from operations before income tax		**(5,396,770)**	**14,368,469**
Income tax paid		(242,897)	(311,263)
Net cash flows (used in)/from operations		**(5,639,667)**	**14,057,206**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(163,373)	(519,835)
Net cash flows used in investing activities		**(163,373)**	**(519,835)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of other borrowed funds		(97,513)	(3,464,953)
Lease payments		(74,241)	(72,078)
Net cash flows used in financing activities		**(171,754)**	**(3,537,031)**
Net (decrease)/increase in cash and cash equivalents		**(5,974,794)**	**10,000,340**
Effect of changes in exchange rates on cash and cash equivalents		(2,724,566)	(1,973,991)
Effect of changes in credit loss allowance on cash and cash equivalents		463	(821)
Cash and cash equivalents at the beginning of the year		21,714,121	13,688,593
Cash and cash equivalents at the end of the year	9	**13,015,224**	**21,714,121**

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

AMD'000	Share capital	Share premium	Revaluation reserve for investment securities	Retained earnings	Total
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 year	-	-	-	1,183,132	1,183,132
Other comprehensive 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	**-**	**-**	**(812,303)**	**-**	**(812,303)**
Total comprehensive income for the year	**-**	**-**	**(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**
Balance as at 1 January 2022	26,249,100	257,149	(43,797)	3,424,584	29,887,036
Total comprehensive income					
Profit for the year	-	-	-	921,107	921,107
Other comprehensive income					
Fair value reserve for investment securities:					
− net change in fair value, net of deferred tax	-	-	(636,919)	-	(636,919)
Total other comprehensive loss	**-**	**-**	**(636,919)**	**-**	**(636,919)**
Total comprehensive income for the year	**-**	**-**	**(636,919)**	**921,107**	**284,188**
Balance as at 31 December 2022	**26,249,100**	**257,149**	**(680,716)**	**4,345,691**	**30,171,224**

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 27 .

(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. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories has led to a social unrest in Armenia. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

(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 the Bank.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 December 2022 and 31 December 2021, were AMD 393.57 and AMD 480.14 to USD 1, respectively.

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 – Note 23(b).

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 23(b);
- estimates of fair values of financial assets and liabilities – Note 28;
- fair value of forward and option instruments of loans from a related party and subordinated loans from the Parent – Note 20.

3 Changes in significant accounting policies

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

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

4 Significant accounting policies

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 withdtawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

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

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 investment.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

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

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 prospectively.

Financial liabilities

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

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

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

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

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

Interest rate benchmark reform

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

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

(iv) Impairment

See also Note 23(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 23(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 23(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 23(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 financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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 amounts due.

Non-integral financial guarantee contracts

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

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is 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 contract.

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 specific to the liability.

(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.

(r) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

(s) Standards issued but not yet effective

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

(t) Other standards

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

- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

5 Net interest income

	2022 AMD'000	2021 AMD'000
Interest income calculated using the effective interest method		
Loans to customers	4,331,854	3,713,836
Investment securities	2,022,645	2,125,326
Loans and advances to banks	351,288	407,855
Amounts receivable under reverse repurchase agreements	38,609	65,072
Other	334	879
	6,744,730	**6,312,968**
Interest expense		
Current accounts and deposits from customers	2,939,301	2,761,627
Subordinated loans from the Parent	429,267	536,769
Deposits and balances from banks	68,231	40,342
Lease expense	43,293	46,515
Other borrowed funds	27,103	53,617
Amounts payable under repurchase agreements	2,589	387
	3,509,784	**3,439,257**
	3,234,946	**2,873,711**

6 Impairment recovery

	2022 AMD'000	2021 AMD'000
Loans to customers and loan commitments	73,363	497,076
Investment securities and other financial assets	36,576	46,403
	109,939	**543,479**

7 Other general administrative expenses

	2022 AMD'000	2021 AMD'000
Depreciation and amortization	231,356	192,861
Advertising and marketing	226,233	146,537
Maintenance of computer applications	118,351	84,986
Repairs and maintenance	107,946	82,771
Professional services	66,520	48,562
Insurance	59,772	58,006
Taxes other than on income	44,242	47,876
Security	31,810	32,366
Legal services	26,129	13,020
Communications and information services	21,006	21,409
Membership expenses	8,879	8,279
Maintenance of cars	7,902	6,768
Office supplies	7,604	10,058
Trainings	3,331	10,232
Operating lease expense	-	8,374
Other	36,451	51,841
	997,532	**823,946**

8 Income taxes

	2022 AMD'000	2021 AMD'000
Current year tax expense	(319,909)	(287,765)
Under provided in prior year	-	(61,810)
Origination and reversal of temporary differences	38,234	(63,327)
Total income tax expense	**(281,675)**	**(412,902)**

In 2022, the applicable tax rate for current tax is 18% (2021: 18%).

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

	2022 AMD'000	%	2021 AMD'000	%
Profit before income tax	1,202,782		1,596,034	
Tax at the applicable tax rate	(216,501)	(18.0)	(287,286)	(18.0)
Non-deductible costs	(65,174)	(5.4)	(63,806)	(4.0)
Underprovision in prior year	-	-	(61,810)	(3.9)
	(281,675)	**(23.4)**	**(412,902)**	**(25.9)**

(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 liabiliies as at 31 December 2022 and as at 31 December 2021.

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

2022 **AMD'000**	**1 January 2022**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**31 December 2022**
Cash and cash equivalents	(6,612)	2,087	-	(4,525)
Investment securities	23,890	(3,373)	139,812	160,329
Loans and advances to banks	(10,205)	5,984	-	(4,221)
Loans to customers	(161,172)	59,263	-	(101,909)
Property, equipment and intangible assets	(36,835)	(31,046)	-	(67,881)
Other assets	16,093	6,136	-	22,229
Other liabilities	(11,676)	(817)	-	(12,493)
	(186,517)	**38,234**	**139,812**	**(8,471)**

2021 **AMD'000**	**1 January 2021**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**31 December 2021**
Cash and cash equivalents	(2,878)	(3,734)	-	(6,612)
Investment securities	(149,616)	(4,835)	178,341	23,890
Amounts receivable under reverse repurchase agreements	(10,618)	10,618	-	-
Loans and advances 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)**

(b) Income tax recognized in other comprehensive income

The tax effects relating to components of other comprehensive income for the year ended 31 December 2022 and 2021 comprise the following:

	2022			**2021**		
AMD'000	**Amount before tax**	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Net change in fair value of investment securities at FVOCI	(776,731)	139,812	(636,919)	(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	**(776,731)**	**139,812**	**(636,919)**	**(990,644)**	**178,341**	**(812,303)**

9 Cash and cash equivalents

	31 December 2022 AMD'000	31 December 2021 AMD'000
Cash on hand	**989,781**	**905,524**
Nostro accounts with the CBA, including obligatory reserves	**9,402,520**	**16,980,648**
Nostro accounts with other banks		
− Rated B- to BBB-	964	376,299
− Not rated	2,623,060	3,453,214
Total nostro accounts with other banks	**2,624,024**	**3,829,513**
Total gross cash and cash equivalents	**13,016,325**	**21,715,685**
Credit loss allowance	**(1,101)**	**(1,564)**
Total net cash and cash equivalents	**13,015,224**	**21,714,121**

No cash and cash equivalents are past due.

The Bank uses credit ratings per Standard&Poor's in disclosing credit quality.

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2022 and 2021.

As at 31 December 2022 the Bank has no bank except for CBA (2021: 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 2022 AMD'000	31 December 2021 AMD'000
Amounts receivable rated B to B+	5,440,573	-
Amounts receivable from not rated Armenian banks	1,025,612	-
Total amounts receivable under reverse repurchase agreements	**6,466,185**	-

As at 31 December 2022 the Bank has one bank (31 December 2021: none), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2022 is AMD 3,936,778 thousand (31 December 2021: nill).

The Bank uses credit ratings per Standard&Poor's in disclosing credit quality.

Amounts receivable under reverse repurchase agreements are not past due.

Collateral

As at 31 December 2022 the amounts receivable under reverse repurchase agreements were collateralized by government securities of the Republic of Armenia with the fair values of AMD 6,906,830 thousand (31 December 2021: nill).

11 Loans and advances to banks

	31 December 2022 AMD'000	31 December 2021 AMD'000
Credit card settlement deposit with the CBA	695,000	101,500
Deposit and other placements in the CBA including obligatory reserve	4,220,911	3,092,266
Other receivables	50,407	-
Loans and deposits with other banks		
− Rated AA-	65,278	79,637
− Rated B- to B+	3,939,715	8,651,532
− Not rated	-	800,529
Total loans and deposits with other banks	**4,004,993**	**9,531,698**
Total gross loans and advances to banks	**8,971,311**	**12,725,464**
Credit loss allowance	(16,597)	(38,621)
Total net loans and advances to banks	**8,954,714**	**12,686,843**

No loans and advances to banks are past due or impaired and are fully in Stage 1 as at 31 December 2022 and 2021. All the loans and advance to banks are measured at amortized cost as at 31 December 2022 and 2021.

The Bank uses credit ratings per Standard&Poor's in disclosing credit quality.

As at 31 December 2022 included in loans and deposits with A+ rated banks is AMD 65,278 thousand (31 December 2021: AMD 79,637 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 4% and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted. The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average daily amount of reserve sanctions may be applied. Obligatory reserves maintained in AMD are classified as cash and cash equivalents 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 and advances to banks

As at 31 December 2022 the Bank has no banks (31 December 2021: two banks) in addition to CBA, whose balances exceeded 10% of equity. (31 December 2021: AMD 8,651,532 thousand).

12 Loans to customers

	31 December 2022 AMD'000	31 December 2021 AMD'000
Loans to customers at amortised cost		
Loans to corporate customers		
Loans to large corporates	27,642,012	20,604,905
Loans to small- and medium sized companies	963,510	957,376
Total loans to corporate customers	**28,605,522**	**21,562,281**
Loans to retail customers		
Mortgage loans	19,617,713	16,530,845
Individual entrepreneur and other small business loans	1,245,724	588,144
Credit card loans	784,148	648,154
Consumer loans secured by real estate	765,110	667,582
Consumer loans with salary domiciliation	655,287	308,022
Auto loans	169,508	129,718
Other	550,222	475,642
Total loans to retail customers	**23,787,712**	**19,348,107**
Gross loans to customers at amortised cost	**52,393,234**	**40,910,388**
Credit loss allowance	(350,184)	(430,743)
Net loans to customers at amortised cost	**52,043,050**	**40,479,645**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2022:

	31 December 2022			
	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total loans AMD'000
Loans to corporate customers				
Loans to large corporate				
Loans without individual signs of impairment	27,529,686	-	-	27,529,686
Impaired loans:				
− overdue more than 365 days	-	-	112,326	112,326
Total impaired loans	**-**	-	**112,326**	**112,326**
Credit loss allowance	**(237,132)**	-	**(23,381)**	**(260,513)**
Total net loans to large corporate customers	**27,292,554**	-	**88,945**	**27,381,499**
Loans to small and medium size companies				
Loans without individual signs of impairment	963,510	-	-	963,510
Credit loss allowance	**(4,260)**	**-**	**-**	**(4,260)**
Total net loans to small and medium size companies	**959,250**	**-**	**-**	**959,250**
Gross loans to corporate customers	**28,493,196**	**-**	**112,326**	**28,605,522**
Total credit loss allowance on corporate customers	**(241,392)**	**-**	**(23,381)**	**(264,773)**
Total net loans to corporate customers	**28,251,804**	**-**	**88,945**	**28,340,749**

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total loans**
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
Loans to retail customers				
Mortgage loans				
− not overdue	19,183,267	-	-	19,183,267
− not overdue in the Bank, but in Stage 2	-	175,349	-	175,349
− overdue less than 30 days	33,535	11,172	-	44,707
− overdue 31-90 days	-	66,878	-	66,878
− overdue 91-180 days	-	-	126,472	126,472
− overdue 181-270 days	-	-	1,704	1,704
− overdue more than 271 days	-	-	19,336	19,336
	19,216,802	**253,399**	**147,512**	**19,617,713**
Credit loss allowance	**(28,048)**	**(13,875)**	**(5,301)**	**(47,224)**
Total net mortgage loans	**19,188,754**	**239,524**	**142,211**	**19,570,489**
Consumer loans secured by real estate				
− not overdue	716,945	-	-	716,945
− not overdue in Bank, but in Stage 2	-	27,391	-	27,391
− overdue less than 30 days	-	770	-	770
− overdue 31-90 days	-	-	-	-
− overdue 91-180 days	-	-	16,248	16,248
− overdue 181-270 days	-	-	115	115
− overdue more than 271 days	-	-	3,641	3,641
	716,945	**28,161**	**20,004**	**765,110**
Credit loss allowance	**(1,003)**	**(1,467)**	**(1,388)**	**(3,858)**
Total net consumer loans secured by real estate	**715,942**	**26,694**	**18,616**	**761,252**
Credit cards				
− not overdue	769,837	-	-	769,837
− not overdue in Bank, but in Stage 2	-	6,080	-	6,080
− overdue less than 30 days	2,266	1,377	-	3,643
− overdue 91-180 days	-	-	4,588	4,588
	772,103	**7,457**	**4,588**	**784,148**
Credit loss allowance	**(15,673)**	**(1,059)**	**(1,068)**	**(17,800)**
Total net credit cards	**756,430**	**6,398**	**3,520**	**766,348**
Consumer loans with salary domiciliation				
− not overdue	647,706	-	-	647,706
− overdue less than 30 days	1,710	-	-	1,710
− overdue 31-90 days	-	1,625	-	1,625
− overdue 91-180 days	-	-	2,527	2,527
− overdue 181-270 days	-	-	1,719	1,719
	649,416	**1,625**	**4,246**	**655,287**
Credit loss allowance	**(2,836)**	**(349)**	**(1,524)**	**(4,709)**
Total net consumer loans with salary domiciliation	**646,580**	**1,276**	**2,722**	**650,578**

	31 December 2022			
	Stage 1 AMD'000	**Stage 2 AMD'000**	**Stage 3 AMD'000**	**Total loans AMD'000**
Auto loans				
− not overdue	169,508	-	-	169,508
	169,508	**-**	**-**	**169,508**
Credit loss allowance	**(532)**	**-**	**-**	**(532)**
Total net auto loans	**168,976**	**-**	**-**	**168,976**
Individual entrepreneur and other small business loans				
− not overdue	1,245,724	-	-	1,245,724
	1,245,724	**-**	**-**	**1,245,724**
Credit loss allowance	**(11,288)**	**-**	**-**	**(11,288)**
Total net individual entrepreneur and other small business loans	**1,234,436**	**-**	**-**	**1,234,436**
Other retail loans				
− not overdue	550,222	-	-	550,222
	550,222	**-**	**-**	**550,222**
Credit loss allowance	**-**	**-**	**-**	**-**
Total net other retail loans	**550,222**	**-**	**-**	**550,222**
Gross retail loans	**23,320,720**	**290,642**	**176,350**	**23,787,712**
Total credit loss allowance on retail loans	**(59,380)**	**(16,750)**	**(9,281)**	**(85,411)**
Total net retail loans	**23,261,340**	**273,892**	**167,069**	**23,702,301**
Total net loans to customers	**51,513,144**	**273,892**	**256,014**	**52,043,050**

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

	31 December 2021			
	Stage 1 AMD'000	**Stage 2 AMD'000**	**Stage 3 AMD'000**	**Total loans AMD'000**
Loans to corporate customers				
Loans to large corporate				
Loans without individual signs of impairment	20,159,218	-	-	20,159,218
Impaired loans:				
− 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
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**

	31 December 2021			
	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total loans AMD'000
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 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**
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**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total loans**
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
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 business loans				
− not overdue	588,144	-	-	588,144
	588,144	**-**	**-**	**588,144**
Credit loss allowance	**(4,907)**	**-**	**-**	**(4,907)**
Total net individual entrepreneur and other small business 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**

(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 2022 AMD'000	**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**
Loans without individual signs of impairment			
Real estate	17,521,989	-	17,521,989
Corporate shares	5,016,480	-	5,016,480
Other	1,619,758	-	1,619,758
No collateral	4,093,577	-	-
Total loans without individual signs of impairment	**28,251,804**	**-**	**24,158,227**
Overdue or impaired loans			
Real estate	84,264	84,264	-
Other	4,681	4,681	-
Total overdue or impaired loans	**88,945**	**88,945**	**-**
Total loans to corporate customers	**28,340,749**	**88,945**	**24,158,227**

31 December 2021 **AMD'000**	**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**
Loans without individual signs of impairment			
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**

The tables above excludes overcollateralisation.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Secureties 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 and other small business 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

As at 31 December 2022 and 31 December 2021, the repossessed collateral comprises:

	31 December 2022 **AMD'000**	**31 December 2021** **AMD'000**
Real estate	109,052	283,448
Total repossessed collateral	**109,052**	**283,448**

Change in repossessed collateral comprises:

	2022 AMD'000	2021 AMD'000
Balance at 1 January	283,448	881,686
Reposssessed collateral during the year	-	15,333
Sold during the year	(139,673)	(548,811)
Impairment	(34,723)	(64,760)
Balance at 31 December	**109,052**	**283,448**

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

During the year ended 31 December 2022 the Bank made net gain from sale of repossessed collateral of AMD 90,327 thousand (31 December 2021: net loss of AMD 74,889 thousand).

(c) Asset under lien

As at 31 December 2022 loans to customers with a gross value of AMD 449,192 thousand (31 December 2021: AMD 2,232,728 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 2022 AMD'000	31 December 2021 AMD'000
Financial and other services	8,398,819	3,647,030
Power and energy	5,722,855	3,642,697
Construction	5,133,770	3,635,263
Processing of agricultural produce	4,295,712	3,615,131
Trade	2,974,797	3,476,124
Real estate	2,079,434	3,546,036
Manufacturing	135	-
Loans to retail customers	23,787,712	19,348,107
	52,393,234	**40,910,388**
Credit loss allowance	(350,184)	(430,743)
	52,043,050	**40,479,645**

(e) Significant credit exposures

As at 31 December 2022 the Bank has four borrowers or group of connected borrowers (31 December 2021: none), whose net loan balances exceed 10% of equity. The carrying value of these loans as at 31 December 2021 was AMD 15,550,925 thousand.

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 23(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

13 Investment securities

	31 December 2022 AMD'000	31 December 2021 AMD'000
Held by the Bank		
– Government securities of the Republic of Armenia	17,505,708	19,446,695
Debt and other fixed-income instruments		
– Rated B+ to BB-	905,869	3,049,646
	18,411,577	**22,496,341**
Equity instruments		
– Corporate shares	17,517	17,517
	18,429,094	**22,513,858**
Credit loss allowance	(60,577)	(79,315)
Carrying amount – fair value	**18,429,094**	**22,513,858**

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

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

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

			% controlled			
Name	**Country of incorporation**	**Main activity**	**2022**	**2021**	**2022 AMD'000**	**2021 AMD'000**
ArCa	Republic of Armenia	Payment system	1.25%	1.25%	16,500	16,500
SWIFT	Belgium	Money transfer	0%	0%	1,017	1,017
					17,517	**17,517**

None of these investments was disposed of during 2022, no dividend income recognized in 2022 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 2022 and 31 December 2021.

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 and related leashold improvement

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

	2022 Land and buildings AMD'000	**2021 Land and buildings AMD'000**
Balance at 1 January	567,381	637,569
Depreciation charge for the year	(70,015)	(70,238)
Leashold improvments on asset	-	50
Modifications in right-of-use assets	(12,449)	-
Balance at 31 December	**484,917**	**567,381**

(b) Amounts recognized in profit and loss

	2022 AMD'000	**2021 AMD'000**
Interest on lease liabilities	**(43,293)**	**(46,515)**

(c) Amounts recognised in statement of cash flows

	2022 AMD'000	**2021 AMD'000**
Lease payments	**(74,241)**	**(72,078)**

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 2022	2,058,711	831,321	549,354	45,097	291,882	3,776,365
Additions	3,500	44,338	9,174	-	118,404	175,416
Balance at 31 December 2022	**2,062,211**	**875,659**	**558,528**	**45,097**	**410,286**	**3,951,781**
Depreciation and amortization						
Balance at 1 January 2022	(295,067)	(343,988)	(283,747)	(26,918)	(106,356)	(1,056,076)
Depreciation and amortization for the year	(41,343)	(54,760)	(42,173)	(6,080)	(16,985)	(161,341)
Balance at 31 December 2022	**(336,410)**	**(398,748)**	**(325,920)**	**(32,998)**	**(123,341)**	**(1,217,417)**
Carrying amount						
At 31 December 2022	**1,725,801**	**476,911**	**232,608**	**12,099**	**286,945**	**2,734,364**
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 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 year	(33,726)	(44,775)	(31,078)	(7,169)	(5,875)	(122,623)
Disposals	-	11,536	4,747	3,726	-	20,009
Balance 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**

16 Other assets

	31 December 2022 AMD'000	31 December 2021 AMD'000
Other prepayments	120,958	92,246
Other receivables	87,724	30,990
Receivables under money transfer and clearing systems	47,218	41,616
Prepayments to taxes	24,901	24,923
Other assets	29,612	18,943
	310,413	**208,718**

17 Deposits and balances from banks

	31 December 2022 AMD'000	31 December 2021 AMD'000
Loans from Armenian banks	3,044,225	-
Loans from Central Bank of Armenia	97,857	387,525
	3,142,082	**387,525**

As at 31 December 2022 the Bank has one lender (31 December 2021: none), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2022 is AMD 3,044,225 thousand (31 December 2021: nill).

18 Current accounts and deposits from customers

	31 December 2022 AMD'000	31 December 2021 AMD'000
Current accounts and demand deposits		
− Retail	5,346,385	6,546,201
− Corporate	6,505,552	2,457,550
Term deposits		
− Retail	27,057,561	32,560,624
− Corporate	22,874,808	20,197,356
	61,784,306	**61,761,731**

As at 31 December 2022 the Bank maintained customer deposit balances of AMD 2,110,774 thousand that serve as collateral for loans and credit related commitments granted by the Bank (31 December 2021: AMD 1,301,130 thousand).

As at 31 December 2022 the Bank has four customers (31 December 2021: four), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2022 is AMD 16,654,264 thousand (31 December 2021: AMD 18,179,576 thousand).

19 Other borrowed funds

	31 December 2022 AMD'000	31 December 2021 AMD'000
Loans from National Mortgage Company	198,537	282,753
Loans from HFY	100,466	98,235
	299,003	**380,988**

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

AMD'000	Other borrowed funds	Subordinated loans from the Parent	Total
Balance at 1 January 2022	380,988	7,712,584	8,093,572
Proceeds from other borrowed funds	11,000	-	11,000
Repayment of other borrowed funds	(97,513)	-	(97,513)
Total changes from financing cash flows	**(86,513)**	**-**	**(86,513)**
The effect of changes in foreign exchange rates	**-**	**(1,615,911)**	**(1,615,911)**
Interest expense	27,103	429,267	456,389
Interest paid	(22,575)	(439,584)	(462,178)
Balance at 31 December 2022	**299,003**	**6,086,356**	**6,385,359**
Balance at 1 January 2021	3,908,835	8,874,650	12,783,485
Repayment of other borrowed funds	(3,464,953)	-	(3,464,953)
Total changes from financing cash flows	**(3,464,953)**	**-**	**(3,464,953)**
The effect of changes in foreign exchange rates	**1,131**	**(1,162,867)**	**(1,161,736)**
Interest expense	53,617	536,769	590,386
Interest paid	(117,642)	(535,968)	(653,610)
Balance at 31 December 2021	**380,988**	**7,712,584**	**8,093,572**

20 Subordinated loans from the Parent

On 30 September 2016 and on 13 December 2016 the Bank obtained subordinated loans from the Parent of 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.

Management believes that the fair value of these instruments is not material as at 31 December 2022 and 31 December 2021.

21 Other liabilities

	31 December 2022 AMD'000	31 December 2021 AMD'000
Other financial liabilities	162,254	53,463
Salary and similar payables	154,409	132,372
Payables to suppliers	107,939	81,356
Other taxes payable	54,437	46,780
Other liabilities	7,895	8,931
	486,934	**322,902**

22 Share capital and reserves

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 262,491 ordinary shares (31 December 2021: 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

23 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	**All exposures (corporate and retail exposures)**
− 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	− Payment record – this includes overdue status as well as a range of variables about payment ratios
− Data from credit reference agencies, press articles, changes in external credit ratings	− Utilisation of the granted limit − Requests for and granting of forbearance
− Quoted bond and credit default swap (CDS) prices for the borrower where available	− Existing and forecast changes in business, financial and economic conditions
− Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

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 hightened 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 demonstrated 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 changes in exchange rates.

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).

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 lifetime PD by LGD and EAD.

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. For unsecured corporate loans the average of unsecured bank loan recovery rate from “Average Corporate Debt Recovery Rates Measured by Trading Prices” form Moody`s Corporate Default and recovery rates report is taken as a key parameter in determining LGD. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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.

2022		**External benchmarks used**	
AMD'000	**Exposure**	**PD**	**LGD**
Debt investment securities at FVOCI	18,411,577	S&P default study	Moody's recovery studies
Loans to corporate customers	8,212,953	S&P default study	Moody's recovery studies
Loans to corporate customers	20,127,796	S&P default study	-

2021		**External benchmarks used**	
AMD'000	**Exposure**	**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	-

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 2022.

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents				
Balance at 1 January	(1,564)	-	-	(1,564)
Net remeasurement of loss allowance	1,564	-	-	1,564
New financial assets originated or purchased	(1,101)	-	-	(1,101)
Balance at 31 December	**(1,101)**	**-**	**-**	**(1,101)**

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to banks at amortized cost				
Balance at 1 January	(38,621)	-	-	(38,621)
Net remeasurement of loss allowance	28,886	-	-	28,886
New financial assets originated or purchased	(225)	(6,637)	-	(6,862)
Balance at 31 December	**(9,960)**	**(6,637)**	**-**	**(16,597)**

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers at amortised cost – corporate customers				
Balance at 1 January	(222,532)	-	(96,688)	(319,220)
Net remeasurement of loss allowance	66,711	-	56,936	123,647
New financial assets originated or purchased	(127,248)	-	-	(127,248)
Foreign exchange movements	41,677	-	16,371	58,048
Balance at 31 December	**(241,392)**	**-**	**(23,381)**	**(264,773)**

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers at amortised cost – retail customers				
Balance at 1 January	(47,660)	(40,928)	(22,935)	(111,523)
Transfer to Stage 1	(11,811)	6,493	5,318	-
Transfer to Stage 2	290	(1,005)	715	-
Transfer to Stage 3	93	12,098	(12,191)	-
Net remeasurement of loss allowance	17,996	(67)	4,992	22,921
New financial assets originated or purchased	(19,928)	(762)	(907)	(21,597)
Write-offs	-	3,515	13,984	17,499
Foreign exchange movements	1,640	3,906	1,743	7,289
Balance at 31 December	**(59,380)**	**(16,750)**	**(9,281)**	**(85,411)**

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at FVOCI				
Balance at 1 January	(79,315)	-	-	(79,315)
Net remeasurement of loss allowance	24,666	-	-	24,666
New financial assets originated or purchased	(5,928)	-	-	(5,928)
Balance at 31 December	**(60,577)**	**-**	**-**	**(60,577)**

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 2021.

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

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

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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	-	-
Net remeasurement of loss allowance	220,246	25,976	142,037	388,259
New financial assets originated or purchased	(177,651)	-	-	(177,651)
Foreign exchange movements	28,049	-	20,265	48,314
Balance at 31 December	**(222,532)**	**-**	**(96,688)**	**(319,220)**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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	81,545	11,409	(25,191)	67,763
New financial assets originated or purchased	(13,263)	(4,449)	-	(17,712)
Write-offs	25,779	3,559	34,434	63,772
Foreign exchange movements	4,746	2,415	1,431	8,592
Balance at 31 December	**(47,660)**	**(40,928)**	**(22,935)**	**(111,523)**

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

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 investment securities and other financial assets' and 'impairment losses on Loans to customers and loan commitments' line items in the statement of profit or loss and other comprehensive income.

Reconcilation for the year ended 31 December 2022:

AMD'000	Cash and cash equivalents	Loans and advances 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	1,564	28,886	123,647	22,921	24,666	-	201,684
New financial assets originated or purchased	(1,101)	(6,862)	(127,248)	(21,597)	(5,928)	-	(162,736)
Subtotal	**463**	**22,024**	**(3,601)**	**1,324**	**18,738**	**-**	**38,948**
Recoveries of amounts previously written off	-	-	72,238	3,402	-	(4,649)	70,991
Total	**463**	**22,024**	**68,637**	**4,726**	**18,738**	**(4,649)**	**109,939**

Reconcilation for the year ended 31 December 2021:

AMD'000	Cash and cash equivalents	Loans and advances 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	388,259	67,763	14,205	-	491,248
New financial assets originated or purchased	(1,564)	(719)	(177,651)	(17,712)	12,654	-	(184,992)
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**

Significant changes in the gross carrying amount of retail and corporate portfolios during the year ended 31 December 2022 that contributed to changes in loss allowance were as follows:

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers at amortised cost – corporte customers – gross carrying amount				
Balance at 1 January	21,116,594	-	445,687	21,562,281
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	14,883,702	-	-	14,883,702
Financial assets that have been fully or partially repaid and other changes	(8,166,061)	-	(308,654)	(8,474,714)
Interest accrued	2,358,639	-	-	2,358,639
Foreign exchange movements	(1,699,679)	-	(24,707)	(1,724,386)
Balance at 31 December	**28,493,196**	**-**	**112,326**	**28,605,522**

	2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers at amortised cost – retail customers – gross carrying amount				
Balance at 1 January	18,671,996	501,353	174,758	19,348,107
Transfer to Stage 1	122,979	(76,624)	(46,355)	-
Transfer to Stage 2	(89,401)	95,637	(6,236)	-
Transfer to Stage 3	(6,279)	(151,279)	157,558	-
New financial assets originated or purchased	8,419,588	9,465	2,527	8,431,580
Financial assets that have been fully or partially repaid and other changes	(4,969,350)	(104,882)	(80,992)	(5,155,224)
Interest accrued	1,904,262	51,130	17,823	1,973,215
Foreign exchange movements	(733,075)	(30,643)	(28,749)	(792,467)
Write-offs	-	(3,515)	(13,984)	(17,499)
Balance at 31 December	**23,320,720**	**290,642**	**176,350**	**23,787,712**

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

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers at amortised cost – corporte 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	(17,209,270)	(232,812)	(172,387)	(17,614,469)
Interest accrued	1,770,592	15,833	-	1,786,425
Foreign exchange movements	(400,485)	-	(39,403)	(439,888)
Balance at 31 December	**21,116,594**	**-**	**445,687**	**21,562,281**

	2021			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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	(4,541,427)	(138,238)	(81,442)	(4,761,107)
Interest accrued	1,852,972	53,920	20,519	1,927,411
Foreign exchange movements	(439,947)	(26,938)	(8,842)	(475,727)
Write-offs	(25,779)	(3,559)	(34,434)	(63,772)
Balance at 31 December	**18,671,996**	**501,353**	**174,758**	**19,348,107**

Credit quality analysis

The following table sets out information about the credit quality of Loans to customers measured at amortised cost as at 31 December 2022. Unless specially indicated, the amounts in the table represent gross carrying amounts.

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

	31 December 2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment				
With PD rate of up to 3.0%	13,687,792	-	-	13,687,792
With PD rate of above 3.0%	14,805,404	-	-	14,805,404
Overdue more than 365 days	-	-	112,326	112,326
	28,493,196	**-**	**112,326**	**28,605,522**
Loss allowance	**(241,392)**	**-**	**(23,381)**	**(264,773)**
Carrying amount	**28,251,804**	**-**	**88,945**	**28,340,749**

	31 December 2022			
AMD'000	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans to customers at amortised cost – retail customers*				
Not overdue	23,283,209	208,820	-	23,492,029
Overdue less than 30 days	37,511	13,319	-	50,830
Overdue 31-90 days	-	68,503	-	68,503
Overdue 91-180 days	-	-	149,835	149,835
Overdue 181-270 days	-	-	3,538	3,538
Overdue more than 271 days	-	-	22,977	22,977
	23,320,720	**290,642**	**176,350**	**23,787,712**
Loss allowance	**(59,380)**	**(16,750)**	**(9,281)**	**(85,411)**
Carrying amount	**23,261,340**	**273,892**	**167,069**	**23,702,301**

The following table sets out information about the credit quality of Loans to customers measured at amortised cost as at 31 December 2021.

AMD'000	31 December 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loans to customers at amortised cost – corporate customers				
Loans without individual signs of impairment				
With PD rate of up to 3.0%	5,942,579	-	-	5,942,579
With PD rate of above 3.0%	15,174,016	-	-	15,174,016
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**

AMD'000	31 December 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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**

* 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 2022 and 31 December 2021, the Bank had the financial instruments for which no loss allowance is recognised because of collateral.

	Exposure as at 31 December 2022 AMD'000	**Exposure as at 31 December 2021 AMD'000**
Amounts receivable under reverse repurchase agreements	6,466,185	-
Loans to corporate customers	5,774,243	5,160,870
Loans to retail customers	550,222	475,642

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 2022 AMD'000	31 December 2021 AMD'000
Assets		
Cash and cash equivalents	12,025,443	20,808,597
Amounts receivable under reverse repurchase agreements	6,466,185	-
Loans and advances to banks	8,954,714	12,686,843
Loans to customers	52,043,050	40,479,645
Investment securities	18,429,094	22,513,858
Other financial assets	134,941	72,606
Total maximum exposure	**98,053,427**	**96,561,549**

Collateral generally is not held against investments in securities, and loans and advances 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 25.

As at 31 December 2022 the Bank has two debtors or groups of connected debtors (as at 31 December 2021: two), credit risk exposure to whom exceeded 10 percent of maximum credit risk exposure. The credit risk exposure for these counterparties as at 31 December 2022 is AMD 31,824,062 thousand (as at 31 December 2021: AMD 39,620,992 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 transitions upon the counterparty's failure to post collateral.

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

As at 31 December 2021 the Bank had 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 2022:

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 offseting in case of bankruptcy: Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	6,466,185	-	(6,466,185)	6,466,185	-
Total financial assets	**6,466,185**	**-**	**(6,466,185)**	**6,466,185**	**-**

(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.

Managing interest rate benchmark reform and associated risks

Overview

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

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

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

The Bank is in the process of approving a policy requiring that, with effect from 30 June 2023, all newly originated floating-rate loans are linked to term SOFR rates published by CME for USD loans.

The Bank monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an 'unreformed contract') when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform.

As at 31 December 2022, the IBOR reform in respect of currencies to which the Bank has exposure has been largely completed. The table below sets out the IBOR rates that the Bank had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before reform	Benchmark after reform	Status as at 31 December 2022
USD	USD LIBOR	SOFR	In progress (see below)

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

Non-derivative financial assets

During 2022, the Bank had the following principal IBOR exposures in respect of non-derivative financial assets subject to the reform:

- floating-rate loans to banks: USD LIBOR, held throughout its operations.

The following table shows the total amounts of unreformed non-derivative financial assets as at 1 January 2022 and 31 December 2022.

	USD LIBOR	
AMD'000	**Total amount of unreformed contracts**	**Amount with appropriate fallback clause**
31 December 2022		
Financial assets		
Loans and advanes to banks	-	-
1 January 2022		
Financial assets		
Loans and advances to banks	4,809,887	-

(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 2022:

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 2022							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	13,015,224	13,015,224
Amounts receivable under reverse repurchase agreements	6,466,185	-	-	-	-	-	6,466,185
Loans and advances to banks	1,966,880	1,962,875	-	-	-	5,024,959	8,954,714
Loans to customers	6,374,108	6,047,803	21,839,000	16,886,903	895,236	-	52,043,050
Investment securites	12,024	3,826,556	2,891,604	10,596,878	1,084,515	17,517	18,429,094
Other financial assets	-	-	-	-	-	134,941	134,941
	14,819,197	**11,837,234**	**24,730,604**	**27,483,781**	**1,979,751**	**18,192,641**	**99,043,208**
LIABILITIES							
Deposits and balances from banks	-	3,099,938	8,429	33,715	-	-	3,142,082
Current accounts and deposits from customers	17,851,372	9,304,451	15,748,210	12,322,233	4,336	6,553,704	61,784,306
Other borrowed funds	18,878	20,567	42,126	179,049	38,383	-	299,003
Subordinated loans from the Parent	101,729	-	-	5,984,627	-	-	6,086,356
Lease liability	8,659	8,776	18,500	214,835	138,337	-	389,107
Other financial liabilities	-	-	-	-	-	424,601	424,601
	17,980,638	**12,433,732**	**15,817,265**	**18,734,459**	**181,056**	**6,978,305**	**72,125,455**
	(3,161,441)	**(596,498)**	**8,913,339**	**8,749,322**	**1,798,695**	**11,214,336**	**26,917,753**

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 and advances to banks	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 securites	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
	10,472,229	**10,543,626**	**13,751,997**	**36,095,075**	**3,432,087**	**23,172,059**	**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 the 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
	(3,946,506)	**(1,190,724)**	**(5,497,995)**	**15,502,876**	**3,168,027**	**18,488,873**	**26,524,551**

Average effective interest rates

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

	31 December 2022 Average effective interest rate, %			31 December 2021 Average effective interest rate, %		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Amounts receivable under reverse repurchase agreements	11.0%	2.5%	-	-	-	-
Loans and advances to banks	-	4.8%	-	8.1%	4.1%	-
Loans to customers	11.5%	7.5%	5.2%	11.1%	7.9%	5.3%
Investment securities	9.5%	-	-	9.2%	-	-
Interest bearing liabilities						
Deposits and balances from banks	10.7%	-	-	7.9%	-	-
Current accounts and deposits from customers						
− Current accounts and demand deposits	2.0%	0.5%	0.0%	1.0%	0.7%	0.0%
− Term deposits	8.2%	4.3%	1.8%	8.2%	4.4%	2.1%
Other borrowed funds	8.0%	-	-	8.3%	-	-
Subordinated loans frorn the 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 2022 and 31 December 2021, respectively, as follows:

	31 December 2022 AMD'000	31 December 2021 AMD'000
100 bp parallel fall	16,806	69,092
100 bp parallel rise	(16,806)	(69,092)

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 2022 and 31 December 2021 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, respectively, is as follows:

	31 December 2022		31 December 2021	
	Net profit or loss AMD'000	**Equity AMD'000**	**Net profit or loss AMD'000**	**Equity AMD'000**
100 bp parallel fall	-	330,348	-	408,608
100 bp parallel rise	-	(330,348)	-	(408,608)

(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 2022:

	AMD AMD'000	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS					
Cash and cash equivalents	2,796,381	7,847,615	2,348,190	23,038	13,015,224
Amounts receivable under reverse repurchase agreements	2,529,407	3,936,778	-	-	6,466,185
Loans and advances to banks	695,000	8,065,932	193,782	-	8,954,714
Loans to customers	32,735,609	16,536,764	2,770,677	-	52,043,050
Investment securities	18,429,094	-	-	-	18,429,094
Other financial assets	98,633	36,279	29	-	134,941
Total assets	**57,284,124**	**36,423,368**	**5,312,678**	**23,038**	**99,043,208**
LIABILITIES					
Deposits and balances from banks	3,142,082	-	-	-	3,142,082
Current accounts and deposits from customers	25,988,888	34,441,194	1,337,875	16,349	61,784,306
Other borrowed funds	299,003	-	-	-	299,003
Subordinated loans from the Parent	-	2,081,283	4,005,073	-	6,086,356
Lease liability	389,107	-	-	-	389,107
Other financial liabilities	326,560	97,650	391	-	424,601
Total liabilities	**30,145,640**	**36,620,127**	**5,343,339**	**16,349**	**72,125,455**
Net position	**27,138,484**	**(196,759)**	**(30,661)**	**6,689**	**26,917,753**

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

	AMD AMD'000	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS					
Cash and cash equivalents	4,701,777	11,795,122	5,194,529	22,692	21,714,120
Loans and advances to banks	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 the 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**

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2022 and 31 December 2021 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 2022 AMD'000	31 December 2021 AMD'000
10% appreciation of USD against AMD	(19,676)	37,786
10% appreciation of EUR against AMD	(3,066)	966

A strengthening of the AMD against the above currencies at 31 December 2022 and 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables 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 and advances 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 2022 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
31 December 2022							
Non-derivative liabilities							
Deposits and balances from banks	-	-	3,217,276	10,005	36,671	3,263,953	3,142,082
Current accounts and deposits from customers	16,179,838	8,474,062	9,694,430	16,522,992	12,881,928	63,753,250	61,784,306
Other borrowed funds	6,591	16,044	26,204	52,265	250,062	351,165	299,003
Subordinated loans from the Parent	-	192,621	-	196,754	7,157,664	7,547,038	6,086,356
Lease liability	6,187	12,374	18,560	37,576	473,173	547,869	389,107
Other financial liabilities	-	-	-	-	424,601	424,601	424,601
Total	**16,192,616**	**8,695,101**	**12,956,470**	**16,819,592**	**21,224,099**	**75,887,876**	**72,125,455**
Credit related commitments	**7,635,057**	**-**	**-**	**-**	**-**	**7,635,057**	**7,635,057**

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
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	63,818,509	61,761,731
Other borrowed funds	11,410	17,362	27,999	58,701	344,075	459,547	380,988
Subordinated loans from the 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**	**20,365,324**	**23,909,588**	**75,673,916**	**70,942,522**
Credit related commitments	**6,631,359**	**-**	**-**	**-**	**-**	**6,631,359**	**6,631,359**

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 2022 AMD'000	31 December 2021 AMD'000
Less than 1 month	2,643,959	3,487,815
From 1 to 3 months	3,001,799	3,650,858
From 3 to 12 months	18,633,086	21,646,526
More than 1 year	2,776,868	3,775,425
	27,055,712	**32,560,624**

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

	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	13,015,224	-	-	-	-	-	-	13,015,224
Amounts receivable under reverse repurchase agreements	6,466,185	-	-	-	-	-	-	6,466,185
Loans and advances to banks	6,184,053	3,738	2,006,645	-	-	760,278	-	8,954,714
Loans to customers	374,321	4,338,427	10,842,500	18,998,781	17,368,621	-	120,400	52,043,050
Investment securities	-	12,024	6,718,160	10,596,878	1,084,515	17,517	-	18,429,094
Right-of-use assets	-	-	-	-	-	484,917	-	484,917
Property, equipment and intangible assets	-	-	-	-	-	2,734,364	-	2,734,364
Repossessed assets	-	-	-	-	-	109,052	-	109,052
Other assets	-	-	-	-	-	310,413	-	310,413
Total assets	**26,039,783**	**4,354,189**	**19,567,305**	**29,595,659**	**18,453,136**	**4,416,541**	**120,400**	**102,547,013**
Liabilities								
Deposits and balances from banks	-	-	3,108,367	33,715	-	-	-	3,142,082
Current accounts and deposits from customers	16,091,848	8,278,076	25,058,145	12,351,811	4,426	-	-	61,784,306
Other borrowed funds	6,156	12,722	62,693	179,049	38,383	-	-	299,003
Subordinated loans from the Parent	-	101,729	-	5,984,627	-	-	-	6,086,356
Current tax liabilities	-	-	179,530	-	-	-	-	179,530
Deferred tax liabilities	-	-	-	-	-	8,471	-	8,471
Lease liability	2,751	5,908	27,276	214,835	138,337	-	-	389,107
Other liabilities	-	-	-	-	-	486,934	-	486,934
Total liabilities	**16,100,755**	**8,398,435**	**28,436,011**	**18,764,037**	**181,146**	**495,405**	**-**	**72,375,789**
Net position	**9,939,028**	**(4,044,246)**	**(8,868,706)**	**10,831,622**	**18,271,990**	**3,921,136**	**120,400**	**30,171,224**

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 and advances to banks	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**	**16,727,335**	**3,978,490**	**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 the 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**	**16,461,920**	**3,469,071**	**383,457**	**29,887,036**

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 31 December 2022 is 195.08% (unaudited) (31 December 2021: 284.75% (unaudited)).

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.

24 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 2022 and 31 December 2021.

The following table shows the composition of the capital position calculated in accordance with the requirements of the CBA, as at 31 December 2022 and 31 December 2021:

	31 December 2022 AMD'000	31 December 2021 AMD'000
	Unaudited	**Unaudited**
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	3,719,027	2,611,716
Deductions	(900,097)	(847,640)
Total tier 1 capital	**29,453,207**	**28,398,353**
Tier 2 capital		
Fair value reserve for investment securities	(718,429)	(92,255)
Subordinated loans	3,580,994	6,132,003
Deduction of tier 2 capital as per the CBA regulations	-	-
Total tier 2 capital	**2,862,565**	**6,039,748**
Total capital	**32,315,772**	**34,438,101**
Total risk weighted assets	**87,200,309**	**84,435,576**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**37.06%**	**40.79%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**33.78%**	**33.63%**

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.

25 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 2022 AMD'000	31 December 2021 AMD'000
Contracted amount		
Loan and credit line commitments to corporate clients:		
− with PD rate of up to 3.0%	1,736,127	1,876,096
− with PD rate of above 3.0%	2,835,514	2,689,342
Credit card commitments and credit lines to retail clients	1,854,046	1,094,785
Guarantees and letters of credit	1,209,370	971,136
	7,635,057	**6,631,359**

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 2022 of these credit related commitments, AMD 5,049,300 thousand (31 December 2021: AMD 4,684,974 thousand) are to fourteen customers (31 December 2021: seven customers). This exposure represents a significant credit risk exposure to the Bank and are fully in Stage 1.

26 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.

27 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 years ended 31 December 2022 and 31 December 2021 is as follows:

	2022 AMD'000	2021 AMD'000
Short-term employee benefits	**310,463**	**270,987**

The outstanding balances and average effective interest rates as at 31 December 2022 and 31 December 2021 for transactions with the members of the Board of Directors and the Management Committee are as follows:

	2022 AMD'000	Average effective interest rate, %	2021 AMD'000	Average effective interest rate, %
Statement of financial position				
Loans issued (gross)	292,914	10.2%	248,486	9.88%
Expected credit loss allowance	(822)		(694)	
Deposits received	219,054	1.8%	248,633	1.53%

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 years ended 31 December 2022 and 31 December 2021 are as follows:

	2022 AMD'000	2021 AMD'000
Profit or loss		
Interest income	28,325	19,915
Interest expense	(3,659)	(3,195)
Credit (loss)/release	(128)	166

(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 2022 and related profit or loss amounts of transactions for the year ended 31 December 2022 with other related parties are as follows:

	Parent company		Other subsidiaries of the parent company		Other companies related with the parent company		
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	Total AMD'000
Statement of financial position							
Assets							
Cash and cash equivalents							
− in USD	976,754	-	3,964	-	-	-	980,719
− in EUR	466,284	-	1,157,516	-	-	-	1,623,800
− in other currencies	16,982	-	-	-	-	-	16,982
Liabilities							
Current accounts and deposits from customers							
− in USD	-	-	-	-	5,221,836	5.53%	5,221,836
Subordinated loans from the Parent							
− in USD	2,081,282	6.52%	-	-	-	-	2,081,282
− in EUR	4,005,074	6.52%	-	-	-	-	4,005,074
Other liabilities							
− in USD	26,045	-	-	-	-	-	26,045
Profit or loss							
Interest income	327	-	-	-	-	-	327
Interest expense	(429,267)	-	-	-	(306,976)	-	(736,243)
Fee and commission income	8,786		-	-	-	-	8,786
Fee and commission expense	(15,170)	-	(104)	-	-	-	(15,274)
Professional services	(28,800)	-	-	-	-	-	(28,800)

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**		
	AMD'000	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**AMD'000**	**Average effective interest rate, %**	**Total AMD'000**
Statement of financial position							
Assets							
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
Subordinated loans from the 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)

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

28 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 2022 and 31 December 2021 approximate their carrying amounts.

As at 31 December 2022 the fair values of loans to customers are lower than their carrying values of AMD 52,043,050 thousand (31 December 2021: AMD 40,479,645 thousand) by AMD 339,639 thousand (31 December 2021: higher by AMD 134,274 thousand); and fair value of current accounts and term deposits is less than their carrying values of AMD 61,784,306 thousand (31 December 2021: AMD 61,761,731 thousand) by AMD 134,955 thousand (31 December 2021: AMD 347,696 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 2022 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	-	18,411,577	-	18,411,577
− Corporate shares	-	-	17,517	17,517

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
− Corporate shares	-	-	17,517	17,517

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.