Converse Bank Closed Joint-Stock Company

Consolidated financial statements

Period ended 31 March 2021

Contents

Consolidated financial statements

Notes to the consolidated financial statements

Consolidated statement of financial position

as of 31 March 2021

(thousands of Armenian drams)

	Notes	*31/03/2021*	*31/12/2020*
Assets			
Cash and cash equivalents	6	51,677,855	33,342,983
Trading securities	7	896,324	879,049
Amounts due from banks	8	17,607,819	16,739,040
Derivative financial assets		886	-
Loans and advances to customers	9	230,243,815	229,317,136
Investment securities	10	31,418,585	35,548,386
Investment securities pledged under repurchase agreements		10,333,344	3,182,001
Property, plant and equipment	11	8,630,129	8,605,113
Intangible assets	12	364,356	330,808
Repossessed assets	13	1,724,767	1,693,043
Prepayments on profit tax		332,115	206,037
Other assets	14	3,172,535	2,093,595
Total assets		**356,402,530**	**331,937,191**
Liabilities			
Amounts due to banks	15	18,189,271	6,442,513
Derivative financial liabilities	16	-	41,664
Amounts due to customers	17	239,194,404	227,973,075
Debt securities issued	18	21,976,143	21,527,117
Current income tax liabilities		-	-
Deferred income tax liabilities	19	1,086,566	851,666
Other borrowed funds	20	22,860,245	23,518,467
Lease liabilities	3	1,674,111	1,761,890
Subordinated debt	21	378,999	366,607
Provisions on commitments and contingencies	22	164,476	230,632
Other liabilities	14	1,684,601	1,133,431
Total liabilities		**307,208,816**	**283,847,062**
Equity	23		
Share capital		19,947,633	19,947,633
Share premium		63,233	63,233
Statutory general reserve		3,627,805	3,627,805
Revaluation surplus for land and buildings		3,328,886	3,360,688
Revaluation reserve for financial assets at FVOCI		(250,643)	(328,381)
Retained earnings		22,476,800	21,419,151
Total equity		**49,193,714**	**48,090,129**
Total equity and liabilities		**356,402,530**	**331,937,191**

Signed and authorised for release on behalf of the Management Board of the Bank.

Arthur Hakobyan — Chief Executive Officer – Chairman of Executive Management

Davit Azatyan — Chief Accountant

Consolidated statement of profit or loss

for the period ended 31 March 2021

(thousands of Armenian drams)

	Note	31/03/2021	31/03/2020
Interest revenue calculated using effective interest rate	24	6,464,834	6,468,028
Other interest revenue	24	26,658	20,596
Interest expense	24	(2,832,636)	(2,995,179)
Net interest income	24	**3,658,856**	**3,493,445**
Credit loss expense	25	(671,151)	(970,123)
Net interest income after credit loss expense		**2,987,705**	**2,523,322**
Fee and commission income	26	832,407	782,002
Fee and commission expense	26	(389,091)	(311,217)
Net trading income	27	307,892	287,982
Net gain/(loss) from foreign currency translation		95,730	239,757
Gains less losses from investment securities measured at fair value through other comprehensive income		55,782	144,076
Other income	28	166,276	325,569
Non-interest income		**1,068,996**	**1,468,169**
Personnel expenses	29	(1,520,078)	(1,539,210)
Depreciation of property and equipment	11	(290,170)	(301,182)
Amortization of intangible assets	12	(13,273)	(18,159)
Administrative and other operating expenses	29	(928,469)	(820,915)
Non-interest expense		**(2,751,990)**	**(2,679,466)**
Profit before income tax expense		**1,304,711**	**1,312,025**
Income tax expense	19	(278,864)	(169,200)
Profit for the year		**1,025,847**	**1,142,825**

Consolidated statement of comprehensive income

for the period ended 31 March 2021

(thousands of Armenian drams)

	Note	31/03/2021	31/03/2020
Profit for the year		**1,025,847**	**1,142,825**
Net other comprehensive income not to be reclassified subsequently to profit or loss		**-**	**102,356**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealised gains/(losses) on debt securities at FVOCI		143,155	27,413
Realised gains on debt securities at FVOCI transferred to profit or loss		(55,782)	(144,076)
hanges in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		7,430	15,236
Income tax effect	19	(17,065)	36,637
Net other comprehensive loss to be reclassified subsequently to profit or loss		**77,738**	**(64,790)**
Other comprehensive income/(loss) for the year, net of tax		**77,738**	**37,566**
Total comprehensive income for the year		**1,103,585**	**1,180,391**

Consolidated statement of changes in equity

for the period ended 31 March 2021

(thousands of Armenian drams)

	Share capital	*Share premium*	*Statutory general reserve*	*Revaluation reserve for securities at fair value through OCI*	*Revaluation reserve of PPE*	*Retained earnings*	*Total*
Balance as at 1 January 2020	16,416,633	63,233	2,798,799	789,418	3,487,892	20,685,333	44,241,308
Distribution to general reserve	–	–	-	–	–	-	–
Dividends to shareholders	–	–	–	–	–	-	-
Transactions with owners	–	–	-	–	–	-	-
Profit for the year	–	–	–	–	–	1,142,825	1,142,825
Other comprehensive income for the year	–	–	–	(64,790)	102,356	-	37,566
Total comprehensive income for the year	–	–	–	(64,790)	102,356	1,142,825	1,180,391
Depreciation of revaluation reserve	–	–	–	–	(36,831)	36,831	–
Balance as at 31 March 2020	16,416,633	63,233	2,798,799	724,628	3,553,417	21,864,989	45,421,699
Balance as at 1 January 2021	19,947,633	63,233	3,627,805	(328,381)	3,360,688	21,419,151	48,090,129
Issue of share capital	-	-	-	-	-	-	-
Distribution to general reserve	-		-	-	-	-	-
Dividends to shareholders	–	–	–	–	–	-	-
Transactions with owners	-	–	-	–	–	-	-
Profit for the year	–	–	–	–	–	1,025,847	1,025,847
Other comprehensive income for the year	–	–	–	77,738		-	77,738
Total comprehensive income for the year	–	–	–	77,738	-	1,025,847	1,103,585
Depreciation of revaluation reserve	–	–	–	–	(31,802)	31,802	–
Balance as at 31 March 2021	19,947,633	63,233	3,627,805	(250,643)	3,328,886	22,476,800	49,193,714

Consolidated statement of cash flows
for the period ended 31 March 2021

(thousands of Armenian drams)

	Note	*31/03/2021*	*31/03/2020*
Cash flows from operating activities			
Interest received		5,412,795	5,865,234
Interest paid		(2,332,865)	(2,318,584)
Fees and commissions received		832,407	782,002
Fees and commissions paid		(389,091)	(311,217)
Net trading income received		352,308	287,982
Other income received		261,924	316,276
Personnel expenses paid		(1,342,258)	(1,512,478)
Administrative and other operating expenses paid		(1,152,105)	(835,098)
Cash flows from operating activities before changes in operating assets and liabilities		**1,643,115**	**2,274,117**
Net (increase)/decrease in operating assets			
Trading securities		(9,956)	360,188
Amounts due from banks		(786,275)	8,560,576
Loans and advances to customers		588,914	1,081,626
Repossessed assets		127,596	50,141
Other assets		(1,186,590)	653,290
Net increase/(decrease) in operating liabilities			
Amounts due to banks		11,886,194	(2,275,352)
Amounts due to customers		9,646,088	(5,015,745)
Derivative financial liabilities		(97,830)	32,237
Other liabilities		612,334	(381,490)
Net cash used in operating activities before income tax		**22,423,590**	**5,339,588**
Income tax paid		(178,874)	(300,839)
Net cash used in operating activities		22,244,716	5,038,749
Cash flows from investing activities			
Purchase of investment securities		(4,569,716)	(7,625,184)
Proceeds from sale and redemption of investment securities		1,746,643	2,113,136
Purchase of property and equipment		(844,263)	(53,577)
Proceeds from sale of property and equipment		568,696	-
Purchase of intangible assets		(46,821)	(3,172)
Net cash from / (used) in investing activities		**(3,145,461)**	**(5,568,797)**
Cash flows from financing activities			
Proceeds from other borrowed funds		765,782	1,104,565
Repayment of other borrowed funds		(1,524,957)	(501,787)
Repayment of lease liabilities		(174,099)	(145,660)
Net cash from financing activities		**(933,274)**	**457,118**
Net increase in cash and cash equivalents		**18,165,981**	**(72,930)**
Cash and cash equivalents at the beginning of the year		33,342,983	52,343,932
Effect of exchange rates changes on cash and cash equivalents		168,891	959,475
Cash and cash equivalents at the end of the year	6	51,677,855	53,230,477

(thousands of Armenian drams)

1. Principal activities

“Converse Bank” CJSC (the “Bank”) is the parent company in the Group. It was formed on 1994 as a closed joint-stock bank under the laws of the Republic of Armenia. The Bank operates under a general banking license issued by the Central Bank of Armenia (the “CBA”) on 28 November 1994 and conducts its business under license number 57.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

The Bank’s main office is in Yerevan and its 35 branches are located in Yerevan and in different regions.

As of 31 March 2021, the number of Bank’s employees is 747, the number of subsidiary’s employees is 25.

Converse Collection was formed as a limited liability company under the laws of the Republic of Armenia on 20 April 2000. The company’s principal activity is transportation of cash, cash equivalents and other assets. The company is a subsidiary of the Bank and was consolidated in these financial statements.

As of 31 March , the shareholders of the Bank are:

Shareholder	***31.03.2021, %***	***31.12.2020, %***
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management BV	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	**100.0**	**100.0**

The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

Armenian business environment

As an emerging market, Armenia continues economic and regulatory reforms.

The recent outbreak of novel coronavirus (COVID-19) negatively affects economic conditions regionally as well as globally. The full impact of coronavirus outbreak is unclear yet and the Group monitors the situation closely.

Management of the Group believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Group.

2. Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as developed and published by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Functional and presentation currency

Functional currency of the Group is the currency of the primary economic environment in which the Group operates. The Bank’s and its subsidiary’s functional and presentation currency is Armenian dram (“AMD”), since this currency best reflects the economic substance of the underlying events and transactions of the Group. The Group prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These consolidated financial statements are based on the Group’s books and records as adjusted and reclassified in order to comply with IFRS. The consolidated financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

(thousands of Armenian drams)

3. Summary of accounting policies

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Basis of consolidation

Subsidiary, which is entity where the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary, are consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiary have been changed to ensure consistency with the policies adopted by the Group. Subsidiary has a reporting date of 31 December.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and under IFRS 9 – an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), including the part of obligatory reserves and amounts due from other banks, which can be converted into cash at short notice.

Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the consolidated statement of financial position. Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income/expense.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to banks or customers.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans and advances to customers as appropriate and are not recognised in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

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

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Under IAS 39, derivatives embedded in financial assets, liabilities and non-financial host contacts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

The Group accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

3. Summary of accounting policies (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Taxation (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when consolidated financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Group's activities. These taxes are included as a component of other expenses in the consolidated statement of comprehensive income.

Property and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation, except land and buildings. The Bank's buildings are stated at revalued amounts. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Land is carried at revalued amount. It has unlimited useful life and thus is not depreciated.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	***Rate (%)***
Buildings	20	5
Computers	1	100
Network appliances	8	12.5
Vehicles	8	12.5
Equipment	8	12.5
Other fixed assets	8	12.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses. Upon completion of construction assets are transferred to property plant and equipment and accounted at their carrying amounts. Assets under the course of construction are not depreciated until they are ready for usage.

Repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

Land and buildings are revalued on a regular basis approximately after 3-5 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property, plant and equipment.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income, in which case the increase is recognised in consolidated statement of comprehensive income. A revaluation deficit is recognised in the consolidated statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Along with the usage of fixed assets, the difference of the calculated depreciation based on the revalued amount of the asset and calculated depreciation based on the cost of the asset is transferred to retained earnings.

In case of sale or write-off of fixed assets the balance relating to revaluation reserve of that fixed assets is totally transferred to retained earnings.

Intangible assets

Intangible assets include computer software, licenses and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

Grants

Grants relating to the assets are included in other liabilities and are credited to the consolidated statement of comprehensive income on a straight line basis over the expected lives of the related assets.

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, in “Other liabilities”, being the premium received. Following initial recognition, the Group’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Equity

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Share premium

Share premium includes any premium received from the issue of shares. Any expense in respect of transaction which is related to the issue of shares is reduced from the share premium.

Retained earnings

Includes retained earnings of current and previous periods.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for investment securities

This reserve records fair value changes in available-for-sale-investments / investments at fair value through other comprehensive income.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Investment banking.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest revenue” in the consolidated statement of profit or loss.

Fee and commission income

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Dividend income

Revenue is recognised when the Group’s right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Armenian drams, which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the CBA on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBA exchange rates at 31 March 2021 and 31 December 2020 were AMD 531.17 and AMD 522.59 to 1 USD, respectively.

4. Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these consolidated financial statements are presented below:

Revaluation of land and buildings

Fair value of the properties is determined by using market comparable method and income approach. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in

(thousands of Armenian drams)

the nature, location or condition of the specific property. The Group engages independent experts for valuation of its premises.

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 31).

(thousands of Armenian drams)

4. Significant accounting judgments and estimates (continued)

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

5. Segment information

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

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and small and micro loans.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Trading and Investment banking	Treasury and finance, investment banking, leasing and other central functions.

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 31 March 2021 or 31 December 2020.

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

As of 31 March 2021	*Retail banking*	*Corporate banking*	*Trading and IB*	*Total*
External income				
Interest revenue calculated using effective interest rate	3,217,954	2,296,332	950,548	6,464,834
Other interest revenue	10,228	2,927	13,503	26,658
Interest expense	(928,172)	(1,347,855)	(556,609)	(2,832,636)
Net interest income	**2,300,010**	**951,404**	**407,442**	**3,658,856**
Credit loss expense	(264,232)	(399,489)	(7,430)	(671,151)
Fee and commission income	674,546	149,831	8,030	832,407
Fee and commission expense	(321,582)	(67,509)	-	(389,091)
Other non-interest income	138,223	458,873	28,584	625,680
Non-interest expense	(1,046,835)	(1,297,088)	(408,066)	(2,751,990)
Segment profit	**1,480,130**	**(203,978)**	**28,560**	**1,304,711**
Income tax expense	(316,357)	43,597	(6,104)	(278,864)
Profit for the period	**1,163,773**	**(160,380)**	**22,456**	**1,025,847**

(thousands of Armenian drams)

5. Segment information (continued)

As of 31 March 2020	*Retail banking*	*Corporate banking*	*Trading and IB*	*Total*
External income				
Interest revenue calculated using effective interest rate	3,490,661	2,357,465	619,902	6,468,028
Other interest revenue	10,598	1,331	8,667	20,596
Interest expense	(1,087,643)	(1,451,493)	(456,043)	(2,995,179)
Net interest income	**2,413,616**	**907,303**	**172,526**	**3,493,445**
Credit loss expense	(340,925)	(613,962)	(15,236)	(970,123)
Fee and commission income	623,038	149,360	9,604	782,002
Fee and commission expense	(252,065)	(59,152)	-	(311,217)
Other non-interest income	425,476	505,844	66,064	997,384
Non-interest expense	(1,087,525)	(1,246,548)	(345,392)	(2,679,465)
Segment profit	**1,787,055**	**(347,359)**	**(127,671)**	**1,312,025**
Income tax expense	(230,460)	44,796	16,465	(169,200)
Profit for the period	**1,556,594**	**(302,563)**	**(111,206)**	**1,142,825**

The following table presents segment assets of the Group's operating segments:

	As of 31 March 2021				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading and IB*	*Non-interest bearing*	*Total*
Assets	110,349,340	119,894,475	47,497,346	78,661,369	**356,402,530**
Liabilities	105,758,200	133,979,679	63,025,659	4,445,278	**307,208,816**

	As of 31 March 2020				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading and IB*	*Non-interest bearing*	*Total*
Assets	115,432,422	117,160,954	29,484,027	67,116,277	**329,193,680**
Liabilities	102,659,921	127,690,011	47,163,497	5,527,621	**283,041,050**

Interest earning assets include financial assets through profit and loss, investment securities, loans to banks, loans and advances to customers.

Interest bearing financial liabilities include deposit and balances from banks, current accounts and deposits from customers, bonds issued by the Group, subordinated and other borrowings.

Geographic information

The Group's operations are primarily concentrated in Armenia. The Group has no current assets outside Armenia other than financial instruments.

Revenue from contracts with customers

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the period ended 31 March 2021 and 31 March 2020 are as follows:

As of 31 March 2021	*Retail banking*	*Corporate banking*	*Investment banking*	*Total*
Commission income				
Plastic cards operations	489,335	-	-	**489,335**
Wire transfer fees	99,517	60,368	282	**160,167**
Settlement operation	13,697	25,760	7,653	**47,110**
Loan accounts servicing fees	15,646	10,269	-	**25,915**
Guarantees and letters of credit	274	25,675	-	**25,949**
Other	56,077	27,759	95	**83,931**
Total revenue from contracts with customers	**674,546**	**149,831**	**8,030**	**832,407**

5. Segment information (continued)

(thousands of Armenian drams)

Revenue from contracts with customers (continued)

As of 31 March 2020	*Retail banking*	*Corporate banking*	*Investment banking*	*Total*
Commission income				
Plastic cards operations	385,673	-	-	**385,673**
Wire transfer fees	89,579	45,961	328	**135,868**
Settlement operation	35,601	26,484	9,159	**71,244**
Loan accounts servicing fees	34,136	36,085	-	**70,221**
Guarantees and letters of credit	30	13,488	-	**13,518**
Other	78,019	27,342	117	**105,478**
Total revenue from contracts with customers	**623,038**	**149,360**	**9,604**	**782,002**

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2021	*31 December 2020*
Current accounts with the Central Bank, including obligatory reserves in AMD	34,702,845	20,511,050
Cash on hand	14,742,865	9,876,863
Placements with other banks	2,242,286	2,959,352
Less – allowance for impairment	(10,141)	(4,282)
Cash and cash equivalents	**51,677,855**	**33,342,983**

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

	31 March 2021	*31 December 2020*
ECL allowance as at 1 January 2020	**4,282**	**2,502**
Changes in ECL	5,859	1,780
At the end of period	**10,141**	**4,282**

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 2% (2020: 2%) of the amounts attracted in Armenian drams and 18% (2020: 18%) of the amounts attracted in foreign currencies:

As of 31 March 2021, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 30,587,293 thousand (2020: AMD 28,924,577 thousand).

In 2020 the regulation changed.Starting from that period, the banks are required to maintain 10% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams, and 8% – in the foreign currency.

Moreover, the banks' ability to withdraw reserved amounts in foreign currency is restricted. After the legislation change, the Group classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 8).

As of 31 March 2021, placements with other banks in the amount of AMD 2,164,178 thousand (96.5%) were due from four banks (2020: AMD 2,865,480 thousand 96.8%) were due from four banks).

(thousands of Armenian drams)

7. Trading securities

Trading securities owned comprise:

	31 March 2021	*31 December 2020*
Debt securities issued by the RA government	601,855	587,620
Investments in funds	294,469	291,429
Trading securities	**896,324**	**879,049**

8. Amounts due from banks

Amounts due from banks comprise:

	31 March 2021	*31 December 2020*
Foreign currency obligatory reserves with CBA	12,758,726	11,981,615
Deposits and deposited funds with CBA	350,000	1,248,500
Reverse repurchase agreements	-	641,242
Loans and deposits to banks	2,525,854	423,079
Receivables from payment and settlement operations	530,293	1,062,901
Other amounts	1,457,195	1,389,767
	17,622,068	16,747,104
Less – allowance for impairment	(14,249)	(8,064)
Amounts due from banks	17,607,819	16,739,040

As at 31 March 2021 there were no amounts receivable under reverse repurchase agreements (2020: AMD 644,995 thousand).

As of 31 March 2021 the balances included loans and deposits to banks in amount of AMD 1,683,371 thousand due from one counterparty (2020: AMD 423,079thousand due from two counterparties).

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the period ended 31 March 2021 is as follows:

	Stage 1	*Total*
Gross carrying value as at 1 January 2021	**16,747,104**	**16,747,104**
New assets originated or purchased	2,160,831	2,160,831
Assets repaid	(1,178,109)	(1,178,109)
Foreign exchange adjustments	(107,758)	(107,758)
At 31 March 2021	17,622,068	17,622,068

	Stage 1	*Total*
ECL allowance as at 1 January 2021	**8,064**	**8,064**
New assets originated or purchased	14,808	14,808
Assets repaid	(8,623)	(8,623)
Foreign exchange adjustments	-	-
At 31 March 2021	**14,249**	**14,249**

(thousands of Armenian drams)

8. Amounts due from banks (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the year ended 31 December 2020 is as follows:

	Stage 1	*Total*
Gross carrying value as at 1 January 2020	**20,560,048**	**20,560,048**
New assets originated or purchased	3,736,730	3,736,730
Assets repaid	(8,566,535)	(8,566,535)
Foreign exchange adjustments	1,016,861	1,016,861
At 31 December 2020	**16,747,104**	**16,747,104**

	Stage 1	*Total*
ECL allowance as at 1 January 2020	**10,793**	**10,793**
New assets originated or purchased	31,858	31,858
Assets repaid	(37,180)	(37,180)
Foreign exchange adjustments	2,593	2,593
At 31 December 2020	**8,064**	**8,064**

(thousands of Armenian drams)

9. Loans and advances to customers

	31 March 2021	*31 December 2020*
Loans to customers	188,765,601	187,999,269
Overdrafts	37,277,573	38,111,601
Reverse repurchase agreements	13,404,939	11,874,388
Financial lease receivables	439,905	435,068
Factoring	-	-
Letter of credit	27,405	25,839
	239,915,423	**238,446,165**
Less − allowance for loan impairment	(9,671,608)	(9,129,029)
Total loans and advances to customers	**230,243,815**	**229,317,136**

	31 March 2021	*31 December 2020*
Large business loans	90,139,785	89,027,712
SME loans	38,172,222	39,729,258
Consumer loans	41,519,931	40,789,484
Mortgage loans	50,535,515	49,726,023
Gold loans	19,547,970	19,173,687
Gross loans and advances to customers	**239,915,423**	**238,446,165**
Less – allowance for impairment	(9,671,608)	(9,129,029)
Total loans and advances to customers	**230,243,815**	**229,317,136**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 31 March 2021:

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**80,852,454**	**2,811,768**	**5,363,490**	**89,027,712**
New assets originated or purchased	16,498,417			**16,498,417**
Assets repaid	(14,884,834)	(14,385)	(293,981)	**(15,193,199)**
Transfers to Stage 2	(1,903,927)	1,903,927	-	**-**
Transfers to Stage 3	(12,681)	(2,070,450)	2,083,131	**-**
Recoveries			-	**-**
Amounts written off			(193,145)	**(193,145)**
At 31 March 2021	**80,549,429**	**2,630,861**	**6,959,495**	**90,139,785**

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**630,889**	**448,138**	**2,421,455**	**3,500,483**
New assets originated or purchased	276,066			**276,066**
Assets repaid	(30,937)	-	-	**(30,937)**
Transfers to Stage 2	(262,998)	262,998	-	**-**
Transfers to Stage 3	(8,823)	(355,414)	364,237	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	32,694	43,321	**76,015**
Unwinding of discount (recognised in interest revenue)			-	**-**
Changes to models and inputs used for ECL calculations	(59,147)	(7,463)	(224,487)	**(291,097)**
Recoveries			-	**-**
Amounts written off			(193,145)	**(193,145)**
At 31 March 2021	**545,050**	**380,953**	**2,411,382**	**3,337,385**

An analysis of changes in the gross carrying value and corresponding ECL in relation to SME loans as of 31 March 2021:

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**32,002,868**	**2,746,628**	**4,979,763**	**39,729,258**
New assets originated or purchased	2,269,181			**2,269,181**
Assets repaid	(2,915,817)	(374,223)	(448,849)	**(3,738,889)**
Transfers to Stage 1	337,692	(337,692)	-	**-**
Transfers to Stage 2	(1,139,494)	1,139,494	-	**-**
Transfers to Stage 3	(325,465)	(1,060,916)	1,386,381	**-**
Recoveries			37,576	**37,576**
Amounts written off			(124,905)	**(124,905)**
At 31 March 2021	**30,228,964**	**2,113,292**	**5,829,967**	**38,172,222**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**580,270**	**382,933**	**1,248,283**	**2,211,486**
New assets originated or purchased	135,609			**135,609**
Assets repaid	(30,329)	(14,559)	(31,603)	**(76,491)**
Transfers to Stage 1	71,633	(71,633)	-	**-**
Transfers to Stage 2	(123,739)	123,739	-	**-**
Transfers to Stage 3	(9,022)	(202,131)	211,153	**-**
Impact on period end ECL of exposures transferred between stages during the period	(65,123)	66,258	310,222	**311,357**
Unwinding of discount (recognised in interest revenue)			5,480	**5,480**
Changes to models and inputs used for ECL calculations	(13,625)	34,057	7,609	**28,041**
Recoveries			37,576	**37,576**
Amounts written off			(124,905)	**(124,905)**
At 31 March 2021	**545,675**	**318,664**	**1,663,814**	**2,528,153**

(thousands of Armenian drams)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans as of 31 March 2021:

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**36,144,285**	**1,897,404**	**2,747,795**	**40,789,484**
New assets originated or purchased	4,064,841			**4,064,841**
Assets repaid	(2,970,623)	(74,216)	(310,455)	**(3,355,294)**
Transfers to Stage 1	295,022	(295,022)	-	**-**
Transfers to Stage 2	(1,131,089)	1,131,479	(390)	**-**
Transfers to Stage 3	(31,214)	(1,009,363)	1,040,577	**-**
Recoveries			204,463	**204,463**
Amounts written off			(183,564)	**(183,564)**
At 31 March 2021	**36,371,222**	**1,650,282**	**3,498,427**	**41,519,930**

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**662,597**	**342,935**	**1,306,618**	**2,312,150**
New assets originated or purchased	77,628			**77,628**
Assets repaid	(33,665)	(13,445)	(49,797)	**(96,907)**
Transfers to Stage 1	52,726	(52,726)	-	**-**
Transfers to Stage 2	(19,224)	19,503	(279)	**-**
Transfers to Stage 3	(568)	(173,610)	174,178	**-**
Impact on period end ECL of exposures transferred between stages during the period	(47,463)	152,156	309,783	**414,476**
Unwinding of discount (recognised in interest revenue)			34,437	**34,437**
Changes to models and inputs used for ECL calculations	(13,892)	2,461	(128,741)	**(140,172)**
Recoveries			204,463	**204,463**
Amounts written off			(183,564)	**(183,564)**
At 31 March 2021	**678,140**	**277,273**	**1,667,098**	**2,622,511**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans as of 31 March 2021:

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**47,030,476**	**886,264**	**1,809,282**	**49,726,023**
New assets originated or purchased	2,328,535			**2,328,535**
Assets repaid	(1,427,650)	9,741	(113,342)	**(1,531,251)**
Transfers to Stage 1	64,286	(64,286)	-	**-**
Transfers to Stage 2	(484,971)	484,971	-	**-**
Transfers to Stage 3	-	(225,114)	225,114	**-**
Recoveries			56,093	**56,093**
Amounts written off			(43,884)	**(43,884)**
At 31 March 2021	47,510,676	1,091,577	1,933,262	50,535,515

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**133,652**	**65,201**	**709,903**	**908,756**
New assets originated or purchased	1,745			**1,745**
Assets repaid	(1,705)	-	(8,016)	**(9,721)**
Transfers to Stage 1	4,974	(4,974)	-	**-**
Transfers to Stage 2	(355)	355	-	**-**
Transfers to Stage 3	-	(11,432)	11,432	**-**
Impact on period end ECL of exposures transferred between stages during the period	(4,642)	38,529	33,006	**66,894**
Unwinding of discount (recognised in interest revenue)			3,473	**3,473**
Changes to models and inputs used for ECL calculations	(7,732)	7,613	7,216	**7,098**
Recoveries			56,093	**56,093**
Amounts written off			(43,884)	**(43,884)**
At 31 March 2021	**125,937**	**95,293**	**769,223**	**990,453**

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold loans as of 31 March 2021:

Gold loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**18,636,695**	**309,970**	**227,022**	**19,173,687**
New assets originated or purchased	6,799,400			**6,799,400**
Assets repaid	(6,278,246)	(94,366)	(77,098)	**(6,449,710)**
Transfers to Stage 1	64,877	(64,877)	-	**-**
Transfers to Stage 2	(87,344)	87,344	-	**-**
Transfers to Stage 3	(9,907)	(72,528)	82,435	**-**
Recoveries			43,109	**43,109**
Amounts written off			(18,516)	**(18,516)**
At 31 March 2021	**19,125,475**	**165,544**	**256,952**	**19,547,970**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

Gold loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**41,385**	**29,443**	**125,327**	**196,156**
New assets originated or purchased	11,876			**11,876**
Assets repaid	(11,080)	(8,027)	(26,179)	**(45,287)**
Transfers to Stage 1	6,045	(6,045)	-	**-**
Transfers to Stage 2	(1,152)	1,152	-	**-**
Transfers to Stage 3	(1,681)	(9,146)	10,827	**-**
Impact on period end ECL of exposures transferred between stages during the period	(5,765)	9,959	14,132	**18,325**
Unwinding of discount (recognised in interest revenue)			3,603	**3,603**
Changes to models and inputs used for ECL calculations	(3,127)	(538)	(12,495)	**(16,160)**
Recoveries			43,109	**43,109**
Amounts written off			(18,516)	**(18,516)**
At 31 March 2021	**36,501**	**16,797**	**139,808**	**193,106**

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 31 December 2020:

Large business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**73,894,548**	**824,701**	**4,608,471**	**79,327,720**
New assets originated or purchased	32,033,039			**32,033,039**
Assets repaid	(25,752,738)	(150,648)	(115,960)	**(26,019,345)**
Transfers to Stage 2	(2,573,014)	2,573,014	-	**-**
Transfers to Stage 3	-	(470,672)	470,672	**-**
Recoveries			-	**-**
Amounts written off			(32,485)	**(32,485)**
Foreign exchange adjustments	3,250,619	35,373	432,792	**3,718,784**
At 31 December 2020	**80,852,454**	**2,811,768**	**5,363,490**	**89,027,712**

Large business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**283,664**	**283,311**	**1,747,631**	**2,314,606**
New assets originated or purchased	303,196			**303,196**
Assets repaid	(99,857)	(19,089)	(281)	**(119,227)**
Transfers to Stage 2	(62,709)	62,709	-	**-**
Transfers to Stage 3	-	(238,050)	238,050	**-**
Impact on period end ECL of exposures transferred between stages during the period	-	304,697	159	**304,856**
Unwinding of discount (recognised in interest revenue)			5,394	**5,394**
Changes to models and inputs used for ECL calculations	191,462	35,429	301,156	**528,047**
Recoveries			-	**-**
Amounts written off			(32,485)	**(32,485)**
Foreign exchange adjustments	15,134	19,131	161,832	**196,096**
At 31 December 2020	**630,889**	**448,138**	**2,421,455**	**3,500,483**

An analysis of changes in the gross carrying value and corresponding ECL in relation to SME loans as of 31 December 2020:

SME loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**38,242,644**	**480,226**	**1,757,081**	**40,479,951**
New assets originated or purchased	9,072,201			**9,072,201**
Assets repaid	(11,575,771)	(150,497)	(384,994)	**(12,111,263)**
Transfers to Stage 1	205,766	(205,766)	-	**-**
Transfers to Stage 2	(2,960,209)	3,073,214	(113,005)	**-**

(thousands of Armenian drams)

Transfers to Stage 3	(3,356,211)	(489,049)	3,845,261	**-**
Recoveries			-	**-**
Amounts written off			(250,489)	**(250,489)**
Foreign exchange adjustments	2,374,449	38,501	125,908	**2,538,858**
At 31 December 2020	32,002,868	2,746,628	4,979,763	39,729,258

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

SME loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**397,119**	**24,420**	**556,083**	**977,622**
New assets originated or purchased	459,307			**459,307**
Assets repaid	(80,557)	(3,394)	(34,537)	**(118,488)**
Transfers to Stage 1	3,489	(3,489)	-	**-**
Transfers to Stage 2	(317,640)	324,949	(7,309)	**-**
Transfers to Stage 3	(62,595)	(248,911)	311,507	**-**
Impact on period end ECL of exposures transferred between stages during the period	732	286,453	567,242	**854,427**
Unwinding of discount (recognised in interest revenue)			10,523	**10,523**
Changes to models and inputs used for ECL calculations	155,668	1,350	59,660	**216,678**
Recoveries			-	**-**
Amounts written off			(250,489)	**(250,489)**
Foreign exchange adjustments	24,747	1,555	35,604	**61,905**
At 31 December 2020	**580,270**	**382,933**	**1,248,283**	**2,211,486**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans as of 31 December 2020:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**42,323,169**	**1,092,531**	**1,765,126**	**45,180,826**
New assets originated or purchased	12,913,929			**12,913,929**
Assets repaid	(15,054,877)	(173,428)	(1,816,925)	**(17,045,230)**
Transfers to Stage 1	194,044	(194,044)	-	**-**
Transfers to Stage 2	(3,310,893)	3,367,604	(56,712)	**-**
Transfers to Stage 3	(1,965,144)	(2,217,898)	4,183,043	**-**
Recoveries			569,214	**569,214**
Amounts written off			(1,966,974)	**(1,966,974)**
Foreign exchange adjustments	1,044,057	22,639	71,023	**1,137,719**
At 31 December 2020	**36,144,285**	**1,897,404**	**2,747,795**	**40,789,484**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**109,322**	**55,219**	**440,883**	**605,424**
New assets originated or purchased	1,808,477			**1,808,477**
Assets repaid	(25,607)	(5,368)	(34,664)	**(65,639)**
Transfers to Stage 1	9,169	(9,169)	-	**-**
Transfers to Stage 2	(1,462,877)	1,478,108	(15,231)	**-**
Transfers to Stage 3	(137,389)	(1,447,901)	1,585,290	**-**
Impact on period end ECL of exposures transferred between stages during the period	(6,009)	258,623	809,518	**1,062,133**
Unwinding of discount (recognised in interest revenue)			38,620	**38,620**
Changes to models and inputs used for ECL calculations	364,933	12,178	(137,097)	**240,015**
Recoveries			569,214	**569,214**
Amounts written off			(1,966,974)	**(1,966,974)**
Foreign exchange adjustments	2,578	1,245	17,057	**20,880**
At 31 December 2020	**662,597**	**342,935**	**1,306,618**	**2,312,150**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans as of 31 December 2020:

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2020	**42,785,196**	**351,489**	**1,463,612**	**44,600,297**
New assets originated or purchased	9,629,780			**9,629,780**
Assets repaid	(5,590,043)	16,148	(515,457)	**(6,089,351)**
Transfers to Stage 1	110,145	(110,145)	-	**-**
Transfers to Stage 2	(1,057,627)	1,170,535	(112,908)	**-**
Transfers to Stage 3	(639,168)	(560,064)	1,199,232	**-**
Recoveries			184,381	**184,381**
Amounts written off			(520,327)	**(520,327)**
Foreign exchange adjustments	1,792,195	18,300	110,749	**1,921,244**
At 31 December 2020	**47,030,476**	**886,264**	**1,809,282**	**49,726,023**

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2020	**31,152**	**14,849**	**599,269**	**645,270**
New assets originated or purchased	359,281			**359,281**
Assets repaid	(2,257)	(1,040)	(19,215)	**(22,512)**
Transfers to Stage 1	4,947	(4,947)	-	**-**
Transfers to Stage 2	(339,747)	360,653	(20,906)	**-**
Transfers to Stage 3	(4,573)	(341,961)	346,534	**-**
Impact on period end ECL of exposures transferred between stages during the period	(4,493)	34,486	138,355	**168,348**
Unwinding of discount (recognised in interest revenue)			7,686	**7,686**
Changes to models and inputs used for ECL calculations	87,610	2,112	(53,904)	**35,818**
Recoveries			184,381	**184,381**
Amounts written off			(520,327)	**(520,327)**
Foreign exchange adjustments	1,733	1,048	48,030	**50,811**
At 31 December 2020	**133,652**	**65,201**	**709,903**	**908,756**

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold loans as of 31 December 2020:

Gold loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2020	**21,001,528**	**289,245**	**239,361**	**21,530,134**
New assets originated or purchased	14,651,393			**14,651,393**
Assets repaid	(16,470,046)	(205,178)	(357,243)	**(17,032,467)**
Transfers to Stage 1	15,701	(15,701)	-	**-**
Transfers to Stage 2	(437,407)	438,822	(1,415)	**-**
Transfers to Stage 3	(249,683)	(197,451)	447,134	**-**
Recoveries			153,359	**153,359**
Amounts written off			(254,264)	**(254,264)**
Foreign exchange adjustments	125,210	232	90	**125,533**
At 31 December 2020	**18,636,695**	**309,970**	**227,022**	**19,173,687**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

Gold loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2020	**22,599**	**17,992**	**90,424**	**131,015**
New assets originated or purchased	192,076			**192,076**
Assets repaid	(15,364)	(10,562)	(44,690)	**(70,616)**
Transfers to Stage 1	989	(989)	-	**-**
Transfers to Stage 2	(110,410)	110,930	(520)	**-**
Transfers to Stage 3	(55,934)	(102,012)	157,946	**-**
Impact on period end ECL of exposures transferred between stages during the period	(938)	14,005	50,172	**63,239**
Unwinding of discount (recognised in interest revenue)			6,121	**6,121**
Changes to models and inputs used for ECL calculations	8,234	64	(33,253)	**(24,956)**
Recoveries			153,359	**153,359**
Amounts written off			(254,264)	**(254,264)**
Foreign exchange adjustments	134	14	33	**181**
At 31 December 2020	**41,385**	**29,443**	**125,327**	**196,156**

9. Loans and advances to customers (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties, gold, vehicles.

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

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

Concentration of loans and advances to customers

As at 31 March 2021 the Group had a concentration of loans totalling to AMD 56,638,480 thousand due from the ten largest groups of borrowers (23.61% of gross loan portfolio) (2020: AMD 54,576,533 thousand or 22.89% of gross loan portfolio). An allowance for impairment in amount of AMD 2,542,349 thousand (2020: AMD 2,450,192 thousand) was created against these loans.

Loans have been extended to the following types of customers:

	31 March 2021	***31 December 2020***
Private companies	110,477,252	113,857,309
Individuals	114,228,950	112,222,612
Financial organizations	14,726,367	11,874,388
State companies	482,857	491,856
	239,915,426	**238,446,165**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Concentration of loans and advances to customers (continued)

Loans are made principally within Armenia in the following industry sectors:

	31 March 2021	*31 December 2020*
Consumer loans to individuals	61,067,901	59,963,171
Mortgage	50,535,515	49,726,023
Trade	36,894,430	36,323,357
Construction	25,742,139	25,146,872
Agriculture (including loans to individuals)	13,815,166	13,685,903
Services	10,118,748	10,713,969
Manufacturing	9,746,270	10,888,645
Energy	4,768,362	4,773,685
Transport and communication	3,807,634	3,851,928
Other	23,419,260	23,372,612
Gross loan portfolio	**239,915,423**	**238,446,165**
Less allowance for loan impairment	(9,671,608)	(9,129,029)
Total	**230,243,815**	**229,317,136**

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 March 2021 is as follows:

	31 March 2021	*31 December 2020*
Gross investment in finance lease, receivable		
Not later than 1 year	114,029	113,145
1-5 years	446,178	442,782
More than 5 years	35,399	39,960
	595,605	**595,887**
Unearned future finance income on finance lease	(155,701)	(160,819)
Net investment in financial lease, before impairment allowance	**439,904**	**435,068**
Impairment allowance	(112,157)	(108,069)
Net investment in finance lease	**327,747**	**326,999**

(thousands of Armenian drams)

10. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 March 2021	***31 December 2020***
Debt securities at amortised cost		
RA government bonds	299,349	777,684
RA government bills	5,830	5,592
RA corporate bonds	1,062,570	1,045,692
Less – allowance for impairment	(5,726)	(5,910)
Debt securities at amortised cost	**1,362,023**	**1,823,058**
RA government bonds pledged under repo	-	515,675
Less – allowance for impairment	–	–
Debt securities at amortised pledged under repurchase agreements	**-**	515,675
Debt securities at FVOCI		
RA government bonds	25,813,109	28,424,030
RA corporate bonds	4,162,899	5,114,314
Corporate bonds of non-OECD countries	-	106,430
Debt securities at FVOCI	**29,976,008**	**33,644,774**
RA government bonds	10,333,344	2,666,326
Debt securities at FVOCI pledged under repurchase agreements	**10,333,344**	**2,666,326**
Equity securities at FVOCI		
Equity shares of OECD countries	5,333	5,333
RA equity shares	75,222	75,222
Equity securities at FVOCI	**80,555**	**80,555**
Total	**41,751,930**	**38,730,387**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost is as follows:

Debt securities at amortised cost	***Stage 1***	***Total***
Gross carrying value as at 1 January 2021	2,339,051	2,339,051
New assets originated or purchased	26,876	26,876
Assets repaid	(998,178)	(998,178)
At 31 March 2021	**1,367,749**	**1,367,749**

Debt securities at amortised cost	***Stage 1***	***Total***
ECLs as at 1 January 2021	5,910	5,910
New assets originated or purchased	-	-
Assets repaid	(70)	(70)
Assets repaid	(114)	(114)
At 31 March 2021	**5,726**	**5,726**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2020 is as follows:

Debt securities at amortised cost	***Stage 1***	***Total***
Gross carrying value as at 1 January 2020	1,685,769	1,685,769
New assets originated or purchased	1,379,313	1,379,313
Assets repaid	(726,031)	(726,031)
At 31 December 2020	**2,339,051**	**2,339,051**

Debt securities at amortised cost	***Stage 1***	***Total***
ECLs as at 1 January 2020	**5,809**	**5,809**
New assets originated or purchased	273	273
Assets repaid	(538)	(538)

(thousands of Armenian drams)

Assets repaid	366	366
At 31 December 2020	**5,910**	**5,910**

10. Investment securities (continued)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI is as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Gross carrying value as at 1 January 2021	**36,311,100**	**36,311,100**
New assets originated or purchased	5,299,127	5,299,127
Assets repaid	(251,218)	(251,218)
Assets sold	(1,049,657)	(1,049,657)
At 31 March 2021	**40,309,352**	**40,309,352**

Debt securities at FVOCI	***Stage 1***	***Total***
ECLs as at 1 January 2021	**95,740**	**95,740**
New assets originated or purchased	12,541	12,541
Assets repaid	(91)	(91)
Assets sold	(2,670)	(2,670)
Changes to models and inputs used for ECL calculations	(2,351)	(2,351)
At 31 March 2021	**103,169**	**103,169**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2020 is as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Gross carrying value as at 1 January 2020	**18,583,131**	**18,583,131**
New assets originated or purchased	27,202,918	27,202,918
Assets repaid	(707,278)	(707,278)
Assets sold	(8,767,670)	(8,767,670)
At 31 December 2020	**36,311,100**	**36,311,100**

Debt securities at FVOCI	***Stage 1***	***Total***
ECLs as at 1 January 2020	**69,408**	**69,408**
New assets originated or purchased	68,663	68,663
Assets repaid	(2,307)	(2,307)
Assets sold	(20,618)	(20,618)
Changes to models and inputs used for ECL calculations	(19,405)	(19,405)
At 31 December 2020	**95,740**	**95,740**

11. Property and equipment

The movements in property and equipment were as follows:

	Land and buildings	***Equipment***	***Vehicles***	***Computers and network appliances***	***Other fixed assets***	***Leasehold improve-ments***	***Right of use asset***	***Total***
Cost or revalued amount								
31 December 2020	5,182,175	777,073	235,851	4,248,269	989,281	1,415,965	2,392,651	15,240,474
Additions	-	8,239	1,107	238,615	44,568	28,284	3,520	324,333
Disposals and write-offs	-	(739)	-	(1,918)	(923)	-	(8,955)	(12,535)
Internal flow	-	-	-	-	(170)	-		(170)
31 March 2021	5,182,175	784,573	236,958	4,484,966	1,032,756	1,444,249	2,387,216	15,552,102

(thousands of Armenian drams)

Accumulated depreciation								
31 December 2020	196,128	614,726	202,616	3,134,457	716,169	949,967	821,298	6,635,361
Depreciation charge	49,093	9,125	1,160	79,326	12,591	29,802	109,073	290,170
Disposals and write-offs	-	(717)	-	(1,918)	(923)	-	-	(3,558)
31 March 2021	245,221	623,134	203,776	3,211,865	727,837	979,769	930,371	6,921,973
Net book value								
31 December 2020	4,986,047	162,347	33,235	1,113,812	273,112	465,998	1,571,353	8,605,113
31 March 2021	4,936,954	161,439	33,182	1,273,101	304,919	464,480	1,456,845	8,630,129

	Land and buildings	***Equipment***	***Vehicles***	***Computers and network appliances***	***Other fixed assets***	***Leasehold improve-ments***	***Right of use asset***	***Total***
Cost or revalued amount								
31 December 2019	5,177,297	779,101	246,408	4,059,190	935,823	1,398,031	2,375,298	14,971,148
Additions	4,878	16,997	-	193,977	83,889	17,934	37,347	355,022
Disposals and write-offs	-	(19,025)	(10,557)	(4,898)	(1,903)	-	(19,994)	(56,377)
Internal flow	-	-	-	-	(28,528)	(791)		(29,319)
31 December 2020	5,182,175	777,073	235,851	4,248,269	989,281	1,415,965	2,392,651	15,240,474
Accumulated depreciation								
31 December 2019	-	595,022	208,270	2,798,017	667,054	832,143	391,253	5,491,759
Depreciation charge	196,128	38,729	4,677	341,338	51,018	117,824	435,834	1,185,548
Disposals and write-offs	-	(19,025)	(10,331)	(4,898)	(1,903)	-	(5,789)	(41,946)
31 December 2020	196,128	614,726	202,616	3,134,457	716,169	949,967	821,298	6,635,361
Net book value								
31 December 2019	5,177,297	184,079	38,138	1,261,173	268,769	565,888	1,984,045	9,479,389
31 December 2020	4,986,047	162,347	33,235	1,113,812	273,112	465,998	1,571,353	8,605,113

Revaluation of assets

The buildings and land owned by the Group where revalued by an independent appraiser in 2019. Management has based its estimate of the fair value of the buildings and land on the results of the independent appraisal.

The net book value of buildings that would have been recognized under the historic cost method is AMD 773,053 thousand as of 31 March 2021 (2020: AMD 783,365 thousand).

Fully depreciated items

As of 31 March 2021 property, plant and equipment included fully depreciated assets in amount of AMD 2,301,512 thousand (2020: AMD 2,228,292 thousand).

Property, plant and equipment in the phase of installation

As of 31 March 2021 property, plant and equipment included assets in the phase of installation in amount of AMD 89,361 thousand (2020: AMD 81,786 thousand).

(thousands of Armenian drams)

11. Property and equipment (continued)

Restrictions on title of property, plant and equipment

As of 31 March 2021 and 31 December 2020, the Group does not possess any property, plant and equipment pledged as security for liabilities or whose title is otherwise restricted.

12. Intangible assets

The movements in goodwill and other intangible assets were as follows:

	Licenses	*Computer software*	*Other*	*Total*
Cost				
31 December 2020	**846,740**	**149,461**	**256,845**	**1,253,046**
Additions	3,096	-	43,725	46,821
31 March 2021	**849,836**	**149,461**	**300,570**	**1,299,867**
Accumulated amortization and impairment				
31 December 2020	**750,383**	**58,261**	**113,594**	**922,238**
Amortisation charge	7,110	629	5,534	13,273
31 March 2021	**757,493**	**58,890**	**119,128**	**935,511**
Net book value				
31 December 2020	**96,357**	**91,200**	**143,251**	**330,808**
31 March 2021	**92,343**	**90,571**	**181,442**	**364,356**

	Licenses	*Computer software*	*Other*	*Total*
Cost				
31 December 2019	**838,367**	**145,365**	**217,388**	**1,201,120**
Additions	8,373	4,096	39,457	51,926
31 December 2020	**846,740**	**149,461**	**256,845**	**1,253,046**
Accumulated amortization and impairment				
31 December 2019	**715,166**	**55,406**	**93,288**	**863,860**
Amortisation charge	35,217	2,855	20,306	58,378
31 December 2020	**750,383**	**58,261**	**113,594**	**922,238**
Net book value				
31 December 2019	**123,201**	**89,959**	**124,100**	**337,260**
31 December 2020	**96,357**	**91,200**	**143,251**	**330,808**

Fully amortized items

As of 31 March 2021, intangible assets included fully amortized assets in amount of AMD 731,060 thousand (2020: AMD 731,219 thousand).

(thousands of Armenian drams)

13. Repossessed assets

Details of assets obtained by the Group by taking possession of collateral held as security against loans and advances as at 31 March 2021 and 31 December 2020 are shown below:

	31 March 2021	*31 December 2020*
Land and buildings	1,694,996	1,658,371
Vehicles	-	4,901
Other assets	29,771	29,771
Total repossessed collateral	**1,724,767**	**1,693,043**

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 31 March 2021 the Group repossessed assets in amount of AMD 149,707 thousand (2020: AMD 295,615 thousand).

14. Other assets and liabilities

Other assets comprise:

	31 March 2021	*31 December 2020*
Other financial assets		
Accounts receivables	458,352	468,267
Receivables from unsettled transactions	132,007	316,709
Receivables from cash transfers	69,873	21,772
Total other financial assets	**660,232**	**806,748**
Less – allowance for impairment of other financial assets	(17,101)	(17,442)
Total net other financial assets	**643,131**	**789,306**
Other non-financial assets		
Precious metals	1,782,508	690,448
Materials	224,182	255,917
Prepayments to suppliers	408,373	252,222
Other prepaid taxes	87,409	67,444
Unamortized insurance premium	25,067	35,425
Settlements with employees	-	968
Other	1,865	1,865
Total other non-financial assets	**2,529,404**	**1,304,289**
Other assets	**3,172,535**	**2,093,595**

An analysis of changes in the ECLs for other financial assets for the period ended 31 March 2021 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2021	**17,303**	**60**	**79**	**17,442**
Assets originated and repaid (net amount)	1,145	26	-	**1,171**
Transfers to Stage 1	8	(7)	-	**-**
Transfers to Stage 2	(16)	16	-	**-**
Transfers to Stage 3	(1)	(30)	31	**-**
Impact on period end ECL of exposures transferred between stages during the period	(1,483)	(5)	1,511	**22**
Recoveries	-	-	1,904	**1,904**
Amounts written off	-	-	(3,438)	**(3,438)**
At 31 March 2021	**16,956**	**60**	**87**	**17,101**

An analysis of changes in the ECLs for other financial assets for the period ended 31 December 2020 is as follows:

(thousands of Armenian drams)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2020	**8,572**	**75**	**8,780**	**17,427**
Assets originated and repaid (net amount)	3,825	53	(24)	**3,854**
Transfers to Stage 1	3,580	(4)	(3,575)	**-**
Transfers to Stage 2	(1)	1	-	**-**
Transfers to Stage 3	(28)	(4)	32	**-**
Impact on period end ECL of exposures transferred between stages during the period	1,042	(60)	12,558	**13,540**
Recoveries			10,727	**10,727**
Amounts written off			(28,418)	**(28,418)**
Foreign exchange adjustments	312			**312**
At 31 December 2020	**17,303**	**60**	**79**	**17,442**

14. Other assets and liabilities (continued)

Other liabilities comprise:

	31 March 2021	*31 December 2020*
Other financial liabilities		
Due to personnel	1,016,288	540,943
Accounts payables	467,595	367,332
Total other financial liabilities	**1,483,883**	**908,275**
Other non-financial liabilities		
Tax payable, other than income tax	177,333	197,635
Grants related to assets	18,134	18,740
Other	5,251	8,781
Total other non-financial liabilities	**200,718**	**225,160**
Total other liabilities	**1,684,601**	**1,133,431**

15. Amounts due to banks

Amounts due to banks comprise:

	31 March 2021	*31 December 2020*
Loans from banks	7,655,787	2,258,887
Repurchase agreements with banks	-	2,573,962
Repurchase agreements with CBA	10,001,534	500,144
Unsettled transactions	-	-
Correspondent accounts of other banks	171,775	190,211
Other liabilities	360,175	919,309
Total amounts due to banks	**18,189,271**	**6,442,513**

As of 31 March 2021 the Group has received loans from 2 banks (2020: 2 banks).

As of 31 March 2021 90.1% of correspondent accounts of other banks are concentrated within 1 counterparty (2020: 89.5% within 1 counterparty).

(thousands of Armenian drams)

16. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	31 March 2021			*31 December 2020*		
	Notional	***Fair values***		***Notional***	***Fair value***	
Foreign exchange contracts	***amount***	***Asset***	***Liability***	***amount***	***Asset***	***Liability***
Forwards	-	-	-	128,222	3,428	
Swaps – foreign currency	10,331,931	886	-	6,598,620	-	45,092
Total derivative liabilities	**10,331,931**	**886**	**-**	**6,726,842**	**-**	**41,664**

As of 31 March 2021, the Group has positions in the following types of derivatives:

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

17. Amounts due to customers

The amounts due to customers include the following:

	31 March 2021	*31 December 2020*
Corporate customers		
Current/settlement accounts	59,004,234	53,547,848
Time deposits	74,596,446	72,763,179
	133,600,680	**126,311,027**
Retail customers		
Current/settlement accounts	38,682,116	36,383,945
Time deposits	66,911,608	65,278,103
	105,593,724	**101,662,048**
Amounts due to customers	**239,194,404**	**227,973,075**

As of 31 March 2021 included in amounts due to customers are deposits amounting to AMD 40,459,294 thousand (2020: AMD 40,345,298 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities. The fair value of those deposits approximates their carrying amount.

As of 31 March 2021 the aggregate balance of top ten customers of the Group amounts to AMD 98,035,713 thousand (2020: AMD 89,910,330 thousand) or 40.99% of total customer accounts (2020: 39.44%).

18. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2021	*31 December 2020*
Domestic bonds in USD	13,597,079	13,205,098
Domestic bonds in AMD	5,210,671	5,092,932
Domestic bonds in EUR	3,168,393	3,229,087
Debt securities issued	**21,976,143**	**21,527,116**

The contractual maturity of AMD and USD bonds ranges from 2021-2022, The contractual maturity of EUR denominated bonds is in 2021.Bonds issued by the Bank are listed on Armenia Securities Exchange.

(thousands of Armenian drams)

19. Taxation

The corporate income tax expense comprises:

	31 March 2021	*31 December 2020*
Current tax charge	61,029	329,219
Deferred tax charge/(credit) – origination and reversal of temporary differences	217,835	149,114
Total income tax expense	**278,864**	**478,333**

The corporate income tax within the Republic of Armenia is levied at the rate of 18% (2020: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

Numerical reconciliation between the tax expenses and accounting profit is provided below:

	31 March 2021	*31 March 2020*
Profit before tax	**1,304,711**	**1,312,025**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**234,848**	**236,165**
Non-deductible expenses	44,016	(66,965)
Income tax expense	**278,864**	**169,200**

Deferred tax assets and liabilities as of 31 March 2021 and 31 December 2020 and their movements for the respective periods comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	Balance 31 December 2019	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 December 2020*	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 March 2021*
Other liabilities	140,215	(21,060)	–	119,155	(8,387)	–	110,768
Repossessed assets	52,199	-	–	52,199	-	–	52,199
Loans and advances to customers	(715,126)	(164,533)	–	(879,659)	(193,892)	–	(1,073,551)
Investment securities at FVOCI	(164,736)	4,758	245,370	85,392	1,280	(17,065)	69,607
Property, plant and equipment	(243,131)	31,721	-	(211,410)	(16,835)	-	((228,245)
Other impairment and provisions	(12,209)	-	–	(12,209)	-	–	(12,209)
Amounts due to customers	(5,133)	-	–	(5,133)	-	-	(5,133)
Net deferred tax liabilities	**(947,921)**	**(149,114)**	**245,370**	**(851,666)**	**(217,835)**	**(17,065)**	**(1,086,566)**

20. Other borrowed funds

Other borrowed funds consisted of the following:

	31 March 2021	*31 December 2020*
Loans from CBA	4,938,388	5,440,771
Loans from refinancing credit organizations	14,191,234	13,987,985
Loans from international financial institution	3,680,541	4,039,629
Loans from the Government of the RA	50,082	50,082
Other borrowed funds	**22,860,245**	**23,518,467**

(thousands of Armenian drams)

20. Other borrowed funds (continued)

As of 31 March 2021 Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium business, consumer and other purposes.

Loans from international financial organizations include loans from Eurasian Development Bank and European Bank Reconstruction and Development.

Loans from refinancing credit organizations include loans from National Mortgage Company and Home for Youth.

Covenants

As at 31 March 2021 and 31 December 2020 the Group was in compliance with all debt covenants.

21. Subordinated loans

Subordinated loans consisted of the following:

	31 March 2021	***31 December 2020***
Subordinated debt provided by related party	378,999	366,606
Subordinated loans	**378,999**	**366,606**

Subordinate debt represents a long term borrowing agreements, which, in case of the Group's default, would be subordinated to the Group's other obligations, including deposits and other debt instruments.

Subordinated debt from related party is issued in USD, with average effective interest rate of 7.12% per annum and with contractual maturity in January 2023 (2019: 7.12% and with contractual maturity in January 2023) (see Note 35).

22. Commitments and contingencies

Tax and legal matters

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

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

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Group, will not have a material adverse impact on the financial condition or results of future operations of the Group.

Loan commitment, guarantee and other financial facilities

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

(thousands of Armenian drams)

22. Commitments and contingencies (continued)

Commitments and contingencies

As of 31 March 2021 and 31 December 2020 the Group's commitments and contingencies comprised the following:

	31 March 2021	*31 December 2020*
Credit related commitments		
Undrawn loan commitments	11,368,382	13,053,295
Financial guarantees	5,426,543	6,984,533
Letters of credit	435,468	1,393,572
	17,230,393	21,431,400
Commitments and contingencies	17,230,393	21,431,400
Provisions for ECL for credit related commitments	164,476	230,631

An analysis of changes in the ECLs at 31 March 2021 is as follows:

Undrawn loan commitments	***Stage 1***	***Total***
ECLs as at 1 January 2021	**100,785**	**100,785**
New exposures	10,995	10,995
Expired exposures	(21,226)	(21,226)
Changes to models and inputs used for ECL calculations	(1,183)	(1,183)
Foreign exchange adjustments	-	-
At 31 March 2021	89,373	89,373

Letters of credit	***Stage 1***	***Total***
ECLs as at 1 January 2021	21,815	21,815
New exposures	-	-
Expired exposures	(4,134)	(4,134)
Changes to models and inputs used for ECL calculations	(17,670)	(17,670)
Foreign exchange adjustments	-	-
At 31 March 2021	11	11

Financial guarantees	***Stage 1***	***Total***
ECLs as at 1 January 2021	108,031	108,031
New exposures	14,629	14,629
Expired exposures	(30,496)	(30,496)
Changes to models and inputs used for ECL calculations	(17,073)	(17,073)
Foreign exchange adjustments	-	-
At 31 March 2021	75,091	75,091

An analysis of changes in the ECLs at 31 December 2020 is as follows:

Undrawn loan commitments	***Stage 1***	***Total***
ECLs as at 1 January 2020	**11,092**	**11,092**
New exposures	51,704	51,704
Expired exposures	(5,226)	(5,226)
Changes to models and inputs used for ECL calculations	43,099	43,099
Foreign exchange adjustments	116	116
At 31 December 2020	100,785	100,785

Letters of credit	***Stage 1***	***Total***

(thousands of Armenian drams)

ECLs as at 1 January 2020	**15,610**	**15,610**
New exposures	4,822	4,822
Expired exposures	(7,783)	(7,783)
Changes to models and inputs used for ECL calculations	8,898	8,898
Foreign exchange adjustments	269	269
At 31 December 2020	**21,815**	**21,815**

Financial guarantees	***Stage 1***	***Total***
ECLs as at 1 January 2020	**26,918**	**26,918**
New exposures	89,153	89,153
Expired exposures	(14,249)	(14,249)
Changes to models and inputs used for ECL calculations	6,064	6,064
Foreign exchange adjustments	145	145
At 31 December 2020	**108,031**	**108,031**

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 March 2021 the Group possesses insurance for its transportation (also compulsory motor third party liability insurance) and buildings, properties, ATMs, banking risks, electronic or computer crimes and for professional responsibility. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

23. Equity

As of 31 March 2021 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2020: AMD 19,947,633 thousand).

In accordance with the Bank's statues, the share capital consists of 66,492 ordinary shares, all of which have a par value of AMD 300,000 each and of 333 privileged shares, all of which have a par value of AMD 100 each (2020: 66,492 ordinary shares and 333 privileged shares).

The respective shareholdings as at 31 March 2021 and 31 December 2020 may be specified as follows:

	31 March 2021		***31 December 2020***	
	Paid-in share capital	***% of total paid-in capital***	***Paid-in share capital***	***% of total paid-in capital***
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	–	33	–
HayPost Trust Management B.V. Company	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	**100**	**19,947,633**	**100**

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

The preference shareholders are entitled to receive annual dividends amounting 20% of the nominal value of the shares they own if decision on dividend payment is made by authorized body.

The share capital of the Bank was contributed by the shareholders in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams.

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund. The reserve has been created in accordance with the Bank's statutes.

24. Net interest income

(thousands of Armenian drams)

Net interest income comprises:

	01/01/2021-31/03/2021	*01/01/2020-31/03/2020*
Financial assets measured at amortized cost		
Loans to customers	5,711,185	5,980,636
Amounts due from banks	13,057	20,978
Investment securities	5,991	5,864
Cash equivalents	645	3,125
Other interest income	64	1,216
Financial assets measured at fair value through other comprehensive income		
Debt securities at FVOCI	733,892	456,209
Interest revenue calculated using effective interest rate	6,464,834	6,468,028
Trading securities	13,503	8,667
Finance leases	13,155	11,929
Other interest revenue	26,658	20,596
Total interest revenue	6,491,492	6,488,624
Amounts due to customers	2,003,481	2,162,917
Other borrowed funds	359,259	354,674
Debt securities issued	321,783	306,435
Subordinated loans	6,290	101,956
Amounts due to banks	98,663	13,931
Lease liabilities	43,160	55,266
Interest expense	2,832,636	2,995,179
Net interest income	3,658,856	3,493,445

25. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 March 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	5,859			5,859
Amounts due from banks	8	6,185			6,185
Loans and advances to customers	9	(117,492)	(179,669)	1,015,519	718,358
Debt securities measured at amortised cost	10	(184)			(184)
Debt securities measured at FVOCI	10	7,430			7,430
Other financial assets	14	(347)	-	8	(339)
Financial guarantees	22	(11,414)			(11,414)
Loan commitments	22	(21,804)			(21,804)
Letters of credit	22	(32,940)			(32,940)
Total credit loss expense		**(164,707)**	**(179,669)**	**1,015,527**	**671,151**

(thousands of Armenian drams)

25. Credit loss expense and other impairment and provisions (continued)

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 March 2020:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	1,260			1,260
Amounts due from banks	8	(6,960)			(6,960)
Loans and advances to customers	9	15,606	(74,349)	1,024,521	965,778
Debt securities measured at amortised cost	10	(49)			(49)
Debt securities measured at FVOCI	10	15,236			15,236
Other financial assets	14	(2,133)	32	820	(1,281)
Financial guarantees	22	1,316			1,316
Loan commitments	22	(2,438)			(2,438)
Letters of credit	22	(2,739)			(2,739)
Total credit loss expense		**19,099**	**(74,317)**	**1,025,341**	**970,123**

26. Net fee and commission income

Net fee and commission income comprises:

	01/01/2021-31/03/2021	*01/01/2020-31/03/2020*
Plastic cards operations	489,335	385,672
Wire transfer fees	160,167	135,871
Settlement operation	47,110	71,242
Fees and commission income from loans	25,915	70,221
Guarantees and letters of credit	25,949	13,518
Other	83,931	105,478
Fee and commission income	**832,407**	**782,002**
Plastic cards operations	299,744	235,234
Wire transfer fees	35,360	39,167
Settlement operations	14,379	17,754
Guarantees and letters of credit	17,685	2,096
Other expenses	21,923	16,966
Fee and commission expense	**389,091**	**311,217**
Net fee and commission income	**443,316**	**470,785**

27. Net trading income

	01/01/2021-31/03/2021	*01/01/2020-31/03/2020*
Net gains from foreign currency transactions	351,462	390,494
Net (loss)/gain on derivative financial instruments	(50,889)	(133,024)
Net gain from trading securities	7,319	30,512
Total net trading income	**307,892**	**287,982**

(thousands of Armenian drams)

28. Other income

	01/01/2021-31/03/2021	*01/01/2020-31/03/2020*
Fines and penalties received	198,355	167,707
Income from cash collection services	3,096	9,242
Net income from operations with precious metals	(81,890)	104,528
Income from grants	606	606
Other income	46,109	43,486
Total other income	**166,276**	**325,569**

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	01/01/2021-31/03/2021	*01/01/2020-31/03/2020*
Salaries	1,500,342	1,499,481
Other expenses	19,736	39,729
Personnel expenses	**1,520,078**	**1,539,210**
Advertising costs	80,115	134,224
Lease expenses	1,423	8,524
Insurance of deposits	63,722	67,269
Expenses related to Armenian Card payment system	61,783	59,072
Security	56,235	57,880
Software maintenance expenses	283,498	108,589
Fixed assets repair and maintenance expenses	49,885	40,525
Communications	39,954	39,123
Consulting and other service	25,221	24,839
Insurance expenses	29,090	28,293
Utility expenses	35,241	36,928
Taxes, other than income tax, duties	50,480	41,077
Business trip expenses	1,993	5,433
Office supplies	7,366	14,124
Financial system mediator	8,222	8,039
Penalties paid	30	41
Other operating expenses	77,116	62,680
Other expenses	57,095	84,255
Other operating expenses	**928,469**	**820,915**

30. Risk management

Introduction

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

The process of risk management is organized in accordance with the mission, principal and interim objectives of the Group and is designed to improve the financial position and the reputation of the Group.

The aim of the risk management process is the assistance to the management of the Group in making decisions in the framework of risk mitigation measures, limits and internal acts for effectively managing the risks related to the assets and liabilities of the Group and its customers by the means of excluding or minimizing the possible losses related to the risks, ensuring the acceptable level of profitability, liquidity and solvency. The risk management is based on procedures, regulations, norms and limits, approved by the Group's authorized body. The identification, measurement, supervision and monitoring of the Group's risks are ongoing and regular processes. The risk analysis is an integral part of the Group's strategic planning, as well as the evaluation of investment programs. The Group's risks management principles include: the implementation of non-standard risk management procedures in critical situations, periodical implementation of stress scenarios for testing the financial stability, avoiding the concentrations of business processes in the assets and loan portfolio, diversification of the Group's assets and liabilities, implementation of monitoring by a frequency consistent with the risks undertaken by the Group, management of the risk concentrations, the ongoing cooperation between the risk management administration and departments.

(thousands of Armenian drams)

30. Risk management (continued)

Risk management structure

The risk management is organized and coordinated by the Executive Director in accordance with the internal legal acts approved by the Bank's Board. The risk management is implemented in a clear and documented manner for all business processes described, through appropriate internal legal acts and limits determined for all the processes and operations.

The Board

The Board is responsible for the overall supervision of risk management and risk management policy, as well as approval of the policies related to the risk management, based on which the Bank's Executive Director organizes the risk management, taking into consideration the management limits and the requirements of the Bank's internal legal acts.

Direction

The Bank's Executive Board implements the following for the purpose of risk management:

- Approval of complex measures, in agreement with the Board, based on the Group's risk management, associated with the Group's profitability in the critical situations, as well as operating, strategic, reputational and legal risks;
- Determining prohibitions for several transactions;
- Determining limits for transactions without collateral in inter-bank markets;
- Determining internal norms for banking risks regulation and supervision.

The Executive Board is responsible for the management of the Group's assets and liabilities, as well as the overall financial system. The Bank's Executive Board is also responsible for the Group's liquidity financial risks. The Executive Board is designed to fulfil the functions of the Group's Assets and Liabilities Management Committee.

Risk management division

The main functions of the risk management division are:

- Elaboration and implementation of active mechanisms and processes for risk management in the Group, as well as monitoring over their implementation;
- Analysis of the risk level of loans issued by the Group and the monitoring over the lending process in the framework of program loans;
- Monitoring of issued loans, identification of issues related to them and reporting;
- Supervision over the evaluation of pledged property and periodical revaluations of the pledged property;
- Organization of the insurance process of the Group's property;
- Management of the doubtful loans portfolio.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Bank's Board.

Risk measurement and reporting systems

Depending upon various factors, the Group divides the risks into the internal and external risks.

The external risks include the country, legislation, force-major factors, price and competition risks.

Internal risks of the Group are the risks associated with its activity. They include the credit, operational, liquidity, interest rate, currency, reputational, capital decrease, staff and money laundering risks.

The country risk is managed by the Group using the rating of international rating agencies (Moody's, S&P, Fitch), granted to international banks and organizations. The risk management division monitors the rating of internal bank counterparties of the Group and quarterly presents to the Bank's Executive Board approval the limits for each bank and financial institution.

(thousands of Armenian drams)

30. Risk management (continued)

Risk management structure (continued)

The minimal possible price risk level is ensured in the framework of the following measures: analysis of the financial markets' structural, volume and price indicators' dynamics, and liquidity of several financial instruments, as well as identification of current trades, assessment of possible losses on a monthly basis using the stress testing, determination of limits for financial instruments (by types of transactions with securities, by dealer, by issuer), diversification of securities portfolio by issuer, industry, maturity profile, etc.

The management of competition risk is implemented by the business divisions and marketing department, by periodically comparing the range of services and conditions provided by the Group and its competitors.

The interest rate risk is managed by the Risk Management Division of the Group by elaborating and implementing interest rate mitigation mechanisms/models, based on which the Group's Assets and Liabilities Management Committee makes decisions. The Risk Management Division has elected to use the models for interest rate change sensitivity gap, duration and basic risk. Interest rate change sensitivity gap and duration models are implemented through stress testing on a monthly basis. The interest rate basic risk is managed through stress tests by implementing scenarios of different severity on a quarterly basis.

For liquidity risk management purposes daily discussions are held around the structure of assets and liabilities maturity profiles and the liquidity gap, as well as supervision is established over the weight of investments in highly liquid instruments. For mitigation of the liquidity risk the Group's Risk management division presents monthly analysis of the Group's expected repayments, amounts to be lent and the positions to the Group's Assets and Liabilities Management Committee. The liquidity risk management includes the elaboration of pricing mechanisms for assets of the Group, limits of amounts attracted by the Group, their types or gross interest expenses, limits on concentrations of the financial sources used by the Group for fulfilling the liquidity requirements, the diversification of the maturities of the borrowings, limits on the borrowings attracted from the Group's related parties aimed at satisfying the liquidity needs, principles and methods for determining the interest rate risk limit, including the interest rate risk and limits related to the off-balance sheet items, the intended level of interest margins, mechanisms and procedures of making decisions on attraction and attribution of financial means, acceptable limits of maturity gaps between the Group's assets and liabilities, the ways of coordinating the Group's other divisions activities, who can influence the Group's liquidity level by their operations, the extraordinary liquidity requirements fulfilment programs (which can arise from reduction of the income, increase of doubtful assets, concentrations of deposits), the forms of reports on liquidity management to be submitted to the Group's executive body and Board.

The capital decrease risk measurement mechanisms are the norms determined internally and by the CBA (capital adequacy, one borrower risk etc.). The stress tests implemented monthly allow determining the maximum loss of capital, depending on different circumstances.

The staff risk is managed by the Staff management department, which periodically observes the vacancies and offered conditions existing in the RA banking system, as well as organizes trainings for improving the professional skills level of the employees by using internal and external resources.

The money laundering risk management is conducted by the financial observations department, which operates in accordance with the requirements of anti-money laundering legislation and Bank's internal legal acts.

Excessive risk concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

For avoiding the excessive risk concentrations, the Group's policy and processes includes special principles aimed at maintaining diversified assets types, loan and securities portfolios.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(thousands of Armenian drams)

30. Risk management (continued)

Credit risk (continued)

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

Impairment assessment

From 1 January 2018, the Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR at origination. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive considering the possible credit risk. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

(thousands of Armenian drams)

30. Risk management (continued)

Credit risk (continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 91 days past due on its contractual payments.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as the quality of credits due to affiliated parties, the state of being rescheduled which are approved by the management.

PD estimation process

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risks management division analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Group.

- Large business loans;
- SME loans;
- Consumer loans;
- Mortgage loans;
- Gold loans.

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

Based on the estimated deviation of the historical forecasts of the selected macroeconomic parameters from the actual trends three scenarios of the forward-looking macroeconomic development are directed to the final outcome of three PD PIT transition matrices, which are weighted by 10%, 80% and 10% probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(thousands of Armenian drams)

30. Risk management (continued)

Credit risk (continued)

Loss given default

The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- ► Overdue days of the borrower in other financial institutions in Armenia;
- ► Overdue days of the predefined affiliated parties.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- ► GDP annual growth;
- ► USD/AMD exchange rate;
- ► Central Bank base rate growth;
- ► Unemployment rate.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. central banks, and international financial institutions)..

30. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings, as described above.
The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Group's credit rating system.

31 March 2021	*Note*		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	868,447	36,076,684	0	0	**36,945,131**
Amounts due from banks	8	Stage 1	456,856	17,165,212		0	**17,622,068**
Loans and advances to customers	9						
-SME loans		Stage 1	667,140	29,561,823			**30,228,964**
		Stage 2	-	-	2,113,292		**2,113,292**
		Stage 3	-	-		5,829,967	**5,829,967**
					-	-	
- Large business loans		Stage 1	32,931,780	47,617,649			**80,549,429**
		Stage 2	-	-	2,630,861		**2,630,861**
		Stage 3	-	-	-	6,959,495	**6,959,495**
- Consumer loans		Stage 1	1,287,458	35,083,764	-	-	**36,371,222**
		Stage 2	-	-	1,650,282	-	**1,650,282**
		Stage 3	-	-	-	3,498,427	**3,498,427**
- Mortgage loans		Stage 1	–	47,510,676	-	-	**47,510,676**
		Stage 2	–		1,091,577		**1,091,577**

(thousands of Armenian drams)

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
		Stage 3	–			1,933,262	**1,933,262**
				-	-	-	**-**
- Gold loans		Stage 1	–	19,125,475	-	-	**19,125,475**
		Stage 2	–	-	165,544	-	**165,544**
		Stage 3	–			256,952	**256,952**
Debt investment securities	10						
- Measured at FVOCI		Stage 1	–	40,389,906	–	–	**40,389,906**
- Measured at amortised cost		Stage 1	–	1,367,749	–	–	**1,367,749**
Undrawn loan commitments	22	Stage 1	–	11,368,382	–	–	**11,368,382**
Letters of credit	22	Stage 1	–	435,468	–	–	**435,468**
Financial guarantees	22	Stage 1	–	5,426,543	–	–	**5,426,543**
Total			36,211,681	291,129,331	7,651,555	18,478,103	353,470,670

In the table below loans to customers of high grade are those having a minimal level of credit risk, normally very well collateralized (cash collateral or state guarantee). Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises not past due loans below standard grade but not individually impaired.

31 December 2020	*Note*		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	848,294	22,622,108	–	–	**23,470,402**
Amounts due from banks	8	Stage 1	449,416	16,297,688	–	–	**16,747,104**
Loans and advances to customers	9						
-SME loans		Stage 1	257,472	31,745,396	-	-	**32,002,868**
		Stage 2	-	-	2,746,628	-	**2,746,628**
		Stage 3	-	-	-	4,979,763	**4,979,763**
					-	-	
- Large business loans		Stage 1	31,832,893	49,019,561	-	-	**80,852,454**
		Stage 2	-	-	2,811,768	-	**2,811,768**
		Stage 3	-	-	-	5,363,490	**5,363,490**
- Consumer loans		Stage 1	1,319,711	34,824,573	-	-	**36,144,285**
		Stage 2	-	-	1,897,404	-	**1,897,404**
		Stage 3	-	-	-	2,747,795	**2,747,795**
- Mortgage loans		Stage 1	–	47,030,476	-	-	**47,030,476**
		Stage 2	–	-	886,264	-	**886,264**
		Stage 3	–	-	-	1,809,282	**1,809,282**
				-	-	-	**-**
- Gold loans		Stage 1	–	18,636,695	-	-	**18,636,695**
		Stage 2	–	-	309,970	-	**309,970**
		Stage 3	–	-	-	227,022	**227,022**
Debt investment securities	10						
- Measured at FVOCI		Stage 1	–	36,391,654	–	–	**36,391,654**
- Measured at amortised cost		Stage 1	–	2,344,643	–	–	**2,344,643**
Undrawn loan commitments	22	Stage 1	–	13,053,295	–	–	**13,053,295**
Letters of credit	22	Stage 1	–	1,393,572	–	–	**1,393,572**
Financial guarantees	22	Stage 1	–	6,984,533	–	–	**6,984,533**
Total			34,707,786	280,344,195	8,652,033	15,127,353	338,831,367

30. Risk management (continued)

Credit risk (continued)

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 March 2021 and 31 December 2020.

	31 March 2021			
	Armenia	*Other non-OECD countries*	*OECD countries*	*Total*
Assets				
Cash and cash equivalents	49,474,302	2,182,468	21,085	**51,677,855**
Trading securities	896,324	-		**896,324**
Amounts due from banks	15,848,468	842,483	916,868	**17,607,819**
Derivative financial assets	-	886	-	**886**
Loans and advances to customers	196,084,368	33,957,576	201,871	**230,243,815**
Investment securities	31,413,252	-	5,333	**31,418,585**

(thousands of Armenian drams)

Investment securities pledged under repurchase agreements	10,333,344	-	-	**10,333,344**
Other financial assets	304,650	279	338,202	**643,131**
	304,354,709	36,983,692	1,483,358	342,821,759
Liabilities				
Amounts due to banks	14,485,674	42,355	3,661,242	**18,189,271**
Amounts due to customers	175,543,742	52,229,434	11,421,227	**239,194,404**
Debt securities issued	19,789,077	1,934,859	252,207	**21,976,143**
Other borrowed funds	19,179,704	2,203,483	1,477,058	**22,860,245**
Lease liabilities	1,674,111	-	-	**1,674,111**
Subordinated debt	-	378,999	-	**378,999**
Other liabilities	1,423,177	7,542	53,160	**1,483,883**
	232,095,485	56,796,673	16,864,894	305,757,052
Net assets/(liabilities)	72,259,224	(19,812,981)	(15,381,536)	37,064,707

Other non-OECD counties as of 31 March 2021 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon and Syria.

	31 December 2020			
	Armenia	***Other non-OECD countries***	***OECD countries***	***Total***
Assets				
Cash and cash equivalents	30,426,216	2,845,568	71,199	**33,342,983**
Trading securities	879,049			**879,049**
Amounts due from banks	15,804,751	48	934,241	**16,739,040**
Loans and advances to customers	196,898,673	32,214,727	203,737	**229,317,136**
Investment securities	35,543,053	-	5,333	**35,548,386**
Investment securities pledged under repurchase agreements	3,182,001	-	-	**3,182,001**
Other financial assets	472,443	64	316,799	**789,306**
	283,206,186	35,060,407	1,531,308	319,797,901
Liabilities				
Amounts due to banks	4,129,012	51,475	2,262,026	**6,442,513**
Derivative financial liabilities	38,588	-	3,076	**41,664**
Amounts due to customers	165,341,833	51,836,601	10,794,639	**227,973,073**
Debt securities issued	19,319,342	1,842,325	365,450	**21,527,117**
Other borrowed funds	19,478,838	2,528,695	1,510,934	**23,518,467**
Lease liabilities	1,761,890	-	-	**1,761,890**
Subordinated debt	-	366,607	-	**366,607**
Other liabilities	814,402	-	93,869	**908,271**
	210,883,905	56,625,703	15,029,993	282,539,602
Net assets/(liabilities)	72,322,281	(21,565,296)	(13,498,685)	37,258,299

30. Risk management (continued)

Credit risk (continued)

Other non-OECD counties as of 31 December 2020 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon and Syria.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

(thousands of Armenian drams)

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 2% of certain obligations of the Group denominated in Armenian drams and 10% on certain obligations of the Group denominated in foreign currency in Armenian drams and 8% on certain obligations of the Group denominated in foreign currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 March 2021 and 31 December 2020, these ratios were as follows:

	Threshold	*31.03..2021, %*	*31.12.2020, %*
N21 "General Liquidity Ratio" (highly liquid assets / total assets)	Min 15%	32.88	30.35
N22 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	Min 60%	97.56	94.73

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2021 based on contractual undiscounted repayment obligations. See Note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	31 March 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*	*Total*
Financial liabilities						
Amounts due to banks	14,460,031	-	3,507,695	180,878	79,676	18,228,279
Amounts due to customers	115,092,120	18,188,317	75,444,533	32,461,820	1,552,421	242,739,211
Other borrowed funds	354,197	719,819	4,047,374	12,648,121	10,694,139	28,463,650
Debt securities issued	12,082,747	-	312,048	10,396,812	-	22,791,607
Lease liabilities	37,145	67,661	302,667	1,084,181	899,620	2,391,275
Subordinated debt	-	12,956	12,978	399,272	-	425,206
Total undiscounted financial liabilities	**142,026,240**	**18,988,753**	**83,627,296**	**57,171,084**	**13,225,856**	**315,039,229**
Commitments and contingent liabilities	**17,230,393**	**–**	**–**	**–**	**–**	**17,230,393**

	31 December 2020					
	Demand and less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
Financial liabilities						
Amounts due to banks	4,105,237	-	2,274,548	-	78,389	**6,458,174**
Derivative liabilities	41,664					**41,664**
Amounts due to customers	98,178,864	22,700,144	74,418,832	34,238,977	1,540,787	**231,077,603**
Other borrowed funds	222,726	682,322	4,081,823	13,714,901	10,571,027	**29,272,800**
Debt securities issued	-	-	12,392,363	10,263,501	-	**22,655,864**
Lease liabilities	40,055	80,110	327,837	1,238,325	828,695	**2,515,022**
Subordinated debt	-	794	24,765	392,823	-	**418,382**
Total undiscounted financial liabilities	**102,588,547**	**23,463,369**	**93,520,168**	**59,848,527**	**13,018,899**	**292,439,510**
Commitments and contingent liabilities	**21,431,400**	**–**	**–**	**–**	**–**	**21,431,400**

(thousands of Armenian drams)

30. Risk management (continued)

Liquidity risk and funding management (continued)

The maturity analysis does not reflect the historical stability of current accounts. Their repayment has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in the period "Demand and less than 1 month" in the tables above.

Included in amounts due to customers are term deposits of individuals. In accordance with the Armenian legislation, the Bank is obliged to repay term deposits of individuals upon demand of a depositor.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group classifies exposures to market risk into either trading or non-trading portfolios. Non-trading positions are managed and monitored using other sensitivity analyses.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities and on net trading income, based on trading instruments held at 31 March . The sensitivity of equity is calculated by revaluing debt financial assets measured at FVOCI at 31 March for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	*Increase in basis points 31 March 2021*	*Sensitivity of net interest income 31 March 2021*	*Sensitivity of equity 31 March 2021*
AMD	1.10%	(25,276)	(1,067,955)
USD	1.00%	-	(74,102)
EUR	0.20%	-	(1,831)

Currency	*Decrease in basis points 31 March 2021*	*Sensitivity of net interest income 31 March 2021*	*Sensitivity of equity 31 March 2021*
AMD	1.10%	25,276	1,067,955
USD	0.25%	-	18,526
EUR	0.20%	-	1,831

(thousands of Armenian drams)

30. Risk management (continued)

Market risk (continued)

Currency	*Increase in basis points 31 December 2020*	*Sensitivity of net interest income 31 December 2020*	*Sensitivity of equity 31 December 2020*
AMD	1.00%	(23,858)	(1,186,838)
USD	0.35%	-	(14,595)
EUR	0.15%	-	(1,575)

Currency	*Decrease in basis points 31 December 2020*	*Sensitivity of net interest income 31 December 2020*	*Sensitivity of equity 31 December 2020*
AMD	1.00%	23,858	1,186,838
USD	0.35%	-	14,595
EUR	0.15%	-	1,575

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management has set limits on positions by currency.

The tables below indicate the currencies to which the Group had significant exposure at 31 March 2021 and 31 December 2020 on its non-trading monetary assets and liabilities. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	31 March 2021		*31 December 2020*	
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
USD	5.0%	(250,086)	3.0%	(90,211)
USD	(5.0%)	250,086	(3.0%)	90,211
EUR	8.5%	(40,866)	6.5%	(23,415)
EUR	(8.5%)	40,866	(6.5%)	23,415

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the Group. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The operational risk management is conducted in a clear and documented manner for all the business processes described, through the internal legal acts regulating those business process, as well as limits for all the processes and operations, and double control mechanisms for all transactions. The more actual operational risk management is described below.

Legal risk: all the standard contract forms of the Group are prepared by the Group's Legal Department by cooperating with the Group's appropriate departments and are approved by the Group's Executive Board. In the Group's day-to-day operations non-standard contracts between the Group and third parties are allowed only in case of appropriate conclusion from the Group's Legal Department.

The IT risks are managed in accordance with internal legal acts.

(thousands of Armenian drams)

30. Risk management (continued)

Operational risk (continued)

The risk mitigation mechanisms for the process are:

- Regulation of all business processes by internal legal acts;
- Physical protection of the Group’s assets and critical documents (including loan contracts);
- Establishing and maintaining limits;
- Common preservation of property and records;
- Implementation and archiving of data journals;
- Implementation of double control mechanism in recording transactions.

The internal audit periodically assesses the internal control system effectiveness and adequacy with the Group’s risks and supervises the Group’s activity and operational risks.

The Group’s compliance with the standards is accompanied by the internal auditor’s periodic observations. The results of those observations are discussed by the Group’s management’s appropriate representative to whom it concerns. The summaries of the observations are submitted to the Board.

31. Fair value measurements

Fair value measurement procedures

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as trading and FVOCI securities, derivatives and for non-recurring measurement, such as repossessed assets.

External valuers are involved for valuation of significant assets, such as properties and repossessed assets. Involvement of external valuers is decided upon annually by the Board.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, in conjunction with the Group’s external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities measured at fair value in the consolidated statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(thousands of Armenian drams)

31. Fair value measurements (continued)

Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the consolidated statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	31 March 2021				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Financial assets					
Loans and advances to customers	–	–	210,281,720	210,281,720	230,243,815
Cash and cash equivalents	51,677,855	–	–	51,677,855	51,677,855
Amounts due from banks	–	–	17,607,819	17,607,819	17,607,819
Investment securities at amortised cost	–	1,362,508	–	1,362,508	1,362,023
Other financial assets	–	–	643,131	643,131	643,131
Financial liabilities					
Amounts due to customers	–	–	239,194,404	239,194,404	239,194,404
Other borrowed funds	–	–	22,860,245	22,860,245	22,860,245
Amounts due to banks	–	–	18,189,271	18,189,271	18,189,271
Debt securities issued	–	22,085,542	–	22,085,542	21,976,143
Lease liabilities	–	–	1,674,111	1,674,111	1,674,111
Subordinated debt	–	–	378,999	378,999	378,999
Other financial liabilities	–	–	1,483,883	1,483,883	1,483,883

	31 December 2020				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Financial assets					
Loans and advances to customers	–	–	209,162,945	209,162,945	229,317,136
Cash and cash equivalents	33,342,983	–	–	33,342,983	33,342,983
Amounts due from banks	–	–	16,739,040	16,739,040	16,739,040
Investment securities at amortised cost	–	1,803,810	–	1,803,810	1,823,058
Investment securities at amortised cost pledged under repurchase agreements		515,401		515,401	515,675
Other financial assets	–	–	789,306	789,306	789,306
Financial liabilities					
Amounts due to customers	–	–	227,973,075	227,973,075	227,973,075
Other borrowed funds	–	–	23,518,467	23,518,467	23,518,467
Amounts due to banks	–	–	6,442,513	6,442,513	6,442,513
Debt securities issued	–	21,596,390	–	21,596,390	21,527,117
Lease liabilities	–	–	1,761,890	1,761,890	1,761,890
Subordinated debt	–	–	366,607	366,607	366,607
Other financial liabilities	–	–	908,275	908,275	908,275

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 3% to 24% per annum (2020: 3% to 24% per annum).

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of

(thousands of Armenian drams)

collateral is based on appraisals performed by independent, professionally-qualified property valuers.

31. Fair value measurements (continued)

Financial instruments that are measured at fair value

	31 March 2021		
	Level 1	*Level 2*	*Total*
Financial assets			
Trading securities	–	896,324	**896,324**
Investment securities at FVOCI	–	30,056,562	**30,056,562**
Investment securities at FVOCI pledged under repurchase agreements	-	10,333,344	**10,333,344**
Derivative financial assets	-	886	**886**
Total	**–**	**41,287,116**	**41,287,116**
Financial liabilities			
Total	**–**	**–**	**–**
Net fair value	**–**	**41,287,116**	**41,287,116**

	31 December 2020		
	Level 1	*Level 2*	*Total*
Financial assets			
Trading securities	–	879,049	**879,049**
Investment securities at FVOCI	–	33,644,744	**33,644,744**
Investment securities at FVOCI pledged under repurchase agreements		2,666,326	**2,666,326**
Total	**–**	**37,190,119**	**37,190,119**
Financial liabilities			
Derivative financial liabilities	–	41,664	**41,664**
Total	**–**	**41,664**	**41,664**
Net fair value	**–**	**37,148,455**	**37,148,455**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Fair value measurement of non-financial assets and liabilities

	31 March 2021	
	Level 3	*Total*
Non-financial assets		
Land and buildings	4,936,954	**4,936,954**
Total	**4,936,954**	**4,936,954**

	31 December 2020	
	Level 3	*Total*
Non-financial assets		
Land and buildings	4,986,047	**4,986,047**
Total	**4,986,047**	**4,986,047**

(thousands of Armenian drams)

31. Fair value measurements (continued)

Fair value measurement of non-financial assets and liabilities (continued)

Fair value measurements in Level 3

The Group's non-financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial assets and financial liabilities within this level can be reconciled from beginning to ending balance as follows:

Non-financial assets	***Land and buildings***	***Total***
Balance as at 1 January 2021	**4,986,047**	**4,986,047**
Purchases	–	–
Disposals	–	–
Depreciation charge	(49,093)	(49,093)
Net fair value at 31 March 2021	**4,936,954**	**4,936,954**

Non-financial assets	***Land and buildings***	***Total***
Balance as at 1 January 2020	5,177,297	5,177,297
Purchases	4,878	4,878
Disposals	–	–
Depreciation charge	(196,128)	(196,128)
Net fair value at 31 December 2020	**4,986,047**	4,986,047

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property appraisers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed at each reporting date.

The appraisal was carried out using a comparative and income methods that reflect observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the premise in question, including plot size, location, encumbrances and current use.

The land and buildings were revalued during 2019. The land and buildings were previously revalued on 31 December 2016.

32. Transferred financial assets and assets held or pledged as collateral

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets. If the securities increase or decrease in value, the Group may, in certain circumstances, require, or be required, to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, country risk and operational risk, and therefore has not derecognised them. In addition, it recognised a financial liability for cash received.

(thousands of Armenian drams)

32. Transferred financial assets and assets held or pledged as collateral (continued)

Transferred financial assets that are not derecognised in their entirety (continued)

Similarly the Group may sell or re-pledge securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently the securities are not recognised by the Group, which instead records a separate asset for any cash given.

As at March 2021 the Group has securities sold under repurchase agreements amounted to AMD 10,333,344 thousand which were classified as measured at FVOCI (2020: AMD 3,182,001 thousand which were classified as measured at FVOCI and amortised cost).

The associated liabilities, which are recorded against the cash received for such transactions, are presented in the consolidated statement of financial position as at 31 March 2021 as amounts due to banks with carrying amount of AMD 10,001,534 thousand, (2020: AMD 3,074,106 thousand).

33. Offsetting of financial instruments

The table below shows financial assets offset against financial liabilities in the consolidated statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements which do not result in an offset in the consolidated statement of financial position:

				Related amounts not offset in the consolidated statement of financial position		
31 March 2021	***Gross amount of recognised financial assets***	***Gross amount of recognised financial liabilities set off in the consolidated statement of financial position***	***Net amount of financial assets recognised in the consolidated statement of financial position***	***Financial instruments***	***Non-cash collateral received***	***Net amount***
Financial assets						
Loans and advances to customers – reverse repo	13,404,938	–	13,404,938	–	(13,404,938)	–
Total	**13,404,938**	**–**	**13,404,938**	**–**	**(13,404,938)**	**–**

				Related amounts not offset in the consolidated statement of financial position		
31 December 2020	***Gross amount of recognised financial assets***	***Gross amount of recognised financial liabilities set off in the consolidated statement of financial position***	***Net amount of financial assets recognised in the consolidated statement of financial position***	***Financial instruments***	***Non-cash collateral received***	***Net amount***
Financial assets						
Amounts due from banks – reverse repo	641,242	–	641,242	–	(641,242)	–
Loans and advances to customers – reverse repo	11,874,388	–	11,874,388	–	(11,874,388)	–
Total	**12,515,630**	**–**	**12,515,630**	**–**	**(12,515,630)**	**–**

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 30 for the Group's contractual undiscounted repayment obligations.

	31 March 2021			*31 December 2020*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Assets						
Cash and cash equivalents	51,677,855	-	51,677,855	33,342,983	-	33,342,983
Trading securities	18,080	878,244	896,324	7,450	871,599	879,048
Amounts due from banks	15,375,688	2,232,131	17,607,819	13,682,731	3,056,309	16,739,040
Derivative financial assets	886	-	886	-	-	-
Loans and advances to customers	90,379,511	139,864,306	230,243,817	88,805,675	140,511,461	229,317,136
Investment securities	4,849,663	26,568,922	31,418,585	5,350,489	30,197,897	35,548,386
Investment securities pledged under repurchase agreements	1,362,241	8,971,102	10,333,344	552,526	2,629,475	3,182,001
Property, plant and equipment	312,888	8,317,241	8,630,129	361,404	8,243,708	8,605,113
Intangible assets	0	364,356	364,356	-	330,808	330,808
Repossessed assets	1,724,767	0	1,724,767	1,693,043	-	1,693,043
Prepayments on profit tax	332,115	0	332,115	206,037	-	206,037
Other assets	3,134,057	38,478	3,172,535	2,052,429	41,166	2,093,595
Total	169,167,752	187,234,781	356,402,530	146,054,767	185,882,423	331,937,191
Liabilities						
Amounts due to banks	17,942,270	247,001	18,189,271	6,364,124	78,389	6,442,513
Derivative liabilities	-	-	-	41,664	-	41,664
Amounts due to customers	208,045,031	31,149,372	239,194,403	194,120,418	33,852,657	227,973,075
Other borrowed funds	3,980,142	18,880,103	22,860,245	3,742,504	19,775,963	23,518,467
Debt securities issued	12,008,593	9,967,550	21,976,143	11,688,266	9,838,850	21,527,116
Lease liabilities	437,720	1,236,391	1,674,111	446,933	1,314,956	1,761,889
Deferred income tax liabilities	-	1,086,567	1,086,567	-	851,666	851,666
Other liabilities	1,584,879	99,727	1,684,606	1,114,692	18,740	1,133,432
Provisions on commitments and contingencies	164,476	-	164,476	230,632	-	230,632
Subordinated debt	7,180	371,819	378,999	794	365,813	366,607
Total	244,170,290	63,038,530	307,208,816	217,750,027	66,097,034	283,847,062
Net position	(75,002,538)	124,196,251	49,193,714	(71,695,260)	119,785,389	48,090,129

The maturity analysis in the table above does not reflect the historical behavior and actual repayment pattern of term deposits. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities (continued)

The table below shows an analysis of assets and liabilities analysed according securities instant liquidity as at 31 March 2021.

Highly liquid portion of investments at fair value through profit or loss and investments at fair value through other comprehensive income other than equity instruments are included in amounts due in the period "Demand and less than 1 month" as the Bank's management believes that these are highly liquid assets which may be sold on demand to meet the requirements for cash outflows of financial liabilities. Securities at amortised cost state securities are classified as demand and less than 1 month considering the availability of repo agreements.

	31 March 2021								
	Demand and less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*Subtotal less than 12 months*	*From 1 to 5 years*	*More than 5 years*	*Subtotal less over 12 months*	*No maturity*	*Total*
Cash and cash equivalents	51,677,855	0	0	51,677,855	0	0	0	0	51,677,855
Trading securities	601,855	0	0	601,855	0	294,469	294,469	0	896,324
Amounts due from banks	2,616,963	0	0	2,616,963	424,936	0	424,936	14,565,920	17,607,819
Derivative financial assets	886	0	0	886	0	0	0	0	886
Loans and advances to customers	42,799,679	11,775,004	35,804,827	90,379,511	84,766,624	55,097,682	139,864,306	0	230,243,815
Investment securities pledged under repurchase agreements	10,333,344	0	0	10,333,344	0	0	0	0	10,333,344
Investment securities	25,519,026	138,033	1,213,733	26,870,791	3,849,512	617,727	4,467,239	80,555	31,418,585
Property, plant and equipment	26,169	52,338	234,382	312,888	776,405	367,552	1,143,957	7,173,284	8,630,129
Intangible assets	0	0	0	0	0	0	0	364,356	364,356
Repossessed assets	0	0	1,724,767	1,724,767	0	0	0	0	1,724,767
Prepayments on profit tax	0	332,115	0	332,115	0	0	0	0	332,115
Other assets	2,831,082	51,431	251,544	3,134,057	28,850	7,763	36,613	1,865	3,172,535
Total assets	136,406,858	12,348,921	39,229,253	187,985,031	89,846,327	56,385,193	146,231,520	22,185,980	356,402,531
Liabilities									
Amounts due to banks	14,455,675	0	3,486,595	17,942,270	167,325	0	167,325	79,676	18,189,271
Amounts due to customers	115,092,120	18,184,499	74,768,412	208,045,031	29,804,983	1,344,390	31,149,372	0	239,194,403
Other borrowed funds	317,701	554,876	3,107,565	3,980,142	9,343,395	9,536,707	18,880,103	0	22,860,245
Debt securities issued	12,008,593	0	0	12,008,593	9,967,550	0	9,967,550	0	21,976,143
Lease liabilities	40,198	77,926	319,595	437,720	920,163	316,228	1,236,391	0	1,674,111
Deferred tax liabilities	0	0	0	0	1,086,567	0	1,086,567	0	1,086,567
Other liabilities	638,634	83,136	863,105	1,584,875	81,593	18,134	99,727	0	1,684,602
Provisions on commitments and contingencies	164,476	0	0	164,476	0	0	0	0	164,476
Subordinated debt	0	7,180	0	7,180	371,819	0	371,819	0	378,999
Total liabilities	142,717,398	18,907,618	82,545,271	244,170,286	51,743,395	11,215,459	62,958,854	79,676	307,208,816
Net position	(6,310,540)	(6,558,697)	(43,316,018)	(56,185,255)	38,102,932	45,169,734	83,272,666	22,106,304	49,193,714
\ccumulated gap	(6,310,540)	(12,869,237)	(56,185,255)		(18,082,324)	27,087,410			

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities (continued)

	31 December 2020								
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***Subtotal less than 12 months***	***From 1 to 5 years***	***More than 5 years***	***Subtotal less over 12 months***	***No maturity***	***Total***
Cash and cash equivalents	33,342,983	0	0	33,342,983	0	0	0	0	33,342,983
Trading securities	580,170	0	7,450	587,620	0	291,429	291,429	0	879,049
Amounts due from banks	1,696,078	0	5,038	1,701,116	418,041	0	418,041	14,619,883	16,739,040
Loans and advances to customers	16,208,770	28,462,239	44,134,666	88,805,675	84,624,783	55,886,678	140,511,461	0	229,317,136
Investment securities pledged under repurchase agreements	417,497	0	135,029	552,526	2,629,475	0	2,629,475	0	3,182,001
Investment securities	30,398,251	75,759	1,326,102	31,800,111	3,613,445	54,275	3,667,720	80,555	35,548,387
Property, plant and equipment	30,328	62,657	268,419	361,404	923,396	270,269	1,193,665	7,050,043	8,605,112
Intangible assets	0	0	0	0	0	0	0	330,808	330,808
Repossessed assets	0	0	1,693,043	1,693,043	0	0	0	0	1,693,043
Prepayments on profit tax	0	0	206,037	206,037	0	0	0	0	206,037
Other assets	1,617,428	154,692	280,309	2,052,429	31,538	7,763	39,301	1,865	2,093,595
Total assets	84,291,505	28,755,347	48,056,092	161,102,944	92,240,677	56,510,415	148,751,092	22,083,154	331,937,191
Liabilities									
Amounts due to banks	4,105,237	0	2,258,887	6,364,124	0	0	0	78,389	6,442,513
Derivative liabilities	41,664	0	0	41,664	0	0	0	0	41,664
Amounts due to customers	98,178,864	22,694,918	73,246,636	194,120,418	32,556,075	1,296,582	33,852,657	0	227,973,075
Other borrowed funds	198,633	552,251	2,991,620	3,742,504	10,393,230	9,382,733	19,775,963	0	23,518,467
Debt securities issued	0	0	11,688,266	11,688,266	9,838,850	0	9,838,850	0	21,527,116
Lease liabilities	40,055	80,110	326,768	446,933	1,092,547	222,410	1,314,956	0	1,761,889
Deferred tax liabilities	0	0	0	0	851,666	0	851,666	0	851,666
Other liabilities	203,386	70,674	840,632	1,114,692	0	18,740	18,740	0	1,133,432
Provisions on commitments and contingencies	230,632	0	0	230,632	0	0	0	0	230,632
Subordinated debt	0	794	0	794	365,813	0	365,813	0	366,607
Total liabilities	102,998,471	23,398,747	91,352,809	217,750,027	55,098,180	10,920,464	66,018,645	78,389	283,847,062
Net position	(18,706,967)	5,356,600	(43,296,717)	(56,647,083)	37,142,497	45,589,950	82,732,447	22,004,765	48,090,129
Accumulated gap	(18,706,967)	(13,350,367)	(56,647,083)		(19,504,586)	26,085,365			

(thousands of Armenian drams)

35. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these consolidated financial statements, related parties include the Parent, entities under common control, members of Group's Management as well as other persons and enterprises related with and controlled by them respectively. The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

A number of banking transactions are entered into with related parties. These include loans, deposits and other transactions. The volumes of related party transactions, outstanding balances at the end of reporting period, and related expense and income for the reporting period are as follows:

The outstanding balances of related party transactions are as follows:

The income and expense arising from related party transactions are as follows:

	31 March 2021			*31 December 2020*		
	Parent	*Entities under common control*	*Key management personnel and their close family members*	*Parent*	*Entities under common control*	*Key management personnel and their close family members*
Consolidated statement of financial position						
Loans and advances to customers						
Loans outstanding at 1 January, gross	**128**	**38,478,528**	**464,980**	**24**	**33,701,291**	**535,768**
Loans issued during reporting period	15,295	3,850,951	294,507	2,565	20,831,700	922,720
Loan repayments during reporting period	(11,654)	(2,032,199)	(213,067)	(2,461)	(16,054,463)	(993,508)
Loans outstanding at the end of the reporting period, gross	**3,769**	**40,297,280**	**546,420**	**128**	**38,478,528**	**464,980**
Less: allowance for loan impairment	(58)	(83,003)	(6,710)	(2)	(84,325)	(5,019)
Loans outstanding at the end of the reporting period, net	**3,711**	**40,214,277**	**539,710**	**126**	**38,394,203**	**459,961**
Amounts due to customers						
Deposits at 1 January	**273,832**	**56,348,509**	**1,305,738**	**682,507**	**58,228,472**	**285,990**
Deposits received during reporting period	40,349	23,720,036	1,075,644	515,044	148,154,657	5,453,553
Deposits repaid during reporting period	(46,256)	(21,130,410)	(1,033,934)	(923,719)	(150,034,620)	(4,433,805)
Deposits at the end of the reporting period	**267,925**	**58,938,135**	**1,347,448**	**273,832**	**56,348,509**	**1,305,738**
Amounts due to customers – subordinated debt						
Subordinated debt at 1 January	**-**	**366,607**	**-**	**-**	**5,806,646**	**-**
Redemption of subordinated loans	-	-	-		(5,599,452)	
Net result from FX revaluation	-	6,121		-	163,093	
Other movements	-	6,272		-	(3,680)	
Subordinated debt at the end of the reporting period		**378,999**	**-**	**-**	**366,607**	**-**
Items not recognised in the consolidated statement of financial position						
Guarantees given	-	-	141,148	-	-	42,056
Consolidated statement of comprehensive income						
Interest income	-	813,208	8,192	-	2,964,535	29,661
Fee and commission income	15	3,929	310	99	19,808	687
Other income	-	8,872	348	657	85,387	2,154
Interest expense	(995)	(543,986)	(20,053)	(6,378)	(2,043,079)	(74,167)
Impairment charge	(56)	1,323	(1,690)	(2)	(59,654)	(4,516)
Other expenses	-	(4,333)	(8,163)	-	(20,814)	(33,202)

Compensation of key management personnel was comprised of the following:

	31 March 2021	*31 March 2020*
Salaries and other short-term benefits	151,423	138,146
Total key management personnel compensation	**151,453**	**138,146**

(thousands of Armenian drams)

36. Changes in liabilities arising from financing activities

	Note	*Debt securities issued*	*Other borrowed funds*	*Subordinated loans*	*Lease liabilities*	*Total liabilities from financing activities*
Carrying amount at 31 December 2019	18, 20, 21	**19,920,288**	**21,177,406**	**5,806,646**	**2,066,563**	**48,970,903**
Proceeds from issue		3,069,135	4,985,907	-	25,551	8,080,593
Redemption		(3,069,135)	(2,872,654)	(5,599,452)	(527,273)	(12,068,514)
Foreign currency translation		1,603,675	237,131	163,093	-	2,003,899
Other		3,154	(9,323)	(3,680)	197,049	187,200
Carrying amount at 31 December 2020	18, 20, 21	**21,527,117**	**23,518,467**	**366,607**	**1,761,890**	**47,174,081**
Proceeds from issue		1,331,021	765,782	-	3,520	2,100,323
Redemption		(1,331,021)	(1,524,957)	-	(134,459)	(2,990,437)
Foreign currency translation		127,243	37,272	6,102	-	170,617
Other		321,783	63,681	6,290	43,160	434,913
Carrying amount at 31 March 2021	18, 20, 21	**21,976,143**	**22,860,245**	**378,999**	**1,674,111**	**46,889,498**

The "Other" line includes origination of new lease liabilities being a non-cash movement. It also includes the effect of accrued but not yet paid interest on debt securities issued, other borrowed funds, subordinated loans and lease liabilities. The Group classifies interest paid as cash flows from operating activities.

37. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

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

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

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Capital Accord 1988 principles, banks have to maintain a ratio of capital to risk weighted assets, as well as a ratio of core capital to risk weighted assets(capital adequacy ratios N1.1 and N1.2) above the prescribed minimum levels. As at 31 March 2021 and 31 December 2020 this minimum levels of N1.1 and N1.2 ratios were accordingly 9% and 12%. The Group is in compliance with the statutory capital ratio as at 31 March 2021 and 31 December 2020.

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, , as at 31 March 2021 and December 31 2020:

	31 March 2021	*31 December 2020*
Tier 1 capital	38,095,713	39,218,686
Tier 2 capital	3,291,826	3,579,303
Total capital	**41,387,539**	**42,797,989**
Risk-weighted assets	**294,306,514**	**300,002,675**
Capital adequacy ratio N1.1	**12.94%**	**13.07%**
Capital adequacy ratio N1.2	**14.06%**	**14.27%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

(thousands of Armenian drams)

The Group has complied with externally imposed capital requirements through the period.