



# Annual Report



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# ■ Chapter One

## Overview

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# Overview

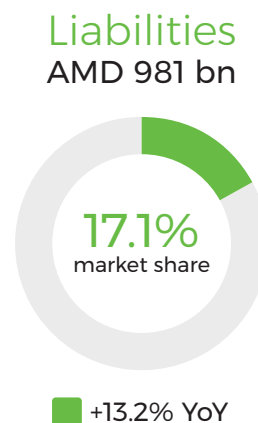
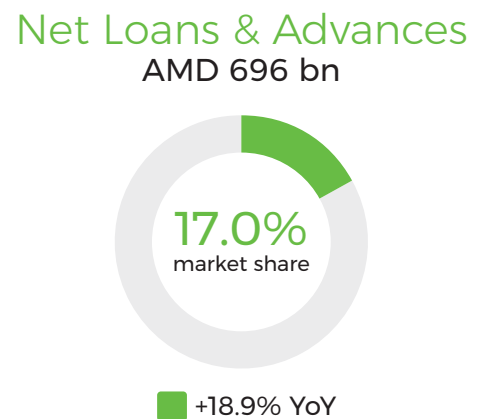
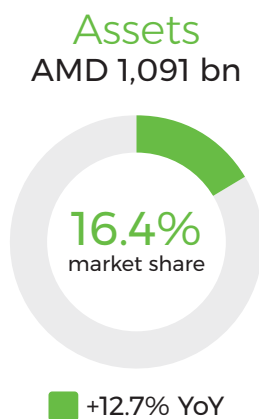
# Ameriabank at a glance

Ameriabank is a dynamically developing bank and one of the major and most stable financial institutions in Armenia with clearly formulated digital agenda. Being the first investment bank in Armenia, Ameriabank is now a universal bank offering innovative corporate, investment and retail banking services in a comprehensive package of banking solutions. Ameriabank is the largest bank in Armenia according to the 2020 year-end reportable data, with assets exceeding AMD 1 trillion. Ameriabank has been advancing its service channels with strong focus on digital and has become a more customer-centric bank, developing new products and solutions based on the evolving needs and preferences of the customers.



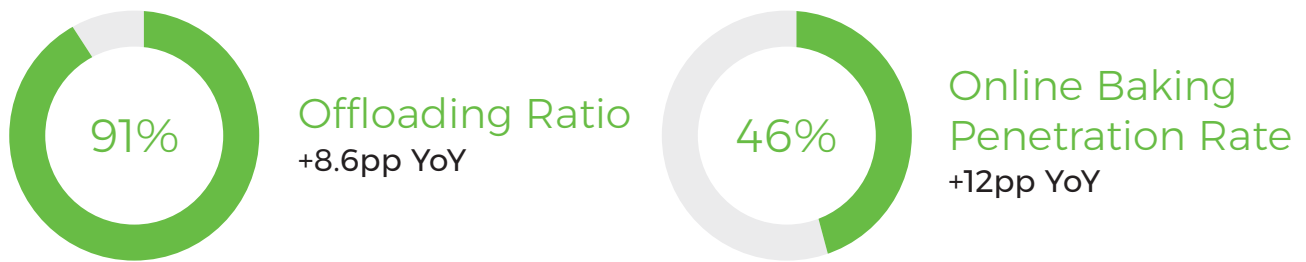
# Performance highlights

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



## Overview

### Strong omni channel distribution platform with focus on digital:



### Superior Customer Service with high satisfaction scores:

NPS 73.6%



CEI\* 9.5



### Credit ratings:

S&P

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

Moody's

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





# Chairman's statement

**Andrew Mkrtchyan**  
Chairman of the Board

## Dear Shareholders,

2020 was a truly challenging year for all of us. We have been learning and trying to adapt to the rapidly changing realities, being forced to change the way we work and interact and make decisions more quickly than ever before. The uncertainty and volatility of 2020 were a true test of resilience at both business and personal levels.

Armenia was among the countries that was hit hard by the first wave of the COVID-19 in the first half of 2020, with negative impact on the economy registered already in March 2020. On the positive side, the early spread of the COVID-19 let the country to return to almost normal business and operational environment already in Q4 2020, with no further restrictions and lockdowns. As a result, we saw positive trends in most of the sectors of the economy by the end of Q4, but the overall impact of the pandemic had been significant by then, with the economy shrinking by 7.6% for 2020. The Government was quick in adopting a relevant assistance program with both support to business and social allowances components with more than AMD 160 bn overall budget. Despite uncertainties and risky environment, the Government managed to successfully raise funds from the international capital markets: in early 2021 the Republic of Armenia issued \$750mn 10y Eurobonds, which were almost 4 times over-subscribed, pushing the yield at placement down to 3.875% from IPT of 4.4-4.5%, the lowest yield ever achieved by RA at Eurobond placement. Armenian dram remained the most stable currency in the region with an average of around 2% depreciation as of year-end and exchange rate fluctuations being within 1-2% during the year. 12-month cumulative CPI comprised 1.2% in 2020 letting the Central Bank implement mostly expansionary monetary policy during 2020.

The banking system once again proved its strong fundamentals and resilience, which was partially due to over-cautious and risk-averse policies and rules of the Central Bank for proceeding periods. For years our banking system had been building up sufficient financial strength, so that to maintain the right level of capital for balancing safety and returns, and this approach proved to be the right one in the most challenging times. The banks maintained double-digit growth on average by main financial indicators with no loss making banks as of year-end.

In the utterly challenging environment Ameriabank managed to retain its leadership by all key financial metrics, with strong growth of loan book, improved cost-efficiency and better diversification. In the midst of every crisis, lies great opportunity and the COVID-19 pandemic was no exception. The forced limitation of physical interaction was a real boost for distance banking and online services, accelerating the shift from conventional banking to digital banking. Due to our investments in digital capabilities we were able to benefit from this behavioral change, with very high growth rates for digital banking products usage and volumes. We also learnt that it was

## Overview

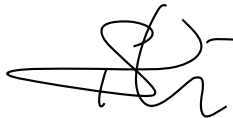
possible to change the whole operational model overnight with no loss of productivity when we had to shift to remote work from home or implement shifts.

The pandemic has also taught us to be more responsible, caring and disciplined both in our professional and personal lives. We took measures to protect and support our clients and employees, putting health and security first. Improved operational efficiency combined with positive financial results even in such turbulent times were to prove the agility of our team: never before have we been so adaptive and responsive to external threats and opportunities. I am sure that the lessons 2020 has taught us only made us stronger, and we are more than ever ready to face new challenges.

We expect 2021 to be a year of recovery for the whole economy and a turning point for some sectors. There will be great opportunities for growth, but the challenges will remain as we haven't yet overcome the pandemic, and certain changes in our operational model that were thought to be short-term will remain actual. To thrive in this volatile and complex environment we will need to embrace agility at broader scale, increasing the speed and efficiency of launching new products and services. In line with our customer-centric approach, we will also focus further on improving customer experience and enhancing service quality.

Summing up, I can proudly state that we not only successfully withstood the storm, but managed to ensure strong fundamentals and business growth, with even more growth potential for 2021. This was possible due to our team's dedication, agility and excellent operational performance. I want to thank the management and the team for their resilience and high performance in such challenging times. We have all the fundamentals to ensure sustainable growth and deliver superior results to our shareholders in the coming years.

**Andrew Mkrtchyan**  
Chairman of the Board





# Chief executive's review

**Artak Hanesyan**

Chairman of the Management Board,  
CEO

Last year was full of challenges and uncertainties caused by COVID-19 with disruptive impact on all industries. We had to revisit not only our plans but also reconsider the way we operate and serve our clients. The second half of the year was even more challenging due to geopolitical risks triggered by military escalation in neighboring Artsakh. I am happy to report, that we have passed this unique stress test successfully due to the discipline and hard work of our team, delivering strong financial and operating results.

We were proactive and quick in our response to COVID-19: from the very onset of the pandemic we activated our comprehensive Business Continuity Plan (BCP) and took a number of steps and pre-cautionary actions in order to ensure safety of both our employees and clients, and mitigate operational risks. We followed strict social distancing rules within the team and when interacting with clients, with strict rules within the office and with most of our staff working remotely from home. Despite this dramatic shift of operational model, we not only avoided any disruption in our operations, but also registered high level of efficiency. We mobilized our resources and put effort to minimize possible adverse effect on all our stakeholders, putting care and support first when making decisions. Considering the possible impact on our borrowers, we offered short-term credit holidays (grace period on principal and interest payments) to all retail clients and to corporate clients operating in the most affected sectors. We also tightened risk parameters, put additional efforts in cost-cutting and kept excessive liquidity and capital adequacy buffers to secure our resilience in the unfolding situation.

The Government and the Central Bank responded to the unfolding crisis with comprehensive measures, providing necessary support and comfort. The assistance program implemented by the Government exceeded AMD 160bn, with the number of beneficiaries for social programs being more than 1 mn people and for economic programs - more than 70,000 entities. Though the banking system had sufficient levels of liquidity and capital, the Central Bank provided additional comfort for financial stability postponing Basel III related additional buffers requirements and declaring the readiness to intervene and provide liquidity if needed. Our banking system weathered this storm successfully too, having built strength and resilience during previous economic downturns and due to prudent approach to risk management.

Despite unplanned additional costs and shrinking economy, our team delivered excellent results and managed to achieve our targets successfully. We maintained leadership in the market by key financial indicators, significantly increasing our market share. Our total assets registered 13% yoy growth, exceeding AMD 1 trillion, thus marking a milestone in the Armenian financial market history. Our loans and advances portfolio increased by 19%, with our market share reaching 17%. The loan book growth was supported by double-digit growth of both corporate and retail loan portfolios. Our retail loan portfolio increased significantly by 31% yoy, with growth registered by all retail loan products. As a result the retail and SME share in the total loan portfolio reached 48% (up

## Overview

by 4pp). In terms of liabilities, we registered 9% yoy growth of total deposits and bonds portfolio, with significant increase of outstanding bonds (96% YoY).

Considering COVID-19 related uncertainty and possible negative impact on the economy, we chose a very cautious and conservative approach of doing extra provisioning proactively. This of course affected our profitability ratios, but we ensured the comfort and extra buffers to withstand any possible negative outcome. Our net profit without provisions registered a 33% yoy growth giving us confidence in the mid to long-term sustainable profitability. Our stringent cost management resulted in significant cost cutting, and despite COVID-19 related additional admin costs we registered a significant – 6.9pp, improvement of the cost to income ratio, with 35% year-end result.

In 2020 we successfully continued our cooperation with partner IFIs, with active, especially in terms of trade finance facilities. Aiming to strengthen the overall capital position of the Bank amid challenging times, we signed a USD 15mn long-term subordinated loan agreement with Symbiotics SA, which qualifies as Tier 2 capital instrument under Basel III.

In line with our commitment to responsible business and climate change mitigation, we put further efforts on strengthening our position towards becoming a leading regional green bank, by issuing EUR 42mn Green Bond. We have been in green lending business for a decade already, having done more than USD 200mn worth projects, but the Green Bond project was a historic milestone, being the first ever Green Bond project not only for Ameriabank, but for the Armenian financial market in general. The Green Bonds were issued within our Green Bond Framework and are in line with ICMA's Green Bond Principles.

2020 was marked with a number of reputable awards and recognitions too. Ameriabank was recognized as the Best Bank in Armenia by EMEA Finance Magazine. Given the impressive progress and achievements in key metrics, and innovative practices, Ameriabank was named Bank of the Year in Armenia 2020 by The Banker (a premier publication of The Financial Times).

And last but not least I want to reflect on our achievements in digital banking, with the latter being a strategic priority for us. Digital banking was the only area where COVID-19 had a positive boosting effect. The forced lockdowns and strict social distancing rules resulted in significant behavioral change among the customers supporting the already growing number of distance banking transactions and resulting in unprecedentedly high offloading. The offloading ratio reached 91% (up by 8.6pp) in 2020, with online banking penetration rate reaching 46% (up by 12pp). The number of internet banking users increased by 54% yoy, while the number of internet banking transactions increased by 110%. We continued the enhancement of our digital ecosystem, now having fully operational Automarket, mortgage market and SME ecosystems. Customer experience and service quality remained a priority for us, with significant progress (NPS reached 73.6%) despite drastic change of operational and servicing modes.

Looking ahead to 2021 we must remain alert and agile in the constantly changing environment being ready to not only adapt but to thrive. We stay positive and are hopeful, that 2021 will be a year of opportunities and growth. We will continue to invest in our digital infrastructure and services, meeting the evolving needs and preferences of our clients. In terms of financial performance, efficiency and profitability enhancement will be the key target for 2021 and the upcoming years.

Our success in 2020 is the demonstration of our resilience, diligence and the readiness to go the extra mile. Our strong fundamentals and momentum combined with our team of talented and motivated people make me confident that we will successfully deliver our strategic targets, thus ensuring strong returns for our shareholders.

**Artak Hanesyan**  
Chairman of the Management Board,  
CEO



# Historic milestones

## Developments and achievements in 2020

- EUR 42 mn Green Bond issuance, as the first ever Green Bond project in Armenia, with FMO acting as the anchor investor. The Green Bond was structured in accordance with internationally recognized ICMA Green Bond Principles (the GBP) and is dedicated to finance sustainable “green” projects in Armenia.
- USD 15 mn long-term subordinated loan agreement with Symbiotics, with the possibility to increase to USD 25 mn, to strengthen the overall capital position of the Bank.
- Attracted USD 31 mn from EBRD, USD 10 mn from Citibank and USD 16 mn from Raiffeisen Bank International for trade financing purposes.
- Board of Directors transformation with four fully functioning Board level committees and five Independent Non-Executive Directors. New experienced and professional Independent Non-Executive Directors engaged, with international background and profound knowledge in commercial and investment banking.

# Ameriabank's road to success

1998

Ameria Advisory was founded by a group of young repatriated professionals

2007

1st bank aquisition deal in RA: acquired shares of one of the oldest yet smallest banks in RA

2010

1st banking merger deal in RA: Ameriabank and Cascade bank signed merger deal.

2015

USD 30 mn equity investment by EBRD.\*  
USD 50mn sub debt from IFC.\*  
1st published international credit rating (B+ rating with stable Outlook by Fitch)

2018-2019

USD 30 mn equity investment by ADB in early 2018\*\*  
Ba3 rating with stable outlook by Moody's  
B+ rating with stable outlook by S&P

2000-2006

Ameria became a Group of companies with expanded business lines: Legal & Tax Advisory, Business Advisory, Investment Banking, Asset Management

2008-2009

Rebranded to Ameriabank  
Unprecedented growth amid global crisis

2011-2014

Became the leading bank in RA.  
Strategic decision to become a universal bank, significantly increasing retail Banking share.

2017

Absolute leader in RA by key finacial indicators

2020

1st Green Bond issuer in RA: issued EUR 42 mn Green Bond  
Assets exceeding AMD 1 trillion

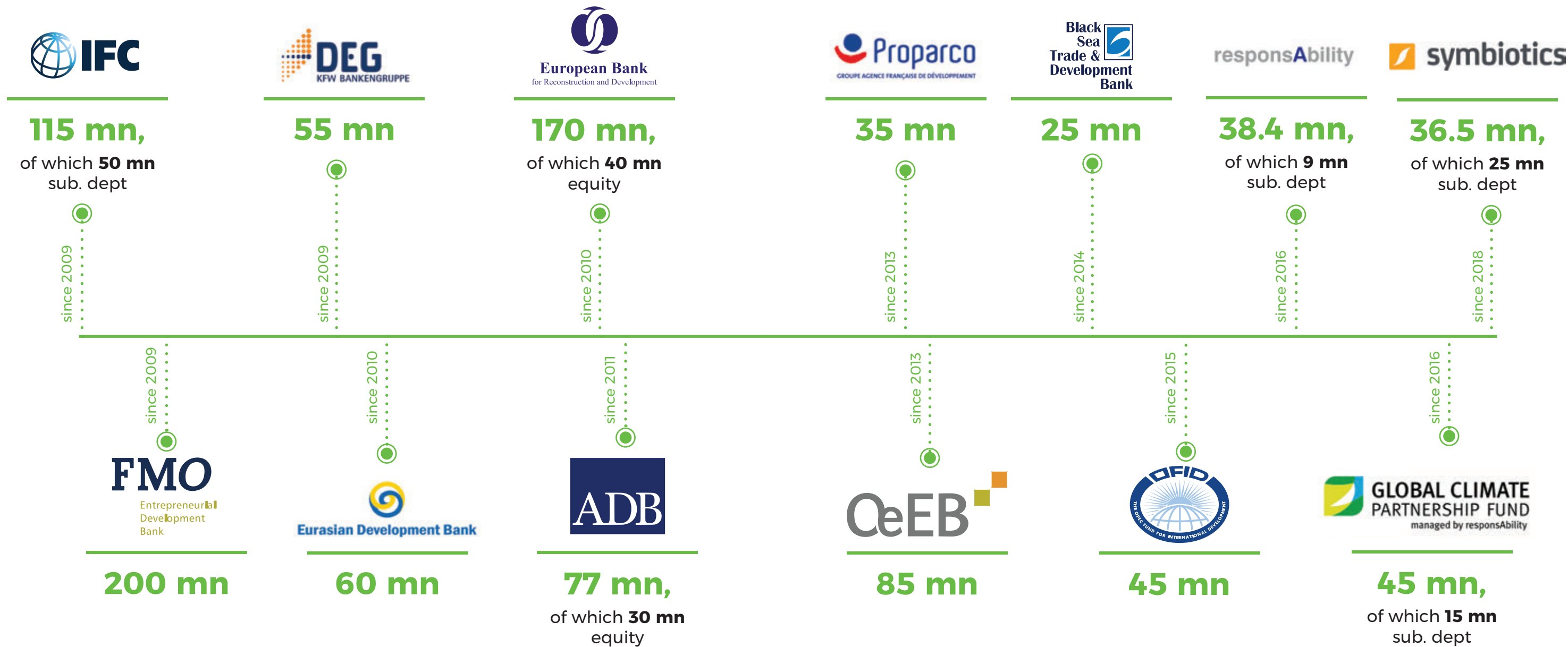
\* the largest deal with FI in Armenia  
\*\* the first equity investment of ADB in Armenia



# Global partners

Ameriabank’s IFI partners and the aggregate amounts of transactions since cooperation start date

All amounts are in USD





# Awards

## 2020 Awards & Certificates



- **Bank of the Year 2020 in Armenia** according to Financial Times **The Banker** magazine
- Best Investment Bank 2020 in Armenia according to **Global Finance**
- Bank of the Year in Armenia according to **EMEA Finance**
- Best Bank Offering Online Banking Services for Business in Armenia 2020 according to **SME Banking Club**
- Best Investment Bank 2020 in Armenia according to **World Finance Banking**
- Best Foreign Exchange Provider 2021 in Armenia according to **Global Finance**
- MasterCard's Data Integrity **Extra Mile** award
- **Visa's** Premium Banking Guru and Best Promotional Campaign 2020 awards: Ameriabank's Explore Armenia campaign was declared the best
- Winner in **Armenian Stock Exchange's** and Central Depository's nominations: Operator-Registry Keeper of Depository System 2020, Member of Stock Exchange Settlement System 2020 and Performer in Unified System of Securities Registration and Settlement 2020 nominations



# ■ Chapter Two

**Strategic report**



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# Strategic report



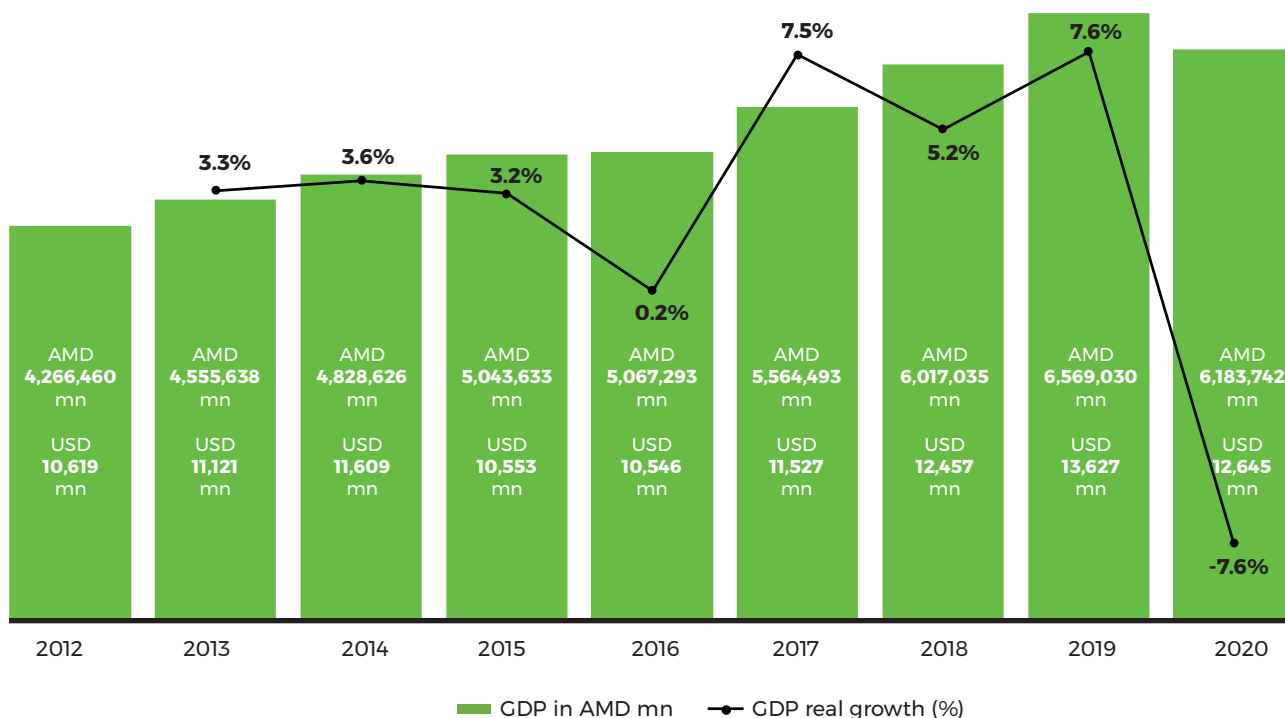


# External environment

## Macroeconomic prerequisites

Following the record high - 7.6%, GDP growth in 2019, 2020 has been probably the most challenging year for the Armenian economy since 2009. COVID-19 pandemic was a global challenge that started to have negative impact on the Armenian economy already in Q1 2020. The situation worsened in the second half of the year because of the military escalation in neighboring Artsakh. As a result, the overall GDP decline in 2020 reached 7.6%.

### Gross domestic product (GDP)

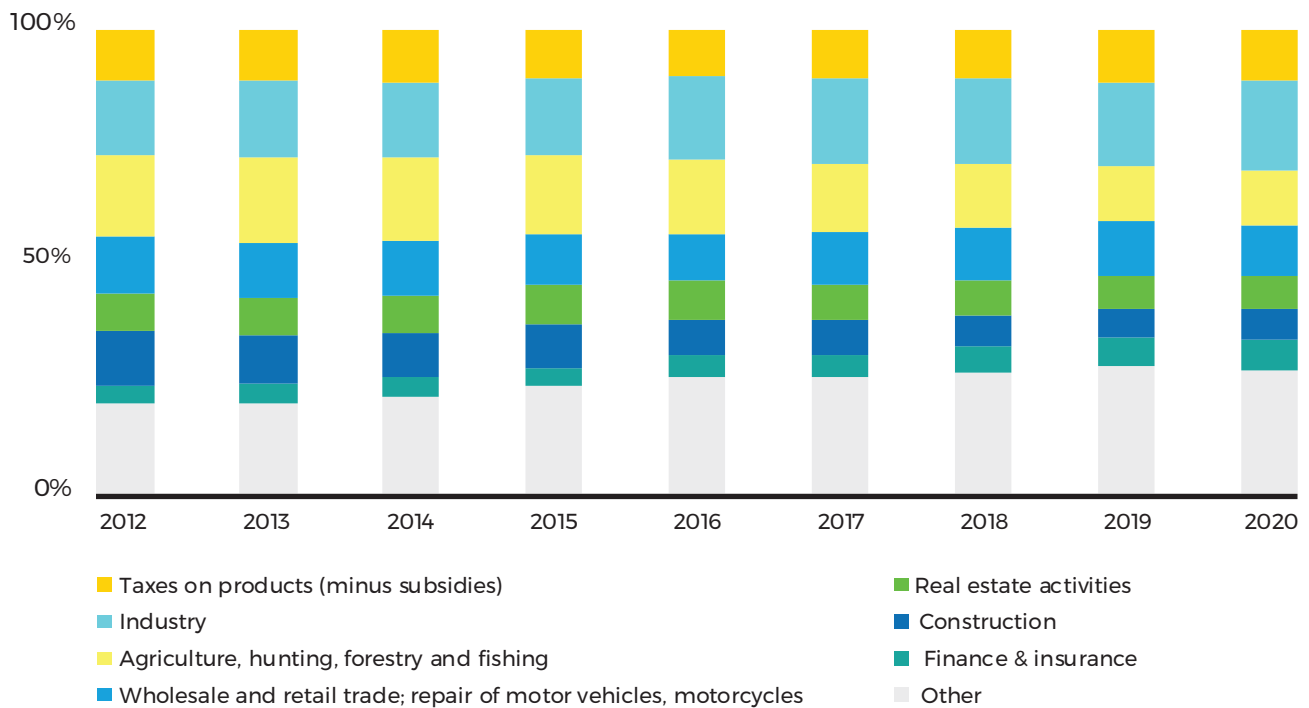


In 2020 decline was registered in almost all sectors of the economy with several exceptions (incl. **Public administration, Human health and social work activities, Financial and insurance activities**). The economic slump was mainly resulted from decline in **Arts, entertainment and recreation**, which registered the highest contribution to GDP contraction. The second highest impact was the drop in **Trade**, which also had the 3rd highest share in GDP, followed by **Transportation and warehouse economy**. The traditional leaders by share in GDP - **Manufacturing** and **Agriculture** - also registered some decline in 2020. **Accommodation and food service activities** sector registered the highest negative change in 2020 and had one of the highest contribution to GDP contraction.

## GDP main composites: growth rate & contribution



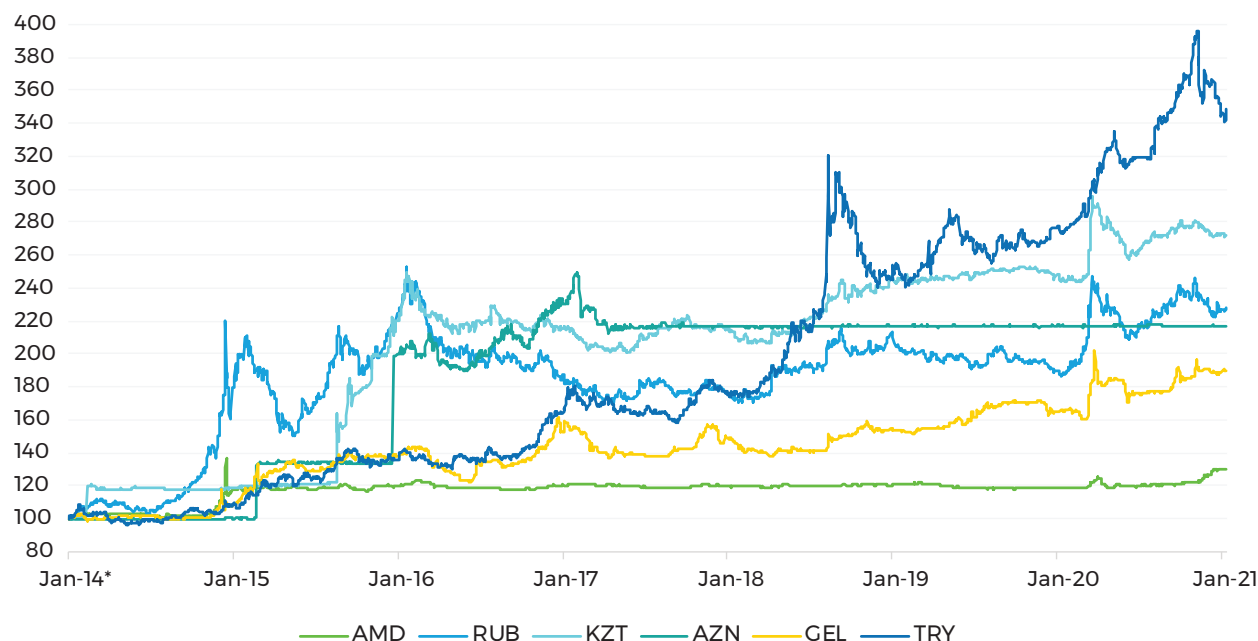
## GDP structure by selected composites, %



It is expected that the economy will start to recover already in 2021 and maintain the positive path for the upcoming years. According to the expectations of the international financial institutions the GDP of the RA will increase by 3.5%-4.5% on average in 2021. The CBA forecasted 2% economic growth.

The **consumer price index** in 2020 (December to December) was 3.7% and the average annual inflation stood at 1.2%, which was below the CBA targeted inflation rate of 4% ( $\pm 1.5$ ). CPI is expected to be comparably higher in 2021 reaching up to 4%. After registering stable dynamics over 2015-2019 (<1% change), AMD/USD **exchange rate** depreciated against USD in March 2020 (Covid-19 & Oil price), with another phase of AMD depreciation seen in Q4 2020, against the background of military situation in Artsakh and uncertainty after. Armenian dram depreciated by 1.8% against US dollar in 2020 on average. Still, AMD has been the most stable currency in the region over the last years.

Improvement in unemployment rate is noticed: with the indicator comprising 16.0% as of Y2020 - 1.1pp lower vs the same period of the previous year.



### Exchange Rate (AMD/USD) & CPI

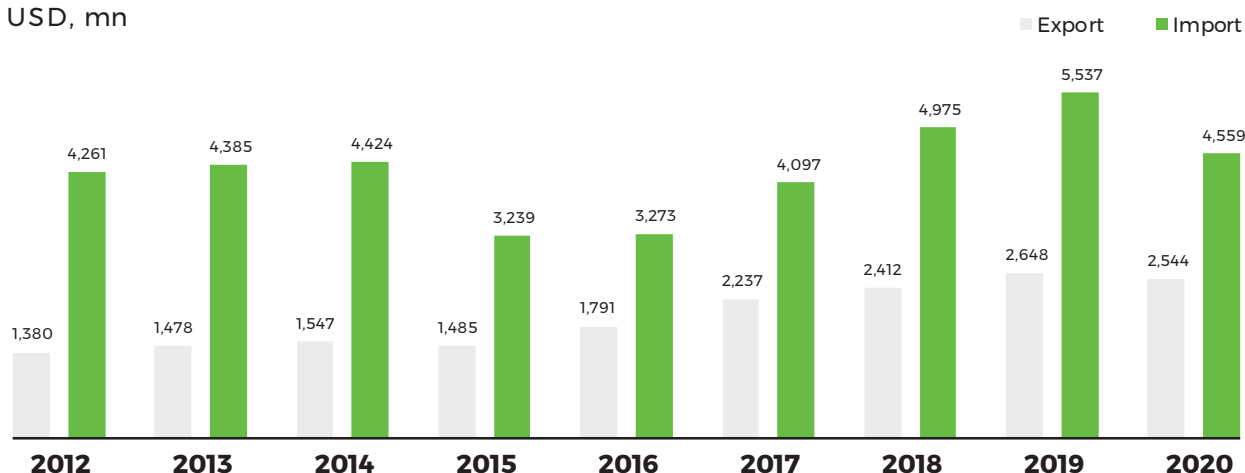
	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Average annual</b>	401.76	409.63	415.92	477.92	480.49	482.72	482.99	480.45	489.01
<b>End of year</b>	403.58	405.64	474.97	483.75	483.94	484.10	483.75	479.70	522.59
<b>CPI, % (December to previous year December)</b>	3.2	5.6	4.6	-0.1	-1.1	2.6	1.8	0.7	3.7
<b>CPI, % (12m cumulative)</b>	2.6	5.8	3.0	3.7	-1.4	1.0	2.5	1.4	1.2

In 2020 negative change in **external trade** was seen as well after the continuous growth started in 2016. The **exports** contracted by 3.9%, while **imports had larger drop** - 17.7%.



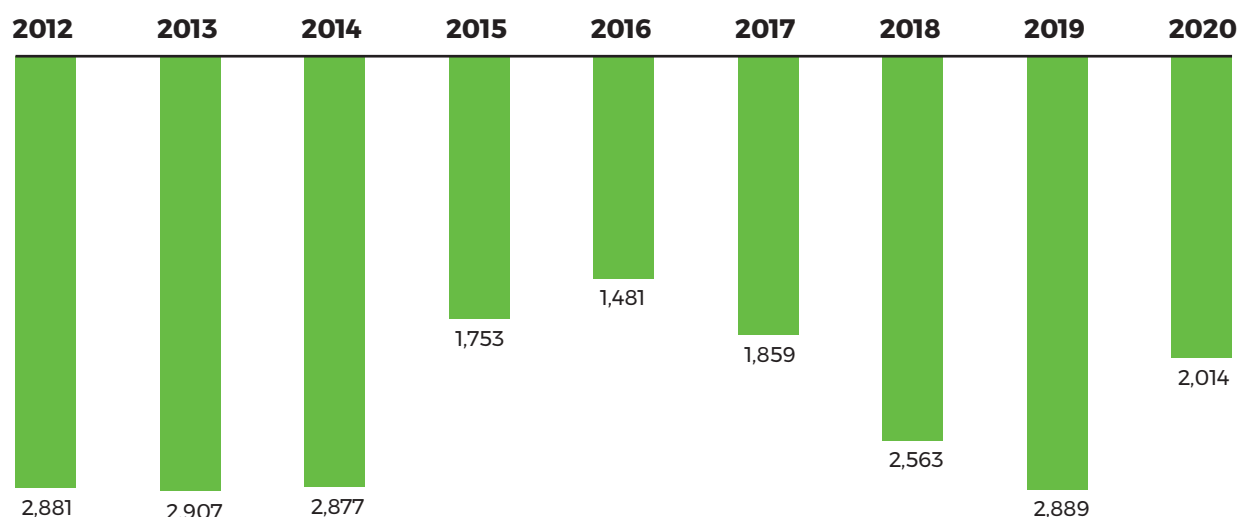
## Import and export (of goods)

USD, mn



## Foreign trade balance

USD, mn



The **remittances inflow** dropped by 6.0% over 2020 vs 2019.

**CAB deficit-to-GDP** stood at -3.1% with 4.1pp improvement vs the previous year.\* In 2020, the **external public debt** of Armenia amounted to 51.2% of GDP vs 42.2% in 2019. The total value of external public debt as of year-end 2020 was USD 6 053mn - 4.6% up from a year earlier. Government debt is 92.4% of the total external public debt (vs 91.5% in 2019) and the rest - 7.6% - is CBA debt. Official **foreign currency reserves** decreased by 8.3% in 2020, comprising USD 2.6bn. Certain negative change in **state budget deficit** was seen as well: in 2019 budget deficit improved comprising only 1.0% of GDP, but with Y2020 results the indicator was 5.4%.

In February 2021 Government of Armenia issued \$750mn 3.6% 10-year 144A/RegS Eurobonds, which were priced at 3.875%. At the end of the year, **Fitch Ratings** downgraded Armenia's long-term foreign currency issuer default rating to **B+** from **BB-** with a stable outlook on the country's economy. Moody's kept the **Ba3** (stable outlook) on Armenia's sovereign rating.

Over the past few years, Armenia has taken steps towards improving the investment and business climate in the country as well. With **“Doing Business 2020”** report by the World Bank Group, Armenia ranked **47th** out of 190 countries; score went up from 73.2 in Doing Business 2019 to 74.5 in 2020, which implies improvement in business regulations over the course of the last year. With the World Economic Forum’s **“Competitiveness index 2019”** Armenia ranked the **69th** (out of 141 countries) vs 70th (out of 140 countries) by 2018 results. The Heritage Foundation’s **“Economic Freedom Index 2020”** ranked the country the **34th freest** (out of 186 countries, and labelling it Moderately free) in the world: its overall score has increased by 2.9 points due to a significant spike in the fiscal health score.

Over the recent years, Armenia continued **active economic cooperation** with international institutions and allocation of funds raised from WB, IMF, ADB and EU. Particularly, the World Bank portfolio had more than 12 active projects. Projects were implemented across many sectors including energy, agriculture, education, roads, health, irrigation, rural development, public administration, etc. The country operations business plan (COBP) 2021-2023 of Asian Development Bank (ADB) for Armenia, is aligned with ADB’s country partnership strategy (CPS) 2019-2023 for Armenia and structured with 3 strategic pillars: (1) priority infrastructure investments, (2) targeted service delivery improvements and (3) greater regional cooperation and integration. EBRD strategy in Armenia focuses on developing the financial sector and improving access to finance, improving municipal and urban transport infrastructure, developing agribusiness and high value-added, export-oriented industrial companies as well as improving regulatory and institutional framework for sustainable energy and increasing value-added in mining sector.



# Banking sector in Armenia

2020 was an extremely hard year both for Armenian economy and for the banking system in general.

According to unaudited year-end financial results, the profit of the banking system in 2020 decreased by about AMD 14.3 billion, or 19.1%.

The lockdown forced all banks to review their attitude towards changes of competitive environment and clients' needs.

As per 2020 results, banks continued to grow, albeit at a slower pace than last year. However, the growth in some indicators has been quite significant.

Though slight, still an increase has been registered in customer borrowings, contrary to assumptions and predictions that customer accounts in banks would start to decline sharply due to military offensive in neighboring Artsakh.

Moreover, in 2020, the banking system still recorded double-digit annual growth by main indicators as compared with 2019.

Financial Institutions Operating in Armenia	2019	2020
<b>Banks</b>	17	17
<b>Credit organizations</b>	43	44
<b>Insurance companies</b>	7	7
<b>Funds and investment companies</b>	37	45

Banks registered double-digit growth in terms of all major financial indicators, with total banking assets and loans growing by 15.5% and 15.7% YoY respectively.

Armenia's financial system continues to be bank-dominated, with banks accounting still for 85% of the financial system assets.

According to the results of 2020, all banks and part of credit organizations were included in the list of 1000 large taxpayers.

# Solid capital & fundamentals for growth

The banking system of Armenia successfully withstood COVID-19 related challenges and avoided liquidity problems in 2020 despite risks of customer funds outflow. This was achieved mainly due to proactively accumulated reserves and active borrowings from abroad.

Currently the banking system is sufficiently capitalized and able to absorb potential risks and shocks, which indicates that there are sufficient grounds for further growth and development.

The liquidity indicators in the system are also high, which indicates the confidence of business and citizens in the banking system and the ability to confidently serve the economy.

This is also evidenced by regulatory indicators of banks, set by the CBA\* and showing that all the banks have high potential for financing of economy and accumulating new funds:

- **Capital adequacy ratio** of the banking system is 17% vs 12% minimum prudential of CBA
- **Liquidity ratios** are rather high as well: N2.1\*\* – 25.6%, N2.2\*\*\* – 108.8% vs 15% and 60% accordingly

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

The Central Bank of Armenia, in its turn, showed its readiness to provide banks with the necessary level of liquidity during the pandemic by offering various instruments (mainly REPO and SWAP): in order to mitigate volatility in the FX market the Central Bank offered 2 to 6 month FX swaps. The regulatory framework was also revised: in particular, the level of adequacy of the regulatory capital was reduced by 1pp (from 10% to 9%) and the deadline for the introduction of liquidity standards based on Basel III was extended until 2021.

2021 is expected to be challenging too. The main risks that were observed in 2020 may continue in 2021. But the consistent work carried out by the Central Bank with market participants is aimed at responding to new challenges more proactively and quickly keeping potential risks under control.

The range of objectives of the Central Bank of Armenia have been expanded to ensuring both price and financial system stability. During 2020 CBA has maintained stimulating monetary policy and reduced the refinancing rate four times, once by 0.5pp and three times by 0.25pp (March 17, April 28, June 16 and September 15, 2020) - from a total of 5.5% to 4.25%. However, already in December 2020 Central Bank of Armenia increased the refinancing rate by 1 pp - from 4.25% to 5.25% due to external inflationary risks.

\* Central Bank of Armenia

\*\* CBA prudential standard - High liquid assets/Total assets

\*\*\* CBA prudential standard - High liquid assets/Demand liabilities

Over the past 10 years, one of the indicators of **financial intermediation in the economy**, the loans to GDP ratio has almost tripled standing at 66.3% as of YE2020, while it was 17.8% in 2008. Due to continued growth in 2020, assets to GDP ratio exceeded 100% for the first time reaching 107.4%.

- Meanwhile, **high level of dollarization is still a key challenge** of the banking sector (with a decline in 2019 though) in line with the need for resources in local currency:
  - though dollarization in Armenia grew dramatically after the devaluation in 1999 – from 40% to 75%, the currency shock at the end of 2014, made the indicator to shift towards the AMD component,
  - at the end of 2016 the ratio of USD-denominated deposits to those in AMD was 65.5% to 34.5%, 2019 – 58% to 42% and in 2020 – 55.1% to 44.9%.

**This increases the banks' ability to lend in local currency:**

- with a faster-growing dram-denominated loan portfolio, credit dollarization in Armenia declined to 53 percent as of 2020 year-end from 58 percent in 2018, the historically lowest level, although, overall still remains high
- Organizing the customers' **migration to digital channels is the new actual challenge** in Armenian banking system. Increased competition and rapid penetration of digital technologies into all the areas of economy worldwide have eventually driven Armenian players to review and modernize their businesses to reach easier and faster transactions, have better services to offer and enhance growth.
  - The main trend of 2020 can be considered the increased volume of non-cash payments and transfers, as well as the number of digital product users. In this regard, increased “supply” is seen by both banks and Fintech companies, including for new mobile applications.
  - Because non-cash transactions are convenient and beneficial not only for clients and the bank, but also for the state (for example, in terms of tax collection), the government encourages non-cash and online operations by elaborating legislative initiatives
  - Currently banks actively cooperate with IT companies as well as develop their own research and innovation departments to fasten the process of introduction of new digital – oriented banking products.
  - Larger outreach, increase in client-base require the banks to reorganize their data management system - big data management solutions.
  - Banks actively optimized business processes, clients' classifications and standardization of existing procedures to integrate with online services. This has significantly decreased the need to visit bank for standard operations for both individual and SME clients.

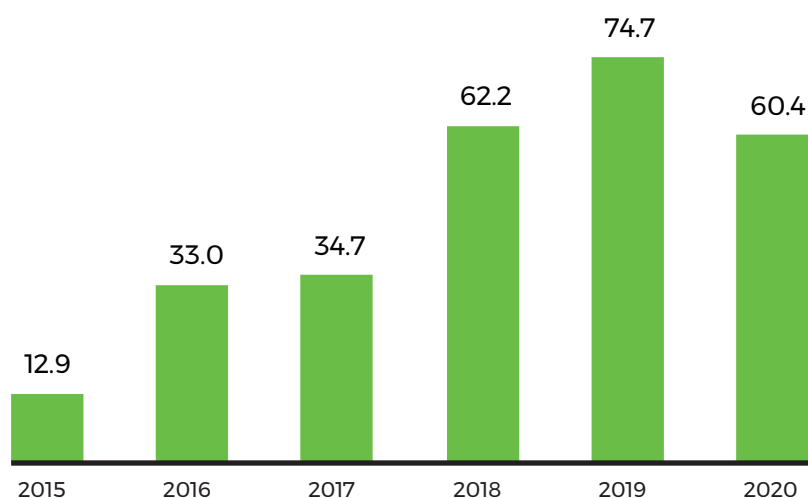
# 2020 - Continuous growth of banking sector with some slowdown

## Profits of Banks - some decrease

**Net profit** of Armenia's banking sector for the 2020 totaled AMD **60.4 billion** against the AMD 74.7 billion gained in 2019.

Although there was a decrease in the profits of the banks, however, all banks ended the year with profit.

Profit\*, bn AMD



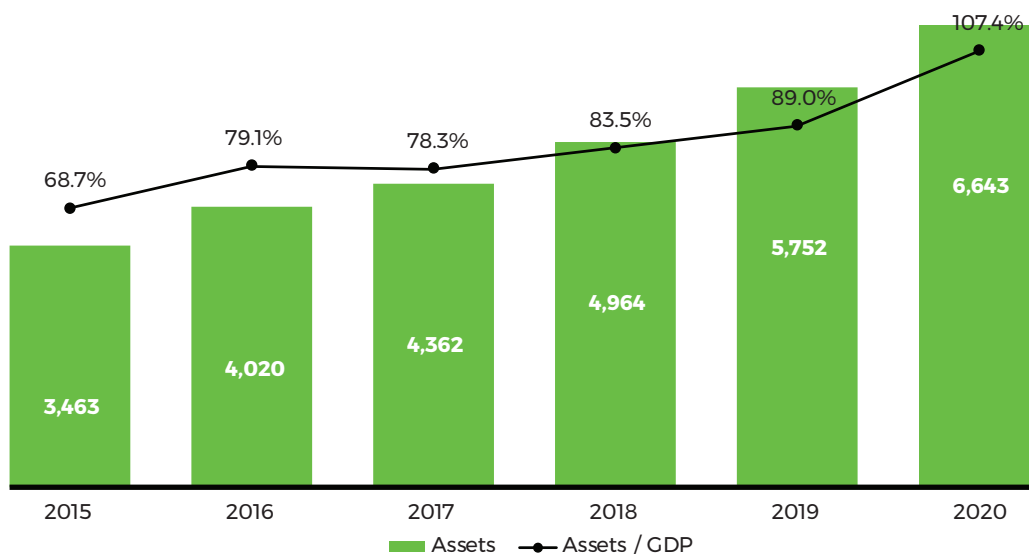
Overall RA banking system **high growth** was maintained over year 2020 as well with registered growth by all the major financial indicators.

During 2020 the sector's combined total **equity** continued to grow registering 7.3% increase vs a year earlier and reaching AMD 895bln. With the Y2020 results, the sector's share in the country's GDP comprised 14.5%.

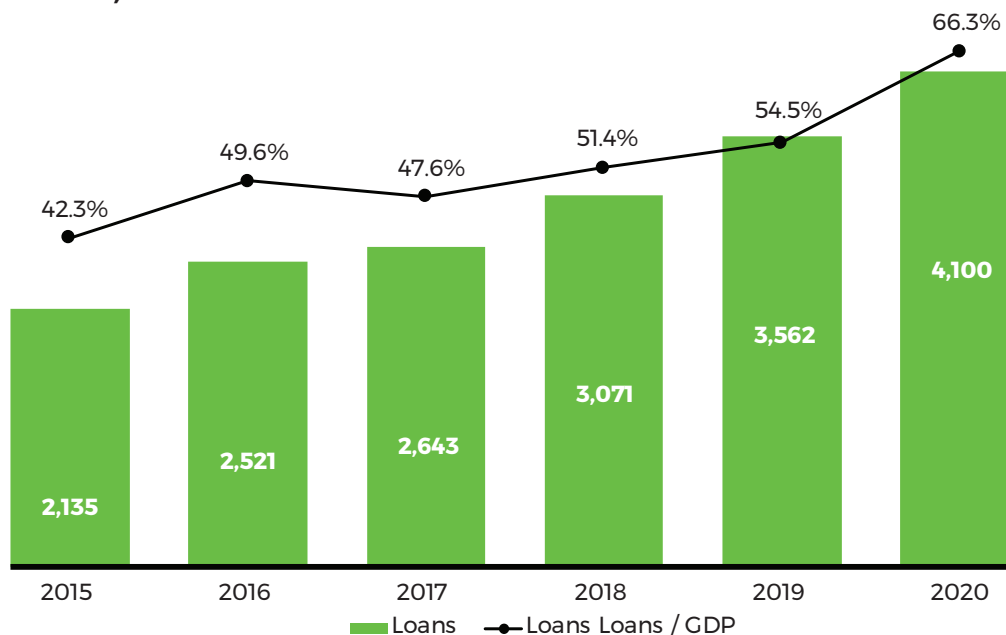
Growth of capital was accompanied by the growth of **assets** and **liabilities** by the end of the year. In 2020, **assets** of the Armenian banks increased by 15.5% to AMD 6.6 trn, while **loans** jumped by 15.7% to AMD 4.1 tn. As a result, the sector's combined assets' share in RA GDP comprised 107.4%, that of loans – 66.3%.



### Assets, bn AMD\*

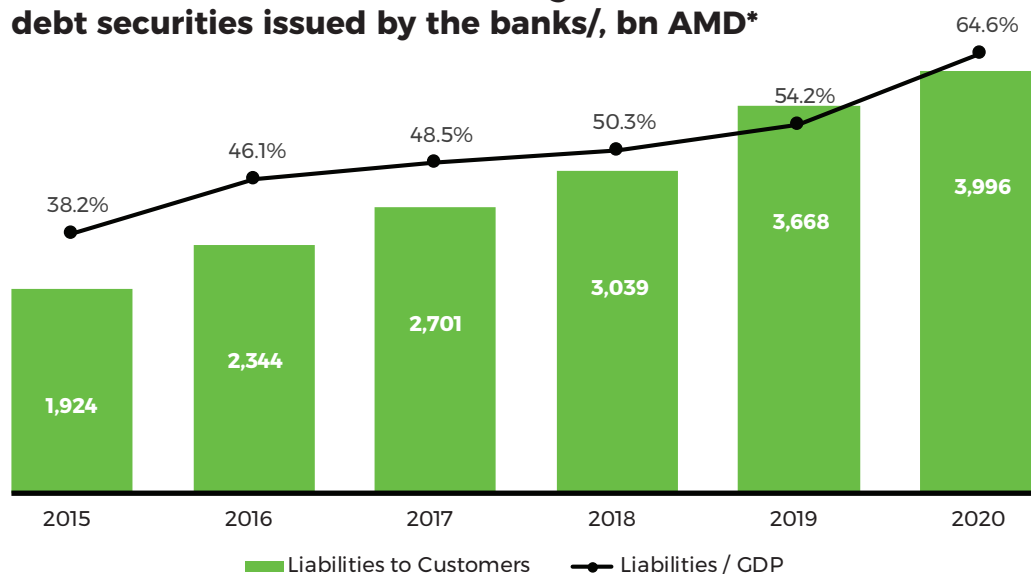


### Loans, bn AMD\*

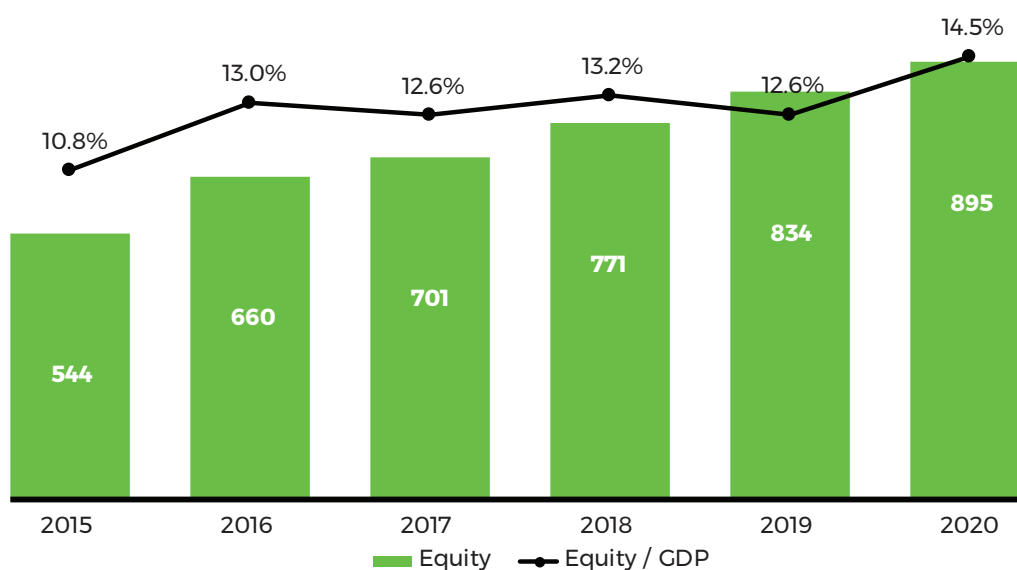


Banks' **liabilities** increased by 16.9% to AMD 5.7 trn. Meantime, **liabilities to clients** increased by 2.4% to AMD 3.6 trn. In 2020 banks continued to actively raise funds from the local and international capital market by **issuing debt securities**, hence, **including debt securities issued by the banks**, the absolute volume will reach AMD 4 trn.

### Liabilities to Customers /including debt securities issued by the banks/, bn AMD\*



### Equity, bn AMD\*



According to CB RA, the share of foreign capital in the banking sector of Armenia constituted 60.4%.

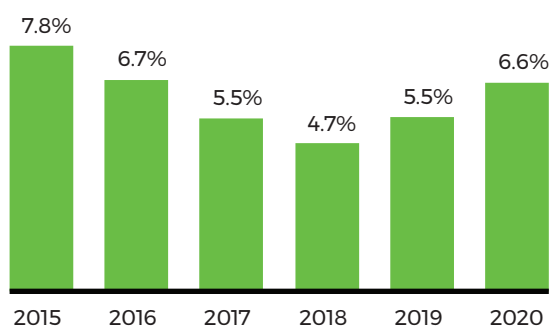
# Qualitative Indicators of the Banking Sector of Armenia

**NPLs (non-performing loans)** remained among key challenges faced by Armenian banking sector in 2020 as well.

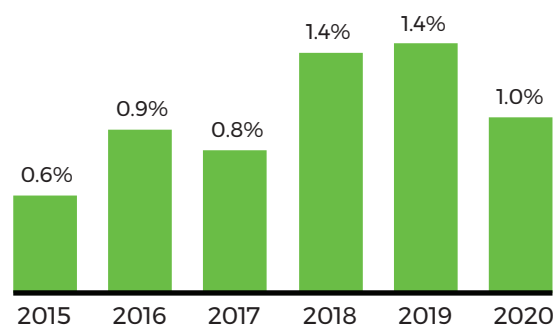
Historically the NPL level of Armenian commercial banks has always been at a low level - within 4-5%. After the pandemic, the level of non-performing loans increased slightly, but did not exceed the levels in other neighboring countries.

Asset profitability (ROA) and return on equity (ROE) at the end of 2020 stood at 1% and 6.9%, respectively, decreasing by 0.4 pp and 2.5pp accordingly.

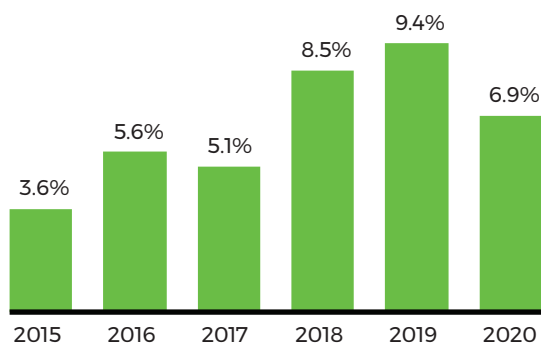
**NPL\***



**ROA\*\***



**ROE\*\***



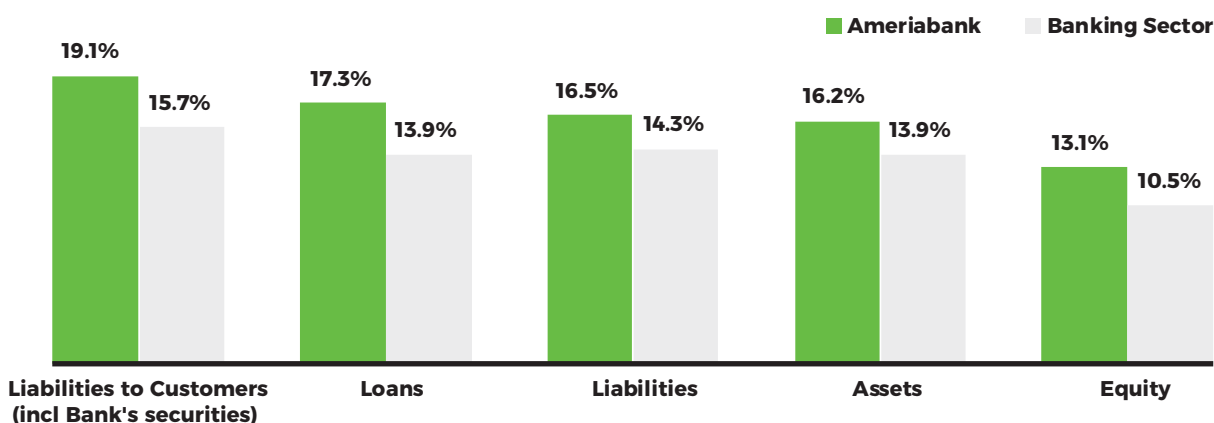


# Position of Ameriabank in the Banking Sector of Armenia

During 2020, COVID-19 pandemic had immense impact on people, economies and businesses worldwide, and banking sector of Armenia was no exception. Despite the unprecedented crisis, Ameriabank maintained leadership in the market by key financial indicators. Though profitability and risk indicators were affected, the Bank managed to ensure sufficient buffers to navigate the pandemic reasonably well.

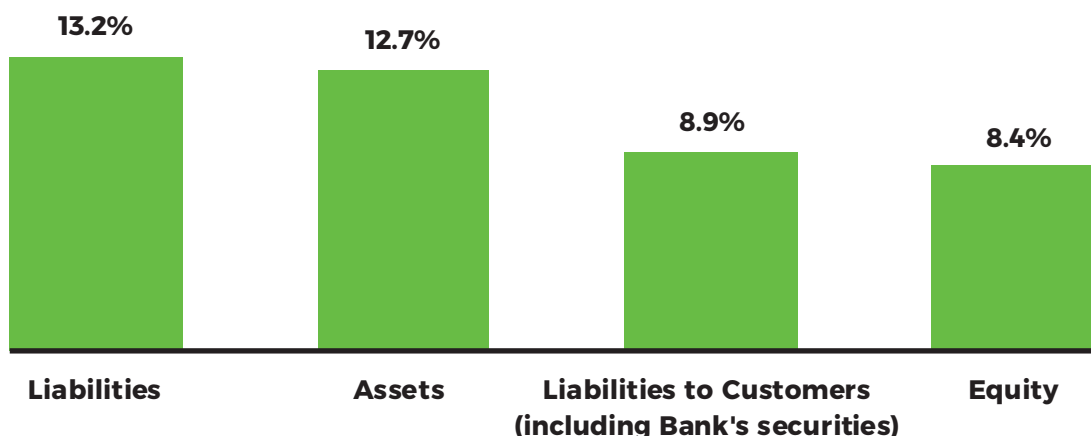
As a solid response to COVID-19-related uncertainty, we kept liquidity at substantial levels providing enough capacity to serve our clients (LCR 149%). Additionally, the Bank provided credit vacations and restructurings to customers to address their cash-flow needs amid Covid-19 and military conflict.

## Main financial indicators' growth: CAGR 2016-2020



With the Y2020 results, the Bank is the absolute leader among RA banks by equity, assets, loans, liabilities. With 8.4% growth in equity in 2020, the Bank now accounts for about 12.3% of total banking sector equity. Over the mentioned period, the Bank registered 12.7% growth in assets (exceeding AMD 1 trillion in 2020) and 13.2% in liabilities, as a result owing correspondingly 16.4% and 17.1% of the banking sector total assets and liabilities. The Bank's loan portfolio increased by 18.9% registering a market share of 17.0% in Y2020, and liabilities to customers grew by 8.9%, resulting in a market share of 17.7%.

## Ameriabank main financial indicators' growth for 2020



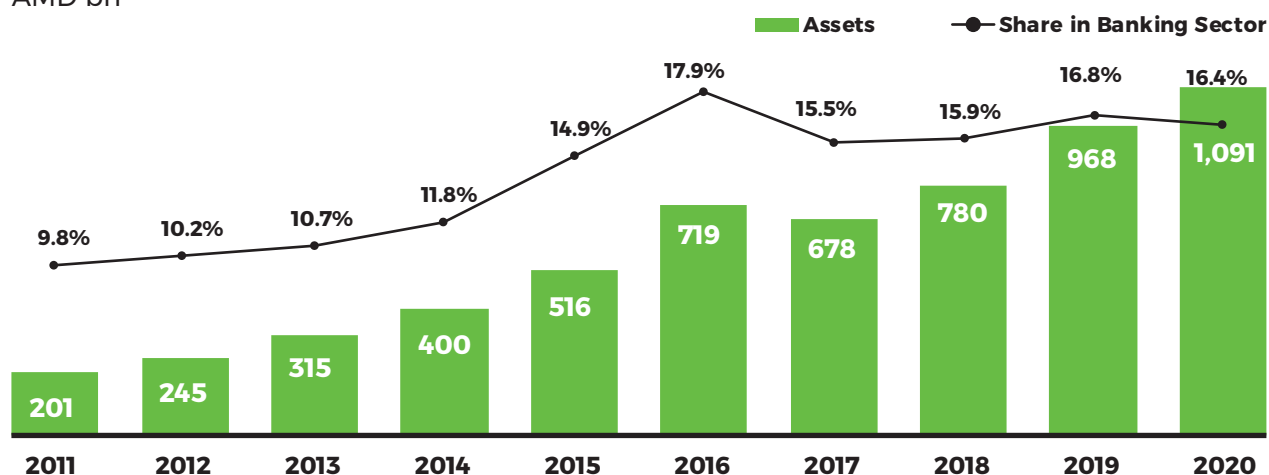
## Strategic report

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

**Assets** growth was in-line with the expansion of their diversification. As of YE2020 the loans to assets ratio stood at 63.9% (vs 70.2% 3 years ago), as the Bank kept extra liquidity amid crisis with the share of liquid assets maintained at a fairly high level.

### 1st by Assets

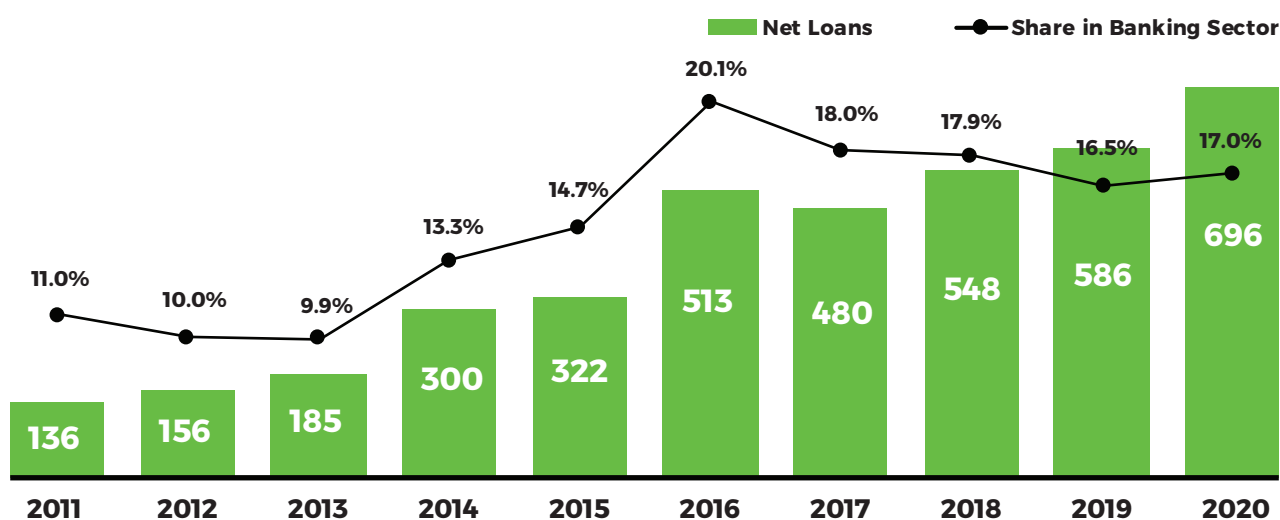
AMD bn



**Loan portfolio's** annual growth comprised circa 19% as of YE2020. Meantime, in accordance with the Bank's strategy, active development of retail and SME lending course was taken. The annual growth of lending to individuals and sole entrepreneurs reached about 31%, that of SME – circa 12%.

### 1st by Net Loans

AMD bn

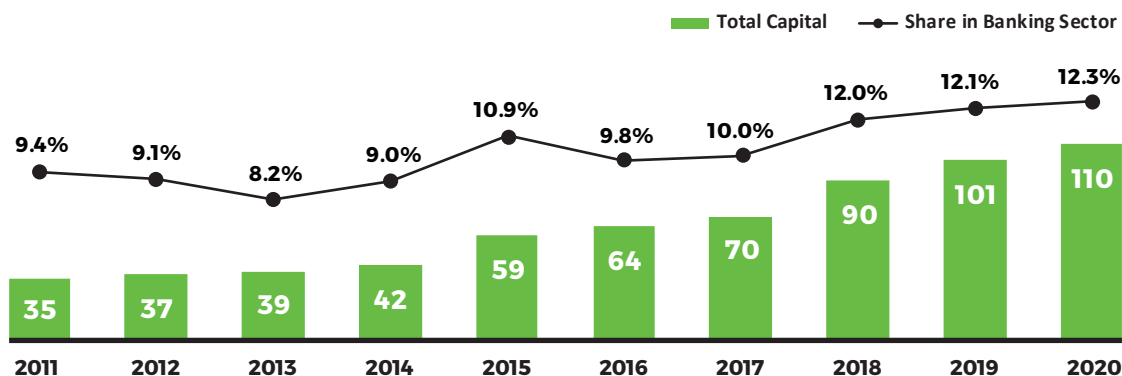


Gaining top positions in the market by total capital due to a new investor in early 2018, the Bank further maintained its leadership in 2019 and 2020 as well. The Bank's total capital grew by AMD 8.5 bln or 8.4% in 2020 due to retained earnings. The Bank's share in the banking sector by total capital reached 12.3%.

To strengthen its overall capital position the Bank successfully attracted USD 15M long term Subordinated loan. The Bank also attracted USD 39m senior loans from partner financial institutions.

## 1st by Total Capital

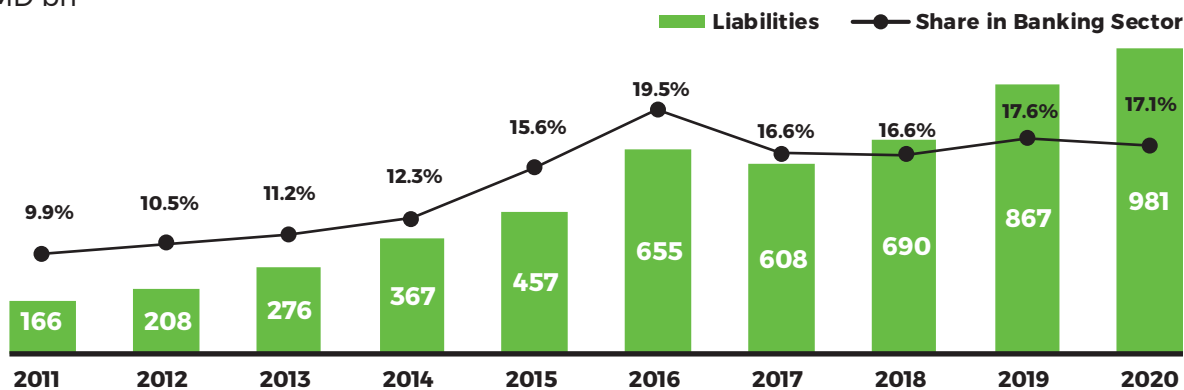
AMD bn



The annual growth of liabilities comprised 13.2% as of YE2020, with further increase of diversification. The Bank actively attracted funds both through client deposits and DFI loans, as well as by issuing bonds.

## 1st by Total Liabilities

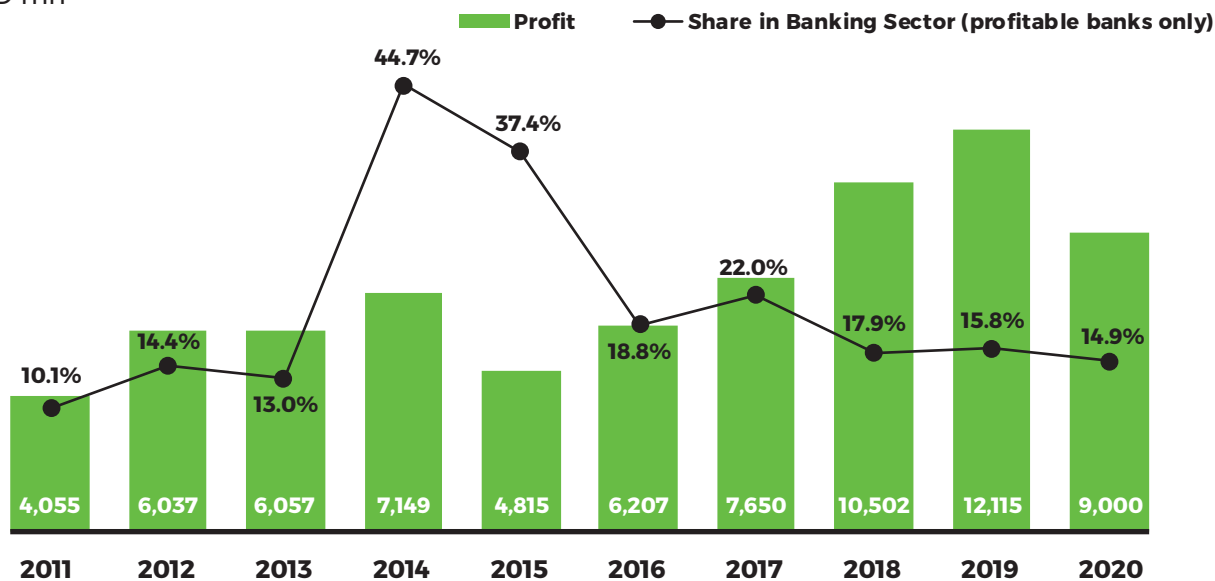
AMD bn



With Y2020 results the Bank's profit decreased by 25.7% as compared with a year earlier, predominantly driven by extra provisioning costs due to proactive and conservative approach amid COVID-19 to tackle possible negative impact. Still, the Bank retained its leading positions being the 2nd in the market by profit.

## 2nd by Profit

AMD mn





# Business model and strategy

Though 2020 was quite a challenging year both for the world and for Armenia in particular, Ameriabank reaffirmed its role as competitive, rapidly growing, stable and modern financial institution with significant growth and development potential.

With a special focus on customer experience, the Bank has also positioned itself as a leader in innovation and service standards. The Bank has continually honed its work organization and corporate governance practices, customer service technology, and constantly worked to enhance its product mix, have a highly skilled and professional staff and ensure that the required resource base is always available.

Bank continues to pursue its adopted strategy of building a universal bank. 2020 was a challenging yet another year of hard work towards further diversification of portfolio and retail banking robust growth. The share of Retail and SME has consistently grown over the past years and despite the fact that the respective portfolio has grown more than 8 times since decision to become a universal bank was taken there is a still room for further diversification and balancing. Over the past years, the Bank has enhanced the list of retail products and Services. Now the Bank is in another cycle of internal re-engineering, tailoring processes, products and channels in accordance to customer needs. A larger leap is expected with more active exploitation of digital products and channels. Digital Innovation projects are focused on internal efficiency, digital products & services, digital channels and technological backbone.

The Bank's strategy and its respective actions are anchored on the adopted Mission.

## Mission

To **improve the quality of life** by:

- Providing world-class financial services and business solutions to our customers,
- Implementing business and social projects, significantly impacting the well-being of the society,
- Creating unique corporate culture and development model of an international company, uniting the efforts of successful people,
- Consistently increasing our shareholder value.

Though the Bank's operations are largely guided by the Mission statement, the Bank has also identified five key focus areas for medium-term development as well as 15 goals for 2025.

- Be **market leader**: expand more rapidly than the system. To maintain market leadership, the Bank plans to further optimize regulatory capital, measure profitability per RWA, boost non-interest income, further enhance its consumer base, improve cross-selling based on

customer preferences as well as explore M&A opportunities.

- Improve **efficiency**: ensure adequate level of ROE and maintain low level of cost to income ratio. In order to improve efficiency, the Bank plans to implement a number of projects to automate internal processes and functions, and finalize organizational & business model optimization, which should have a positive impact on efficiency.
- Boost **digital transformation**: become the leader in distance banking, and automate processes where possible. The Bank will be making significant and long-term investments into this area to ensure it is the leader in digital transformation. Digital channels should provide opportunity to increase distance banking users, while digital products should ensure speed and ease of customer service.
- Increase **diversification**: focus on Retail & SME sector and increase the share of transactional banking. As a part of the Bank's strategy, the Bank will continue to stimulate lending to Retail & SME customers throughout upcoming years, offering financing and comprehensive solutions to existing and potential customers.
- Enhance **customer & employee experience**: be customer centric in all propositions and ensure superior net promoter score and customer experience index. The Bank constantly contributes to continuous learning, development and motivation, which should improve communication skills of the staff, provide better customer service, and enhance customer satisfaction. The Bank also conducts market analysis to understand needs and preferences of customers and continuously tailors propositions per changing needs of the market.

In the current stage of its development, the Bank also prioritizes data-based decision making. To this end, the Bank has begun enriching its databases and preparing for more sophisticated applicable analysis to support better decision making. The Bank stays committed to running a responsible business, as well as maintaining the positive culture and team spirit that has formed over the previous years of operations. The Bank has also fully implemented corporate governance best practices, with a diversified board and four functioning committees at the Board level.

Based on the analysis of the socio-economic situation in Armenia as well as conjecture on potential developments in banking services and actions of main competitors, the Bank still sees untapped opportunities for growth that will be exploited during the coming years.

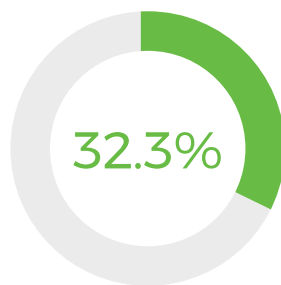
The main focus will be on retail and SME business development to balance the loan portfolio. It is expected that with a more universal profile, net income from transactional banking will also be on a rise. Customer centricity remains a priority and should be the cornerstone for customer experience continuous improvement.



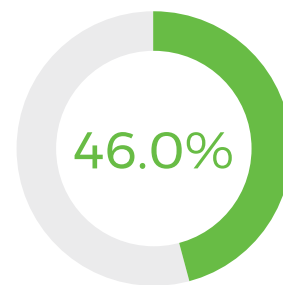
# Retail Banking

## 2020 highlights

Retail gross loans and advances  
share in total portfolio



Retail deposit & bonds share  
in total portfolio



Operating Profit, AMD mn

2020 20,787

2019 17,372

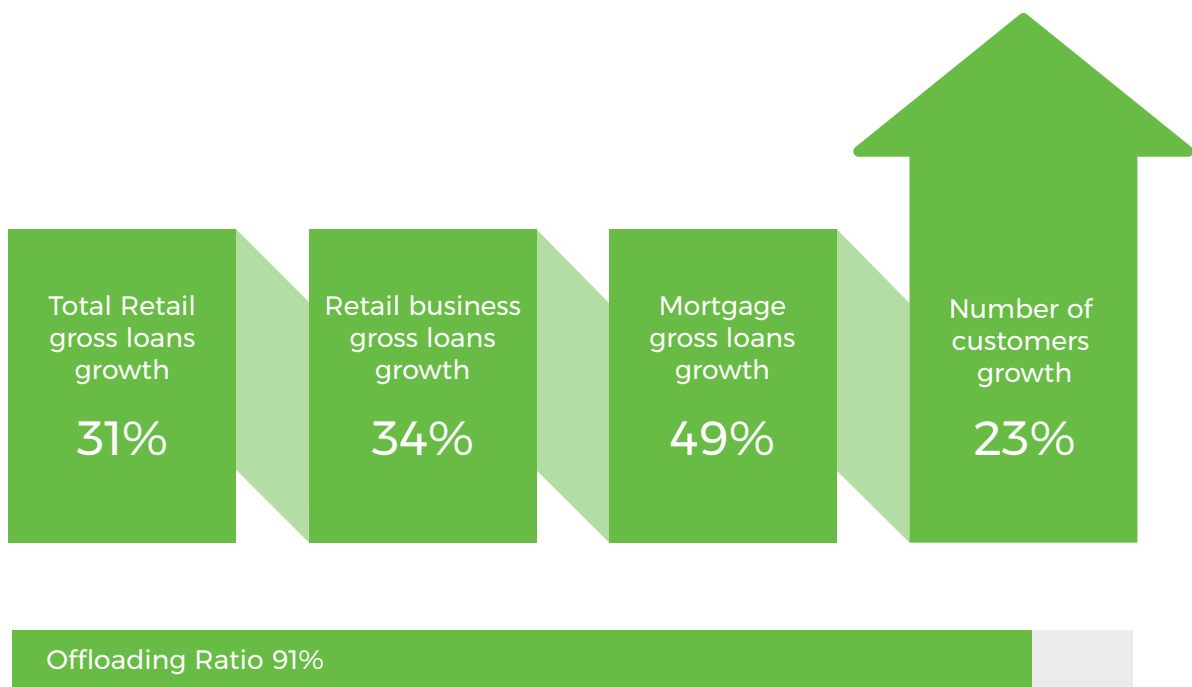


# Overview

Over the past several years, Ameriabank has invested in the development of retail banking sector as one of its key strategic objectives, which has resulted in more effective tailor-made services. We have a deep and clear understanding of the needs of our clients, which helps us provide personalized and relevant services to them. We offer a wide range of products through our omni-channel platform and are committed to delivering an exceptional customer service. Ecosystems are a new reality, which are coming to generate new experience both from banking and non-banking services. Sustainable customer relationship and engagement alongside with customer ultimate comfort are the main purpose of our new initiatives.

We continuously upgrade our digital offerings to have our products and services available anytime anywhere. As a result, in 2020 the number of our retail customers increased by 23% reaching over 362,700, and the digital penetration rate reached 46%. Despite the pandemic, retail loan portfolio increased by 30.6%.

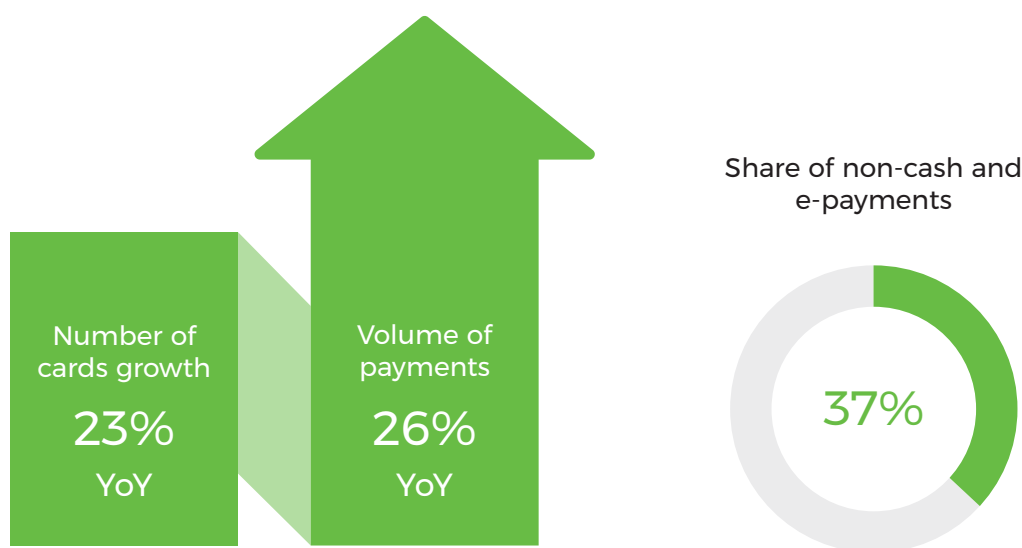
## Main achievements



# Retail sub-segments

## Personal banking

### Payment cards



Highly prioritizing the role of non-cash operations in the economic development and reduction of shadow economy, we took targeted steps to boost card operations in 2020.

Card business and especially non-cash payments were one of our main priorities in 2020. The year was full of challenges due to the pandemic. We focused on non-cash and e-payments trying to be available for our clients everywhere. As a result, the volume of payments increased by 26%, and the share of non-cash and e-payments transactions rose to 37%.

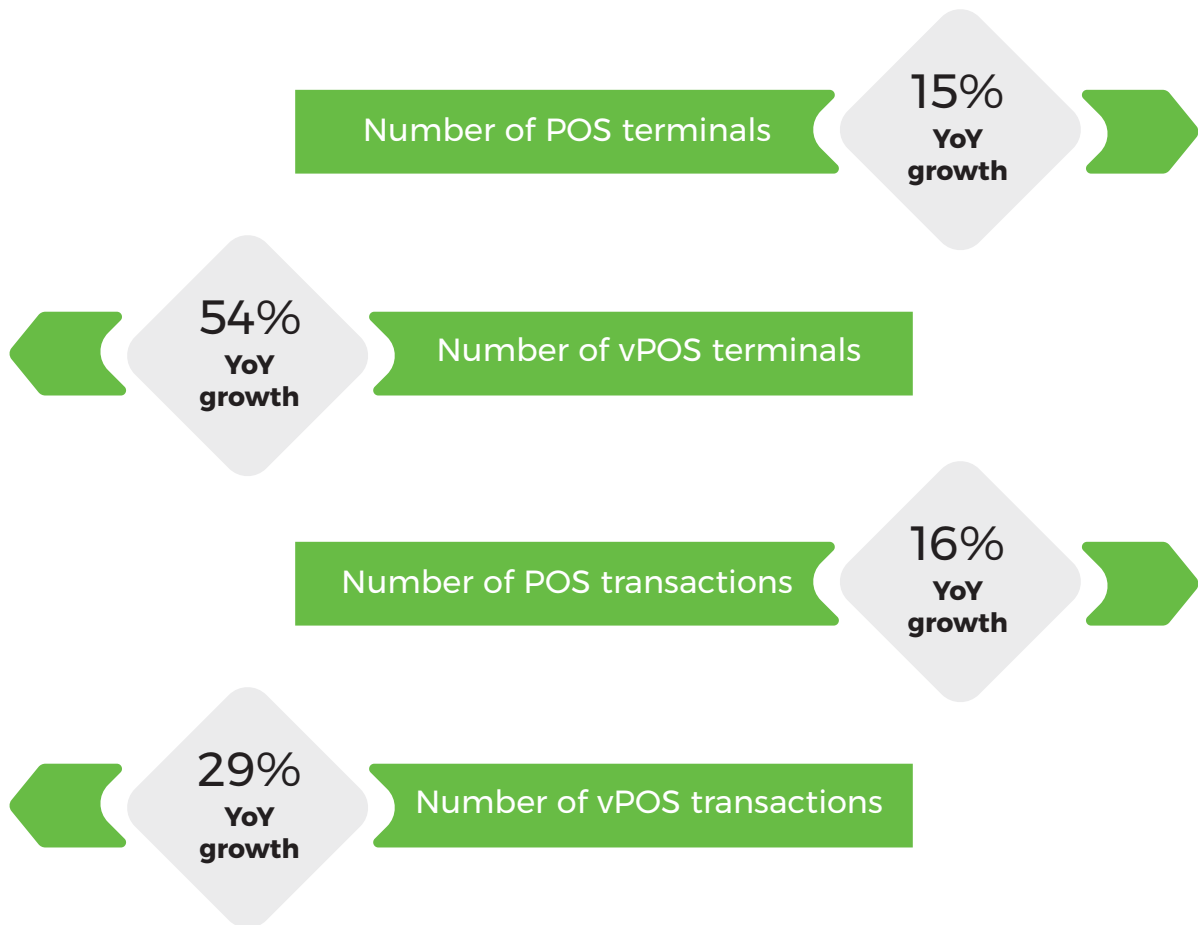
In addition, we embarked on a number of campaigns to promote card issuing, and payments:

Within cooperation with Carrefour, **“Smile” co-branded** initiative was launched, entitling the cardholders to 3 % cash back from card payments in Carrefour supermarket chain.

**“Explore Armenia”** campaign was another significant initiative towards promoting card payments, resulting in a 22% increase in the number of regular users of cards (15+ payments of at least 5,000 AMD each in two months). This campaign won the award of the **Best Promotional campaign** from **VISA**.

Ameriastream project was launched enabling clients to receive money from anywhere in the world and cash out via Ameriabank ATMs in Armenia by simply entering an 8-digit password.

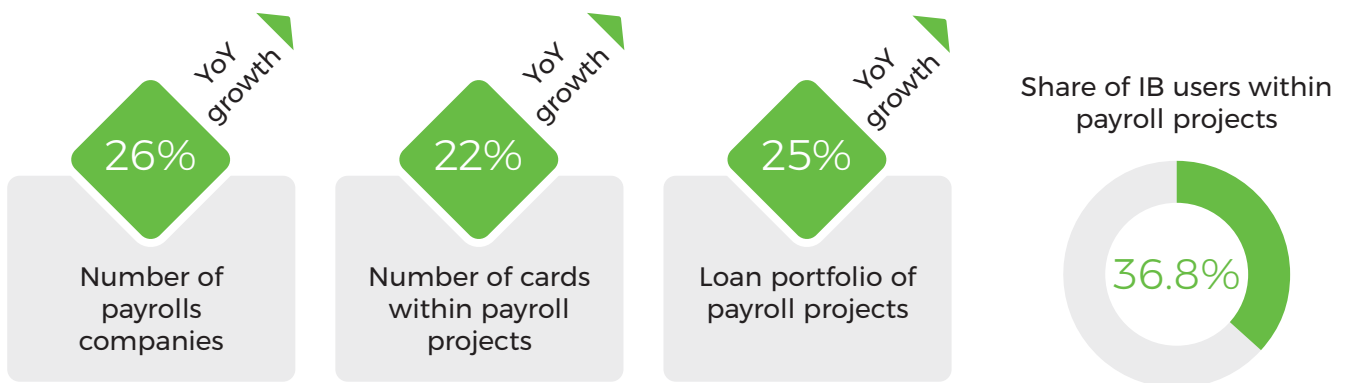
**Ameriabank has maintained a leading position in the market by e-commerce and POS business.**



A new functionality became available, enabling clients to activate the Internet-Bank system independently, without contacting the Bank.

## Payroll cards

Payroll projects have always been under our focus. In 2020, we registered significant growth both in the number of clients and the volume of financing.



## Growth and promotion of non-cash operations

We constantly develop distance banking by providing cost-efficient and diversified distance channels.

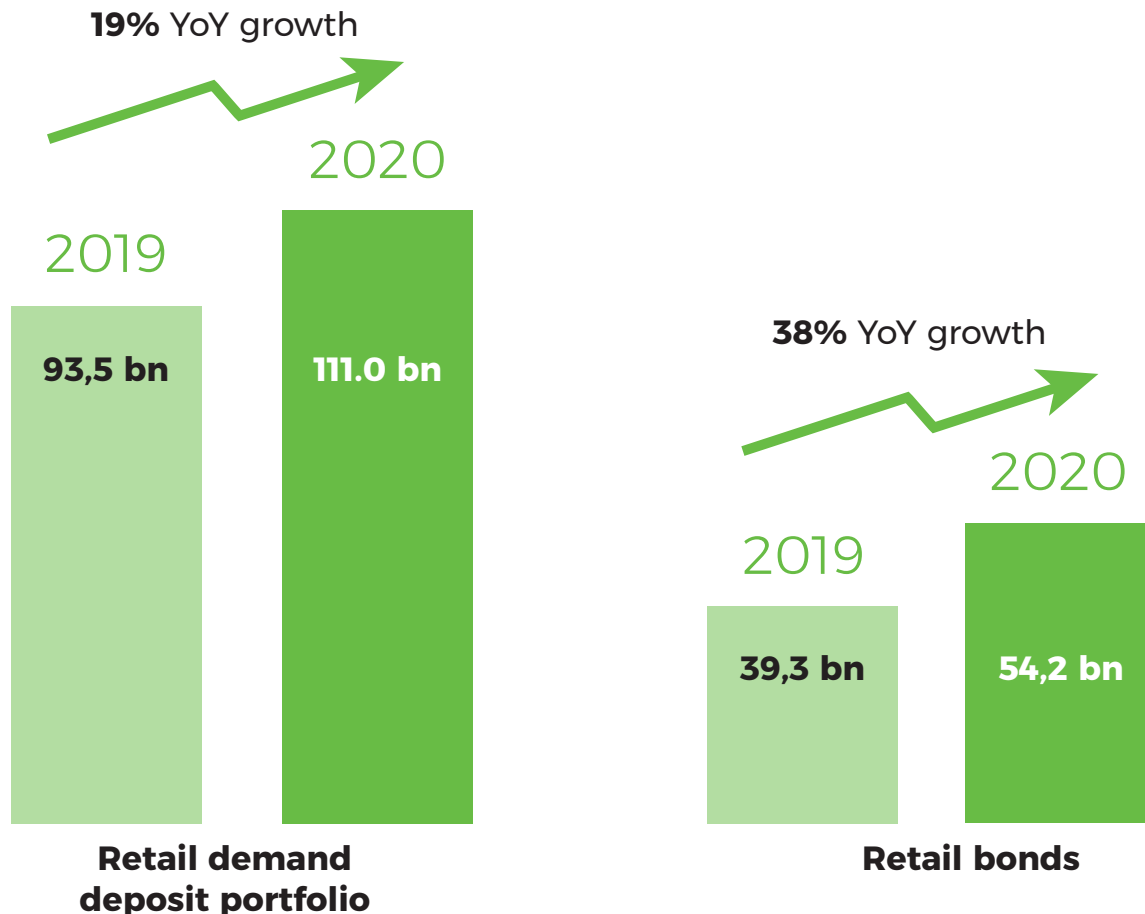
The offloading ratio (the share of transactions executed via distance and digital banking channels) comprised 91 % in 2020 as a result of the following actions:

- A competition for Internet-Bank users, preferential terms for Internet-Bank services and a special campaign.
- Regular enhancement of the scope of services available through Internet-Bank system, such as card-to-card payments.
- The renewal of the Bank tariffs twice as a result of studying the most labor-intensive cash and non-cash operations in branches, aimed at encouraging distance banking.

Another significant initiative of **Electronic signature project** was launched this year, which helped us cut the time per transaction and save paper. This initiative provides comfort to our customers enabling them to use more efficient banking tools.

### Deposits

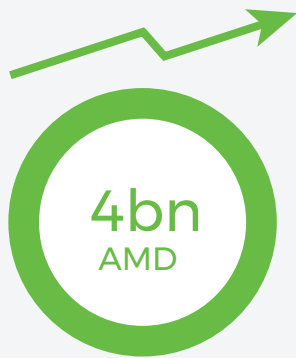
Retail deposit portfolio base is one of the most important indicators of the customer loyalty. In 2020 our deposit base has increased significantly. Despite FX volatility we registered growth in terms of AMD deposits as well. Retail\* demand deposits registered double-digit growth confirming our clients' trust in Ameriabank during uncertain times. We registered very high growth in retail bonds strengthening our liquidity positions.







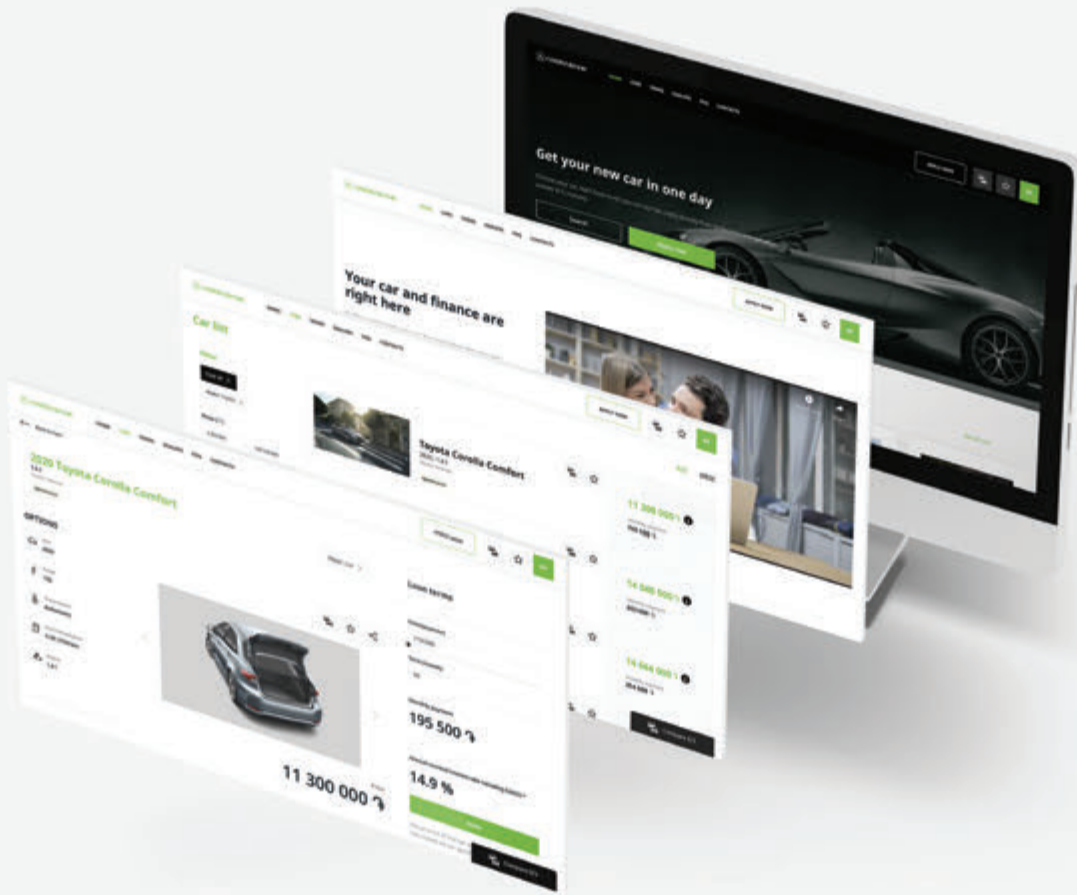
34% YoY growth



**Car gross  
loan book**

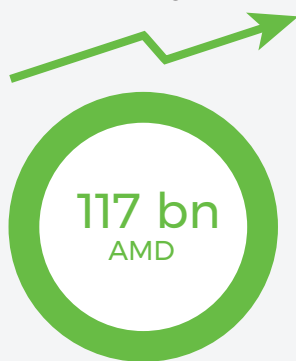
## Car loans

Launched at the end of 2019, our “Automarket portal” underwent significant improvements in 2020. Now clients can get the answer to their application directly from the portal and get the loan directly from the dealer.

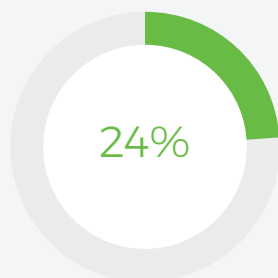


**automarket.ameriabank.am**

49% YoY growth



**Mortgage gross  
loan book**

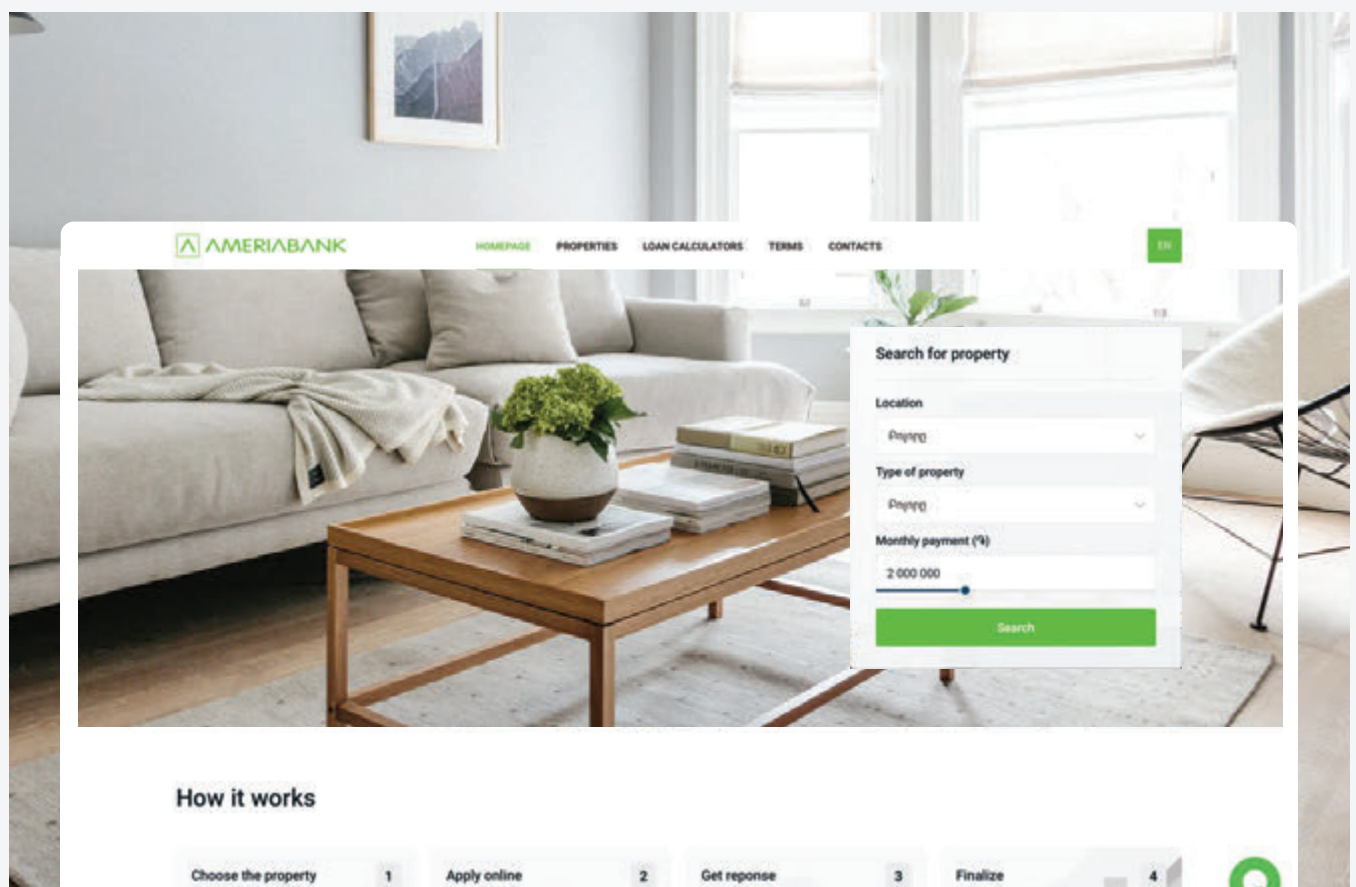


**Market share**

## Mortgage loans

### Real estate purchase/renovation and construction loans

In 2020 we expanded our operations in mortgage lending, at the same time maintaining high quality of loan portfolio.



**estate.ameriabank.am**

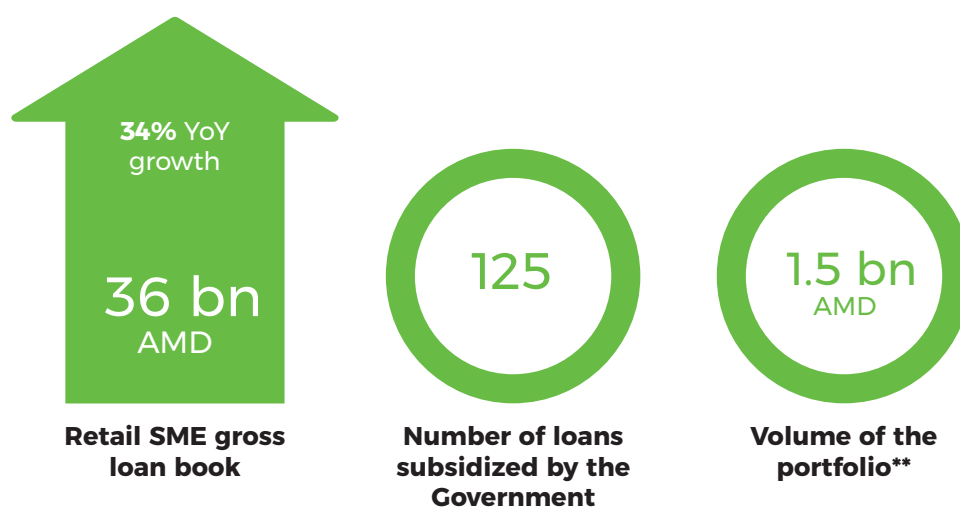
To process mortgage applications more efficiently, we launched mortgage loans platform featuring available offers from our partner developers. Here clients can search for property by a number of parameters such as monthly loan payment, location or total price, etc. A built-in calculator helps clients calculate the amount of loan they can apply for, or calculate monthly payments based on the price of property, advance payment and other terms. Clients can also submit applications and inquiries through the platform.

## Covid-19 Actions

Ameriabank was closely working with the Government to address the economic impacts of Covid-19, supporting the implementation of assistance programs announced by the Government. This process was fully automated to avoid personal visits to the Bank.

The process of creation of income tax refund (for mortgage interest payments) statements to be submitted to the State Revenue Service was centralized to avoid personal visits to the Bank and State Revenue Service.\*

## Business banking



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

Within our digital strategy, in 2020 we completely automated the loan application and confirmation process meeting the rapidly growing demands of the customers.

Ameriabank joined Government's Programs to address the economic impacts of Covid-19, enabling clients to get subsidies for loan interest. 125 loan agreements with total amount of AMD 1.5 billion were provided in the scope of Government assistance programs. In the light of the pandemic,

\* According to the Law, in case mortgage loans are issued for the purchase and the acquisition of the right to purchase real estate built or under construction in the territory of the Republic of Armenia directly from the property developer, the borrowers are eligible for income tax refund against the loan interest payments.

\*\* Loans under Government support program.

\*\*\* With up to AMD 150 mn limit financing to SMEs is being served by Ameriabank retail banking direction.

we minimized the necessity of face-to-face interaction with clients: the above mentioned loans are available online: either via our website or via Internet-Bank system. From the perspective of reducing physical contact by making personal visits to client business premises, a new loan application review methodology was developed.

In addition, to encourage distance banking among legal entities we were actively promoting our online business loan platform by enabling our clients to apply for all the loans available in the Bank online. We reported growth in the share of Internet-Bank users in direct sales to 62.2% from 52.5%.

In order to continuously improve our customer experience, we reconsidered the terms of certain loan products making them more attractive for the clients, meantime promoting distance banking and non-cash operations. A special offer was developed providing a full service package (loan, payroll project, Internet-Bank, card, POS, etc.) to each new client.

Building customer-focused ecosystems is a priority within our digital agenda. In this scope, we launched a [Business Loan Platform](#) online – an SME ecosystem, where customers can get comprehensive information about small and micro business loan terms and conditions and apply for them online.

## 2021 targets

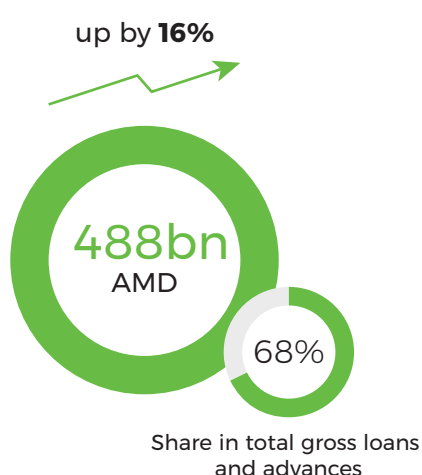
**The following areas will continue to remain the key business targets for retail banking in 2021:**

- Improvement and diversification of digital services
- Increase in the number of distance banking users
- Increase in the share of services securing non-interest income
- Client satisfaction growth in all business areas
- Development of retail business via targeted financing
- Development of SME business
- Financing of businesses with the highest post-crisis potential
- Increase in the volume of non-cash turnover and instruments

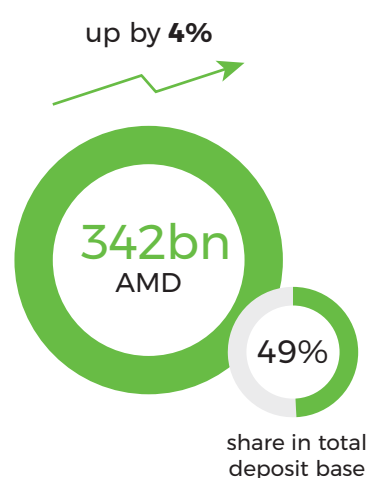
# Corporate and Investment Banking (CIB)

## 2020 highlights

Corporate gross loans and advances share in total portfolio



Corporate deposits and bonds



Operating profit, mn AMD\*

2020 **19,827**

2019 **18,542**



## Overview

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

## Strategic report

After a strategic transformation by merging our Corporate Banking and Investment Banking business lines in 2019, now we have a fully integrated Corporate and Investment Banking department providing customized solutions for each customer, optimizing their financial and capital structure.

Our mid-term targets for CIB remain unchanged: we aim to maintain our leading positions in the market, with focus on diversification and lowering of concentration levels in Corporate Banking portfolio. Our key mid-term targets are higher share of SME loans & Trade finance facilities in our total portfolio and higher level of non-interest income in our operating income.

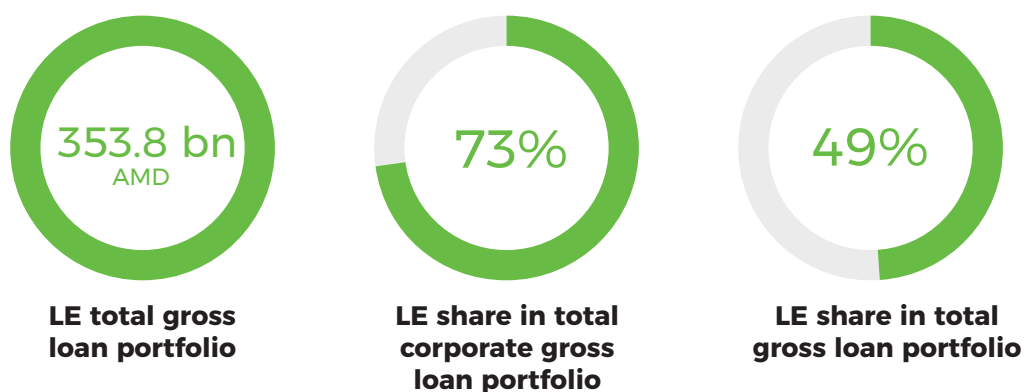
## Corporate gross loan book structure

2020

Large loans	SME	Factoring	Leasing	Receivables from L/Cs
353.8 bn AMD	96.5 bn AMD	11.4 bn AMD	13.0 bn AMD	12.9 bn AMD

## Corporate banking

### Large enterprise lending



2020 was a challenging year due to Covid-19 outbreak. Despite the economic fallout worldwide, and the uncertain environment for large corporate clients Ameriabank LE unit managed to register 9.8% increase in the gross loan portfolio to reach 353.8 bn. Though focusing on its decentralization policy to increase the share of small and medium business loans in total loan portfolio, Ameriabank continued to finance large and economically significant projects. Among these projects was the arrangement of the acquisition of 100% of shares of Telecom Armenia (formerly Veon Armenia) by Team LLC. Ameriabank not only acted as the advisor and arranger of the deal but also provided acquisition financing.

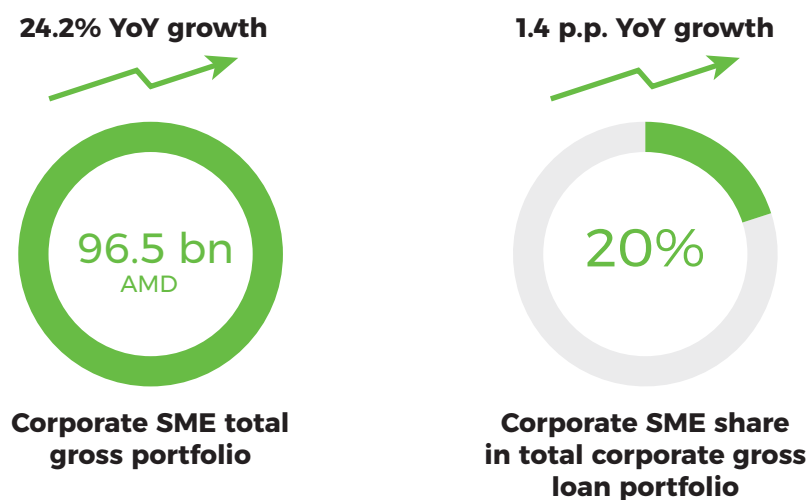
With strong focus on diversified product offerings, Ameriabank continued to finance large modern

agriculture projects such as financing of hi-tech greenhouses of the latest generation, aimed at contributing to environmentally sustainable economy.

In 2020 Ameriabank actively participated in the Government's assistance programs to support in the mitigation of the economic impact of Covid-19. Within the scope, the Bank provided more than 110 loan facilities to large corporate borrowers with AMD 11 bn total volume.

## Corporate SME lending

### 2020 highlights



Ameriabank is committed to its strategy of diversifying the corporate loan portfolio and decreasing concentration further, with more focus on SME.

The Bank's SME portfolio registered a significant 24% growth YoY, and reached AMD 96.5bn as of year-end 2020.

The share of SME portfolio in the total corporate gross loan portfolio reached 20% registering a 1.4 p.p. YoY growth. The growth was mostly fueled by the increased volume of innovative and green SME projects financing and the implementation of social-oriented projects with competitive rates and superior customer service. Taking into account new challenges amid Covid-19 outbreak, the Bank responded proactively by offering new products and solutions and improving loan terms thus mitigating possible risks the clients might encounter and maintaining stability in SME sector.

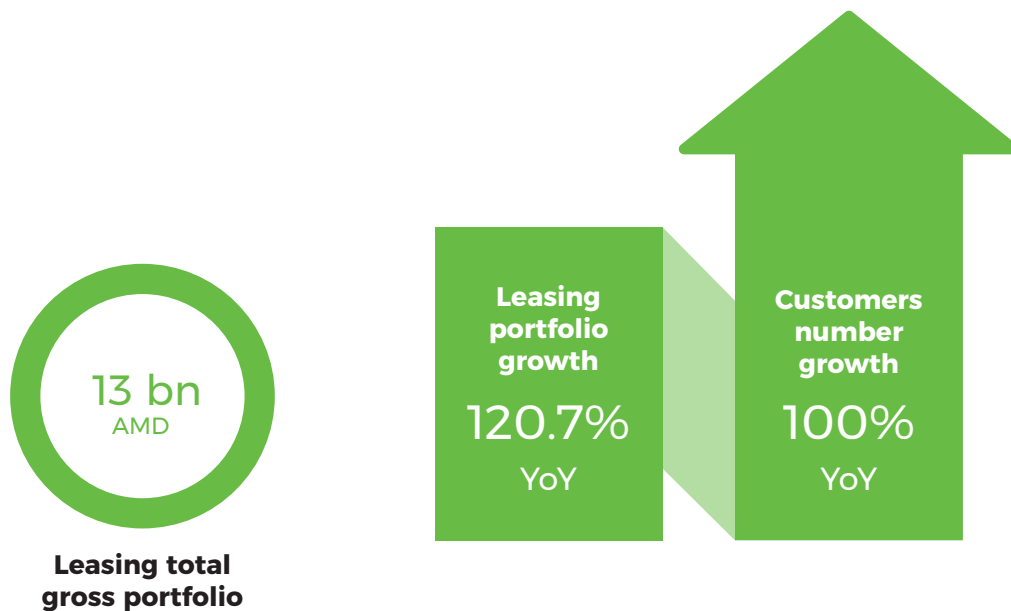
SME financing is targeted to the main developing industry sectors in Armenia – energy, agriculture, construction, tourism, etc. Strongly committed to the support of the transition to a resource-efficient, low carbon and environmentally sustainable economy, in 2020 Ameriabank continued to place stronger emphasis on energy efficiency and energy saving projects, offering most favorable terms of financing. Strengthening the collaboration with our partner IFIs, we implemented number of projects under green economy financing programs.

In 2020, Ameriabank offered its business clients a fully developed online platform for SME loans and overdraft financing, with a unique and simple procedure, which also promoted digital onboarding. This is only one of the streams of business lending digitalization with planned expansion in the upcoming years. We will enhance further automated analytics and processing tools to have the most efficient lending process for SME businesses.



# Leasing

## 2020 highlights



Ameriabank's finance lease business successfully strengthened its position in the market over the last years. 2020 was full of achievements mainly due to already established strong and continuous cooperation with our existing customers and partners, as we registered significant growth of the existing clients' portfolio and the number of new agreements signed with them. The main driver of our success has been exceptional and tailored service to our customers by offering them a full package of comprehensive leasing solutions. This approach has helped us not only sustain and develop our existing client base, but also engage new clients and partners.

In 2020, we put great effort in the enhancement of our customer base and the portfolio scope by raising awareness and emphasizing the advantages of leasing products. Expanding cooperation with partner suppliers by initiating a number of joint campaigns has also played a great role. Due to our well-established and customer-centric strategy, we achieved over 120.7% YoY growth of the leasing portfolio in 2020.

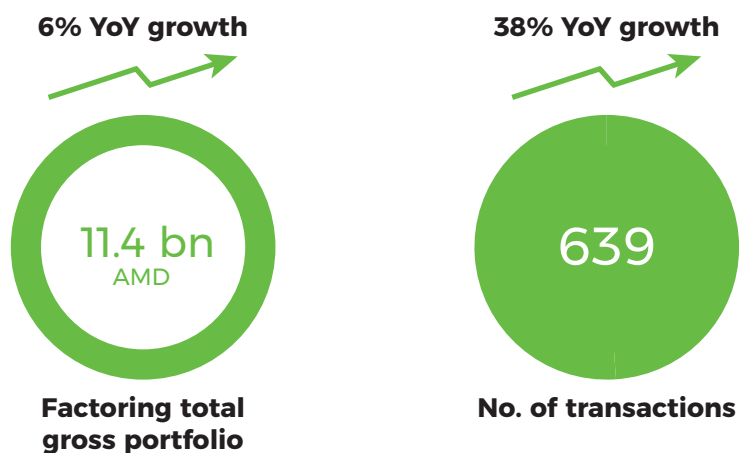
We provide lease services to both large corporates and SMEs with good diversification of lease sub-products. Aimed at proactively responding evolving customer needs, every year we update our product list and launch new and beneficial financing tools for our customers. In 2020 Autoleasing, Energysaving leasing and Agricultural machinery leasing were added to our list.

Despite the challenging economic environment due to Covid-19 outbreak worldwide, we managed to triple our agri-food equipment leasing portfolio under a special state support program which provided 100% interest subsidy. This was a great opportunity for businesses to make investments with 20% downpayment only.

Committed to our ambitious strategy, we aim to maintain our high growth rates and will continue to not only grow our own business, but also contribute to the development of the leasing business in Armenia.

# Factoring

## 2020 highlights



With the rampant outbreak of COVID-19 no industry remained intact, and factoring sector was no exception. With most of the borders closed and cross-border networking declined, businesses had to operate in a highly uncertain and difficult environment.

Amid the pandemic and the evolving global economic crisis, almost all industries were facing financial difficulties and alternative financial tools became of regular implementation to meet the financial needs of the clients.

In the ongoing economic recovery stage the Bank's factoring portfolio maintained its sustainable growth in 2020. Its target sectors remained trade, energy, construction, transportation, public services.

A significant part of transactions covers export factoring like in previous years, despite the limitations of worldwide collaboration among the countries. Domestic factoring was also being actively used by clients, though in less volumes as compared to export factoring. In the scope of export factoring, Ameriabank expanded its cooperation with the Export Insurance Agency of the Republic of Armenia – which significantly increased the opportunities for exporters to have more reliable and seamless financing options with their overseas partners.

The practice is growing significantly and more exporters are becoming increasingly familiar with the advantages of factoring operations, since it is geared specifically to the accounts receivable and therefore to the growth of sales. It reduces their working capital shortages during their continuing business cycles and provides them with funding options of short maturities.

To respond to challenging needs of the market, the Bank offers its clients factoring solutions of different scenarios. As a tool designed to raise cash by assigning accounts receivable, factoring has become more appealing to fast-growing, sales-driven organizations that need improved working capital and deferred payment terms for more efficiency and profitability.

Looking ahead to 2021 strategy, more emphasis will be placed on the diversification of the clientele and engaging new clients that can benefit from the flexibility of factoring tools.

# Trade finance

## 2020 highlights

LCs and guarantees portfolio by year end	Total amount of LCs and guarantees issued	Number of LCs and guarantees issued	NII and fees from trade instrument
102% YoY growth <b>41.3</b> bn AMD	50% YoY growth <b>42.8</b> bn AMD	210% YoY growth <b>907</b>	230% YoY growth <b>689</b> mn AMD

Despite encountering such a challenging year of 2020 due to Covid-19 outbreak worldwide, Ameriabank not only sustained its leading role in Armenian trade finance market, but also registered high growth by all TF products. As a result, the NII and fees from Trade Finance reached AMD 689 mn, registering 230% YoY growth. This was achieved due to our agility, a superior customer service and active involvement in most of major projects in Armenia.

In 2020, the Bank continued its policy of diversification with main focus on growth-generating sectors of the economy: agriculture, manufacturing, energy, mining, IT, construction, healthcare and commodities.

Ameriabank is actively involved in Trade Facilitation Programs with all major IFIs: EBRD (TFP), IFC (GTFP) and ADB (TFP). Remarkably, in addition to its issuing bank status with these IFIs Ameriabank was also the first Armenian bank to receive confirming bank statuses under the Trade Facilitation Program (TFP) of EBRD in 2013 and under Trade Finance Program (TFP) of ADB in 2018. The large credit limits provided by these IFIs and partner commercial banks for trade finance development enabled Ameriabank to provide its clients with the best solutions for operational continuity and development of their businesses.

Ameriabank is funding trade by issuing local and international payment instruments, servicing export and import operations, providing direct financing of import and export transactions to companies and raising funds from leading global banks and IFIs. In 2020 the volume of finance attracted from partner banks and IFIs for trade purposes exceeded AMD 56.6bn.

Ameriabank continuously offers its clients a wide range of financial services and instruments combined with effective banking solutions. In 2020, Ameriabank made it possible for Armenian exporters to expand the geographical reach of their products and services to many unexpected new destinations in terms of both distance and absence of prior economic relations through the large network of partner banks and due to its experienced team.

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

Ameriabank continues its sustainable cooperation with a number of international banks, such as KBC Bank, ODDO BHF, Raiffeisenbank, Unicredit, Citibank, Deutsche Bank, Banca Popolare Di Sondrio and others.

As of year-end 2020, total financing limit obtained by Ameriabank from major commercial banks and IFIs was over AMD 80 bn.

Going forward, Trade Finance strategy for 2021 will be further diversification of our client base, continuous support to our clients in fulfillment of their aspiring business expansion projects, improvement of the service quality and expanding the network of the partner banks. For 2021, Ameriabank will continue to provide diversified product offerings with special focus on:

- Green and energy-efficient projects
- Solar energy projects
- Information technologies projects
- Projects with high female participation rate

# Investment banking

## 2020 highlights

### **№1 Lead arranger and underwriter in Armenia**

**9 tranches** with more than **AMD 32 bn** total volume in 2020

### **First ever Green Bond in Armenia**

**EUR 42 mn** Green Bond issued by **Ameriabank**

### **Largest issuer of bonds in the local market**

**22.5%** market share

### **One of the most prominent M&A deals in Armenia**

acquisition of telecommunications company **“Veon Armenia” CJSC**

## Overview

Initially being established as a corporate and investment bank with limited retail banking, Ameriabank has been serving the largest corporate clients and financing the largest strategic projects. Though we have shifted towards universal banking model with more focus on retail banking for the recent years, corporate and investment banking remains our competitive advantage in the market.

In line with Bank's strategy and mid-term targets, we aim to maintain our leading positions in Corporate and Investment Banking, with further focus on diversification and lowering of concentration levels in Corporate Banking portfolio. Higher level of non-interest income in our operating income is one of our key mid-term targets.

Ameriabank's investment banking products and services are channeled via the following business units:

### **Mergers & acquisitions**

- Buy-side Advisory Services
- Sell-side Advisory Services
- Valuations

### **Capital markets**

- Debt Raising in public capital markets
- Equity Raising in public capital markets
- IPO Advisory

### **Corporate finance**

- Debt Raising in non-public capital markets
- Equity Raising in non-public capital markets
- Rating Advisory

# Mergers & acquisitions

Ameriabank's M&A practice is providing investment advisory services to enterprises and investors seeding advice on sale, acquisition or merger of companies. We are offering a wide range of M&A advisory services, including:

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

**Valuations:** We market the following valuation services:

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

In the recent years, Ameriabank has won more mandates than any other market player has, and currently has an impressive portfolio of ongoing mandates covering sectors such as telecommunication, IT services, commercial real estate, hospitality, agriculture and mining. Ameriabank is highly recognized for its local reach and involvement in landmark M&A transactions across almost all sectors.

## Main achievements in 2020



**Buy-side advisory service**

Telecommunication

**“Veon Armenia” CJSC**

Enterprise Value:  
2.9 EV/EBITDA

**Exclusive Arranger  
2020**

One of our flagship projects in 2020 was the buy-side advisory to “Telecom Armenia” CJSC on acquisition of 100% of shares of the largest telecommunication company in the country - “Veon Armenia” CJSC. “Veon Armenia” CJSC is an operating subsidiary of VEON Ltd in Armenia, the world's leading communications and internet service provider. The value of the transaction equates to an EV/EBITDA multiple of 2.9x based on reported EBITDA for 2019.

## Capital markets

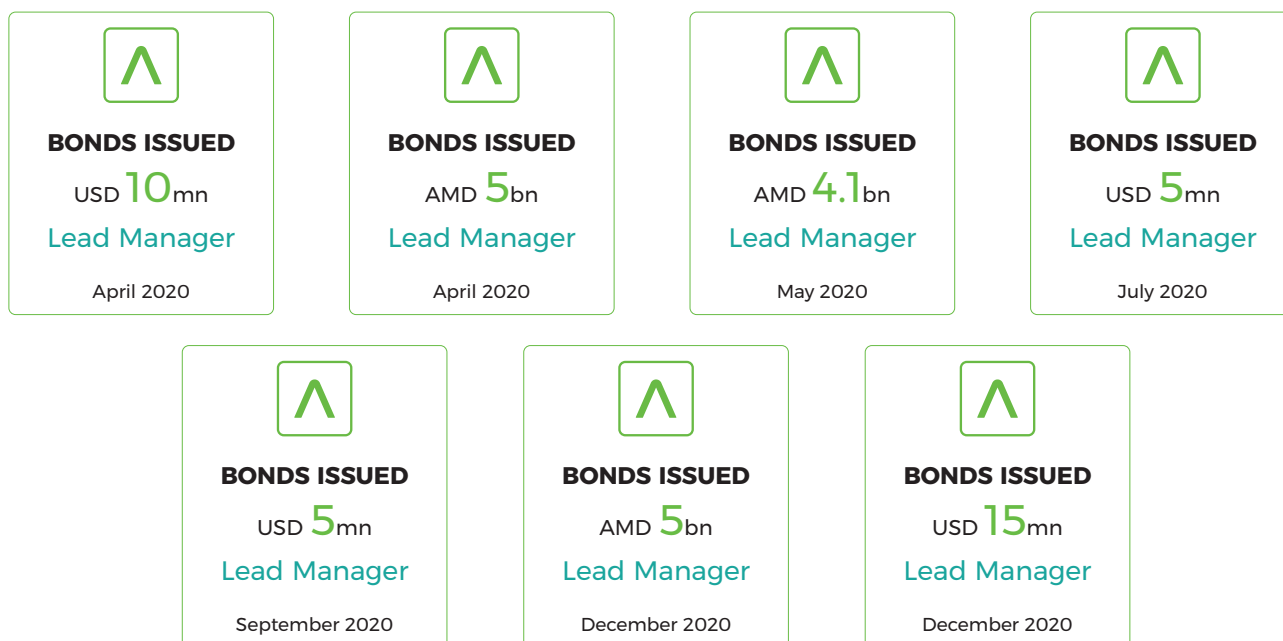
As a leader in the local capital markets, we offer our clients a full range of debt and equity capital markets services – from arranging initial public offerings to facilitating liquidity in the secondary market (market making), accompanied with bespoke market analysis and guidance. Our services include:

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

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

Ameriabank is also the largest issuer in the local market: as of the year-end 2020 Ameriabank's bonds in circulation in the local exchange totaled AMD 78 bn, giving us about 22.5% share in the corporate domestic bond market.

## Main achievements in 2020



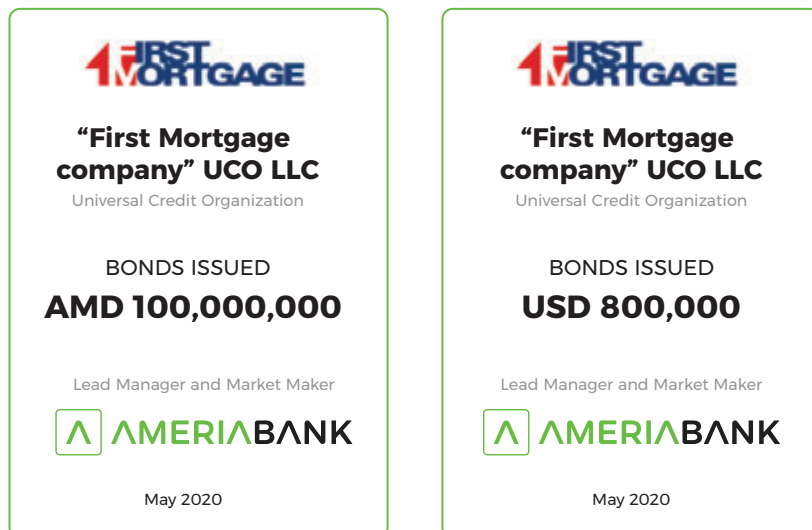
2020 was another outstanding year for our Capital Markets unit which successfully initiated 10 debt capital markets projects/bond placements, including:

- two covered bond tranches of the first private residential mortgage finance company in Armenia – “First Mortgage Company” Universal Credit Organization LLC – the only Issuer of a kind in Armenia;
- green bonds of Ameriabank with the total amount of EUR 42mIn - first ever green bond issue in Armenia;
- seven bond tranches of Ameriabank with the total amount of AMD 31.5 billion.

Ameriabank retained its leading position as an issuer in the local market with total outstanding bonds of AMD 78 bn and 22.5% market share.

First Mortgage Company tapped the capital markets for the second time with its covered bond tranches, where Ameriabank acted as the only Lead Manager, with added value both in terms of higher issuance volumes, lower rates and stronger cover pool as related to the Issuer’s first covered bond project.





Ameriabank issued EUR 42 mn Green Bond, marking a milestone in the local financial market as the first ever Green Bond project in Armenia. The Green Bond was structured in accordance with internationally recognized ICMA Green Bond Principles (the GBP). The debut Green Bond is issued in close cooperation with our long lasting partner – FMO, the Dutch Entrepreneurial Development Bank - that is also the anchor investor in this transaction. Sustainalytics, a global leader in sustainability research & analysis, provided the Second-Party Opinion to our Green Bond Framework (GBF), verifying GBF's alignment with the GBP and the global market standards.

## Corporate finance

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

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

Besides the core services, our corporate finance unit also provides credit rating advisory services, including:

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

Throughout the years, Ameriabank's Corporate Finance unit has established firm and effective

partnerships with the most reputable and prominent international financial institutions, through which it has managed to raise more than USD800mln during the last 12 years.

## Main Achievements in 2020

Despite being a challenging year for large projects, our Corporate Finance team managed to close and initiate a number of successful deals. The most significant deal in 2020 was the fundraising for the acquisition of 100% of shares of the largest telecommunication company in the country - "Veon Armenia" CJSC by "Telecom Armenia" CJSC. "Veon Armenia" CJSC is an operating subsidiary of VEON Ltd in Armenia, the world's leading communications and internet service provider. The value of the transaction equates to an EV/EBITDA multiple of 2.9x based on reported EBITDA for 2019.



**Acquisition of  
"Veon Armenia" CJSC**  
Telecommunication

**"Veon Armenia" CJSC**

Enterprise Value:  
2.9 EV/EBITDA

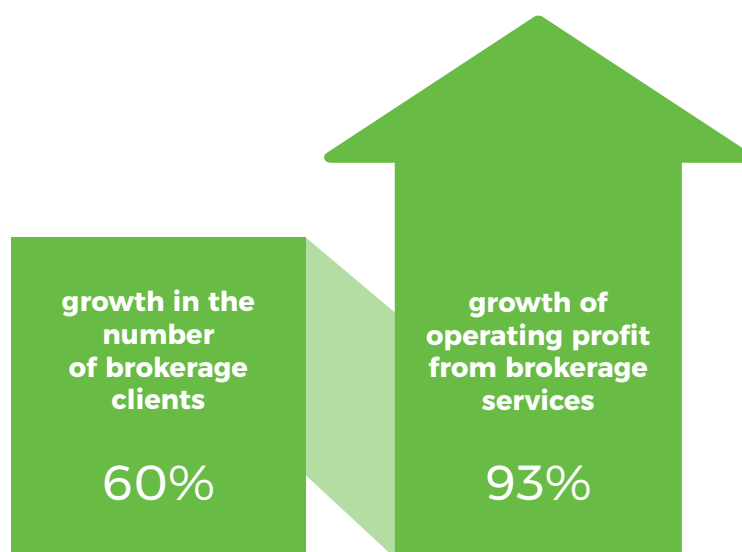
**Exclusive Arranger  
2020**



# Trading

## highlights

- One of the largest primary dealers in Armenian Government Securities
- The leading foreign exchange trader in the market



Operating Profit, AMD mn



Ameriabank maintained its leading positions in the local market by trading operations. In 2020 net income from trading (foreign exchange, gold and securities) and revaluation comprised 5,611 mn AMD, which constituted 12% of banking sector trading operations.

COVID-19 created significant instability and volatility in global capital markets and economies all over the world starting from the first quarter of 2020. In the fourth quarter Armenian economy faced further challenges due to the military offensive in neighboring Artsakh Republic (Nagorno Karabakh), which led to slowdown and even higher uncertainty in the country. As a result, Armenian foreign exchange market was highly volatile during 2020. Despite these challenges, Ameriabank was able to effectively manage currency fluctuations and risks and kept its leading position in the foreign exchange market, reporting a nearly 31% YoY growth in foreign exchange operations profit. The Bank continued to offer a large spectrum of foreign exchange products and services to its resident and non-resident clients including a wide range of foreign exchange spot and derivatives

instruments (currency forward, swap and others). In 2020 Ameriabank began offering conversion services of CNY to its corporate clients, and SEK to all the clients.

Ameriabank continued active participation in Armenian and other sovereign Eurobonds markets as well as in local corporate bond market, becoming second largest market making services provider in the local capital market. The Bank ranked second by investments in Armenian government bonds and interest income from bonds, and sustained its position in the market as one of the leading Primary dealers (Agent) of the Ministry of Finance of the RA.

Remote brokerage account opening process and high volatility of the global markets in line with the development of Advisory services resulted in an increase of the number of Ameriabank's brokerage clients by nearly 60% and significant growth of profit amounting almost 93% in the reporting year.

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

**Due to active participation in local foreign exchange and securities markets in 2020 Ameriabank's trading team earned several awards including Best Member of Stock Exchange Settlement System 2020, Best Account Operator-Registry Keeper of Depository System 2020, Best Performer in Unified System Of Securities Registration and Settlement 2020 and Best Foreign Exchange Provider by Global Finance.**

In line with the Bank's strategy and mid-term targets we plan:

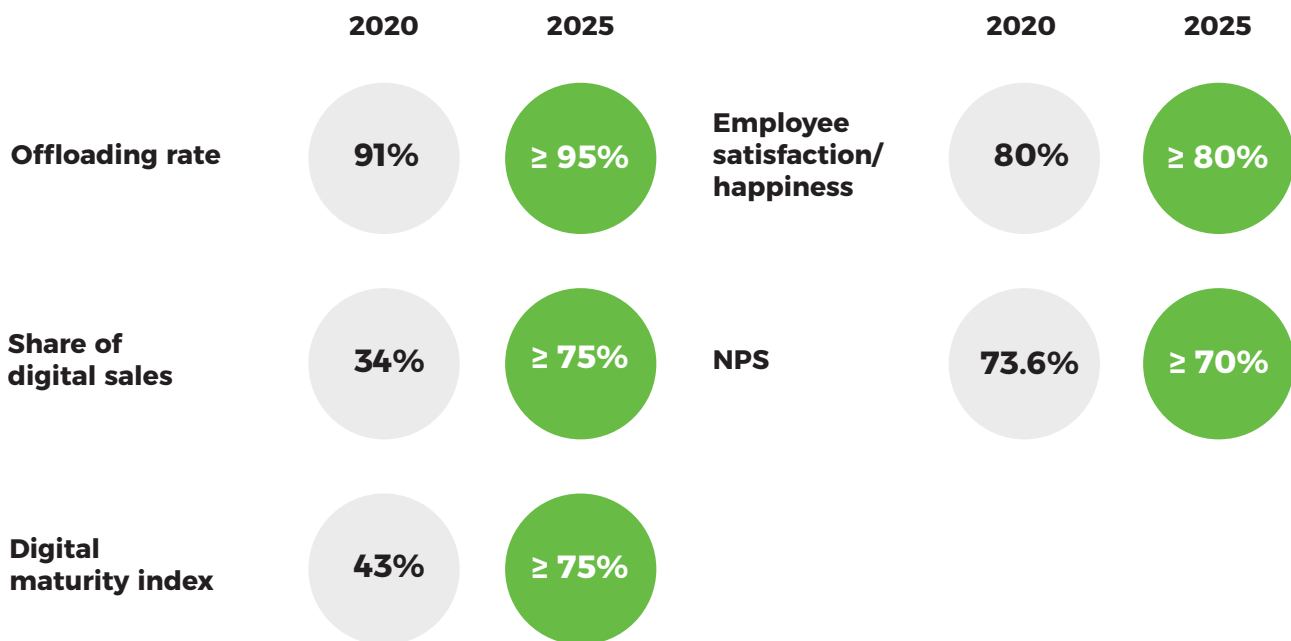
- To provide top quality brokerage services to our clients with the help of fully automated system of Brokerage operations in line with the strategic digitalization of the Bank.
- To remain the leading foreign exchange trader in the local market and a provider of high-quality currency conversion services to all of the Bank's clients.
- To continue offering qualified and high quality market making services to corporate issuers, increase the number of quoted securities under market making agreements and become the top market making service provider in the local market.
- To maintain and improve the position of the Bank in the market as one of the leading Primary dealers (Agents) of the Ministry of Finance of the RA through active participation in government bonds' primary auctions and active trading of bonds in the secondary market.
- To maintain leading positions as the best broker in Armenia by constantly improving the quality of our service and by bringing in new distinctive features.
- To expand the coverage of Ameria Global Trading platform furtherly.
- To increase the customer base of both our brokerage and advisory services.

# Innovation and Digitalization

## Digital Strategy

In line with our digital strategy, we are continuously fine-tuning our digital services and capabilities through technological innovation. Innovation and efficiency remain at the heart of our principles and are the fundamental elements for technological improvement and business growth in such rapidly changing world. We aim to create value for all our customers by offering new innovative solutions. We continuously improve our digital services designed for both individual and corporate customers including not only local but also regional markets.

In 2020, Ameriabank established a clear strategic agenda with a set of measurable metrics that cover digital aspirations of the organization up until 2025.

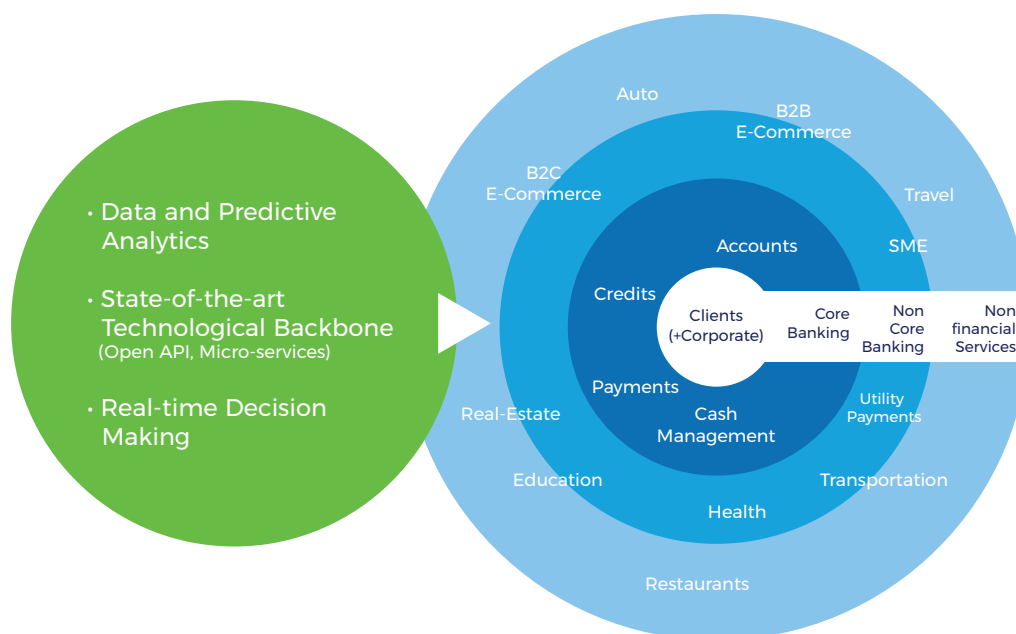


Those metrics are tied to existing organizational-level KPI indicators thus bringing digital agenda importance and impact to an institutionalized level throughout organization. A dedicated real-time online repository is created where all the digital initiatives are displayed with appropriate metrics and progress indicators. A special digital maturity index (DMI) is calculated to track internal efficiency through automation initiatives.

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

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

**Digital Products and Services** – direction delivers a family of domain-specific digital products formed around ecosystem approach. Those include – SME ecosystem, Mobile and Online Services ecosystem, Auto and Mortgage ecosystems. Digital products include also Student direction with special emphasis on tailored, student-friendly user experience as well as primary marketplace that is Ecommerce.



Within our Digital Products and Services roadmap, we fully delivered online SME scoring based lending system in 2020, which includes secured loans as well, allows expanding product options and expediting the lending process. The key enhancement of the new solution is the possibility to process loan applications and make underwriting of loans with the use of financial data inputs as part of scoring based decision making/approval. The loan officer directly inputs required data into the system during a site visit, and the system makes required calculations and cross-checks, based on which instant automated decision on the loan approval is made.

### Key highlights:

- Around 42.7% of all standard Retail SME loans applied online by SME portal.
- The average loan amount is AMD 4.9 mn.
- 42% of these loans have been extended to new clients.
- The outstanding portfolio of Retail SME online loans is more than 7b (from which 4.3b is tablet\* and 2.7b is online scoring).
- Completed the development of data transition within the chain of Ameriabank-ACRA-Tax Service and integration of it in SME online lending mode.

Another important milestone was the successful release of IBX (Brokerage platform) replacement that delivers a 5-10 times performance and efficiency gains in comparison to the old platform. We also implemented major modifications induced by changes to the business model of Interactive Brokers platform that was released in 2020.

The successful entry to the market for our Auto Market product in 2020 was an intermediate step towards building auto ecosystem. With focus on primary market segment and integration of dealerships under one digital hub, we gained a seamless customer experience for buying a car from primary market with full lending process automated and run by the dealership, and without



any need for the customer to visit the bank.

In 2021 a transformation of the mortgage ecosystem to an automated platform is being expected. The next important milestone for 2021 is the launch of the first phase on SME ecosystem that will deliver state registrations (IE, LLC) and account opening services under one environment.

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

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

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

The continuation of CRM scope was one the major deliverables of 2020, which was built on MS Dynamics platform and included the following releases: Co-debtors integration, Account client creation automated flow across all branches, Individual Internet Banking creation flow. Marketing campaign automation and integration with CRM is on the way, to deliver even more personalized and smooth customer experience for product offerings.

Another important milestone was the delivery of NPA related processes automation. The first release, built on MS Dynamics platform, solely with in-house team, delivered Soft and Hard Collection flow automations, as well as document integration with our digital document management system (A-Drive).

Among 2020 significant achievements was also the full scale implementation of our digital document management platform (A-Drive) that processed, classified, and stored more than 2.4 million documents (with a 30% increase compared to 2019) and all in digital format. An important addition to A-Drive was the integration with custom-built eSign.

The upcoming major automation on Internal Efficiency in 2021 features Corporate Loan Origination flow with newly formed in-house development team and phased delivery schedule throughout 2021.

**Backbone Re-engineering** – this direction is the enabler of other highlighted pillars as it brings the technological back-end to all digital products and services through a unified microservice-based architecture. The new architecture enables seamless integrations, data collections and analytics (with the use of Machine Learning (ML) technologies) as well as off-load from legacy core banking software. This brings unprecedented level of efficiency, processing speed as well as time-to-market in developing new digital solutions. The backbone architecture enables smooth integration of technology partners, external data collection, high degree of service management through an open API data-exchange channel delivering scalable and modular efficiency, data security and operability.

In 2020 organization released Data Warehouse infrastructure with advanced reporting capabilities, slashing time needed to search and display data to seconds and meeting an agenda of data-driven decisions on every level within the organization.

The deliverables in 2020 on Backbone Re-engineering included a complete architectural design that supposed also infrastructural changes in transition to microservices-based architecture, as well as a list of microservices such as Accounts, Cards, Loans, Deposits, Transfers that will enable the upcoming release of mobile and online banking applications scheduled for Q1 2021.

## Geographical footprint

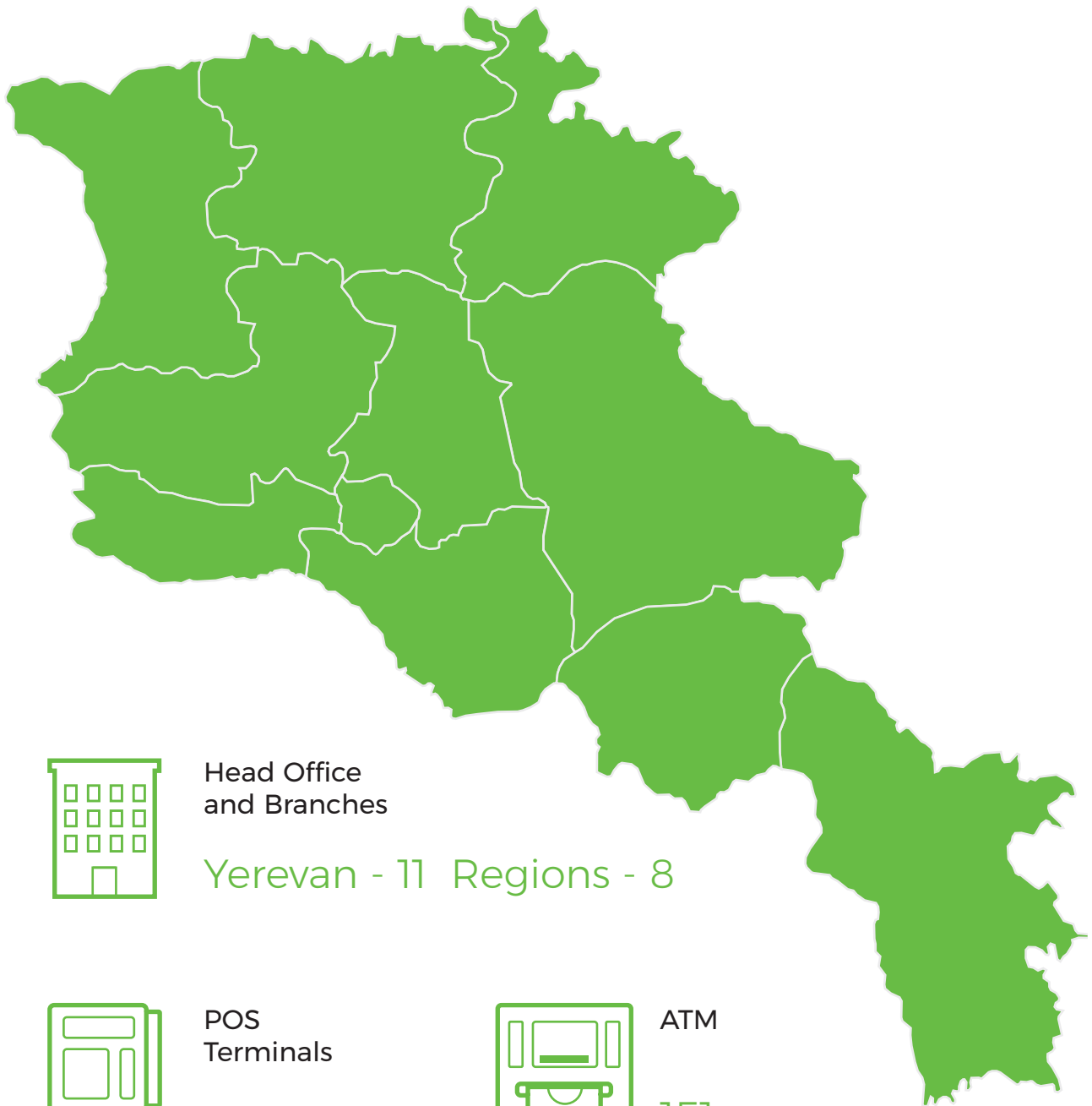
The digital and distance channels development and transformation to advanced omni-channel distribution platform remained one of the primary goals of the bank in 2020. The pandemic scaled that initiative in all business areas and especially in banking, as despite many restricted fields of activity, the banking services always were demanded.

Changes performed in the customer journey of Internet and Mobile banking registration and implementation of self-registration tool in early stage of the pandemic helped us have the number of the users and the transactions through Internet and Mobile banking grown by 55% YoY and by 110% YoY respectively. An increase in the number of the transactions through digital and self-service channels such as payment terminals, ATMs and bank's web site had positive effect on the offloading ratio, which reached 91% as of year-end, whereas the share of other channels (in-branch transactions, backoffice-handled transactions and phone banking) decreased by 28%.

In 2020 the bank's branch network did not expand, so there were 19 operating branches, out of which 11 in Yerevan and 8 in regions (Shirak, Lori, Tavush, Syunik, Vayots Dzor, Kotayk and Armavir).

The year 2020 reaffirmed the Bank's ambitions towards the well-established digital agenda, and we were actively expanding our digital, distance and card acquiring network channels.

One of our strategic goals is to provide our customers with the most convenient banking channels with 24/7 availability. In 2020 we increased the number of our own payment terminals from 43 to 46 and added payments for corporate accounts with special flow. In general, our customers can refill their accounts and make loan repayments at more than 6000 payment terminals all over Armenia. More than 30 new services were added into our own payment terminals. Several ATM locations were optimized and replenished, so that in 2020 year-end our customers were able to benefit from 151 ATMs throughout the country. As of 2020 year-end, the Bank had 3032 POS terminals and 608 virtual POS terminals.



Head Office  
and Branches

Yerevan - 11 Regions - 8



POS  
Terminals

3032



ATM

151



Virtual POS  
Terminals

608



Own payment  
Terminals

46







# Doing Business Responsibly

We believe that every member of the society has a certain share of responsibility to make the world a better place. Being the leading financial institution in the country, Ameriabank acknowledges its responsibility and the key role it plays in advancing Armenia's transition towards a sustainable future. Faithful to this persuasion, more care and responsibility is taken towards accurate assessment of people's needs, development of targeted solutions for them, modelling of better conditions for people surrounding us and improving the quality of life.

Ameriabank has successfully embedded thorough sustainability, environmental and social risk management policies into its business processes to ensure that the financial services provided do not cause excessive negative environmental and social impacts. Ameriabank actively pursues a balance of social, environmental, and economic factors by adhering to international best practice on environmental and social risk management\*. The Bank believes that climate change implies both risks and opportunities, and that as a financial intermediary it can play a leading role in addressing climate change issues in Armenia.

In order to mitigate the climate change related risks and create opportunities for the local economy and based on the existing provisions of its internal Environmental and Social Risk Management Policy, Ameriabank has made a corporate commitment for a low carbon Green Assets Portfolio.

The Green Assets Portfolio covers a wide range of low carbon categories (renewable energy, energy transmission, distribution and storage, sustainable transport, water, sustainable buildings, aquatic industry waste management, IT solutions) across Ameriabank's business segments.

## Climate change strategy

In 2020 Ameriabank CJSC scaled up the climate change mitigation and adaptation and disaster resilience in its projects around Armenia. Due to the global warming and rapidly growing greenhouse gas (GHG) emissions, increasing risks and impacts from climate change and disasters, and increasing environmental degradation, Ameriabank is committed to implement its business in a responsible and sustainable and environmentally friendly way building climate and disaster resilience.

Enhancement of environmental sustainability is critical to achieving its Strategy 2025 vision of a prosperous and sustainable Country. Ameriabank seeks to reduce its environmental footprint addressing climate change, disaster risks, and environmental degradation, supporting lowering of GHG emission; ensuring a comprehensive approach to build climate and disaster resilience; ensuring environmental sustainability.

By 2023, the Bank intends to double the share of green loans in its portfolio, including renewable energy & energy efficiency, and sustainable buildings & transport loans.

Ameriabank will continue to promote resource efficiency in its operations.

## Green projects

Ameriabank has a commitment to become the leading regional green bank through implementation of the relevant banking processes and products tailored for its ultimate clients. This goal is perfectly in line with our commitment to help society transition to a resource-efficient, low carbon and environmentally sustainable economy.

Ameriabank seeks to contribute to the long-term development of sustainable solutions through financing relevant services and innovations.

Since 2009 Ameriabank has financed more than USD 200 million renewable energy and energy efficiency projects with the support of various international financial institutions and impact investors such as the Dutch Entrepreneurial Development Bank (FMO), responsAbility Investments AG, European Bank for Reconstruction and Development (EBRD), French Development Financial Institution (PROPARCO), International Finance Corporation (IFC), Development Bank of Austria (OeEB), German Investment Corporation (DEG), Global Climate Partnership Fund (GCPF), etc.

In 2020, Ameriabank successfully issued the first-ever Green Bond in Armenia.

The Green Bonds issued by Ameriabank are in line with the UN Sustainable Development Goals (SDGs) and promote the following goals: SDG7 Affordable and Clean Energy, SDG9 Industry, innovation and infrastructure, SDG11 Sustainable Cities and Communities, and SDG13 Climate Action. The funding raised via Green Bonds provides an unrivalled opportunity to play an essential role in financing green projects that contribute to environmental sustainability.

Ameriabank has a well established Green Bond Framework which is consistent with the International Capital Market Association's ("ICMA") current Green Bond Principles ("GBP").

This Framework provides a unified methodology for all green financing. Ameriabank is considering issuing Green Bonds under this Framework further.

## Giving back to the Community

In 2020, we remained committed to our responsible approach tackling numerous social problems in conviction that we can address any challenge together.

2020 was a year of nationwide unity and consolidation, pooling of capacity and rapid response to social programs.

AMD 234 million was allocated for the Bank's CSR purposes during the reporting year, a significant part of which (AMD 72 million) was channeled into "For Artsakh" program, AMD 50 million - into implementation of infrastructure programs, and AMD 46 million - into educational programs.

## Overview of CSR and charity projects implemented by Ameriabank in 2020:

- **For Artsakh** and Armenian soldiers, for security of our borders: Hayastan All-Armenian Fund, Insurance Foundation for Servicemen
- **Infrastructure** programs targeted at frontier regions: planting intensive gardens in frontier villages of Tavush region, repairing damaged houses, constructing new dwelling areas, and supplying electricity to villages
- **Covid-19 pandemic** neutralization programs, whereby we tried to encourage the medical staff of various medical institutions, who were at the forefront owing to their vigorous and selfless work: National Center for Disease Control and Prevention, Nork Infectious Diseases Clinical Hospital, provision of 112 tablets for continuing education online to children from vulnerable groups in Armenia during the pandemic, cooperation with UNICEF Armenia
- **Educational programs:** financing scholarships for UWC Dilijan College and American University of Armenia students from low-income families
- **Charity - children's health care projects** in close cooperation with our partner charities: City of Smile, Let's Help Armenian Children, SOS Children's Villages, Katil
- **Other charity projects**
  - preparing presents for Artsakh schoolchildren: in cooperation with Stepanakert municipality
  - support to the resettlement program for families affected by the earthquake in Gyumri in 1988: in cooperation with Aznavour Foundation

In addition, we encourage the Americans' involvement in various CSR practices, continuously improving the efficiency of our activities, thereby establishing a comfortable and inspiring environment to execute and create.

## Our People

Our team is the fundamental factor of our success and our colleagues are the most valuable asset that we have. We strive to maintain a collaborative and supportive environment where each employee is valued, motivated and ready to take new challenges.

Our unique culture attracts people who share common values and are responsible and caring individuals. 2020 was a challenging year and a real test for internal culture, code of conduct and resilience. Since the very outbreak of the pandemic, all the rules for the prevention of Covid19 have been strictly observed in our work environment thanks to the strong sense of responsibility of the employees, the endless care and systematic work of our teammates. All the meetings, discussions, trainings and recruitment interviews are held remotely. Offices are disinfected and ventilated regularly, employees are provided with face masks, gloves, and sanitizers daily. This is a caring attitude towards each single employee and their contribution, the environment and nature, benefits towards the creation of values and principles.

Despite challenges, in 2020, the Bank's employees were actively involved in various professional online trainings. In the reporting year, 74 talented young

people completed internship at Ameriabank remotely.

The best manifestation of care and solicitude towards employees was evident from the very first day of the pandemic. When the Government of Armenia declared a State of Emergency amid Coronavirus outbreak, we had already taken a number of precautionary actions to ensure safety of our employees: For health security reasons, more than 65% of the Bank's employees worked remotely or by shifts, where the remote work was not possible.

To address potential risks and to contribute to the preventive actions against the spreading of virus and minimization of economic impact, Ameriabank launched a comprehensive business continuity plan. By applying rapid response skills and coordination, we worked at maximum efficiency. The main purpose was to protect the health and ensure safety of our clients and employees. The Bank was the first in Armenia to offer a "credit vacation" to its retail clients and legal entities operating in the most vulnerable sectors.

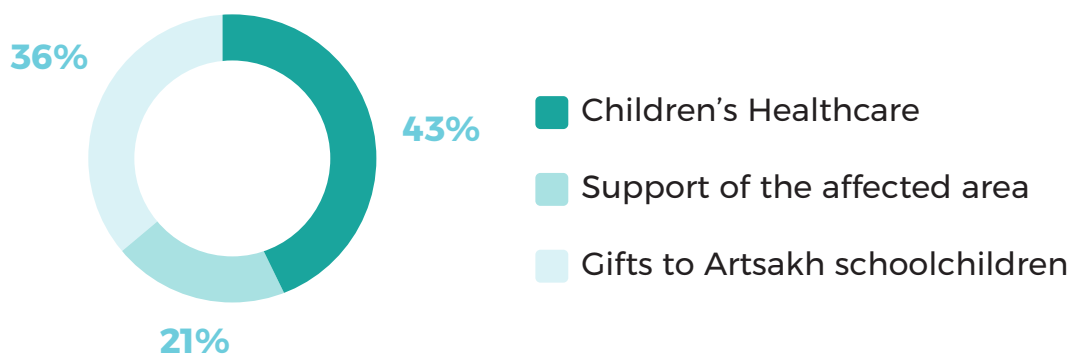
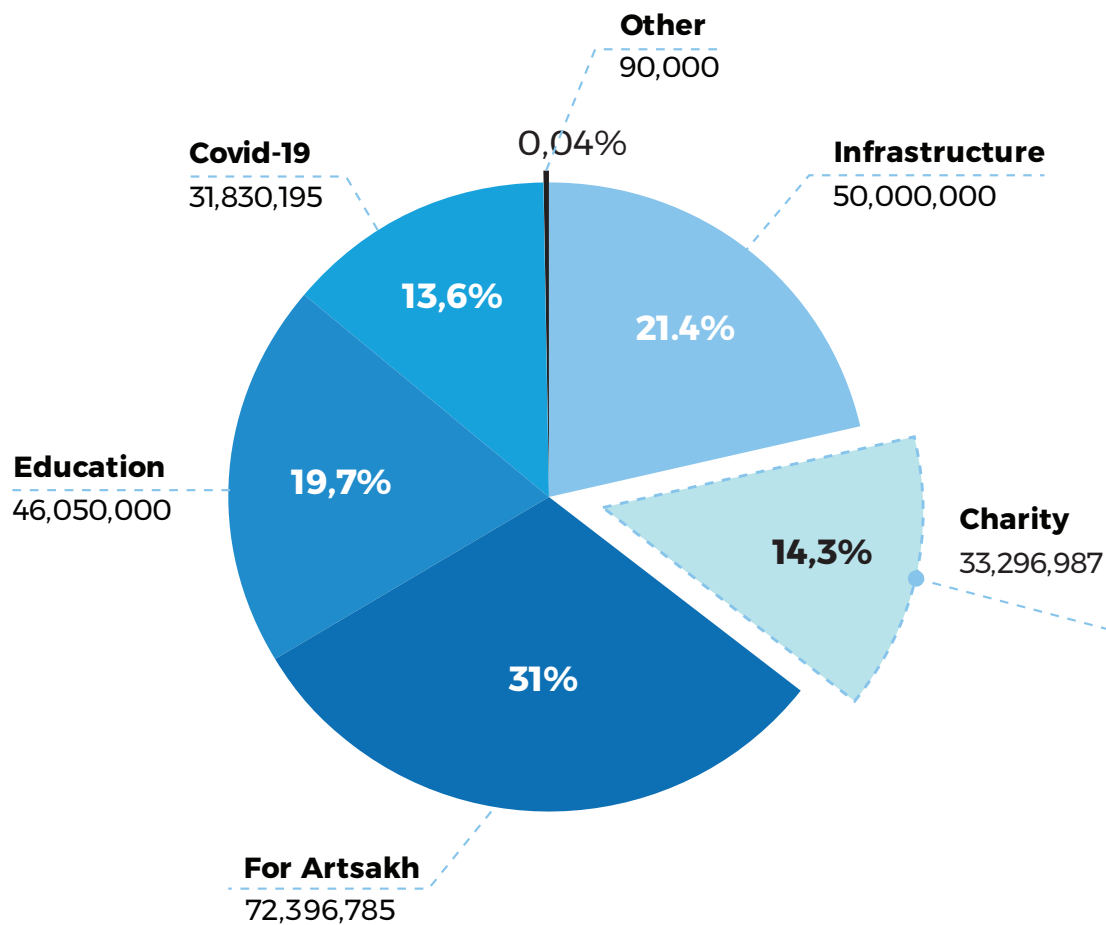
The spread of the virus promoted distance banking services. Indeed, it was a significant and tangible achievement. Using the full potential of the services, we managed to reduce the clients' visits to branches nearly 2.5 times, ensuring the safety and health of our clients and employees. Despite the challenges faced by the economy, we succeeded in maintaining financial stability due to our rapid resource mobilization skills, devotion and aspiration towards our strategic goals to increase shareholder value.

We strictly follow the principles embedded in our CSR policy towards promotion of environmentally friendly measures aimed at mitigating climate change, reducing consumption of water and paper, saving energy, and using recyclable materials in our daily activities. In 2020, 636.9 kg of plastic and 461 kg of paper was sorted at the Bank's head office; thus "saving" 7,8 trees and 1650 liters of oil.

All Amerians were diligently and devotedly involved in every project and every initiative launched or implemented by the Bank in cooperation with others. Being an Amerian means to feel responsible in all aspects - for yourself, your principles, for the welfare of the country and people.



## CSR Projects







# ■ Chapter Three

## Risk Management

# Risk ma nage ment

### Contents

Risk Management Objectives and Principles  
Risk Management Framework  
Risk Organization and Governance  
Risk Appetite  
Key Risks and Risk Profile



# **Risk Management objectives and** principles

Our risk management and control model is underpinned by common principles, a strong risk culture, solid governance structure and advanced risk management processes and tools.

Risk management policy of Ameriabank sets:

- Risk management objectives and principles
- Risk appetite framework
- Distribution of authorities between the Bank's decision-making bodies and other functions in relation to risk-bearing operations
- Key benchmarks and criteria of operations
- Terms and conditions of exercising control over them
- Other provisions

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

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

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

Primary goals of risk management in the Bank include:

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

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

- identifying potential risks in the course of the Bank's operation
- Identifying factors impacting on specific types of risks
- Conducting qualitative and quantitative assessment of specific risks

## Risk management

- Approving acceptable risk limits
- Collecting, processing and communicating appropriate information on potential risks to management bodies
- Approving the methods and systems for internal risk control and monitoring
- Defining the responsibilities of the Bank's Board of Directors and members of executive body for managing specific types of risks
- Developing and overseeing the implementation of appropriate measures and methods for risk forecasting, assessment and mitigation.

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

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

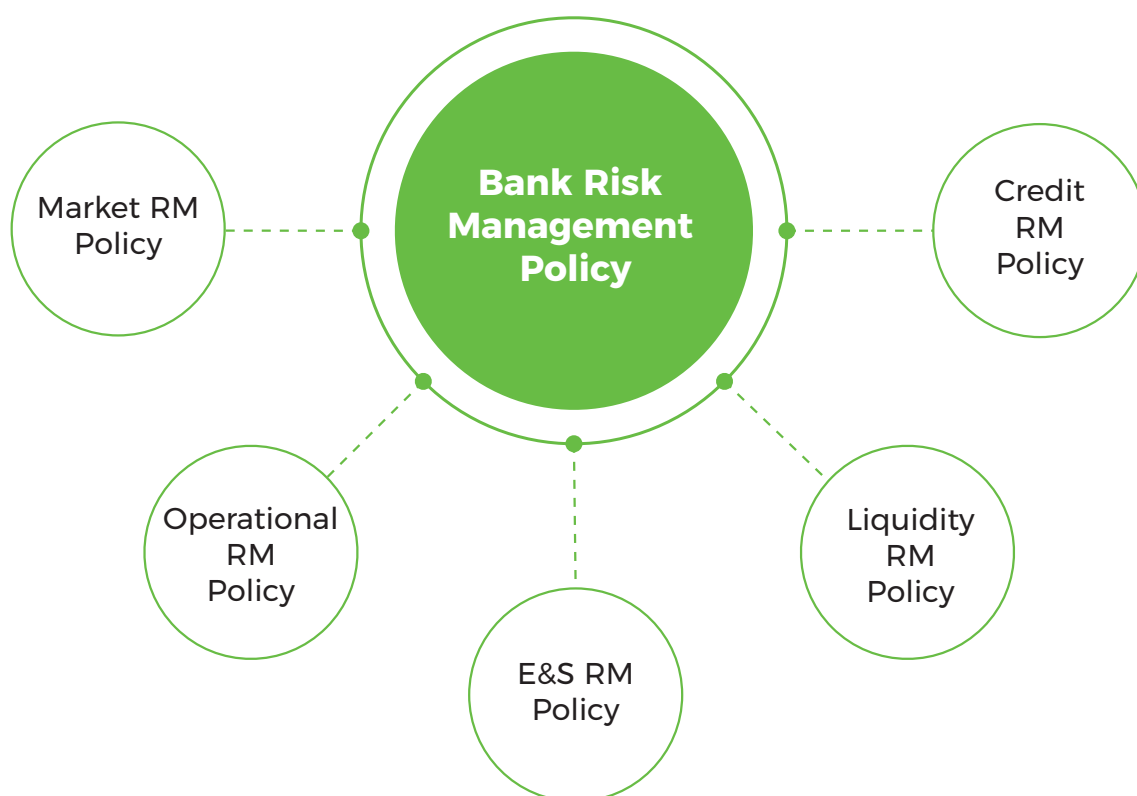
- Unified risk management system is implemented in the Bank as a key element of the Bank's strategic management.
- Risk management in the Bank has a proactive role and permanent and continuous nature. Risks are identified and assessed as part of all processes of the Bank and appropriate measures are constantly being taken to ensure their adequate management.
- The Bank's risk management system is based on a risk/return ratio of maximum accuracy. The Bank selects those risk-generating transactions which can be effectively assessed and handled.
- The Bank strives to get to know its clients and understand their financial needs. The Bank avoids establishing business relations without adequate information on clients' financial position. We follow the best practice KYC (Know Your Customer) principles in our interaction with clients.
- Risk-generating instruments are approved based on the "four-eye" principle, in some cases independent risk management specialists are involved, too (e.g. loan applications are approved by one credit officer and one authorized risk management officer). Approval process for each instrument is defined in details by appropriate policies and procedures.
- The scope of authorities (including approval limits) and responsibilities is clearly specified and documented for each of the Bank's instruments and processes. Moreover, internal controls are documented for each process.
- Any deviation from the Bank's policies and other internal regulatory acts must be authorized by the body approving the policy in question or the body having the appropriate authority (Management Board, Board of Directors).
- Each business within the Bank is responsible for identification and regular monitoring of risks.
- Management information systems (MIS) are in place, enabling more effective portfolio management.
- The risk management approach for each banking instrument (approval limits, acceptable parameters, portfolio volume, variances from adopted policies, etc.) is established by relevant internal regulations and/or policies and approved by the Risk Management Department of the Bank.
- Internal Audit regularly assesses the effectiveness of risk management function in the Bank.

## Risk management

- Management bodies regularly analyze and assess the Bank's operations.

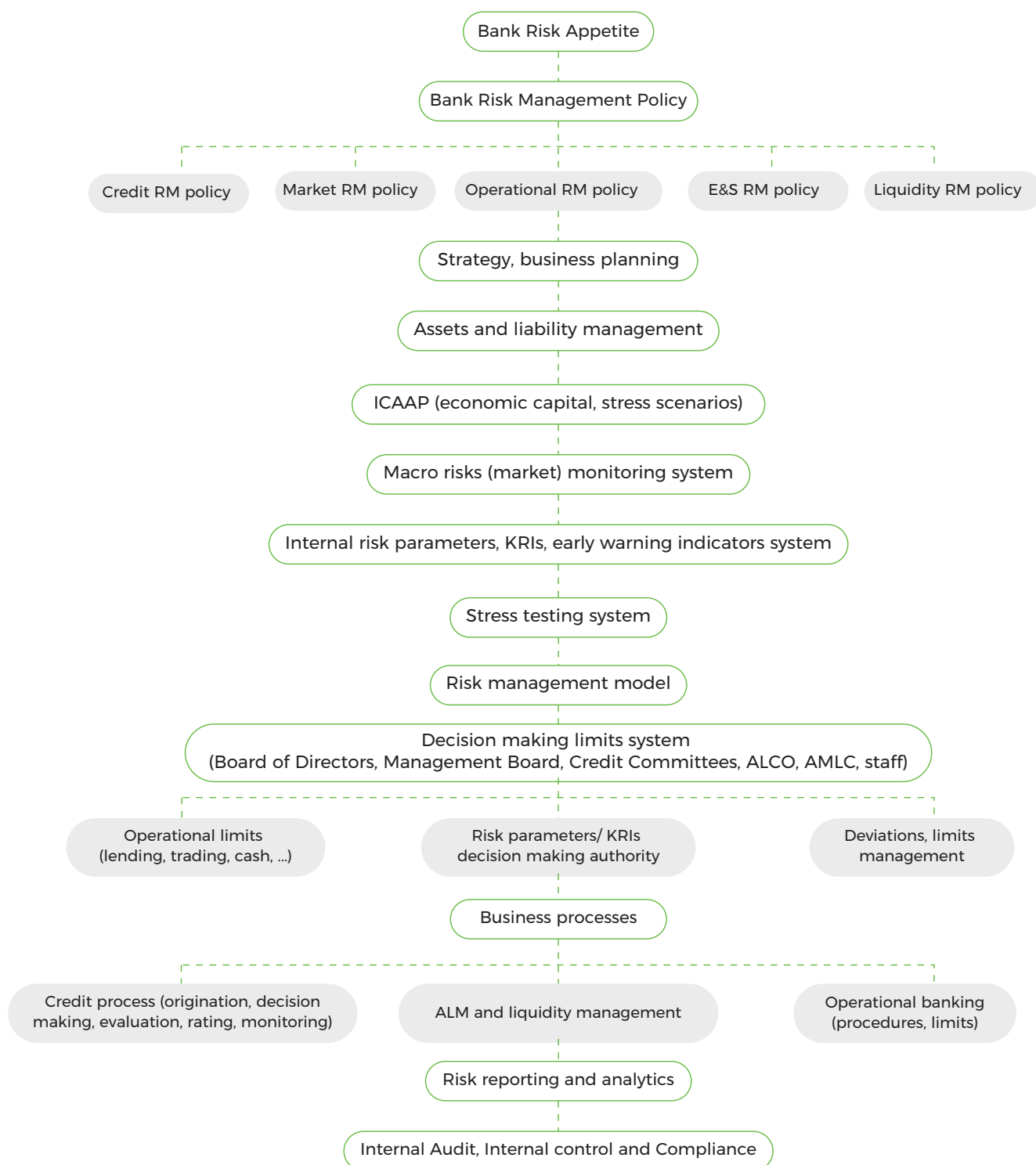
The Bank's risk management system includes the following elements:

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

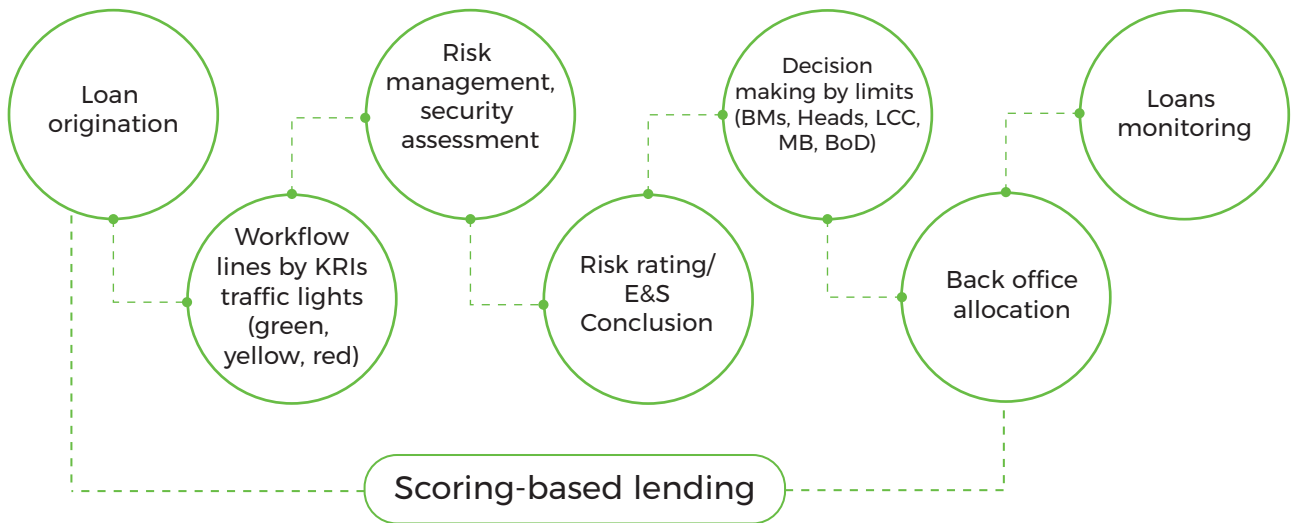


# Risk Management framework

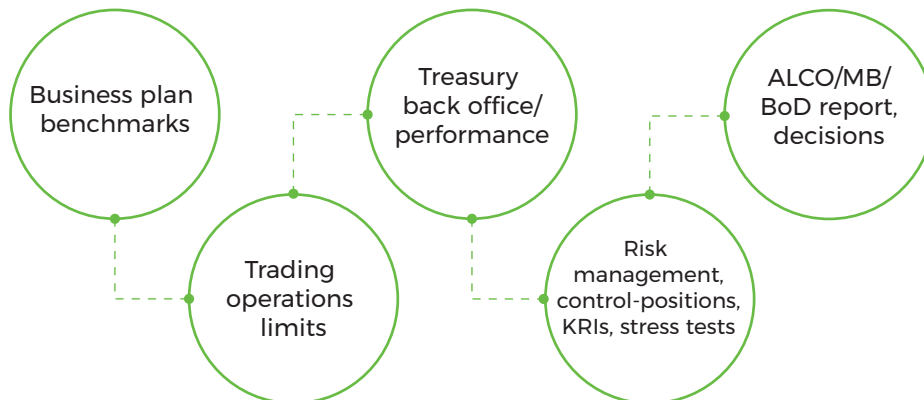
The general structure of the Bank's risk management framework is presented below. It is a well-developed structure with several lines of defence against possible risks coming from external and internal sources.



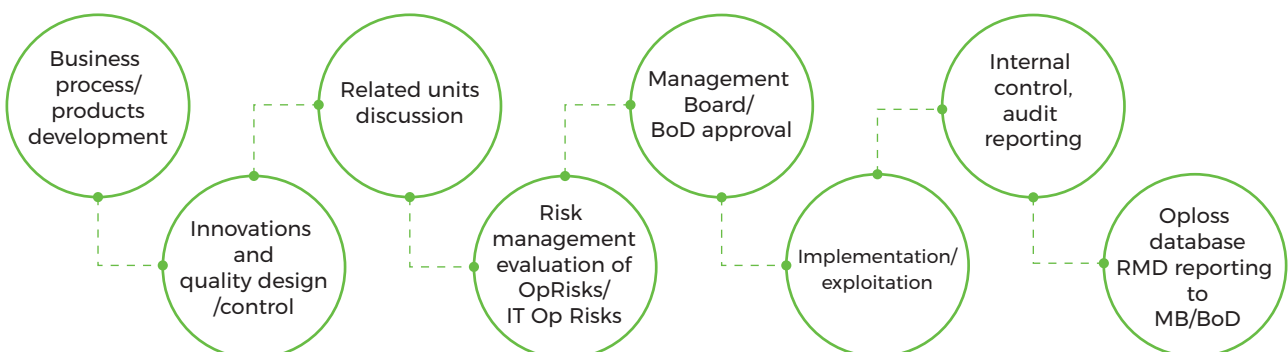
## Lending risk management workflow



## Trading risk management workflow



## Operational risk management workflow

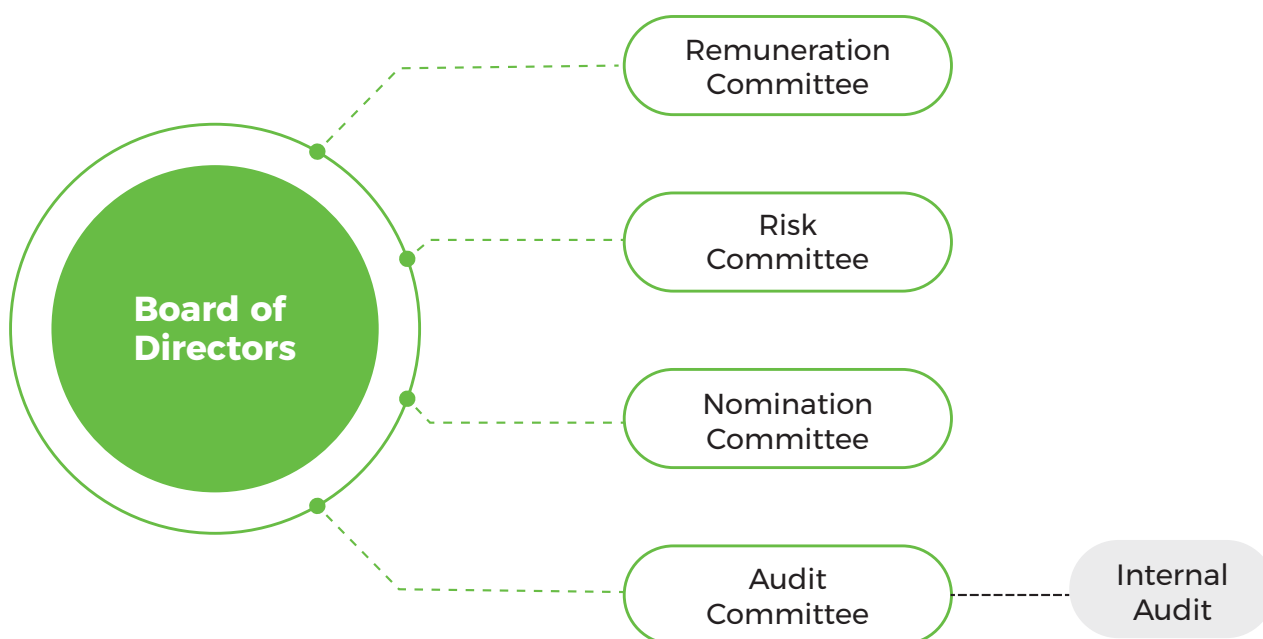


# Risk organization and governance

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

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

Board committees support the Board of Directors and provide independent review of the issues that should be later discussed at the Board level. In late 2020 Board level Risk Committee was formed aimed at supporting the Board in risk management area:



The purpose of the Risk Committee is to facilitate effective implementation and continuous development of the risk management system in the Bank, by ensuring effective collaboration between the Board of Directors and executive bodies, and quick and agile decision-making with regard to risk-related matters.

Key objectives of the Risk Committee is performing oversight functions in the following areas:

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



## Risk management

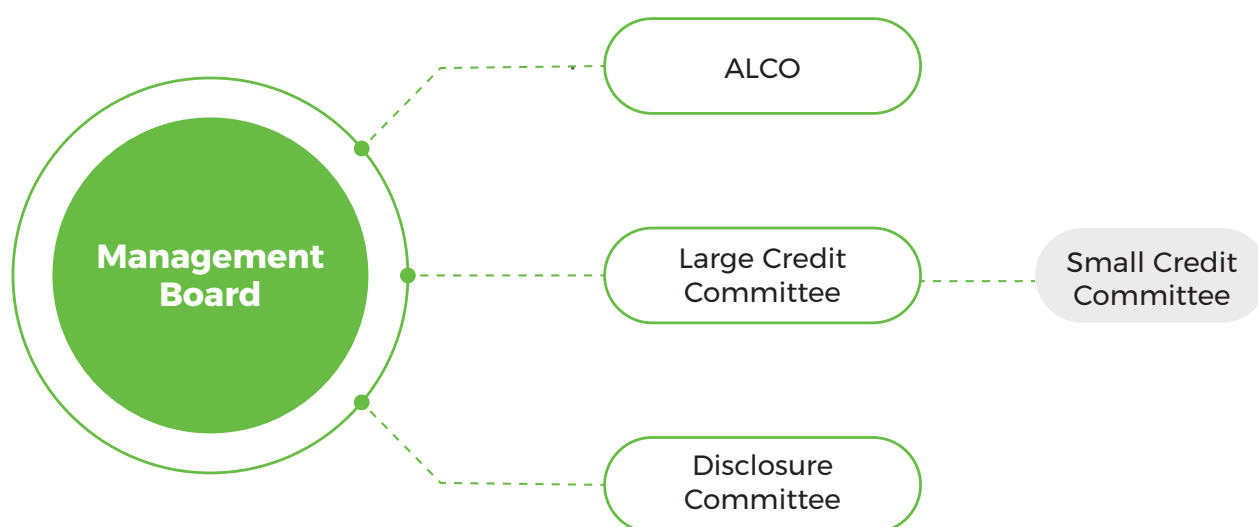
The executive management, namely the Chairman of the Management Board - CEO, the Management Board and its members undertake risks within the scope of BoD-approved policies and perform their day-to-day management; coordinate operations of business lines; carry out risk management under the risk management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

### Large Credit Committee (LCC)

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

### Small Credit Committee (SCC)

The key purpose of the Small Credit Committee is the same as LCC's, with smaller limit and loan products. SCC reviews and makes decisions on retail and SME loans. Loans with negative opinion from at least one of responsible departments cannot be reviewed or approved by SCC.



### Assets and Liabilities Management Committee (ALCO)

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

## Risk management

are reviewed and approved by ALCO.

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

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

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

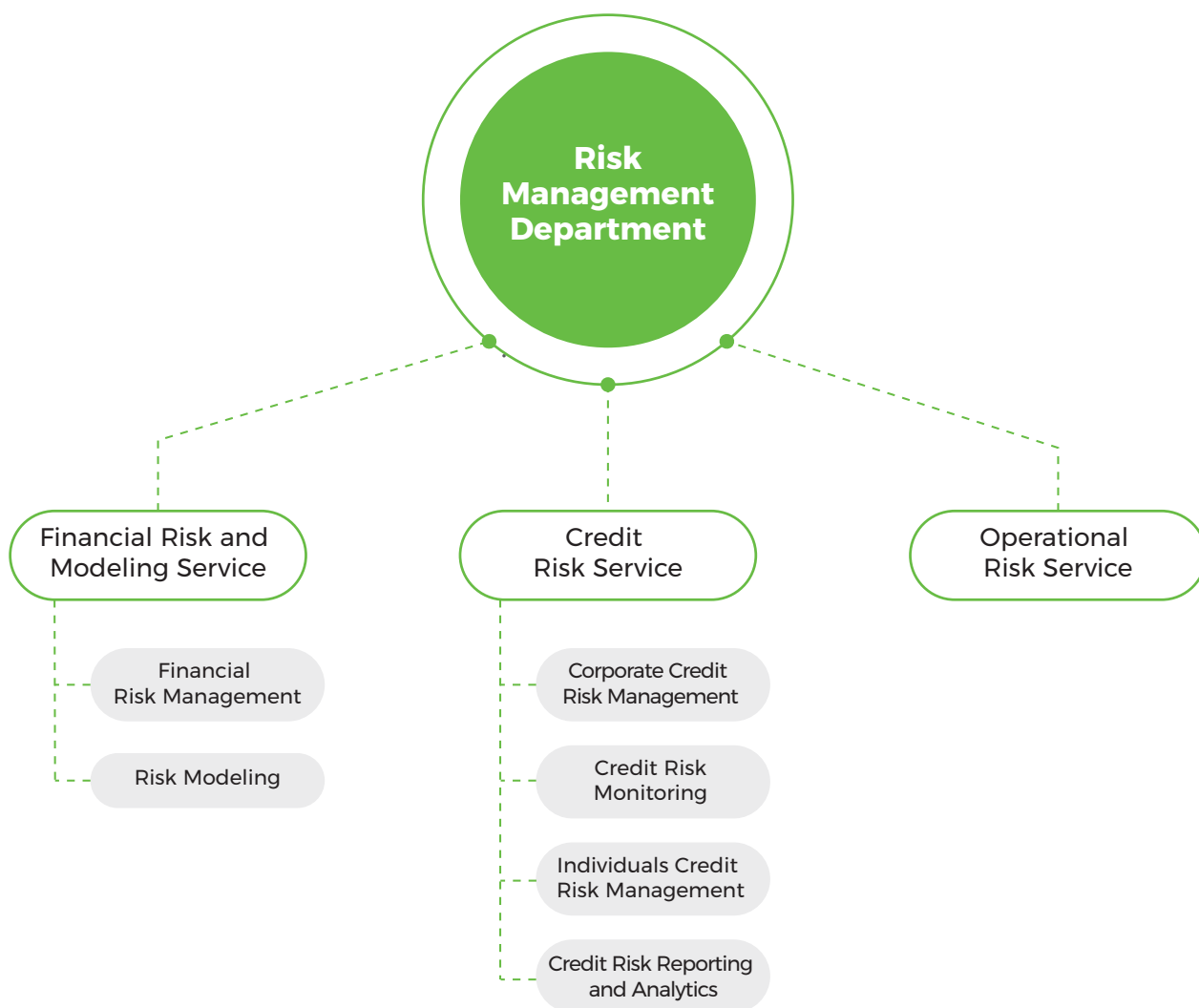
- Develops risk management policy and structure
- Implements risk management (internal control) system at the level of business processes
- Provides risk management recommendations concerning newly implemented instruments
- Provides conclusions on the Bank's transactions within established limits
- Develops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

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

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

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

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



# Risk appetite

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

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

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

## Risk management

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

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

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

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

### Bank risk appetite



## Key risks and risk profile

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

**Credit risk:** the Bank is exposed to credit risk of losses due to failure of clients or counterparties to meet their obligations to pay outstanding amounts when due. Credit risk is the most material risk faced by the Bank as long as the Bank is engaged mainly in traditional lending activity with a simple balance sheet. Due to highly dollarized economy, currency-induced credit risk is a significant

## Risk management

component of credit risk; it is about risks arising from foreign currency loans to unhedged borrowers. Credit risk also includes concentration risk, which is the risk associated with impairment of credit portfolio quality due to large exposures to single borrowers or groups of related borrowers.

A strong credit risk management function is critical for maintaining a balanced loan portfolio and delivering sustainable returns. For that purpose, a prudent credit risk environment has been established focusing on maintenance of efficient processes for credit risk identification, measurement, and monitoring. Credit risk management by appropriate credit risk teams – retail and corporate – is performed both on transaction and portfolio level. Credit risk management units are involved in transaction-level analysis, rating and approval of risks for each loan. Special internal risk assessment and rating methodologies are applied. The purpose of credit risk management is to establish effective oversight and quality monitoring of portfolio, as well as develop and maintain a credit risk management framework based on stress-testing, early warning and key risk indicators and parameters, system and sector-specific analysis and monitoring.

The Bank uses a risk-oriented monitoring system to timely react to market developments, identify credit portfolio weaknesses and outline solutions to make well-reasoned risk management decisions. Monitoring processes encompass individual credit exposures, overall portfolio performance and external trends likely to affect the portfolio's risk profile. Early warning signals serve as an important early alert system for detection of credit deteriorations, leading to mitigating actions. Statistical analysis is applied to monitoring of overall portfolio performance. Credit risk management unit conducts regular oversight of monitoring and selective checks. Corporate credit risk management team is responsible for on-site monitoring of business loans. This process enables to promptly identify risky loans at an earlier stage and undertake appropriate actions.

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

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

Generally, market risks are managed by ALCO. The Bank aims to manage market exposures, set up limitations and a decision-making framework in order to keep possible market losses within the set risk appetite. Early warning and key risk indicators in line with a wide range of stress-tests are aimed to build up estimates for different market scenarios and help to understand the limits of adequate market exposures distributed across all market risk sources. Scenarios for stress-tests are regularly updated based on market

conditions. The set of risk parameters is closely linked to and incorporated into obligatory actions, responsible persons, zones of risk level as well as reporting and decision-making rules. The whole system of market risk management is reviewed and upgraded on a regular basis in line with the Bank's product line development and market environment.

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

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

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

## Risk management

ensure business continuity and early response to handle risks connected with possible price shocks estimated within the general stress-testing framework.

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

- there are large gaps in maturity structure of assets and liabilities,
- the balance sheet is too weakly diversified
- there are large concentrations of exposure to a single major depositor and borrower
- financial market experiences currency shocks with resultant outflow or conversion of deposits into foreign currency,
- there is liquidity crisis in the financial markets,
- problems with quality of securities portfolio, or
- if financial instruments (repos, swaps, overnights, etc.) suddenly become inaccessible.

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

**Operational risk** arises in the Bank as a result of failure or malfunctioning of internal processes and systems, as well as human factor or external events. The Bank performs identification and measurement of operational risks on a permanent and consistent basis. A unified system is used to manage the risk level. Before launching new processes or products the Bank assesses them in terms of their significance and the Bank's sensitivity to related operational risks. Risk likelihood-impact assessment plays a critical role in assessment of process- and system-related risks. In order to be able to calculate the likelihood and impact of incidents, the Bank keeps an automated database of operational incidents and losses. This database enables us to analyze sources of risks, their nature, identify the reasons and trends and perform an internal calculation of capital volume required to cover operational losses that may arise in future. We also implemented a model of capital distribution per product using an in-house methodology. This model enabled the Bank to identify the priorities in assessment of product related processes and systems. To be protected from major emergencies, the Bank holds insurance policies to cover assets, operations, liabilities and its employees in line with best business practices. The Bank insures assets against a range of risks, including fire, explosion, natural disasters, unlawful actions of third persons, strikes, riot, civil commotion, terrorism, as well as obtains third-party liability insurance coverage for its clients. The Bank also maintains Bankers' Blanket Bond and Directors' and Officers' Liability Insurance.



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

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

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

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

The Bank has an environmental and social risk manager as an environmental and social coordinator specialist responsible for implementation, maintenance and day-to-day operation of the system.

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

**Reputational risk** is the likelihood of losing the organization's reputational capital resulting in decline of the organization's overall value and/or increase of regulatory or other costs. It includes adverse events related to ethics, safety, security, sustainability, quality and innovation. Reputational risks are managed on the level of the Management Board. In order to ensure sound decision-making different departments, such as Customer Relations Management, Public Relations, Investor Relations, Security and other teams are involved in the processes where the Bank can be exposed to a reputational risk. Reputational risks are mitigated through a dedicated body – Disclosure Committee. The committee qualifies information as inside or not, approves the list of spokespeople, insider lists, public announcements regarding market rumors. Compliance risk is the risk of compliance-related issues given that the Bank is governed by local regulations as well as creditor covenants. Compliance risk is managed by dedicated business units: Risk Management, Legal Service, and Operational Control and AML teams. The Bank meets regulator's requirements



and applies international standards to treat possible discrepancies in internal regulatory acts. These risks are covered by internal policies and procedures, three-level decision-making and control structure including special units, specialized committees and the Management Board.

## Macroeconomic and market conditions

2020 was a year of economic slowdown caused by the rapid spread of COVID-19 worldwide, followed by a military conflict unleashed by Azerbaijan against Artsakh Republic. GDP of Armenia decreased by 7.6% amid pandemic lockdown and conflict, while 12-month cumulative CPI comprised 1.2%.

Main factors that affected negatively the economy of Armenia were the drop of business activity in those sectors of economy, which are connected with tourism, hotel and catering services (HoReCa) low level of foreign direct investments, high volatility in domestic financial market. After the utterly challenging year, the country is expected to have **positive economic growth** insupcoming year. Main risks and uncertainties in 2021 most likely will be connected with internal political situation, regional geopolitical developments and also COVID-19 pandemic, which, despite positive developments towards vaccination and possible herd immunity, remains a challenge and significant risk.

**Armenian banking sector** main indicators as of year-end: NPL average - 6.6%; CAR - 17.0%; ROAE - 6.9%; total liquidity ratio averaged at the level of 25.6% (15% is the regulatory normative), equity growth comprised to 7.3%.

Ameriabank operated under high risk pressure in 2020 but still the risk appetite limits were not violated. The credit risk level (NPL and net losses) increased, mainly in Q2 and Q3 amid decreased business activity but situation improved by year-end and was way below the Armenian banking sector average. The main source of pressure on the quality of banks' loan portfolios in 2020 was decreased domestic demand, real wages cut in line with unemployment growth in certain economy sectors, low levels of recovery of remittances and foreign direct investments. Global economy outlook is positive for 2021 amid high optimism in pandemic development connected with successful deployment of effective vaccines and mass vaccination plans starting from Q1 in across the World. Growing commodity prices, low interest rates and slight recovery in tourism are expected in the upcoming 6 months.

### **Developments of Risk management system and actions in 2020**

Based on the developments of economic and operational environment in 2020 the Bank:

- Developed, implemented and tested the Business Recovery program, which covers more than 16 different scenarios affecting the Bank's financial positions and operating capabilities.
- Activated the Bank's Business Continuity Plan during the coronavirus

pandemic and military situation ensuring proper implementation of all services across the country.

- Revisited and rebuilt lending models for automated digital products, embedding the effects of possible macroeconomic downturn in quantitative parameters of models.
- Reviewed the creditworthiness parameters (OTI, DSCR, LTV) and maximum loan amount limits, restricted some risk-sensitive lending directions.
- Developed scenario system to assess COVID-19 pandemic risks based on relevant triggers and mitigation actions to be adopted in case of occurrence.
- Developed new tools and assessment methods for interest rate risk management.
- Remodeled provisioning models and principles to provide the soundness of risk capital allocation into changed risk environment.
- Developed a holistic framework for model risk and validation to maintain risk assessment and control over products using big data-based mathematical models.
- Taking into account the strong tendency of cybercrime and card fraud growth worldwide the fraudulent card misuse insurance policy and cyber liability insurance policy have been implemented in the Bank. Conditions of several Bank's insurance policies have been improved.

# Credit Risk

## Risks and Uncertainties

During 2020, the Bank operated under essential, but manageable credit risk pressure due to COVID-19 pandemic and military conflict in Artsakh. In terms of our actions, we have taken a number of measures that allowed to manage credit risk, such as:

- Offered short credit vacation for COVID-19 pandemic affected corporate and retail clients (but still only a part of them took advantage of this opportunity).
- Tightened creditworthiness parameters (OTI, DSCR, LTV) and maximum loan amount limits, restriction of some risk-sensitive lending directions.
- Conducted express monitoring of various affected sectors, early warnings identification, mitigation actions.
- Developed a scenarios system to mitigate future COVID-19-related risks, based on relevant triggers and actions to be adopted in case of occurrence.
- Ensured sufficient level of provisioning for loans with increased risk and for restructured loans.

## Key Risk Indicators

### Portfolio quality and coverage

The taken measures allow us to manage portfolio quality. Bank's non-performing loans (NPL) ratio is much lower than NPL of the Armenian banking system both in corporate and retail portfolios. Banks non-performing loans (NPL) reached only 4.2% of total loans at the end of 2020, up by 1.3 p.p. YoY.

The Cost of credit risk amounted to 2.8% (1.3% in 2019). About 36% of CCR is due to COVID-19 and military conflict in neighboring Artsakh. Majority of COVID-19 restructured loans are supposed to be recovered with the pandemic situation improvement in 2021.

The Bank increased risk provisions proactively in line with the negative macroeconomic expectations, in order to overcome the possible risks. The expected losses of the Bank are well covered with NPL coverage ratio of 77.7%.

### Collateral

Collateral represents the most significant credit risk mitigation tool for the Bank, making effective collateral management one of the key risk management components. A sound collateral management framework ensures that collateral serves as an adequate mitigating factor for credit risk management purposes.

The Bank has a largely collateralized portfolio in all its segments. As of 31 December 2020 more than 50% of Banks portfolio was secured by highly liquid assets and real estate, 17% by moveable property and other fixed assets, the rest was secured by production, cash flow and guarantee.

### Concentration

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

As of 31 December 2020, the retail and SME segment reached 48% of the total gross loan portfolio, split between mortgage, SME and consumer loans exposures of 36%, 40% and 24%, respectively.

Largest concentration was in trading sector and still did not exceed 16% of total portfolio. Other business sectors individually didn't exceed 7.5% of the total portfolio at the end of 2020.

## Market Risk

### Risks and Uncertainties

The Bank was exposed to market risk associated with exchange rate increase and yield curve fluctuations on domestic and foreign markets. Armenian dram devaluated twice during 2020 amid COVID-19 pandemic first wave

and oil market turmoil in Q1 and military conflict in Q4. Despite challenging environment open positions were within the limits of the Bank's risk appetite and were managed accordingly. Interest rates increased amid domestic currency depreciation and CBA decisions on refinancing rate. Most volatile securities were Armenian Sovereign bonds, but the Bank's exposure was not significant. Overall market risk was managed within acceptable limits set by the Risk appetite framework.

## Key Risk Indicators

Total actual losses driven by market risk in 2020 were below 0.5% of the Bank's equity. FX position revaluation for 2020 was negative, around 0.3% of equity. As global interest rates had a declining trend during the year, the Bank had positive revaluations from interest rate gap repricing, since the interest rate risk position is short. Market risk in securities portfolio was acceptable and within the risk appetite limits due to short duration (below 4 years) and repricing portfolio size. Major part of portfolio consists of local Government bonds. Deposit outflows were not significant and didn't affected Bank's liquidity position, total deposit base (including domestic bonds) started to recover in Q4 2020, with annual growth of 5.2%.

## Risk Mitigation

- Risk appetite and possible losses were managed via internal parameters and limits, regular special stress-testing, monitoring of trends and scenario forecasts.
- Open currency and liquidity positions and deposit base changes were under special monitoring regime on daily basis.
- Interest rate risk was managed within the limits of open exposures and stressed losses. Rate movements and expectations were regularly (at least monthly) estimated and monitored.

# Operational Risk

## Risks and Uncertainties

The tendency of digitalization and analytical transformation introduce new cyber risks, data risks and risks from new digital applications. Cybercrimes and card frauds in global banking world have been increasing, leading to financial losses, loss of functionality and risks of business continuity. As people get more involved in trading and banking via internet, mobile banking and other digital tools the amount of card frauds increases globally. In addition, taking into account new digital projects the banks faces such risks as third party risks, IT risks, regulatory and compliance risks. Commercial banks will face the following issues during pandemic which will have its impact on cost capturing:

## Risk management

1. Higher insurance costs.
2. Cyber-attack and cybercrime will increase, leading to increased likelihood of higher fraud costs.
3. Staff working with shifts, which could decrease productivity.
4. Higher telecom costs with more staff working from home.
5. Customers shifting to digital and significantly lower need for brick-and-mortar branches.
6. Digital transformation and automation leading to increased costs of re-engineering operations and processes, and causing also new risks to arise.
7. Increased administrative costs.

These risks are being addressed on an ongoing basis, including updating risk assessments and risk management measures.

## Key Risk Indicators

Operational risk was low due to well-regulated and controlled processes. Total amount of operational losses in 2020 did not exceed 0.003% of capital. 52% of losses occurred in execution delivery & process management in Retail Banking Department. The number of remote banking clients as well as cardholders of Ameriabank increases significantly year by year. Notwithstanding this, operational losses were at an acceptable level and probable increase is expected to be within low risk zone. All systems of the Bank are expected to operate in low or medium risk conditions.

## Risk Mitigation Actions in 2020

- Taking into account the strong tendency of cybercrime and card fraud growth worldwide the fraudulent card misuse insurance policy and cyber liability insurance policy have been implemented in the Bank. Terms of several of the Bank's insurance policies have been improved.
- New tools for operational risk management were developed and automated, different databases have been integrated with the operational risk management database.
- Operational risk stress scenarios and appropriate methodologies have been implemented.
- Recovery Plan has been implemented for restoring financial conditions, IT infrastructure of the Bank in case of possible adverse stress scenarios.

# Liquidity Risk

## Risks and Uncertainties

Liquidity level in the Armenian banking sector slightly decreased but was well above regulatory requirements. Two main factors affected Liquidity positions: positive impact was due to decreased credit demand amid dropped business activity due to pandemic lockdown and military conflict and negative impact due to deposit outflows amid high uncertainty.

## Key Risk Indicators

All liquidity ratios met the regulator's requirements even under the worst (extra low likelihood) stress scenarios. During 2020 liquidity risk was within risk appetite limits and it was mitigated within the general risk parameters framework, proactive estimation and management of liquidity risks.

## Risk Mitigation

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

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

# Environmental & Social Risk

## Risks and Uncertainties

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

## Key Risk Indicators

E&S risks of the Bank's loan portfolio are at an acceptable level. Over 80% of environmental and social risks are concentrated in low and medium risk categories. There were no "High A" risk borrowers in total loan portfolio. The Bank's E&S and lending policies and procedures are designed to reduce negative ES impact of financed projects by means of setting financing conditions, instructions and terms to be implemented, providing consultancy and involving E&S specialists.

Within the cooperation with investee/clients Ameriabank conducts its business taking into account Environmental and Social Risks based on the IFI standards and International best practices. The E&S team is responsible for identifying eligible assets, confirming alignment with internal policies, applicable laws, and eligibility criteria. Upon selection, eligible assets will be included in the Eligible Green Asset Portfolio.

## Risk Mitigation Actions in 2020

E&S risks were managed in accordance with the lending procedures of the Bank, by applying the E&S risks management system effective at each particular time. This system is developed based on international best practice (IFC, EBRD, ADB, and FMO Performance Standards/Performance Requirements, EDFI harmonized E&S approach). Each project financed by Ameriabank was subject to E&S assessment, and included legal documentation review, risk identification and mitigation, monitoring and reporting. Findings of assessment and all identified inconsistencies were documented and included in contracts with borrowers as necessary E&S conditions of financing. E&S risk monitoring of high-risk clients was conducted, including sector monitoring. E&S scoring system also was applied in the E&S risk assessment processing. During 2020 a number of E&S trainings was organized for the Bank's corporate lending staff.



## Climate Change Strategy

The vision of Ameriabank climate change strategy in 2020 was to take enhanced actions towards the low GHG emissions and climate resilience developments in Armenia. Due to the global warming and rapidly growing levels of greenhouse gas (GHG) emissions, increasing environmental degradation, risks and impact from climate change and disasters, Ameriabank implements its business in a responsible, sustainable and environmentally friendly way supporting ambitious climate objectives articulated in nationally determined contributions and other climate plans, accelerating low GHG emissions developments, promoting climate change adaptation support in developing approaches to strengthening climate resilience across built infrastructure and ecosystems, and at the community level.

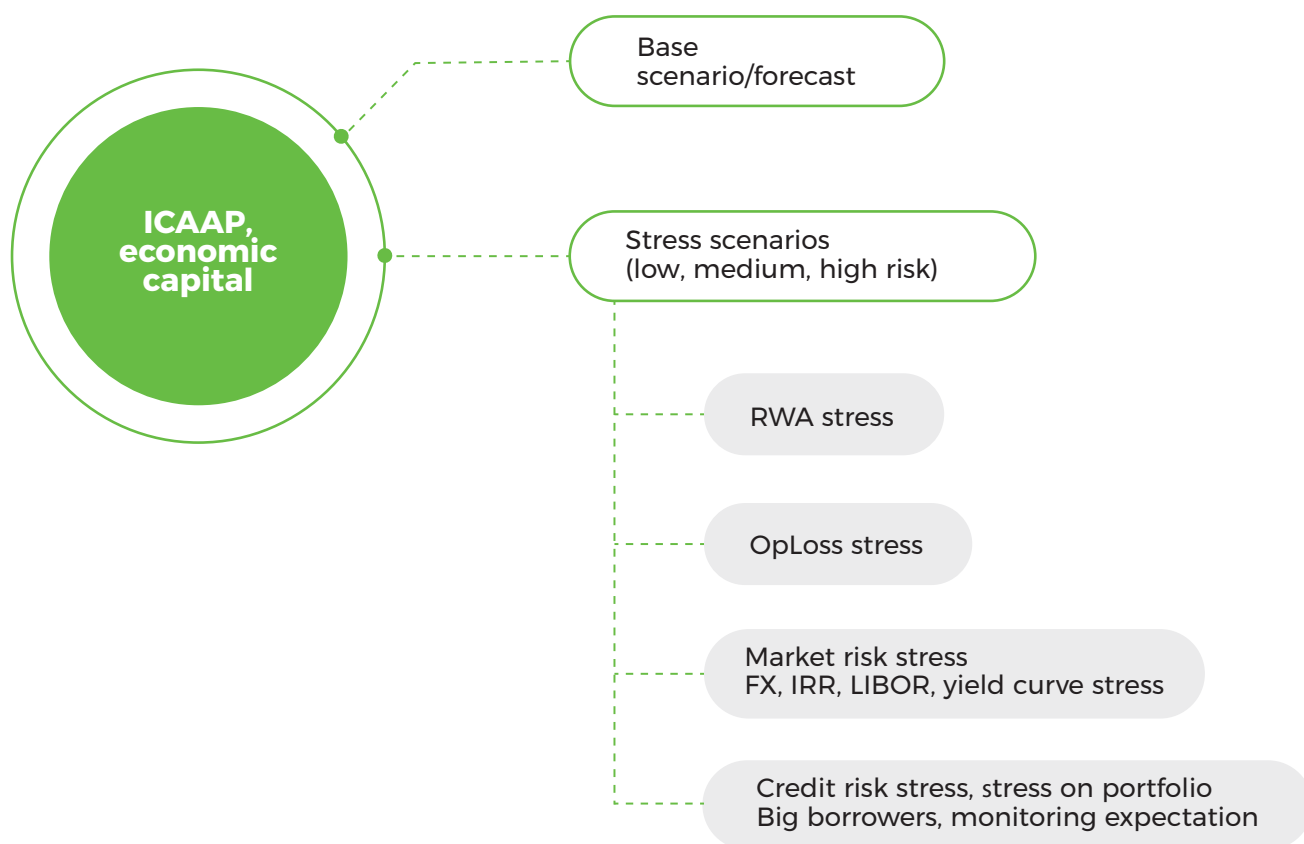
Enhancement of environmental sustainability is critical to achieving its Strategy 2025 vision of a prosperous and sustainable Country. Ameriabank seeks to reduce its environmental footprint addressing climate change, disaster risks, and environmental degradation, supporting lowering of GHG emission ensuring a comprehensive approach to build climate and disaster resilience and ensuring environmental sustainability.

## Internal Capital Adequacy Assessment Process (ICAAP)

The Bank uses an ICAAP procedure to assess capital needs to support undertaken risks and determine forward-looking target capital level adequate to risk exposure and environment changes. In order to assess the impact of losses on capital, simultaneous stress-tests are conducted, e.g. simultaneous occurrence of all major risks is considered under four different scenarios. The Bank assesses the size of capital and its adequacy ratio over 12-month time horizon, calculates the minimum required capital attributable to undertaken risks, as well as the capital benchmark and risk-weighted assets (RWA). The types of risks in case of occurrence of which the Bank may incur losses are: credit risk (portfolio quality risk, concentration risk), market risk (floating rate, yield curve, fixed rate gap, FX and equity instruments price risk); operational losses, RWA growth and other possible risks. One baseline and three separate stress scenarios are used for possible future loss and capital assessment, covering the range of risky developments starting from low risk optimistic scenario up to crisis scenario. If the assessed expected value of CAR, under the most probable (adequate to macro expectations) scenario, does not meet the current minimum requirements specified by CBA regulations, the Bank undertakes actions to secure an acceptable value of CAR. This parameter is under special control by top-level management bodies of the Bank, as the Bank has adopted a growth strategy for upcoming 3 years.



## Stress-testing: capital ratio under cumulative scenario



**All amounts are in mn AMD**

	Dec-20	Jun-20	Dec-19
<b>Tier I</b>	109,740	96,202	93,709
<b>Tier II</b>	19,384	16,724	21,141
<b>Total Regulatory Capital</b>	129,124	112,926	115,150
<b>RWA</b>	951,663	840,754	781,287
<b>Total CAR (Baseline)</b>	13.57%	13.43%	14.74%
<b>CAR (expected stress scenario)</b>	12.94%	12.88%	13.94%

# Risk Management System Development

To ensure the efficiency of the Bank's risk management system in 2020 nearly all principles, processes and methodologies related to risk assessment and mitigation were reviewed. A number of new instruments and methods was implemented.

With regard to credit risk management in 2020 the Bank developed:

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

The Bank's management was regularly updated on loan portfolio quality, data concerning various industries, loan products, key risk indicators and other risk factors and their dynamics via monthly reports, making it possible to give specific tasks aimed at risk assessment and mitigation. Loans involving high risks were under ongoing control via ad-hoc inspections, which helped to cut their volume significantly by the end of the year. Application of risk identification, assessment and management mechanisms enabled the Bank to substantially minimize the credit risk in 2020.

With regard to financial risk management in 2020 the Bank:

- Enhanced the stress testing system to support the assessment of risk appetite allocations in line with strategic goals of Bank under changing macroeconomic environment.
- Started the model-based forecasting system development for future macroeconomic scenarios.
- Improved IRRBB management toolbox and reporting system.
- Developed special scenarios with appropriate indicators and actions system in order to forecast, assess and manage business recovery process under high risk outlier circumstances.
- Special mitigation actions, e.g. additional limitations, risk parameter tightening, extra reporting have been applied in order to handle possible risks amid turmoil in operational and economic environment.

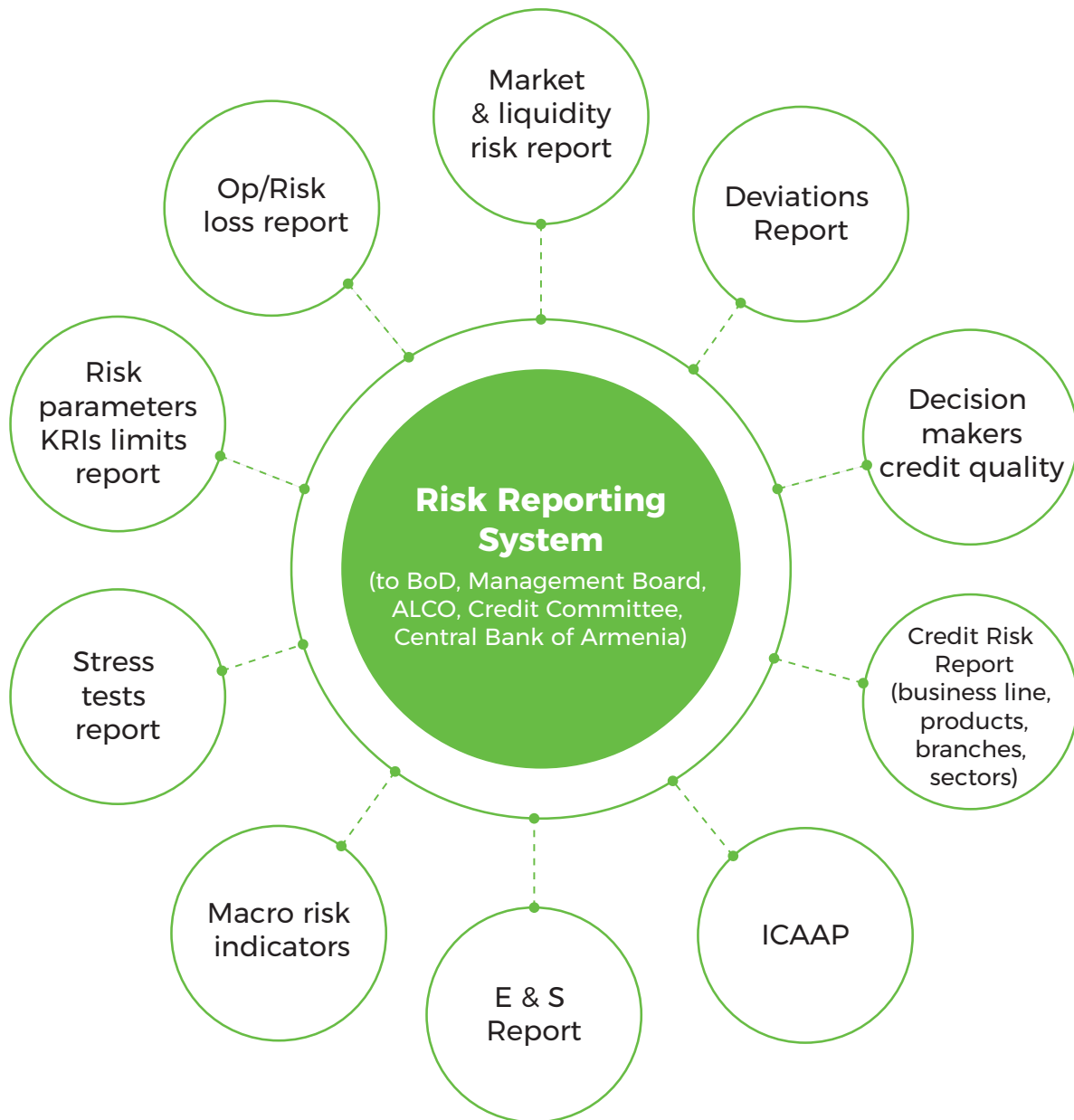
With regard to operational risk management in 2020 the following actions were taken:

- The Bank's Business Continuity Plan was activated during coronavirus pandemic and military situation ensuring proper implementation of all the services across the country.
- All roles, responsibilities and accountabilities regarding digital and analytical risk management were defined and risk managers were involved in digital projects from feasibility or requirements stage and during releases using several tools for identification, evaluation, analysis, mitigation, reporting and monitoring of risks.
- A number of internal processes and systems, as well as digital products of the Bank were assessed and reassessed in order to ensure proper management of operational risks.
- Risk prevention and/or mitigation actions were developed and implemented with respect to some designated high-risk activities.
- New functions in the automated operational risks/incidents and losses management

## Risk management

database were improved and centralized covering various risk taxonomies.

- Effective practices and tools were established ensuring proper accountability and operational risk management efficiency.







# Chapter Four

**Governance report**



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Chairman's Corporate Governance Statement  
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Members of the Board of Directors  
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Our People

# Governance report

# Chairman's corporate governance statement

## Dear Investors,

On behalf of the Board of Directors of Ameriabank, I am honored to introduce the Bank's Corporate Governance Report for the financial year ended 31 December 2020.

Over the past 12 months the world and the region were struck by many adverse developments and events, with COVID-19 outbreak being a major challenge that shaped the "new normal."

"2020: the year the future was cancelled" – a well-defined statement by the Economist, implying that whether we like it or not, we will have to adapt to the new realities and trends; some of them will persist or have a long-lasting effect, while others shall be shed to oblivion. Amid uncertainty and constantly changing environment, the Board invested considerable time and efforts to revisit the business plan, refocus on the right targets and guide the Management in the utterly challenging situation. More than ever our corporate values and objectives along with good corporate governance practices played huge part in the process. We aimed at maintaining corporate integrity, making well-informed, balanced and responsible decisions, as well as preserving growth pace and investors' trust during these turbulent times.

As William Arthur Ward once said, "The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails". With this in mind, we have rolled up our sleeves to face and get adapted to all the challenges and changes opening up during 2020 and years ahead. Not only did we quickly gear our digital capacity towards newly forming behavioral patterns and market trends, but we also changed the way we work and interact internally. With all of our Board meetings and discussions now being conducted via online platforms, and well-established automated online systems for Board communication and decision making in place, we were able to go through this transition very smoothly.

Staying faithful to our pursuit of adhering to international best practice we have successfully implemented the Board Transformation project. We introduced a new Board concept and a composition almost fully consisting of independent non-executive directors (NEDs). 3 independent new NEDs with diverse skills, relevant background and profound expertise have been engaged, with their independence been thoroughly assessed and confirmed by a third-party corporate governance advisory company. As a result, the number of independent Board members of Ameriabank increased from 2 to 5, out of 7 members. Newly appointed NEDs undertook specific roles and areas of responsibilities in accordance with the previously identified matrix of skills.

Another milestone in our Board transformation project was to enhance governance practices with clear focus on further improvements in Board approval/voting procedures, well-structured information flow and communication between the Board and the key executive managers of the Bank.

Continuing our efforts towards further engagement of the Board committees, we have modified our corporate governance processes in a manner to promote prior exhaustive Committee review for almost any item subject to Board discussion, thus equipping the Board with professional and well-grounded recommendations and giving it the opportunity to reallocate more time for strategically important issues. It is noteworthy that the 4th committee - Risk Committee - was formed in addition to the already functioning Remuneration, Nomination and Audit Committees.

In conclusion, I would like to state that we will be dedicated to our pursuit of setting new benchmarks towards enhancement of our corporate governance practices as we further streamline Board decision making processes and ensure more engagement.

**Andrew Mkrtchyan**

Chairman of the Board of Directors



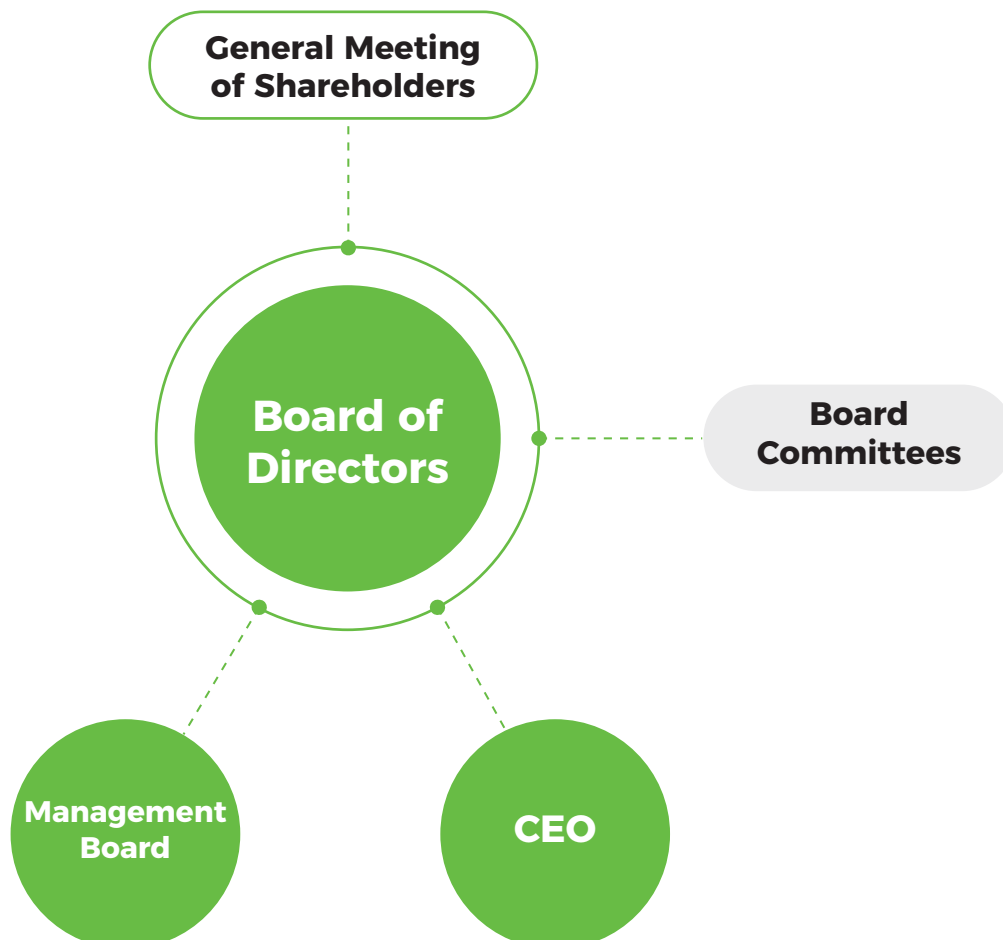
# Corporate governance structure

Ameriabank is continuously improving its corporate governance in line with international best practice and applicable legislative requirements and regulations.

Corporate Governance at Ameriabank is essentially aimed at balancing the interests of the Bank's shareholders, Board of Directors, senior management and other stakeholders, providing the framework for corporate decision-making, as well as introducing a corporate governance system that promotes an environment of trust, transparency and accountability necessary for fostering long-term investments, financial stability and stronger growth.

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

## Corporate Governance Structure





# Board of directors

The **Board of Directors** is responsible for ensuring long-term success and maximum investment value of the Bank, as well as to balance the interests of the Bank's stakeholders.

One of the main objectives of the Board is to create and maintain an effective internal control system and proper control of risks, as well as to determine acceptable risk appetite and main directions for the Bank's further development.

In 2020, the Board held 21 meetings, 17 of which were held via special Board portal in the form of voting and portal discussions. There were 4 in-person meetings, conducted via Zoom meetings platform due to the pandemic, to discuss the bank's strategy and business plan, quarterly performance and financial results. In addition to the regular reports (macroeconomic reviews, reports on Risk Management, Internal Audit and Compliance, Human Resources, Investor Relations, etc), in 2020 the board received and reviewed also monthly regular reports on COVID-19 situation and impact.

Apart from the formal Board meetings with strictly followed agenda and timeline, the Board of Directors, Board Committees, as well as individual Board members held meetings and discussions with the executive management and other key responsables of the Bank on specific issues. During the turbulent 2020 this kind of informal meeting were more frequent than ever.

We continue to believe that timely and full access to information and management processes is instrumental in the effectiveness of the Board. The Chairman plays a particularly important role by ensuring that all Board Members are well-informed, have the opportunity to express their opinion on all matters, and promoting effective communication between the shareholders and the Board, as well as the Board and the management. Our online Board meeting platform has enhanced the Board interaction too since its deployment. We use the platform to organize Board-related activities and circulate all Board-related data, arrange voting, interaction with the Board Members, including sharing of reports, documents and information and finalizing meeting minutes.

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

The members of the Board of Directors are appointed by the General Meeting of Shareholders. Those shareholders who own up to 10 and more percent of the placed shares of the Bank may be appointed or represented on the Board without election, subject to the procedure and terms defined by the Armenian laws and the Charter of the Bank.

The term in office of Board Members is determined by the General Meeting of Shareholders but is limited to a period from 5 to 10 years. The Chairman and Members of the Board can be reelected.

The size and composition of the Board, qualifications of its Members, their skills and expertise have a significant impact on its effectiveness. The Board regularly reviews these matters, both in terms of what is needed now and what might be needed to be successful in future. In 2020 as part of the Board Transformation project the Board composition was renewed via engaging three independent NEDs with pre-determined scope of expertise and skills, with their independence thoroughly assessed and confirmed by a third-party corporate governance advisory company.

## Governance report

The newly appointed NEDs- Kakhaber (Kaha) Kiknavelidze, Richard Ogdon and Tigran Davtyan, are prominent, highly respected and experienced professionals, with profound knowledge and expertise in commercial and investment banking, corporate governance and leadership.

Mr. Kiknavelidze has more than 25 years of global experience in commercial and investment banking, has been a long time NED and later CEO of the Bank of Georgia Group, the leading financial institution in Georgia. Held executive and top managerial positions at UBS, Rioni Capital and other FIs.

Mr. Ogdon has more than 30 years of global experience in the financial sector, with senior positions in investment banks, asset management and advisory companies (UBS Warburg, Uralsib and other FIs), serves as the CEO of TRDATA software company.

Mr. Davtyan has about 30 years of experience in the financial markets, with senior executive positions in number of commercial banks, of which more than 8 years as CEO. Held senior positions at the Central Bank of Armenia and Eurasian Economic Commission.

Aimed at strengthening the engagement of the Board committees, another milestone under the Board transformation project was implemented by forming the Risk Committee in addition to already functioning Remuneration, Corporate Governance and Nomination, and Audit Committees.

As of December 31, 2020, the Board comprised a Chairman-Authorized Member and six non-executive directors, with five of them being independent non-executive Directors.

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

# Board committees

According to the Bank's internal regulations, almost any significant issue that is subject to the Board approval/review should be first discussed and examined on the Committees' level.

Such pre-work done with direct participation of respective executives and the final recommendation formed by the Committee enables the Board to make informed and effective decisions and save time for more strategic high-level issues.

Activity of the Committees does not affect or reduce the authority or responsibility of the Board of Directors.

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

Committees	Audit Committee	Corporate Governance & Nomination Committee	Remuneration Committee	Risk Committee
<b>Lindsay Forbes</b>	Head			Member
<b>Robert von Rekowsky</b>		Member	Head	
<b>Richard Ogdon</b>	Member			Head
<b>Kakhaber (Kaha) Kiknavelidze</b>		Head	Member	
<b>Tigran Davtyan</b>	Member			Member
<b>Philip Lynch</b>		Member	Member	
<b>Andrew Mkrtchyan</b>				

## Audit Committee

The main purpose of the Committee is to ensure that the interests of shareholders are properly protected by overseeing and increasing the efficiency of financial reporting, external audit, risk management and internal compliance functions at the Bank.

In 2020, the Audit Committee held 5 meetings during which the Committee hosted the external auditors of the Bank, discussed quarterly IFRS reporting, quarterly Internal Audit reports and other issues related to the internal control systems of the Bank.

## Risk Committee

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

As a newly formed committee within the Board transformation project, in 2020, the Risk Committee managed to hold 1 meeting reviewing quarterly risk reports and addressing other risk-related issues.

## Remuneration Committee

The primary purpose of the Committee is to assist the Board in developing and maintaining an effective remuneration system in the Bank, including improvement and control of remuneration policy, effective enforcement of applicable remuneration practices to attract and retain the best-qualified directors and eliminate any possibility of abuse.

In 2020, the Remuneration Committee held 2 meetings. As a common practice, the Committee held meetings after semi-annual and annual evaluations and made recommendations to the Board on reward pools, executive remuneration, as well as reviewed the overall performance evaluation system.

## Corporate Governance and Nomination Committee

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

In 2020, the Committee held 3 meetings. The Committee reviewed and assessed the composition of the Board and the committees and made recommendations to the Board. The Committee also discussed succession management, Board members' indemnity and their contract terms.

# Members of the Board of directors



## **Andrew Mkrtchyan**

Chairman of the Board of Directors

Mr. Mkrtchyan was appointed Chairman of the Board of Directors in November 2013. He served as Board Member from 2007 to 2013 before being elected Chairman.

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

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



## **Robert von Rekowsky**

Independent non-executive Director

Robert von Rekowsky was appointed Board Member in October 2012.

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

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

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



## Lindsay M. Forbes

Non-executive Director

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

Mr. Forbes has over 35 years of experience in commercial and investment banking, including more than 20 years with the European Bank for Reconstruction and Development (EBRD).

Joining EBRD in 1994, he worked as a Senior Banker/Country Director undertaking debt and equity transactions in Central and Eastern European countries. In 2000, he became director for Corporate Equity, focusing entirely on equity transactions in multiple countries, including Armenia. From 2012 till 2016 he was director for Industry, Commerce and Agribusiness in Russia, responsible for new business origination, portfolio management, client relationships and team management of EBRD's industrial activities in Russia. He has represented EBRD on the Boards and Audit Committees of numerous listed and unlisted corporates and banks in a variety of countries, including Croatia, Poland, Romania, Kazakhstan, Russia and Egypt.

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

He qualified as a Solicitor with Norton Rose in 1978 and worked in Shipping Finance until 1980.

He has Degree in Jurisprudence from Oxford University (1975) and an MBA from INSEAD (1981).





## **Philip Lynch**

Independent non-executive Director

Philip Lynch was appointed Board Member in October 2018.

Mr. Lynch has over 30 years of experience in finance, including more than 20 years with Lehman Brothers. Starting his career as an analyst, he later moved to senior operating positions at Lehman Brothers – Co-head of Asia Pacific Investment Banking

(1999-2002), Head of European Financing (2003-2006) and Co-head of European Equities (2007-2008).

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

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

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



## **Richard Ogdon**

Independent non-executive Director

Richard Ogdon was appointed Board member in July 2020.

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

Since its establishment in 2011 Mr. Ogdon has worked for the Russian Direct Investment Fund and currently supports the fund in the day-to-day governance of its international co-investment partnerships with leading sovereign wealth funds.

Mr. Ogdon is also CEO of a UK fintech company TrData which provides web based OTC market data for CIS currencies and bonds as well as front office FX trading software solutions.

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

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

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

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

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

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



## **Tigran Davtyan**

Independent non-executive Director

Tigran Davtyan was appointed Board member in July 2020.

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

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

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

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

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

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

Mr. Davtyan has been a member of the Coordinating Council of the Financial and Banking Association of Euro-Asian Cooperation since 2016.

From 2016 Tigran Davtyan is also a Member of the Board of Trustees of Insurance Foundation of Servicemen.

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



## Kakhaber (Kaha) Kiknavelidze

Independent non-executive Director

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

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

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

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

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

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

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

# Management board and CEO

The CEO and the Management Board consisting of the CEO, Deputy CEO and 5 other members are performing functions of the executive body, who are responsible for day-to-day business management of the Bank, except for the functions reserved to the competence of other bodies under the Charter and internal regulations. The CEO is appointed by the Board of Directors, while other members of the Management Board are appointed by the Board of Directors upon nomination of the CEO.



## **Artak Hanesyan**

Chairman of the Management Board – CEO

Artak Hanesyan was appointed General Director of Ameriabank in October 2007. In April 2008, he was appointed Chairman of the Management Board – CEO of Ameriabank.

Mr. Hanesyan has extensive experience as a C-suite executive in the modern banking sector of Armenia. With more than 20 years of experience in banking, Mr. Hanesyan held several key positions at Converse Bank, serving as CEO (2006-2007), Deputy CEO, coordinating Lending, Trading and Correspondent Relations Departments (1998-2006). Early in his career, he also worked at the CBA as Head of the First Division of Supervision Department, Senior Specialist, Specialist at Supervision, Regulation and Licensing Department (1995-1998), as well as headed the Basel Committee secretariat for Armenia. He started his career as a loan officer at Arminvestbank (1993-1994).

Mr. Hanesyan received a Master's Degree in Economics from Yerevan State University, Department of International Economic Relations.



## Gevorg Tarumyan

Member of the Management Board, Deputy CEO, CFO

Gevorg Tarumyan was appointed member of the Management Board of Ameriabank in August 2012.

Mr. Tarumyan has around 20 years of experience serving as CFO both in local banks and global banks represented in the banking system of Armenia, thus bringing the breadth and depth of his truly dedicated expertise to the Management Board of Ameriabank. He started his career in the banking sector in 1994 in the Supervision Service of the CBA, where he occupied various executive positions and coordinated the activities of the Regional Group of Basel Committee on Banking Supervision of Central Asian and South Caucasus banks in Armenia. In 1999, Mr. Tarumyan moved to Armimpexbank as CFO, where he was appointed Deputy General Director in 2006. He worked as Deputy Chairman of the Management Board-General Director and Financial Department Director at VTB Bank Armenia (2007-2008) and CFO at HSBC Bank Armenia, where he was appointed Deputy CEO in March 2012. Mr. Tarumyan joined Ameriabank in June 2012, as Deputy CEO and CFO.

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

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



## **Gagik Sahakyan**

Member of the Management Board, Corporate and Investment Banking Director

Gagik Sahakyan was appointed member of the Management Board of Ameriabank in February 2012.

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

In 1995, Mr. Sahakyan graduated from Yerevan State University, with a major in Mathematics. He received MBA degree from the American University of Armenia, College of Business and Management (1995-1997). In 2004, he attended the executive program at Kennedy School of Government, Harvard University. In 2018 he attended Harvard Business School's Executive Education program.





## Arman Barseghyan

Member of the Management Board, Retail Banking Director

Arman Barseghyan was appointed member of the Management Board of Ameriabank in September 2012.

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

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

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



## **Gohar Khachatryan**

Member of the Management Board, Chief Accountant

Gohar Khachatryan was acting member of the Management Board from March 2008 until June 2008. She was appointed member of the Management Board of Ameriabank in June 2008.

Ms. Khachatryan has around 30 years of experience holding key positions both in the regulatory body of the banking system and in private banks.

Ms. Khachatryan built sterling career path in the CBA in the positions of Accountant (1991-1992), Economist (1992-1994), Chief Economist (1994) and Leading Specialist (1994-2000).

Afterwards Ms. Khachatryan joined Armimpexbank (currently Ameriabank) as Head of Balance Sheets and Reports Analyses Division, Financial Department (2000); Head of Financial Statements and Expenditures Control Department (2000-2001); Head of Administrative Accounting Division, Department of Finance (2001-2003), Chief Administrative Accountant (2003-2006); Chief Accountant/Admin Accounting Manager (2006-2008). After the acquisition of Armimpexbank by Ameria Group, Ms. Khachatryan was promoted to Acting Member of the Management Board/Chief Accountant and Member of the Management Board/Chief Accountant (2008). Ms. Khachatryan has combined her bank career with lecturing activities, and is a co-author of accounting-related publications.

Ms. Khachatryan graduated from Yerevan Institute of National Economy with a major in Economics.



## Andranik Barseghyan

Member of the Management Board, Risk  
Management Director

Andranik Barseghyan was appointed member of the Management Board of Ameriabank in December 2009.

Mr. Barseghyan has a distinguished career in banking, economics and risk management. Mr. Barseghyan started his career in banking technologies in the Department of Bank Technologies Automation at Armagrobank in 1995. Moving up the career ladder from an entry level to senior and leading specialist in the Automation Department, he was promoted to Chief Economist, later Head of the Liquidity and Resources Management Unit, then Head of Bank Risks Regulation Division, and finally Head of the Automation Division (1995-2002). In 2003, Mr. Barseghyan became Head of the Reporting & Analysis Division at Converse Bank. Later he was appointed Head of the Department of Risk Management and member of the Management Board of Converse Bank. Mr. Barseghyan joined Ameriabank's team in 2009 as Risk Management Director and member of the Management Board.

Mr. Barseghyan has authored a number of research papers and publications locally and internationally, some of which focus on bank management. He is a member of EURO working group on financial modeling (Erasmus University, Rotterdam).

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



## **Armine Ghazaryan**

Member of the Management Board, Chief People and Services Officer

Armine Ghazaryan was appointed member of the Management Board of Ameriabank in October 2019.

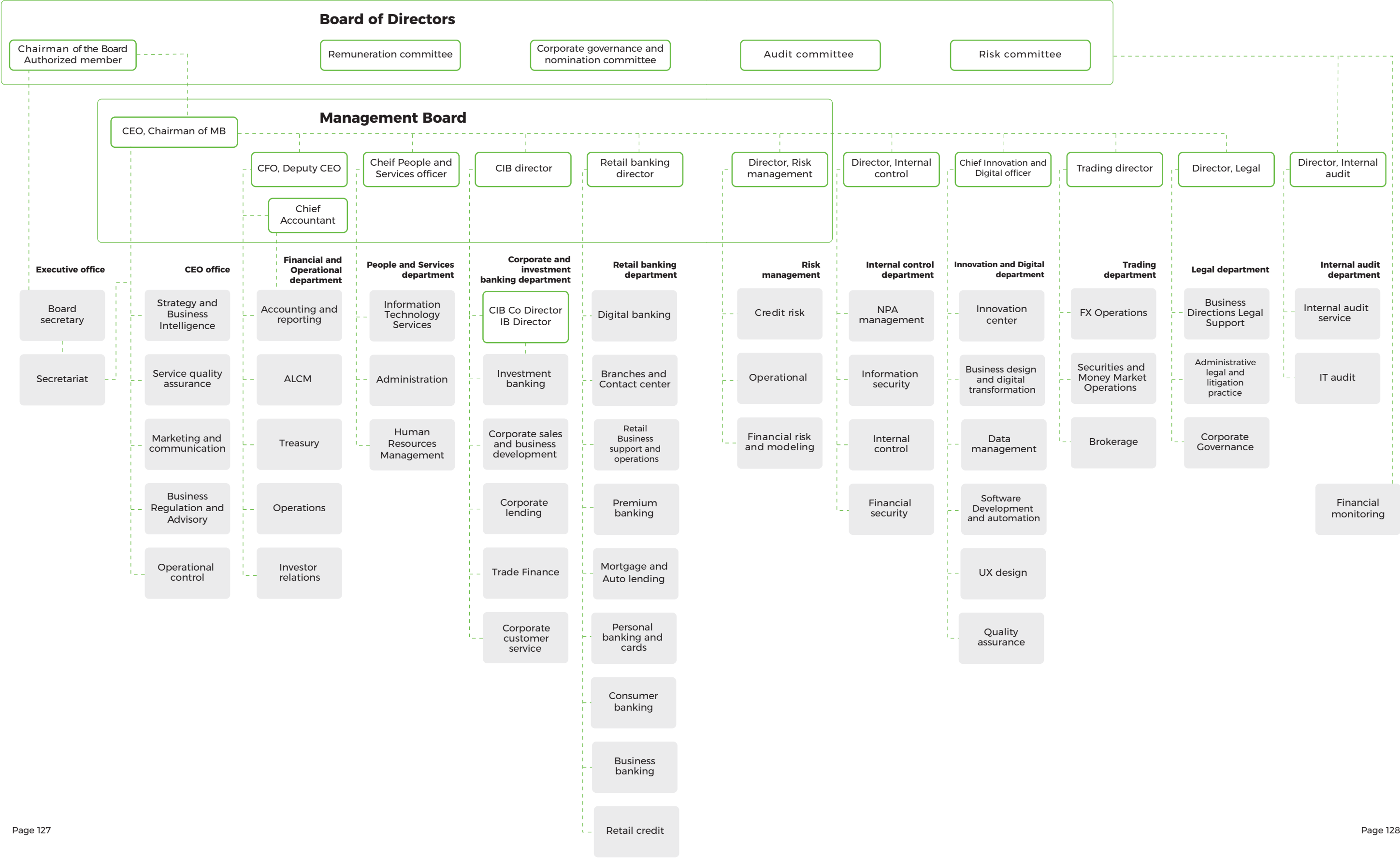
She began her professional career in 2001, as Credit Department Assistant at Converse Bank CJSC. In 2004-2008, Ms. Ghazaryan continued her professional development in HR management as the Head of Personnel Management Division at the same bank. In October 2008, she was appointed Head of Human Resources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

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

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

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

# Organizational chart



# Our people

## Overview

Considered as one of the best employers in Armenia, Ameriabank is aimed to ensure high human centricity, efficiency and change delivery. The key ingredients of our success are our Dream Team, motivated and engaged people, strong and value-driven culture. We strive for continuous development, knowledge sharing and supporting each other in continuous growth. We create environment which inspires people to be at their best. We believe that high engagement, motivation and continuous development create high performing team and leads to higher client and shareholders satisfaction. Everything we do is aimed to improve quality of life around us within the ecosystem we operate.

We remain committed to diversity in workforce, diversity of minds, where the good mix of people with different background and experience is treated equally regardless of gender, marital status, age, religious and political beliefs and disability.

Staying committed to our principles of human centricity despite of the challenges created by COVID-19 pandemic Ameriabank undertook series of measures and actions to ensure safety, security and wellbeing of its people: customers and employees.

## Talent acquisition

Striving to attract the best talent, we strongly support and engage enthusiastic, motivated, driven, ambitious and innovative people who want to join our Dream Team. Being ready to invest in the professional development of the selected candidates, we widely practice mentoring approach to ensure smooth onboarding and integration both for beginners and experienced professionals. We believe that in this way we create a more dynamic team which leads to better performance.

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

This year was challenging in terms of talent acquisition, due to COVID-19 outbreak. Corporate hiring processes were revisited and practices were

amended to ensure business continuity and implementation of all hiring plans despite restrictions and limitations. All talent acquisition processes were shifted to digital channels and starting from April we fully shifted to distance interviewing and hiring. The transformation turned to be quite effective for both the company and the candidates, being adapted to the candidates' needs and convenience.

We faced another challenge in 2020 due to military conflict in neighboring Artsakh Republic. We took proactive actions to mitigate risks in case of possible further escalation and re-profiled employees by training them for the positions which are critically important for business continuity. This gave us additional comfort due to reserve staff for the positions which were being replenished mainly by male employees.

Adhering to our Company's recruitment commitment to enroll and coach entry-level specialists we continued hosting interns and launched the "Generation A12" program. All hiring processes were being conducted remotely.

The program proved to be very successful in identifying the most talented candidates, in the process of which the 30 finalists from overall 1,109 applicants are part of our team today. This program is a perfect opportunity for 20-27 year-old graduates to gain theoretical and practical knowledge in finance and banking through interaction with smart professionals right on the site. Gaining valuable knowledge and experience from them helps pave the way to start a career life with Ameriabank.

Highly valuing the presence of diaspora workforce, we actively cooperate with various foundations to create internship and job opportunities for young talents encouraging them to return to Armenia after completing their education. The economic growth is another factor to target diaspora candidates who will invest their knowledge and experience gained in international markets in the development of Armenia. Overall, 45 talented young people took courses and did distance internship in Ameriabank in 2020, improving their skills and knowledge.

Talent acquisition process in Ameriabank includes internal promotions and external recruitment in parallel, giving current staff the opportunity to step up the career ladder and/or change their specialization. In 2020, about 16% of staff members were promoted. Overall, 138 new team members joined Ameriabank in 2020 to make the total number of employees 1,109.

We pay special attention and fair consideration to candidates who have disabilities. No applicant is discriminated because of their disability. Moreover, we work towards improving our workplace as well, to create equal opportunities for all people in the team.



# Performance & talent management

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

To provide comprehensive strategy of retaining and developing our employees, there are several processes interlinked with performance management system, such as talent management and succession management. Talent management helps to identify our high-performing employees, create targeted development programs, motivate and retain them. Succession management aims at identifying and developing internal talents to fill critical roles in Ameriabank to ensure business continuity and growth.

Aspiring to run a business that promotes high ethical values, respect for human rights and gives importance to our employees' voice, Ameriabank implements grievance and whistleblowing processes, measures employee engagement and based on them develops targeted action plans. Company also sets code of conduct, runs daily internal communication, arranges corporate events, wellbeing and CSR programs encouraging the employees to act with responsibility and integrity not only towards our customers and partners, but also towards each other. Ameriabank applies the rule of transparency to all its HR processes, including performance evaluation, employee retention, career growth and various promotions.

# Learning & development

Staying committed to our vision of improving the quality of life, we aim to support our staff to grow in-line with our company's vision and business strategy.

We continuously invest in our employees' professional development expressed by effective synergy of self-development and professional training. We assist our employees in this, from guidance to financing various courses and certifications. Among the essential components of our development program are executive trainings for top and mid managers conducted by world-class practitioners, professors, including founders of leading business schools with years of expertise.

Apart from local educational programs, Ameriabank also cooperates with various international institutions to allow more flexibility for employees to be actively involved in distance learning programs, especially in these times of Covid-19, and gain international certifications provided by internationally acclaimed institutions such as Harvard Business School, Stanford Graduate School of Business, Chartered Management Institution, CFA Institute, ACCA, PMP and others.

2020 was challenging for training and development industry due to the Pandemic,

but it also opened new development horizons and opportunities towards our commitment to digitalization. Global trends like transformation in delivery channels and shift in consumer behavior to online tools were quickly adapted by the organization - quickly shifting to online learning channels, increasing focus on internal trainings, thus improving knowledge on the Bank's products and processes, improving service quality, and fostering internal trainers resources.

Despite the market lockdown and limitations throughout the year, Ameriabank continued investing in various staff development activities staying committed to its principles and valuing the importance of continuous development of its employees. Overall, more than 160 trainings were organized during 2020. Other key 2020 learning and development metrics are presented below:

- A total of 3,723 participations in various trainings and development activities.
- A total of 14,152 hours of various training and development activities.
- On average, each staff member attended 3.3 trainings.
- On average, each staff member attended 12.4 hours of training.
- On average, each participant attended 3.8 hours of training.

The management team completed another series of executive leadership and mid-management development trainings to cultivate great leadership and management skills.

The coming year will be full of interesting initiatives in terms of learning and development. The tools and approaches practiced during the previous year will lead us to new achievements in 2021 with a variety of perspectives towards improvement of the learning culture and experience throughout the company.

## Employee benefits

Offering attractive employment conditions with a good benefits package ensures high level of employee motivation and engagement making us employer-of-choice in the local financial market. The stronger the incentive, the longer and deeper the commitment and dedication to the team and organization's mission, values and goals.

To ensure employees' happiness and motivation at work, we value the maintenance and expansion of a robust incentive system, which includes special discounts in various restaurants, shops and cultural events, special offers from sport clubs contributing healthy life-style, employees have health, travel and accident insurance, also family members can have health and travel insurance, paid annual sick leaves, paid maternity and paternity leaves, 40-hour paid leave on personal purposes per year, financial gift for marriage and childbirth. In addition, we offer special banking terms to our employees enabling them to use our services at very small and, very often at no financial cost.

Being engaged in various social activities in the country we frequently take part in different championships, competitions and sport events held among financial institutions such as chess tournament, football, bowling and volleyball sports events, intellectual game "What? Where? When?" and others. The Bank supports employee wellbeing activities. This includes various internal activities as well, such as team building, sports & yoga, employee CSR project, etc. Though we have

been facing strict social distancing rules in 2020 to ensure safety and health of the staff amid Covid-19, we are hopeful and enthusiastic about bringing all the activities back into our daily routine during 2021.

## Priorities for 2021

2021 is expected to be a year of excellent customer service, agile transformation, effective talent acquisition and leadership development. We will continue to invest in our employees valuing their continuous development, satisfaction and wellbeing. 2020 was a year full of challenges teaching us to not only react quickly to the fast-changing environment but fostering innovative mindset among our employees. We will carry on with our agile transformation stimulating creativity and innovation and ensuring that we are all focused on achieving a shared goal.

# People at a glance

Staff number **1109**

Total number of employees (as of YE 2020)

**female**

**66%**

730



**male**

**34%**

379

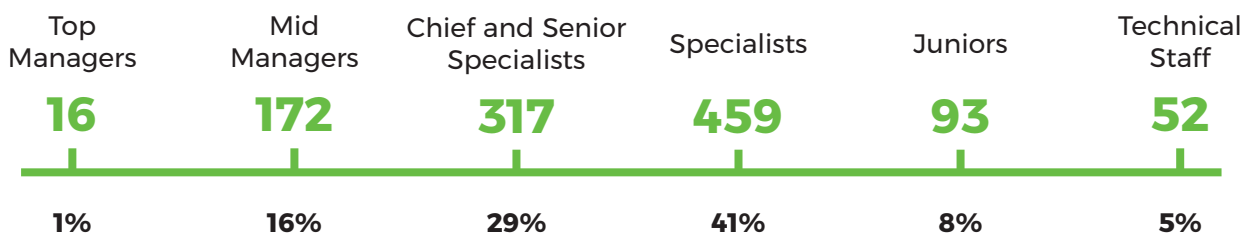
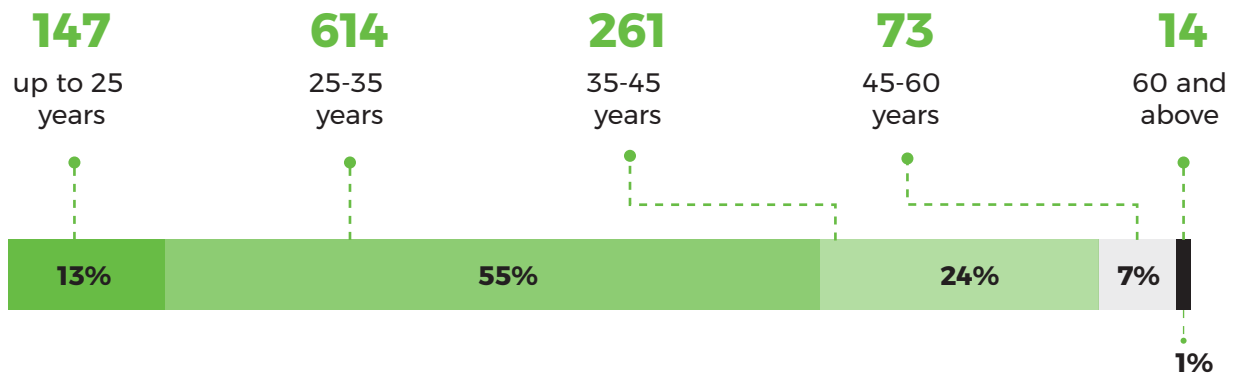


**Business staff**

**58%** (638)

**Support staff**

**42%** (471)



# ■ Chapter Five

## Responsibility statement

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Responsibility Statement

# Res pon sibility state ment



**STATEMENT OF THE RESPONSIBLE PERSONS OF THE REPORTING ISSUER**


Hereby we state, that to the best of our knowledge

1. The information in the 2020 Annual Report of “Ameriabank” CJSC (hereinafter “the Issuer”) is accurate and complete and in all material aspects complies with the requirements of the Republic of Armenia Law on Securities Market and the Central Bank of Armenia Regulation 4/04.
2. The presented annual audited financial statements for 2020 are composed in accordance with the International Financial Reporting Standards and, in all material aspects, completely and accurately reflect the Issuer’s assets and liabilities, financial position, profit and loss as of December 31, 2020 as well as Issuer’s financial performance and cash flows for the reporting period.

<b>Artak Hanesyan</b> (name, surname)	<b>Chairman of the Management Board-CEO</b> (position)	 (signature)
<b>Gevorg Tarumyan</b> (name, surname)	<i>Deputy CEO, CFO</i> (position)	 (signature)
<b>Gohar Khachatryan</b> (name, surname)	<i>Chief Accountant</i> (position)	 (signature)
<b>Gagik Sahakyan</b> (name, surname)	<i>Corporate and Investment Banking Director</i> (position)	 (signature)
<b>Arman Barseghyan</b> (name, surname)	<i>Retail Banking Director</i> (position)	 (signature)
<b>Armine Ghazaryan</b> (name, surname)	<i>Chief People and Services Officer</i> (position)	 (signature)
<b>Andranik Barseghyan</b> (name, surname)	<i>Risk Management Director</i> (position)	 (signature)







# ■ Chapter Six

## Financial statements

# Financial statements

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Independent Auditors' Report  
Statement of Profit or Loss and Other  
Comprehensive Income  
Statement of Financial Position  
Statement of Cash Flows  
Statement of Changes in Equity  
Notes to financial statements





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# Independent Auditors' Report

## To the Board of Directors of Ameriabank CJSC

### Opinion

We have audited the financial statements of Ameriabank CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

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

### Key Audit Matters

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

## Expected credit losses for loans to corporate and retail customers

Please refer to the Note 20 in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans and advances to customers represent 64% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below.</p> <p>The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> <li>– timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 <i>Financial Instruments</i> (hereinafter, "IFRS 9"));</li> <li>– assessment of probability of default (PD) and loss given default (LGD);</li> <li>– expected cash flows forecast, including from realization of collateral for loans to customers classified in Stage 3.</li> </ul> <p>Moreover, the Bank has a portfolio of loans and advances to customers, the terms of which have been modified as a result of implications of Covid-19, which creates additional complexity in identification of significant increase in credit risk.</p> <p>Finally, in September 2020 there was an escalation in armed conflict in Nagorno-Karabakh followed by cease-fire arrangement over disputed Nagorno-Karabakh territories. Substantial management judgement is involved in assessing whether these circumstances led to significant increase in credit risk and default events for the loans and advances to customers with assets and/or operations located in disputed territories and in the assessment of the LGD for these exposures.</p> <p>Due to the significant volume of loans to customers, and complexity and subjectivity over estimating timing and amount of ECL this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of financial risks management specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>– for loans to corporate clients we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages.</li> <li>– for loans to individuals we tested the design, implementation and operating effectiveness of controls over calculation of overdue days.</li> <li>– for a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank.</li> <li>– for loans to customers assigned to Stages 1 and 2, where ECL are assessed collectively, we, based on our knowledge, assessed the appropriateness of the related models, and reconciled the model input data against primary sources, on a sample basis.</li> <li>– for a sample of Stage 2 loans to corporate clients, where ECL are assessed individually, we assessed appropriateness of the data inputs for LGD calculation. We have involved our internal valuation specialist to help us assess the appropriateness of the values of pledged collateral used for LGD calculation, on a sample basis.</li> <li>– for a sample of Stage 3 loans to corporate customers, where ECL are assessed individually, we assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from collateral and their expected disposal terms. Our internal valuation specialist was involved to help us assess the appropriateness of the values of pledged collateral used, on a sample basis. We specifically focused on those loans to customers that potentially may have the most significant impact on the financial statements.</li> </ul>

	<ul style="list-style-type: none"> <li>– for portfolio of loans, the terms of which have been modified as a result of Covid-19, we individually reviewed significant loans to corporate customers, to assess whether term modifications indicated a significant increase in credit risk, previously unidentified by the Bank.</li> <li>– for portfolio of loans affected by military conflict over Nagorno-Karabakh, we obtained management judgements applied in identification of SICR and evaluated the appropriateness of approaches and key management judgement applied. We tested that the loans have been classified to appropriate stages based on identified SICR indications.</li> <li>– for loans to retail customers, on a sample basis we checked the completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and allocation of loans into Stages.</li> <li>– for a sample of Stage 3 loans to retail customers, where ECL are assessed individually, we assessed, by comparing to information available in the market, the assumptions used by the Bank to forecast future cash flows, including estimated proceeds from collateral and their expected disposal terms.</li> <li>– we assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 1 January 2020 with the actual results for 2020.</li> <li>– we also assessed that whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.</li> </ul>
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## Other Information

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

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

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

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

Tigran Gasparyan  
Managing Partner, Director of KPMG Armenia LLC



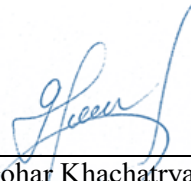
KPMG Armenia LLC

KPMG Armenia LLC  
16 March 2021

**Ameriabank CJSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	Notes	2020 AMD'000	2019 AMD'000
Interest income calculated using effective interest rate	6	64,682,475	59,171,261
Other interest income	6	1,862,386	1,189,505
Interest expense	6	(31,564,689)	(29,362,152)
<b>Net interest income</b>		<b>34,980,172</b>	<b>30,998,614</b>
Fee and commission income	7	5,250,022	5,439,164
Fee and commission expense	8	(1,471,612)	(1,501,380)
<b>Net fee and commission income</b>		<b>3,778,410</b>	<b>3,937,784</b>
Net (loss)/gain on financial instruments at fair value through profit or loss	9	(3,602,132)	315,158
Net foreign exchange gain	10	8,653,830	4,577,671
Net gain on investment securities measured at fair value through other comprehensive income		365,430	345,547
Other operating income	11	3,978,424	3,179,924
Other operating expenses	12	(3,376,726)	(3,405,890)
<b>Operating income</b>		<b>44,777,408</b>	<b>39,948,808</b>
Net impairment losses on financial instruments	13	(17,968,823)	(7,171,028)
Other impairments and provisions		85,872	(29,783)
<b>Operating income after impairment</b>		<b>26,894,457</b>	<b>32,747,997</b>
Personnel expenses		(9,239,870)	(10,101,061)
Other general administrative expenses	14	(6,472,458)	(6,677,422)
<b>Profit before income tax</b>		<b>11,182,129</b>	<b>15,969,514</b>
Income tax expense	15	(2,181,925)	(3,854,546)
<b>Profit for the year</b>		<b>9,000,204</b>	<b>12,114,968</b>
<b>Other comprehensive (loss)/income, net of income tax</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Movement in fair value reserve for investment securities:			
– net change in fair value		(317,511)	593,045
– net amount reclassified to profit or loss		(299,653)	(276,438)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>(617,164)</i>	<i>316,607</i>
<b>Other comprehensive (loss)/income for the year, net of income tax</b>		<b>(617,164)</b>	<b>316,607</b>
<b>Total comprehensive income for the year</b>		<b>8,383,040</b>	<b>12,431,575</b>

The financial statements as set out on pages 146 to 227 were approved by the Management Board on 16 March 2021 and were signed on its behalf by:

 <b>Artak Hanesyan</b> Chairman of Management Board – General Director		 <b>Gohar Khachatryan</b> Chief Accountant
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The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.



	Notes	2020 AMD'000	2019 AMD'000
<b>ASSETS</b>			
Cash and cash equivalents	16	234,412,812	247,353,690
Financial assets measured at fair value through profit or loss	17 (a)		
– Held by the Bank		9,476,566	8,255,606
Investment securities measured at fair value through other comprehensive income	17 (b)		
– Held by the Bank		8,026,999	10,848,985
– Pledged under sale and repurchase agreements		3,181,002	-
Investment securities measured at amortized cost	17 (c)		
– Held by the Bank		33,722,305	33,510,890
– Pledged under sale and repurchase agreements		17,814,988	-
Loans and advances to banks	18	35,523,809	27,014,640
Amounts receivable under reverse repurchase agreements	19	17,258,217	23,549,559
Loans and advances to customers	20	696,495,523	585,741,899
Property, equipment and intangible assets	21	10,740,536	11,162,394
Right of use asset	22	10,643,891	11,235,119
Deferred tax asset	15	1,028,409	-
Repossessed assets	20	1,823,888	3,028,455
Other assets	23	10,613,778	6,379,980
<b>Total assets</b>		<b>1,090,762,723</b>	<b>968,081,217</b>
<b>LIABILITIES</b>			
Derivative financial liabilities	17 (a)	504,412	35,314
Deposits and balances from banks	24	55,845,516	34,488,813
Amounts payable under repurchase agreements	29	20,005,910	-
Current accounts and deposits from customers	25	598,960,666	593,223,433
Debt securities issued	26	106,916,313	54,573,055
Other borrowed funds	27	128,907,362	126,685,607
Subordinated borrowings	27	48,416,832	36,495,281
Current tax liability		2,610,472	279,389
Deferred tax liability	15	-	918,445
Provision for commitments	33	359,219	116,222
Lease liability	22	11,231,832	11,373,257
Other liabilities	28	7,298,587	8,665,323
<b>Total liabilities</b>		<b>981,057,121</b>	<b>866,854,139</b>
<b>EQUITY</b>			
Share capital	30	37,386,880	37,347,200
Share premium		17,065,364	17,009,560
Revaluation reserve for investment securities		32,878	650,042
Retained earnings		55,220,480	46,220,276
<b>Total equity</b>		<b>109,705,602</b>	<b>101,227,078</b>
<b>Total liabilities and equity</b>		<b>1,090,762,723</b>	<b>968,081,217</b>

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

	Notes	2020 AMD'000	2019 AMD'000
<b>Cash flows from operating activities</b>			
Interest receipts		65,690,282	60,612,689
Interest payments		(29,533,354)	(27,533,867)
Fee and commission receipts		5,250,022	5,439,164
Fee and commission payments		(1,471,612)	(1,501,380)
Net receipts from financial assets at fair value through profit and loss		400,657	697,736
Net receipts from foreign exchange transactions		6,120,126	4,043,700
Other operating receipts/(payments)		407,760	(343,748)
Salaries and other payments to employees		(10,220,658)	(9,611,889)
Other general administrative expenses payments		(3,376,062)	(3,818,407)
<b>(Increase)/decrease in operating assets</b>			
Financial instruments at fair value through profit or loss		(1,361,058)	(1,070,037)
Loans and advances to banks		(8,004,235)	(22,263,721)
Amounts receivable under reverse repurchase agreements		7,399,559	(16,602,636)
Loans and advances to customers		(76,194,832)	(52,411,736)
Other assets		(2,626,135)	(1,656,875)
<b>(Decrease)/increase in operating liabilities</b>			
Financial instruments at fair value through profit or loss		(3,185,246)	(743,702)
Deposits and balances from banks		18,322,438	(8,058,493)
Amounts payable under repurchase agreements		19,997,109	(16,999,992)
Current accounts and deposits from customers		(27,258,508)	195,650,670
Other liabilities		(1,046,605)	578,480
<b>Net cash (used in)/from operating activities before income tax paid</b>		<b>(40,690,352)</b>	<b>104,405,956</b>
Income tax paid		(1,667,413)	(3,591,966)
<b>Cash flows (used in)/from operations</b>		<b>(42,357,765)</b>	<b>100,813,990</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment and intangible assets		(1,975,728)	(2,847,579)
Acquisition of investment securities measured at fair value through other comprehensive income		(1,360,698)	(6,077,857)
Proceeds from sale and repayment of investment securities measured at fair value through other comprehensive income		977,321	7,532,357
Acquisition of investment securities measured at amortized cost		(31,158,779)	(11,148,512)
Proceeds from sale and repayment of investment securities measured at amortized cost		13,682,127	17,106,225
<b>Cash flows (used in)/from investing activities</b>		<b>(19,835,757)</b>	<b>4,564,634</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,853,981)	(1,444,183)
Dividends paid	30	-	(1,050,000)
Proceeds from issue of share capital	30	95,484	87,555
Receipt of other borrowed funds and subordinated liabilities	27	29,686,570	39,072,808
Repayment of other borrowed funds and subordinated liabilities	27	(33,524,720)	(43,493,485)
Proceeds from debt securities issued	26	61,954,944	21,864,967
Repayment of debt securities issued	26	(15,091,797)	(17,659,493)
<b>Cash flows from/(used in) financing activities</b>		<b>41,266,500</b>	<b>(2,621,831)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,927,022)</b>	<b>102,756,793</b>
Effect of changes in exchange rates on cash and cash equivalents		7,991,450	266,334
Effect of changes in impairment allowance		(5,306)	(23,349)
Cash and cash equivalents as at the beginning of the year		247,353,690	144,353,912
<b>Cash and cash equivalents as at the end of the year</b>	16	<b>234,412,812</b>	<b>247,353,690</b>

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

AMD'000	Share capital	Share premium	Revaluation reserve for investment securities	Retained earnings	Total equity
<b>Balance as at 1 January 2019</b>	37,300,480	16,968,725	333,435	35,155,308	89,757,948
Profit for the year	-	-	-	12,114,968	12,114,968
<b>Other comprehensive income</b>					
<i>Fair value reserve for investment securities</i>					
- net change in fair value	-	-	593,045	-	593,045
- net amount reclassified to profit or loss	-	-	(276,438)	-	(276,438)
<b>Total comprehensive income for the year</b>	-	-	<b>316,607</b>	<b>12,114,968</b>	<b>12,431,575</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of share capital	46,720	40,835	-	-	87,555
Dividends	-	-	-	(1,050,000)	(1,050,000)
<b>Total transactions with owners</b>	<b>46,720</b>	<b>40,835</b>	<b>-</b>	<b>(1,050,000)</b>	<b>(962,445)</b>
<b>Balance as at 31 December 2019</b>	<b>37,347,200</b>	<b>17,009,560</b>	<b>650,042</b>	<b>46,220,276</b>	<b>101,227,078</b>
<b>Balance as at 1 January 2020</b>	37,347,200	17,009,560	650,042	46,220,276	101,227,078
Profit for the year	-	-	-	9,000,204	9,000,204
<b>Other comprehensive loss</b>					
<i>Fair value reserve for investment securities</i>					
- net change in fair value	-	-	(317,511)	-	(317,511)
- net amount reclassified to profit or loss	-	-	(299,653)	-	(299,653)
<b>Total comprehensive loss for the year</b>	-	-	<b>(617,164)</b>	<b>9,000,204</b>	<b>8,383,040</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of share capital	39,680	55,804	-	-	95,484
<b>Total transactions with owners</b>	<b>39,680</b>	<b>55,804</b>	<b>-</b>	<b>-</b>	<b>95,484</b>
<b>Balance as at 31 December 2020</b>	<b>37,386,880</b>	<b>17,065,364</b>	<b>32,878</b>	<b>55,220,480</b>	<b>109,705,602</b>

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

## 1 Background

### (a) Organization and operations

Ameriabank CJSC (formerly Armimpexbank CJSC) (the Bank) was established on 8 December 1992 under the laws of the Republic of Armenia. In 2007 the Bank was acquired by TDA Holdings Limited, which purchased a shareholding of 96.15%. TDA Holdings Limited was renamed to Ameria Group (CY) during 2011. In 2013 Ameria Group (CY) Limited increased its share in the Bank to 100%.

On 23 December 2015 European Bank for Reconstruction and Development (EBRD) purchased in full additionally issued 20,749 shares of the Bank.

On 21 December 2016 ESPS Holding Limited purchased 13.5% of Bank shares from Ameria Group (CY).

On 14 February 2018 Asian Development Bank (ADB) purchased additionally issued all 16,291 shares of the Bank.

In 2020 and 2019 the Bank issued additional 124 and 146 shares respectively, which were fully purchased by ESPS Holding Limited.

On 11 March 2020 Noubar Afeyan acquired 7.52% share capital owned by Ameria Group (CY) Limited and transferred the shares to Afeyan Foundation for Armenia Inc.

On 14 July 2020 Ameria Group (CY) was renamed to Imast Group (CY).

The shareholders of the Bank as at 31 December 2020 are Imast Group (CY) (48.95%), EBRD (17.76%), ADB (13.94%), ESPS Holding Limited (11.83%) and Afeyan Foundation for Armenia Inc. (7.52%). Ultimate beneficiary owner of Imast Group CY is Mr. Ruben Vardanyan.

As at 31 December 2020 the Bank had no ultimate controlling party. As at 31 December 2019 the ultimate controlling party of the Bank was Mr. Ruben Vardanyan.

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

The Bank has 19 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

The number of the Bank's employees as at 31 December 2020 was 1,109 (2019: 1,050).

Related party transactions are detailed in Note 35.

**(b) Armenian business environment**

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

The Covid-19 pandemic jointly with military escalation in Nagorno-Karabakh in September 2020 has led to economic downturn. However, cease-fire arrangement over disputed Nagorno-Karabakh territories and positive trend related to Covid-19 statistics allowed government to reopen economy with very limited restrictions. Additionally, according to the expectations of the RA government and international financial institutions the GDP of the RA will increase by 3.5%-4.5% in 2021.

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

## **2 Basis of preparation**

**(a) Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

**(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL) and investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value.

**(c) Functional and presentation currency**

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

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 December 2020 and 31 December 2019, were AMD 522.59 and AMD 479.7 to USD 1, and AMD 641.11 and AMD 537.26 to EUR 1, respectively.

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## **Judgements**

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 4(e)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward- looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 31(c).

## **Assumptions and estimations uncertainty**

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

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 31(c);
- estimates of fair values of financial assets and liabilities – Note 36.

## **3 Changes in significant accounting policies**

The Bank has early adopted *Covid-19-Related Rent Concessions – Amendment to IFRS 16* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Bank is a lessee – i.e. for leases to which the Bank applies the practical expedient, the Bank is not required to assess whether eligible rent concessions that are a direct consequence of the Covid-19 coronavirus pandemic are lease modifications.

No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Bank.

A number of other amendments to the existing standards are also effective from 1 January 2020 but they do not have a material effect on the Bank's financial statements.

## **4 Significant accounting policies**

Except for the changes disclosed in Note 3 the accounting policies set out below are applied consistently to all periods presented in these financial statements. Other new standards and amendments to standards effective from 1 January 2020 did not have impact on the accounting policies of the Bank, presented below.

### **(a) Foreign currency transactions**

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



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

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

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

## **(b) Cash and cash equivalents**

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

## **(c) Interest**

### ***Effective interest rate***

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

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

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

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

### ***Amortised cost and gross carrying amount***

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

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

### ***Calculation of interest income and expense***

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

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

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

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

### ***Presentation***

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

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

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

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

## **(d) Fees and commission**

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

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

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

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**(e) Financial assets and financial liabilities**

***i. Classification***

***Financial assets***

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

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

## **Business model assessment**

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

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

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

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

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

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

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

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

### **Reclassification**

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

### ***Financial liabilities***

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

### **Reclassification**

Financial liabilities are not reclassified subsequent to their initial recognition.

### ***ii. Derecognition***

### **Financial assets**

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

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

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

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

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

### **Financial liabilities**

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

### ***iii. Modification of financial assets and financial liabilities***

#### **Financial assets**

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

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

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

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

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

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

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

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



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

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

### **Financial liabilities**

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

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

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

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

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

### **iv. Impairment**

See also Note 31 (c).

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

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

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition (see Note 31 (c)).

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

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

### ***Measurement of ECL***

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

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

See also Note 31(c).

### ***Restructured financial assets***

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 31(c)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

### ***Credit-impaired financial assets***

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

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

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

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

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

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

### ***Presentation of allowance for ECL in the statement of financial position***

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

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

### ***Write-offs***

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

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

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

### ***Non-integral financial guarantee contracts***

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

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

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

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

## **(f) Loans and advances to customers**

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

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

## **(g) Deposits, debt securities issued and subordinated liabilities**

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

**(h) Financial guarantees and loan commitments**

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

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

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

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

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

**(i) Repurchase and reverse repurchase agreements**

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

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

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

**(j) Property and equipment**

**(i) Owned assets**

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

**(ii) Depreciation**

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

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

**(k) Intangible assets**

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

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

**(l) Provisions**

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

**(m) Share capital**

**(i) Ordinary shares**

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

**(ii) Share premium**

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

**(iii) Dividends**

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

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

**(n) Repossessed property**

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

**(o) Impairment of non-financial assets**

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

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



**(p) Segment reporting**

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

**(q) Taxation**

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

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

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

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

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

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

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

**(r) Leases**

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

**(i) As a lessee**

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

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

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

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

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

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

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

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

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

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

**(ii) As a lessor**

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

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

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

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

**(s) Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements.

**A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Bank has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

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

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

***(i) Change in basis for determining cash flows***

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Bank has AMD 123,577,673 thousand LIBOR borrowed funds that will be subject to IBOR reform. The Bank expects that the interest rate benchmark for these loans will be changed to SOFR in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

***(ii) Hedge accounting***

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Due to absence of hedge accounting the Bank does not expect an effect because of IBOR transition.

***(iii) Disclosure***

The amendments will require the Bank to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

***(iv) Transition***

The Bank plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

***C. Other standards***

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

- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

## 5 Segment information

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

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2020 or 2019.

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

	<b>Retail banking</b>	<b>Corporate and investment banking</b>	<b>Trading</b>	<b>Total</b>
<b>2020</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Net interest income	11,036,435	18,110,593	5,833,144	34,980,172
Net non-interest income	1,454,297	5,135,830	3,207,109	9,797,236
Inter-segment revenue	8,296,441	(3,419,688)	(4,876,753)	-
<b>Operating profit</b>	<b>20,787,173</b>	<b>19,826,735</b>	<b>4,163,500</b>	<b>44,777,408</b>
Credit loss expense	(10,255,619)	(7,713,204)	-	(17,968,823)
Other impairment	42,936	42,936	-	85,872
Depreciation and amortization	(2,339,628)	(589,175)	(167,593)	(3,096,396)
Personnel and other general administrative expenses	(8,449,813)	(3,260,777)	(905,342)	(12,615,932)
<b>Profit before income tax</b>	<b>(214,951)</b>	<b>8,306,515</b>	<b>3,090,565</b>	<b>11,182,129</b>
Income tax expense	41,943	(1,620,818)	(603,050)	(2,181,925)
<b>Profit for the year</b>	<b>(173,008)</b>	<b>6,685,697</b>	<b>2,487,515</b>	<b>9,000,204</b>

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

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

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

	<b>Retail banking</b>	<b>Corporate and investment banking</b>	<b>Trading</b>	<b>Total</b>
<b>2019</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Net interest income	6,049,625	20,393,147	4,555,842	30,998,614
Net non-interest income	1,519,349	3,895,845	3,535,000	8,950,194
Inter-segment revenue	9,803,150	(5,747,293)	(4,055,857)	-
<b>Operating profit</b>	<b>17,372,124</b>	<b>18,541,699</b>	<b>4,034,985</b>	<b>39,948,808</b>
Credit loss expense	(3,309,378)	(3,861,650)	-	(7,171,028)
Other impairment	-	(29,783)	-	(29,783)
Depreciation and amortization	(2,093,029)	(599,723)	(165,842)	(2,858,594)
Personnel and other general administrative expenses	(9,095,247)	(3,905,817)	(918,825)	(13,919,889)
<b>Profit before income tax</b>	<b>2,874,470</b>	<b>10,144,726</b>	<b>2,950,318</b>	<b>15,969,514</b>
Income tax expense	(626,582)	(2,584,849)	(643,115)	(3,854,546)
<b>Profit for the year</b>	<b>2,247,888</b>	<b>7,559,877</b>	<b>2,307,203</b>	<b>12,114,968</b>

	<b>Retail banking</b>	<b>Corporate and investment banking</b>	<b>Trading</b>	<b>Total</b>
<b>2019</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Interest earning financial assets	178,203,827	421,360,830	77,843,858	677,408,515
Interest bearing financial liabilities	336,668,100	501,886,209	6,936,319	845,490,628

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

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



## Revenue from contracts with customers

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the years ended 31 December 2020 and 2019 was as follows:

	<b>Retail banking AMD'000</b>	<b>Corporate and investment banking AMD'000</b>	<b>Trading AMD'000</b>	<b>Total AMD'000</b>
<b>2020</b>				
Fee and commission income	3,273,109	1,629,796	347,117	5,250,022
Income from advisory and arrangement services	-	1,979,083	-	1,979,083
Other revenue from contracts with customers	372,757	331,269	41	704,067
<b>Total revenue from contracts with customers</b>	<b>3,645,866</b>	<b>3,940,148</b>	<b>347,158</b>	<b>7,933,172</b>
<b>2019</b>				
Fee and commission income	3,454,430	1,829,542	155,192	5,439,164
Income from advisory and arrangement services	-	1,001,576	-	1,001,576
Other revenue from contracts with customers	365,843	292,164	-	658,007
<b>Total revenue from contracts with customers</b>	<b>3,820,273</b>	<b>3,123,282</b>	<b>155,192</b>	<b>7,098,747</b>

## 6 Net interest income

	<b>2020 AMD'000</b>	<b>2019 AMD'000</b>
<b>Interest income calculated using the effective interest method</b>		
<b>Financial assets measured at amortized cost</b>		
Loans and advances to customers	57,670,133	53,157,387
Investment securities measured at amortized cost	3,793,887	3,015,197
Receivables from factoring	959,883	939,980
Amounts receivable under reverse repurchase agreements	654,823	538,526
Receivables from letters of credit	529,025	504,202
Loans and advances to banks	135,159	124,304
Other	11,485	38,959
	<b>63,754,395</b>	<b>58,318,555</b>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Investment securities measured at FVOCI	928,080	852,706
<b>Interest income calculated using the effective interest method</b>	<b>64,682,475</b>	<b>59,171,261</b>
<b>Other interest income</b>		
Investment securities measured at FVTPL	592,525	624,945
Receivables from finance leases	924,896	375,741
Derivative financial assets	344,965	188,819
<b>Other interest income</b>	<b>1,862,386</b>	<b>1,189,505</b>
<b>Total interest income</b>	<b>66,544,861</b>	<b>60,360,766</b>

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	15,278,398	12,166,015
Other borrowed funds and subordinated borrowings	8,537,676	9,976,484
Debt securities issued	3,880,180	3,123,159
Deposits and balances from banks	1,723,106	1,708,196
Lease liabilities	1,359,428	1,294,627
Amounts payable under repurchase agreements	455,751	558,606
Payables under letters of credit and issued guarantees	329,915	521,002
Other	235	14,063
	<b>31,564,689</b>	<b>29,362,152</b>
<b>Net interest income</b>	<b>34,980,172</b>	<b>30,998,614</b>

## 7 Fee and commission income

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Plastic card servicing fees	2,466,956	2,602,582
Money transfers	788,726	933,286
Cash withdrawal, account service and distance system services	771,339	806,024
Brokerage services and underwriting	416,582	585,077
Guarantee and letter of credit issuance	561,626	267,337
Settlement operations	160,277	167,842
Other	84,516	77,016
	<b>5,250,022</b>	<b>5,439,164</b>

### (a) Revenue from contracts with customers

The Bank's revenue from contract with customers mainly comprises fee and commission income and revenue from provision of advisory and arrangement services. Bank' recognises majority of revenue from fees and commission and from advisory and arrangement services at a point in time. Revenue from contracts with customers recognized in the statement of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019 comprised to:

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Fee and commission income	5,250,022	5,439,164
Income from advisory and arrangement services	1,979,083	1,001,576
Other revenue from contracts with customers	704,067	658,007
	<b>7,933,172</b>	<b>7,098,747</b>

### (b) Contract balances

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

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Receivable included in other assets	<b>77,288</b>	<b>80,815</b>

## 8 Fee and commission expense

	2020 AMD'000	2019 AMD'000
Plastic card maintenance	1,032,296	1,158,619
Money transfers	225,418	228,980
Guarantee and letter of credit issuance	72,177	41,777
Other	141,721	72,004
	<b>1,471,612</b>	<b>1,501,380</b>

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

	2020 AMD'000	2019 AMD'000
Net (loss)/gain from investment securities at fair value through profit or loss	(320,304)	414,608
Net loss from currency and interest rate derivative instruments	(3,281,828)	(99,450)
	<b>(3,602,132)</b>	<b>315,158</b>

## 10 Net foreign exchange gain

	2020 AMD'000	2019 AMD'000
Net gain on spot transactions	6,120,126	4,043,700
Net gain from revaluation of financial assets and liabilities	2,533,704	533,971
	<b>8,653,830</b>	<b>4,577,671</b>

## 11 Other operating income

	2020 AMD'000	2019 AMD'000
Income from advisory and arrangement services	1,979,083	1,001,576
Income from fines and penalties	1,101,332	1,121,772
Net gain from sale of investment securities measured at amortized cost	193,942	398,569
Net income from sale of repossessed assets	282,000	232,127
Other	422,067	425,880
	<b>3,978,424</b>	<b>3,179,924</b>

## 12 Other operating expenses

	2020 AMD'000	2019 AMD'000
Payment system charges	861,254	831,320
Guarantee payments to Armenian Deposit Guarantee Fund	630,564	684,933
Software maintenance	413,532	362,373
Agent fee	220,521	209,165
Collateral registration charges	198,886	106,482
Fees for brokerage services	156,106	109,368
Financial system mediator	95,657	78,260
Encashment	88,723	74,842
Credit register charges	73,423	68,789
Depository services	54,753	35,386
Cashback and referrals	16,005	24,515
Effect of initial recognition of loans to customers at market rates	-	280,787
Other	567,302	539,670
	<b>3,376,726</b>	<b>3,405,890</b>

## 13 Net impairment losses on financial instruments

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

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

The table below shows the impairment losses on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

<b>AMD'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Cash and cash equivalents	(19,843)	-	-	(19,843)
Amounts receivable under reverse repurchase agreements	(8)	-	-	(8)
Loans and advances to banks	61,602	-	-	61,602
Loans to legal entities and individuals	1,080,240	1,756,197	4,653,501	7,489,938
Receivables from finance leases	7,599	-	(53,803)	(46,204)
Receivables from factoring	(27,120)	-	-	(27,120)
Receivables from letter of credit	(22,854)	-	-	(22,854)
Investment securities measured at amortised cost	(373,558)	-	-	(373,558)
Investment securities measured at fair value through other comprehensive income	(79,423)	-	-	(79,423)
Other financial assets	(10,541)	258	222,722	212,439
Credit related commitments	(4,000)	(5,613)	(14,328)	(23,941)
<b>Total credit loss expense</b>	<b>612,094</b>	<b>1,750,842</b>	<b>4,808,092</b>	<b>7,171,028</b>

## 14 Other general administrative expenses

	<b>2020 AMD'000</b>	<b>2019 AMD'000</b>
Depreciation and amortization	3,096,396	2,858,594
Advertising and marketing	711,146	899,241
Repairs and maintenance	375,571	413,885
Unrecoverable taxes from lease agreements	336,814	346,066
Loan recovery charges	296,809	210,898
Charity and sponsorship	233,664	124,058
Security	219,359	200,941
Professional services	215,120	263,041
Communications and information services	143,035	150,939
Other lease expense	134,854	125,950
Electricity and utilities	85,758	95,144
Insurance	67,693	44,427
Training and education	43,013	180,677
Taxes other than on payroll and income	38,755	23,998
Office supplies	35,305	85,938
Business trips and representation	20,817	128,400
Other	418,349	525,225
	<b>6,472,458</b>	<b>6,677,422</b>

## 15 Income tax expense

	2020 AMD'000	2019 AMD'000
Current tax expense	3,993,304	2,784,667
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(1,811,379)	1,069,879
<b>Total income tax expense</b>	<b>2,181,925</b>	<b>3,854,546</b>

In 2020 the applicable tax rate for current tax is 18% (2019: 20%).

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

	2020 AMD'000	%	2019 AMD'000	%
Profit before income tax	11,182,129		15,969,514	
Income tax at the applicable tax rate	(2,012,783)	(18.0)	(3,193,903)	(20.0)
Non-deductible expenses	(169,142)	(1.5)	(754,970)	(4.7)
Tax rate reduction effect	-	-	94,327	0.6
<b>Total income tax expense</b>	<b>(2,181,925)</b>	<b>(19.5)</b>	<b>(3,854,546)</b>	<b>(24.1)</b>

#### (a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liability and net deferred tax asset accordingly as at 31 December 2020 and 2019.

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

Movements in temporary differences during the years ended 31 December 2020 and 2019 are presented as follows:

AMD'000	Balance 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2020
Financial instruments at fair value through profit or loss	(70,940)	145,517	-	74,577
Investment securities at fair value through other comprehensive income	(103,230)	(7,356)	135,475	24,889
Loans and advances to customers	(1,257,594)	1,551,931	-	294,337
Other financial instruments at amortised cost and provisions	(138,415)	149,541	-	11,126
Property and equipment	(16,916)	30,583	-	13,667
Right of use asset/Lease liabilities	89,699	16,130	-	105,829
Other assets	82,733	(50,558)	-	32,175
Other liabilities	601,295	(31,958)	-	569,337
Other borrowed funds	(105,077)	7,549	-	(97,528)
<b>Total deferred tax asset/ (liability)</b>	<b>(918,445)</b>	<b>1,811,379</b>	<b>135,475</b>	<b>1,028,409</b>



AMD'000	Balance 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2019
Financial instruments at fair value through profit or loss	(36,011)	(34,929)	-	(70,940)
Investment securities at fair value through other comprehensive income	(54,470)	(14,296)	(34,464)	(103,230)
Loans and advances to customers	(179,080)	(1,078,514)	-	(1,257,594)
Other financial instruments at amortised cost and provisions	(18,770)	(119,645)	-	(138,415)
Property and equipment	(51,740)	34,824	-	(16,916)
Right of use asset/Lease liabilities	-	89,699	-	89,699
Other assets	44,296	38,437	-	82,733
Other liabilities	594,242	7,053	-	601,295
Other borrowed funds	(112,569)	7,492	-	(105,077)
<b>Total deferred tax asset/ (liability)</b>	<b>185,898</b>	<b>(1,069,879)</b>	<b>(34,464)</b>	<b>(918,445)</b>

## 16 Cash and cash equivalents

	2020 AMD'000	2019 AMD'000
<b>Cash on hand</b>	20,782,469	30,542,976
<b>Nostro accounts with the Central Bank of Armenia</b>	197,979,703	192,296,163
<b>Nostro accounts with other banks</b>		
- rated Aa1 to Aa3	5,398,655	15,619,437
- rated A1 to A3	6,047,879	3,872,463
- rated from Baa1 to Baa3	3,773,668	4,351,050
- rated from Ba1 to Ba3	340,486	591,763
- not rated	107,995	103,187
<b>Total nostro accounts with other banks</b>	<b>15,668,683</b>	<b>24,537,900</b>
<b>Total gross cash and cash equivalents</b>	<b>234,430,855</b>	<b>247,377,039</b>
Credit loss allowance	(18,043)	(23,349)
<b>Total net cash and cash equivalents</b>	<b>234,412,812</b>	<b>247,353,690</b>

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

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2020 and 2019.

As at 31 December 2020 the Bank has no placement with banks besides the Central Bank of Armenia (2019: the Bank had placement with one bank) whose balances exceeded 10% of the Bank's equity. The gross value of this balance as at 31 December 2019 was AMD 15,619,437 thousand.

Nostro accounts with the Central Bank of Armenia are related to settlement activity (see Note 18) and are readily available for withdrawal.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for cash and cash equivalents for the years ended 31 December 2020 and 2019.

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

	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>AMD'000</b>				
<b>Cash and cash equivalents</b>				
Balance at 1 January	(43,192)	-	-	(43,192)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	43,192	-	-	43,192
New financial assets originated or purchased	(23,349)	-	-	(23,349)
<b>Balance at 31 December 2019</b>	<b>(23,349)</b>	<b>-</b>	<b>-</b>	<b>(23,349)</b>

## 17 Investment securities and derivative financial assets

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

	2020 AMD'000	2019 AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
Government securities of the Republic of Armenia	5,499,944	5,639,623
Eurobonds of the Republic of Armenia	-	496,024
<b>Total government bonds</b>	<b>5,499,944</b>	<b>6,135,647</b>
<b>Corporate bonds of Armenian companies</b>		
- rated from Ba1 to Ba3	1,087,359	-
- rated from B1 to B3	1,699,343	882,314
- not rated	1,172,405	1,164,084
<b>Total corporate bonds</b>	<b>3,959,107</b>	<b>2,046,398</b>
<b>Total debt and other fixed-income instruments held by the Bank</b>	<b>9,459,051</b>	<b>8,182,045</b>
<b>Total investment securities measured at fair value through profit or loss</b>	<b>9,459,051</b>	<b>8,182,045</b>
<b>Derivative financial assets</b>		
Currency swaps	17,515	73,561
<b>Total derivative financial assets</b>	<b>17,515</b>	<b>73,561</b>
<b>Total financial assets measured at fair value through profit or loss</b>	<b>9,476,566</b>	<b>8,255,606</b>
<b>Derivative financial liabilities</b>		
Currency swaps	504,412	35,314
<b>Total derivative financial assets</b>	<b>504,412</b>	<b>35,314</b>

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

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

	2020 AMD'000	2019 AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
Government securities of the Republic of Armenia	4,967,983	7,037,868
<b>Total government bonds</b>	<b>4,967,983</b>	<b>7,037,868</b>
<b>Corporate bonds of Armenian companies</b>		
- rated from Ba1 to Ba3	-	204,154
- rated from B1 to B3	91,377	90,458
- not rated	1,905,870	1,815,190
<b>Corporate bonds of foreign companies</b>		
- rated from B1 to B3	978,804	1,631,420
<b>Total corporate bonds</b>	<b>2,976,051</b>	<b>3,741,222</b>
<b>Total debt and other fixed-income instruments</b>	<b>7,944,034</b>	<b>10,779,090</b>

	2020 AMD'000	2019 AMD'000
<b>Equity investments</b>		
Corporate shares	82,965	69,895
<b>Total investment securities measured at fair value through other comprehensive income</b>	<b>8,026,999</b>	<b>10,848,985</b>
<b>Pledged under sale and repurchase agreements</b>		
Government bonds of the Republic of Armenia	3,181,002	-
<b>Total government bonds</b>	<b>3,181,002</b>	<b>-</b>

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

Investment securities measured at fair value through other comprehensive income are fully in Stage 1 as at 31 December 2020 and 2019.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at fair value through other comprehensive income for the years ended 31 December 2020 and 2019. The loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities measured at fair value through other comprehensive income is their fair value.

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

	2019			
AMD'000	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at fair value through other comprehensive income</b>				
Balance at 1 January	(144,460)	-	-	(144,460)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	70,802	-	-	70,802
Assets repaid	1,854	-	-	1,854
Assets sold	101,135	-	-	101,135
New assets originated or purchased	(94,368)	-	-	(94,368)
<b>Balance at 31 December</b>	<b>(65,037)</b>	<b>-</b>	<b>-</b>	<b>(65,037)</b>

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

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

Name	Country of incorporation	Main activity	% controlled		2020	2019
			2020	2019	AMD'000	AMD'000
ArCa	Republic of Armenia	Payment system	3.75%	3.75%	49,499	36,429
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					<b>82,965</b>	<b>69,895</b>

As at 31 December 2020 investments primarily include mandatory shares in exchanges and clearing houses. The Bank's management believes that estimated fair values of these instruments approximates to their costs as at 31 December 2020 and 2019.

**(c) Investment securities measured at amortized cost**

	2020 AMD'000	2019 AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
Government bonds of the Republic of Armenia	33,667,392	30,880,481
Government Eurobonds of the Republic of Armenia	-	2,542,987
<b>Total government bonds</b>	<b>33,667,392</b>	<b>33,423,468</b>
<b>Corporate bonds of Armenian companies</b>		
- rated from B1 to B3	152,601	152,571
<b>Total corporate bonds</b>	<b>152,601</b>	<b>152,571</b>
<b>Total debt and other fixed-income instruments held by the Bank</b>	<b>33,819,993</b>	<b>33,576,039</b>
Credit loss allowance	(97,688)	(65,149)
<b>Total net investment securities measured at amortized cost held by the Bank</b>	<b>33,722,305</b>	<b>33,510,890</b>
<b>Pledged under sale and repurchase agreements</b>		
<b>Debt and other fixed-income instruments</b>		
Government Eurobonds of the Republic of Armenia	17,814,988	-
<b>Total government bonds</b>	<b>17,814,988</b>	<b>-</b>

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

Investment securities measured at amortised cost are fully in Stage 1 as at 31 December 2020 and 2019.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for investment securities measured at amortized cost for the years ended 31 December 2020 and 2019.

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

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Investment securities at amortized cost</b>				
Balance at 1 January	(438,707)	-	-	(438,707)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	310,003	-	-	310,003
Assets repaid	146,524	-	-	146,524
Assets sold	203,662	-	-	203,662
New assets originated or purchased	(286,631)	-	-	(286,631)
<b>Balance at 31 December</b>	<b>(65,149)</b>	<b>-</b>	<b>-</b>	<b>(65,149)</b>

## 18 Loans and advances to banks

	2020 AMD'000	2019 AMD'000
<b>Due from the Central Bank of Armenia</b>		
Credit card settlement deposit with the Central Bank of Armenia	2,312,500	2,093,500
Deposit with the Central Bank of Armenia, obligatory reserves	30,931,188	23,303,790
<b>Loans and deposits with other banks</b>		
Armenian banks	2,365,389	1,684,372
OECD banks	2,824	-
<b>Total loans and deposits with other banks</b>	<b>2,368,213</b>	<b>1,684,372</b>
<b>Total gross loans and advances to banks</b>	<b>35,611,901</b>	<b>27,081,662</b>
Credit loss allowance	(88,092)	(67,022)
<b>Total net loans and advances to banks</b>	<b>35,523,809</b>	<b>27,014,640</b>



**(a) Balances with the Central Bank of Armenia**

The credit card settlement deposit with the Central Bank of Armenia is a non-interest bearing deposit calculated in accordance with regulations issued by the Central Bank of Armenia and withdrawability of which is restricted.

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 2% and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 10% is maintained in AMD and 8% in the respective currency of funds attracted (2019: 12% in AMD and 6% in respective currency of funds attracted). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply. Obligatory reserves maintained in AMD are classified as cash and cash equivalents (see Note 16) as these funds are readily available for withdrawal.

For the obligatory reserve maintained in foreign currencies the Bank is required to maintain a minimum balance at the end of each day. These reserves are not considered cash and cash equivalents and are included in loans and advances to banks. As at 31 December 2020, included in deposits with the Central Bank of Armenia is the amount of obligatory reserve of AMD 30,931,188 thousand for the amounts attracted in foreign currency (2019: AMD 23,303,790 thousand).

**(b) Concentration of loans and advances to banks**

As at 31 December 2020 the Bank has no counterparty except for the Central Bank of Armenia (2019: no bank), whose balances exceed 10% of equity.

No loans and advances to banks are past due or impaired and are fully in Stage 1 as at 31 December 2020 and 2019. All the loans and advance to banks are measured at amortized cost as at 31 December 2020 and 2019.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans and advances to banks for the years ended 31 December 2020 and 2019.

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

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to banks at amortized cost</b>				
Balance at 1 January	(5,420)	-	(60,652)	(66,072)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Assets repaid	5,420	-	-	5,420
Amounts written off	-	-	58,975	58,975
Foreign currency adjustments	-	-	1,677	1,677
New assets originated or purchased	(67,022)	-	-	(67,022)
<b>Balance at 31 December</b>	<b>(67,022)</b>	<b>-</b>	<b>-</b>	<b>(67,022)</b>

## 19 Amounts receivable under reverse repurchase agreements

	2020 AMD'000	2019 AMD'000
Amounts receivable from small and medium Armenian financial institutions, not rated	9,988,781	12,934,713
Amounts receivable from medium size Armenian banks		
- rated from B1 to B3	4,651,941	5,374,256
- not rated	2,617,496	5,240,592
<b>Total gross amounts receivable under reverse repurchase agreements</b>	<b>17,258,218</b>	<b>23,549,561</b>
Credit loss allowance	(1)	(2)
<b>Total net amounts receivable under reverse repurchase agreements</b>	<b>17,258,217</b>	<b>23,549,559</b>

As at 31 December 2020 and 2019 the Bank has no banks and other financial institutions, whose balances exceeded 10% of equity.

Amounts receivable under reverse repurchase agreements are from reputable Armenian banks and financial institutions. All of them are categorized under Stage 1 and are measured at amortised cost as at 31 December 2020 and 2019.

### Collateral accepted as security for assets

As at 31 December 2020 amounts receivable under reverse repurchase agreements were collateralized by government securities with fair value of AMD 18,956,896 thousand (2019: 25,415,586 thousand).

## 20 Loans and advances to customers

	Notes	2020 AMD'000	2019 AMD'000
Loans to legal entities	20 (a)	486,218,524	426,653,712
Loans to individuals	20 (a)	196,622,644	151,235,570
Receivables from factoring	20 (b)	11,352,912	10,707,784
Receivables from letters of credit	20 (c)	12,859,539	5,060,739
<b>Total gross loans and advances to customers at amortised cost</b>		<b>707,053,619</b>	<b>593,657,805</b>
Receivables from finance lease	20 (d)	13,033,506	5,906,852
Credit loss allowance		(23,591,602)	(13,822,758)
<b>Total net loans and advances to customers</b>		<b>696,495,523</b>	<b>585,741,899</b>

### (a) Loans to legal entities and individuals

	2020 AMD'000	2019 AMD'000
<b>Loans to legal entities</b>		
Loans to large companies	353,785,213	322,130,999
Loans to small and medium size companies	132,433,311	104,522,713
<b>Total loans to legal entities</b>	<b>486,218,524</b>	<b>426,653,712</b>
<b>Loans to individuals</b>		
Mortgage loans	116,987,087	78,403,125
Other consumer loans to individuals	79,635,557	72,832,445
<b>Total loans to individuals</b>	<b>196,622,644</b>	<b>151,235,570</b>
<b>Total gross loans to legal entities and individuals</b>	<b>682,841,168</b>	<b>577,889,282</b>
Credit loss allowance	(22,966,663)	(13,554,046)
<b>Total net loans to legal entities and individuals</b>	<b>659,874,505</b>	<b>564,335,236</b>

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to legal entities for the years ended 31 December 2020 and 2019.

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to legal entities</b>				
Balance at 1 January	393,406,245	19,160,907	14,086,560	426,653,712
New assets originated or purchased	215,489,122	-	-	215,489,122
Assets repaid	(167,218,336)	(2,124,484)	(112,028)	(169,454,848)
Transfer to Stage 1	4,170,389	(4,170,389)	-	-
Transfer to Stage 2	(12,490,528)	12,490,528	-	-
Transfer to Stage 3	(2,128,853)	(11,162,539)	13,291,392	-
Recoveries	-	-	343,277	343,277
Amounts written off	-	-	(6,969,771)	(6,969,771)
Net change in asset from interest and foreign exchange revaluation	15,722,665	1,488,776	2,945,591	20,157,032
<b>Balance at 31 December</b>	<b>446,950,704</b>	<b>15,682,799</b>	<b>23,585,021</b>	<b>486,218,524</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to legal entities</b>				
Balance at 1 January	406,904,273	18,940,841	14,440,258	440,285,372
New assets originated or purchased	149,704,032	-	-	149,704,032
Assets repaid	(148,454,597)	(5,792,401)	(2,272,602)	(156,519,600)
Transfer to Stage 1	479,943	(479,943)	-	-
Transfer to Stage 2	(13,426,278)	13,426,278	-	-
Transfer to Stage 3	(334,326)	(6,933,868)	7,268,194	-
Recoveries	-	-	355,367	355,367
Amounts written off	(1,466,802)	-	(5,704,657)	(7,171,459)
<b>Balance at 31 December</b>	<b>393,406,245</b>	<b>19,160,907</b>	<b>14,086,560</b>	<b>426,653,712</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to legal entities for the years ended 31 December 2020 and 2019.

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to legal entities</b>				
Balance at 1 January	1,169,370	3,999,711	5,206,502	10,375,583
New assets originated or purchased	2,190,533	-	-	2,190,533
Assets repaid	(370,090)	(203,775)	(12,186)	(586,051)
Transfer to Stage 1	16,594	(14,579)	(2,015)	-
Transfer to Stage 2	(377,536)	377,536	-	-
Transfer to Stage 3	(144,023)	(2,388,641)	2,532,664	-
Unwinding of discount	-	-	(98,902)	(98,902)
Recoveries	-	-	343,277	343,277
Amounts written off	-	-	(6,965,771)	(6,965,771)
Foreign exchange adjustments	283,468	339,267	648,130	1,270,865
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations and impact of transfer between the stages	953,563	1,107,646	5,756,540	7,817,749
<b>Balance at 31 December</b>	<b>3,721,879</b>	<b>3,217,165</b>	<b>7,408,239</b>	<b>14,347,283</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to legal entities</b>				
Balance at 1 January	3,832,635	2,749,302	6,516,837	13,098,774
New assets originated or purchased	419,171	-	-	419,171
Assets repaid	(1,039,182)	(838,870)	(1,501,091)	(3,379,143)
Transfer to Stage 1	1,377	(1,377)	-	-
Transfer to Stage 2	(1,103,102)	1,103,102	-	-
Transfer to Stage 3	(126,067)	(1,513,111)	1,639,178	-
Unwinding of discount	-	-	(40,619)	(40,619)
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations and impact of transfer between the stages	651,340	2,500,665	3,941,487	7,093,492
Recoveries	-	-	355,367	355,367
Amounts written off	(1,466,802)	-	(5,704,657)	(7,171,459)
<b>Balance at 31 December</b>	<b>1,169,370</b>	<b>3,999,711</b>	<b>5,206,502</b>	<b>10,375,583</b>

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of loans to individuals for the years ended 31 December 2020 and 2019.

<b>AMD'000</b>	<b>2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loans to individuals</b>				
Balance at 1 January	147,599,723	816,744	2,819,103	151,235,570
New assets originated or purchased	77,217,394	-	-	77,217,394
Assets repaid	(33,023,824)	(68,452)	(357,767)	(33,450,043)
Transfer to Stage 1	48,617	(30,836)	(17,781)	-
Transfer to Stage 2	(7,322,420)	7,322,420	-	-
Transfer to Stage 3	(4,704,220)	(233,515)	4,937,735	-
Recoveries	-	-	1,345,075	1,345,075
Amounts written off	-	-	(3,815,988)	(3,815,988)
Change in balance of asset from interest and foreign exchange	3,379,365	(590,891)	1,302,162	4,090,636
<b>Balance at 31 December</b>	<b>183,194,635</b>	<b>7,215,470</b>	<b>6,212,539</b>	<b>196,622,644</b>

<b>AMD'000</b>	<b>2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loans to individuals</b>				
Balance at 1 January	97,861,470	477,659	3,942,896	102,282,025
New assets originated or purchased	115,984,020	-	-	115,984,020
Assets repaid	(63,438,697)	(452,970)	(456,420)	(64,348,087)
Transfer to Stage 1	16,116	(16,116)	-	-
Transfer to Stage 2	(813,891)	813,891	-	-
Transfer to Stage 3	(2,009,295)	(5,720)	2,015,015	-
Recoveries	-	-	671,202	671,202
Amounts written off	-	-	(3,353,590)	(3,353,590)
<b>Balance at 31 December</b>	<b>147,599,723</b>	<b>816,744</b>	<b>2,819,103</b>	<b>151,235,570</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to individuals for the years ended 31 December 2020 and 2019.

<b>AMD'000</b>	<b>2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loans to individuals</b>				
Balance at 1 January	1,407,771	217,051	1,553,641	3,178,463
New assets originated or purchased	2,298,415	-	-	2,298,415
Assets repaid	(1,237,597)	(63,771)	(273,601)	(1,574,969)
Transfer to Stage 1	21,796	(8,662)	(13,134)	-
Transfer to Stage 2	(279,088)	279,088	-	-
Transfer to Stage 3	(581,425)	(50,400)	631,825	-
Impact on period end ECL of exposures transferred between stages during the period	781,677	1,192,382	3,899,600	5,873,659
Unwinding of discount	-	-	221,987	221,987
Changes to models and inputs used for ECL calculations	1,156,759	124	106,686	1,263,569
Recoveries	-	-	1,345,075	1,345,075
Amounts written off	-	-	(3,815,988)	(3,815,988)
Foreign exchange adjustments	5,033	(56,587)	(119,277)	(170,831)
<b>Balance at 31 December</b>	<b>3,573,341</b>	<b>1,509,225</b>	<b>3,536,814</b>	<b>8,619,380</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to individuals</b>				
Balance at 1 January	1,038,623	127,091	1,338,719	2,504,433
New assets originated or purchased	1,565,037	-	-	1,565,037
Assets repaid	(387,728)	(7,083)	(289,367)	(684,178)
Transfer to Stage 1	11,225	(5,526)	(5,699)	-
Transfer to Stage 2	(114,647)	114,647	-	-
Transfer to Stage 3	(576,341)	(113,563)	689,904	-
Impact on period end ECL of exposures transferred between stages during the period	(10,115)	101,485	778,768	870,138
Unwinding of discount	-	-	(73,513)	(73,513)
Changes to models and inputs used for ECL calculations	(118,283)	-	1,797,217	1,678,934
Recoveries	-	-	671,202	671,202
Amounts written off	-	-	(3,353,590)	(3,353,590)
<b>Balance at 31 December</b>	<b>1,407,771</b>	<b>217,051</b>	<b>1,553,641</b>	<b>3,178,463</b>

**(i) Credit quality of loans to legal entities and individuals**

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2020:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Loans to large corporate customers</b>				
- not overdue	324,731,233	10,644,203	6,899,828	342,275,264
- overdue more than 90 days	-	-	11,509,949	11,509,949
<b>Total gross loans to large corporate customers</b>	<b>324,731,233</b>	<b>10,644,203</b>	<b>18,409,777</b>	<b>353,785,213</b>
Credit loss allowance	(2,302,726)	(1,960,147)	(5,274,548)	(9,537,421)
<b>Total net loans to large corporate customers</b>	<b>322,428,507</b>	<b>8,684,056</b>	<b>13,135,229</b>	<b>344,247,792</b>
<b>Loans to small and medium size companies</b>				
- not overdue	122,048,271	4,078,067	871,720	126,998,058
- overdue less than 30 days	171,200	123,243	91	294,534
- overdue more than 30 days and less than 90 days	-	837,286	20,167	857,453
- overdue more than 90 days	-	-	4,283,266	4,283,266
<b>Total gross loans to small and medium size companies</b>	<b>122,219,471</b>	<b>5,038,596</b>	<b>5,175,244</b>	<b>132,433,311</b>
Credit loss allowance	(1,419,153)	(1,257,018)	(2,133,691)	(4,809,862)
<b>Total net small and medium size companies</b>	<b>120,800,318</b>	<b>3,781,578</b>	<b>3,041,553</b>	<b>127,623,449</b>
<b>Total gross loans to corporate customers</b>	<b>446,950,704</b>	<b>15,682,799</b>	<b>23,585,021</b>	<b>486,218,524</b>
<b>Total net loans to corporate customers</b>	<b>443,228,825</b>	<b>12,465,634</b>	<b>16,176,782</b>	<b>471,871,241</b>
<b>Mortgage loans</b>				
- not overdue	110,981,104	3,570,354	273,982	114,825,440
- overdue less than 30 days	165,651	33,210	31,677	230,538
- overdue more than 30 days and less than 90 days	-	313,588	176,259	489,847
- overdue more than 90 days	-	-	1,441,262	1,441,262
<b>Total gross mortgage loans</b>	<b>111,146,755</b>	<b>3,917,152</b>	<b>1,923,180</b>	<b>116,987,087</b>
Credit loss allowance	(228,404)	(313,343)	(557,268)	(1,099,015)
<b>Total net mortgage loans</b>	<b>110,918,351</b>	<b>3,603,809</b>	<b>1,365,912</b>	<b>115,888,072</b>



	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Other consumer loans to retail customers*</b>				
- not overdue	71,150,129	1,710,621	380,812	73,241,562
- overdue less than 30 days	897,751	335,588	73,760	1,307,099
- overdue more than 30 days and less than 90 days	-	1,252,109	178,519	1,430,628
- overdue more than 90 days	-	-	3,656,268	3,656,268
<b>Total gross other consumer loans to retail customers</b>	<b>72,047,880</b>	<b>3,298,318</b>	<b>4,289,359</b>	<b>79,635,557</b>
Credit loss allowance	(3,344,937)	(1,195,882)	(2,979,546)	(7,520,365)
<b>Total net other consumer loans to retail customers</b>	<b>68,702,943</b>	<b>2,102,436</b>	<b>1,309,813</b>	<b>72,115,192</b>
<b>Total gross loans to retail customers</b>	<b>183,194,635</b>	<b>7,215,470</b>	<b>6,212,539</b>	<b>196,622,644</b>
<b>Total net loans to retail customers</b>	<b>179,621,294</b>	<b>5,706,245</b>	<b>2,675,725</b>	<b>188,003,264</b>
<b>Total gross loans to customers</b>	<b>630,145,339</b>	<b>22,898,269</b>	<b>29,797,560</b>	<b>682,841,168</b>
<b>Total net loans to customers</b>	<b>622,850,119</b>	<b>18,171,879</b>	<b>18,852,507</b>	<b>659,874,505</b>

\* Other consumer loans to retail customers mainly include credit cards and overdrafts to retail customers, online consumer loans and loans to retail customers for credit purchases.

The following table provides information on the credit quality loans to legal entities and individuals as at 31 December 2019:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Loans to large corporate customers</b>				
- not overdue	294,555,716	16,707,172	2,918,679	314,181,567
- overdue less than 30 days	-	1,085,331	-	1,085,331
- overdue more than 90 days	-	-	6,864,101	6,864,101
<b>Total gross loans to large corporate customers</b>	<b>294,555,716</b>	<b>17,792,503</b>	<b>9,782,780</b>	<b>322,130,999</b>
Credit loss allowance	(829,702)	(3,977,372)	(3,675,775)	(8,482,849)
<b>Total net loans to large corporate customers</b>	<b>293,726,014</b>	<b>13,815,131</b>	<b>6,107,005</b>	<b>313,648,150</b>
<b>Loans to small and medium size companies</b>				
- not overdue	98,606,100	1,338,607	427,982	100,372,689
- overdue less than 30 days	244,429	-	73,462	317,891
- overdue more than 30 days and less than 90 days	-	29,797	188,438	218,235
- overdue more than 90 days	-	-	3,613,898	3,613,898
<b>Total gross loans to small and medium size companies</b>	<b>98,850,529</b>	<b>1,368,404</b>	<b>4,303,780</b>	<b>104,522,713</b>
Credit loss allowance	(339,668)	(22,339)	(1,530,727)	(1,892,734)
<b>Total net small and medium size companies</b>	<b>98,510,861</b>	<b>1,346,065</b>	<b>2,773,053</b>	<b>102,629,979</b>
<b>Total gross loans to corporate customers</b>	<b>393,406,245</b>	<b>19,160,907</b>	<b>14,086,560</b>	<b>426,653,712</b>
<b>Total net loans to corporate customers</b>	<b>392,236,875</b>	<b>15,161,196</b>	<b>8,880,058</b>	<b>416,278,129</b>
<b>Mortgage loans</b>				
- not overdue	77,690,211	6,830	69,967	77,767,008
- overdue less than 30 days	79,102	7,331	-	86,433
- overdue more than 30 days and less than 90 days	-	103,527	28,239	131,766
- overdue more than 90 days	-	-	417,918	417,918
<b>Total gross mortgage loans</b>	<b>77,769,313</b>	<b>117,688</b>	<b>516,124</b>	<b>78,403,125</b>
Credit loss allowance	(28,558)	(4,846)	(196,218)	(229,622)
<b>Total net mortgage loans</b>	<b>77,740,755</b>	<b>112,842</b>	<b>319,906</b>	<b>78,173,503</b>

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Other consumer loans to retail customers*</b>				
- not overdue	69,358,576	222,073	360,333	69,940,982
- overdue less than 30 days	471,834	55,780	263,337	790,951
- overdue more than 30 days and less than 90 days	-	421,203	207,859	629,062
- overdue more than 90 days	-	-	1,471,450	1,471,450
<b>Total gross other consumer loans to retail customers</b>	<b>69,830,410</b>	<b>699,056</b>	<b>2,302,979</b>	<b>72,832,445</b>
Credit loss allowance	(1,379,213)	(212,205)	(1,357,423)	(2,948,841)
<b>Total net other consumer loans to retail customers</b>	<b>68,451,197</b>	<b>486,851</b>	<b>945,556</b>	<b>69,883,604</b>
<b>Total gross loans to retail customers</b>	<b>147,599,723</b>	<b>816,744</b>	<b>2,819,103</b>	<b>151,235,570</b>
<b>Total net loans to retail customers</b>	<b>146,191,952</b>	<b>599,693</b>	<b>1,265,462</b>	<b>148,057,107</b>
<b>Total gross loans to customers</b>	<b>541,005,968</b>	<b>19,977,651</b>	<b>16,905,663</b>	<b>577,889,282</b>
<b>Total net loans to customers</b>	<b>538,428,827</b>	<b>15,760,889</b>	<b>10,145,520</b>	<b>564,335,236</b>

\* Other consumer loans to retail customers mainly include credit cards and overdrafts to retail customers, online consumer loans and loans to retail customers for credit purchases.

## (ii) *Analysis of collateral and other credit enhancements*

### **Loans to legal entities**

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

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, equipment, inventory and cash collateral.
- For retail lending, mortgages over residential properties.

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

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

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

### **Loans to individuals**

Mortgage loans are secured by the underlying housing real estate.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Auto loans are secured by the underlying cars. As at 31 December 2020 consumer loans are secured by real estate, movable property, salary, cash and individual guarantees.

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2020 and 2019.

31 December 2020	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
Loans to legal entities	23,585,021	14,127,620	553,089	6,395,278	(2,118,151)	18,957,836	4,627,185	7,408,239
Mortgage loans	1,923,180	1,919,048	46,823	3,220	(581,106)	1,387,985	535,195	557,268
Other consumer loans	4,289,359	1,167,686	111,530	45,255	(379,471)	945,000	3,344,359	2,979,546
<b>Total</b>	<b>29,797,560</b>	<b>17,214,354</b>	<b>711,442</b>	<b>6,443,753</b>	<b>(3,078,728)</b>	<b>21,290,821</b>	<b>8,506,739</b>	<b>10,945,053</b>

31 December 2019	Gross carrying amount	Estimated market value of collateral					Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus	Total collateral		
Loans to legal entities	14,086,560	9,884,809	472,493	1,053,315	(503,854)	10,906,763	3,179,797	5,206,502
Mortgage loans	516,124	471,901	-	-	(108,953)	362,948	153,176	196,218
Other consumer loans	2,302,979	917,339	158,963	33,600	(409,049)	700,853	1,602,126	1,357,423
<b>Total</b>	<b>16,905,663</b>	<b>11,274,049</b>	<b>631,456</b>	<b>1,086,915</b>	<b>(1,021,856)</b>	<b>11,970,564</b>	<b>4,935,099</b>	<b>6,760,143</b>

As at 31 December 2020, the balance of cash-covered loans for which no impairment for allowance was created because of the collateral, amounted to AMD 1,102,140 thousand (2019: AMD 1,977,340 thousand).

### Reposessed collateral

During the year ended 31 December 2020, the Bank obtained certain assets by taking possession of collateral for loans to customers with a carrying amount of AMD 181,485 thousand (2019: AMD 1,685,144 thousand). Part of the reposessed collateral in the amount of AMD 1,454,203 thousand was sold during the year ended 31 December 2020 (2019: AMD 1,255,565 thousand). As at 31 December 2020 and 2019, the reposessed collateral comprises:

	2020 AMD'000	2019 AMD'000
Real estate	1,905,402	3,117,737
Other	11,363	89,467
Write down to net realizable value	(92,877)	(178,749)
<b>Total reposessed collateral</b>	<b>1,823,888</b>	<b>3,028,455</b>

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

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

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

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Wholesale trade	107,520,522	92,693,412
Energy	51,052,777	30,213,023
Transportation	43,796,861	31,614,958
Food and beverage	38,329,741	32,508,253
Hotel service	36,438,293	32,938,353
Mining/metallurgy	34,392,138	60,432,117
Retail trade	31,209,552	25,813,737
Construction	29,940,834	34,518,172
Agriculture, forestry and timber	29,530,102	26,676,702
Communication services	26,957,558	8,294,421
Real estate	26,125,399	18,351,660
Manufacturing	9,134,331	16,023,886
Finance and investment	6,588,265	6,144,886
Other	15,202,151	10,430,132
Loans to individuals	196,622,644	151,235,570
	<b>682,841,168</b>	<b>577,889,282</b>
Credit loss allowance	(22,966,663)	(13,554,046)
	<b>659,874,505</b>	<b>564,335,236</b>

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

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Armenia	440,711,659	372,080,229
OECD and EU	13,619,101	24,817,189
Other foreign countries	17,540,481	19,380,711
	<b>471,871,241</b>	<b>416,278,129</b>

**(iv) Significant credit exposures**

As at 31 December 2020 the Bank has seven borrowers or groups of connected borrowers (2019: eight), whose loan balances exceed 10% of the Bank's equity. The exposure on these loans as at 31 December 2020 is AMD 90,559,754 thousand (2019: AMD 100,346,776 thousand).

**(v) Loan maturities**

The maturity of the loan portfolio is presented in Note 31 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

**(b) Receivables from factoring**

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
Receivables from factoring	11,352,912	10,707,784
Credit loss allowance	(20,561)	(7,013)
	<b>11,332,351</b>	<b>10,700,771</b>

As at 31 December 2020 the Bank has no customers whose balances exceed 10% of the Bank's equity (2019: no customer).

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from factoring for the years ended 31 December 2020 and 2019.

	<b>2020</b>			
<b>AMD'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from factoring</b>				
Balance at 1 January	10,707,784	-	-	10,707,784
New assets originated or purchased	11,352,912	-	-	11,352,912
Assets repaid	(10,707,784)	-	-	(10,707,784)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>11,352,912</b>	<b>-</b>	<b>-</b>	<b>11,352,912</b>

	<b>2019</b>			
<b>AMD'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from factoring</b>				
Balance at 1 January	10,720,377	-	-	10,720,377
New assets originated or purchased	10,672,728	-	-	10,672,728
Assets repaid	(10,685,321)	-	-	(10,685,321)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>10,707,784</b>	<b>-</b>	<b>-</b>	<b>10,707,784</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from factoring for the years ended 31 December 2020 and 2019.

	<b>2020</b>			
<b>AMD'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from factoring</b>				
Balance at 1 January	7,012	-	-	7,012
New assets originated or purchased	20,561	-	-	20,561
Assets repaid	(7,012)	-	-	(7,012)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>20,561</b>	<b>-</b>	<b>-</b>	<b>20,561</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from factoring</b>				
Balance at 1 January	34,132	-	-	34,132
New assets originated or purchased	6,999	-	-	6,999
Assets repaid	(34,118)	-	-	(34,118)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>7,013</b>	<b>-</b>	<b>-</b>	<b>7,013</b>

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

**(c) Receivables from letters of credit**

	2020 AMD'000	2019 AMD'000
Receivables from letters of credit from legal entities	12,859,539	5,060,739
Credit loss allowance	(55,462)	(14,537)
	<b>12,804,077</b>	<b>5,046,202</b>

As at 31 December 2020 the Bank has no customers (2019: none), whose balances exceed 10% of the Bank's equity.

The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from letters of credit for the years ended 31 December 2020 and 2019.

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from letters of credit</b>				
Balance at 1 January	5,060,739	-	-	5,060,739
New assets originated or purchased	10,210,732	-	-	10,210,732
Assets repaid	(2,411,932)	-	-	(2,411,932)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>12,859,539</b>	<b>-</b>	<b>-</b>	<b>12,859,539</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from letters of credit</b>				
Balance at 1 January	8,305,930	-	-	8,305,930
New assets originated or purchased	2,752,132	-	-	2,752,132
Assets repaid	(5,997,323)	-	-	(5,997,323)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>5,060,739</b>	<b>-</b>	<b>-</b>	<b>5,060,739</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from letters of credit for the years ended 31 December 2020 and 2019.

<b>AMD'000</b>	<b>2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from letters of credit</b>				
Balance at 1 January	14,537	-	-	14,537
New assets originated or purchased	35,925	-	-	35,925
Assets repaid	(6,815)	-	-	(6,815)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	11,815	-	-	11,815
<b>Balance at 31 December</b>	<b>55,462</b>	<b>-</b>	<b>-</b>	<b>55,462</b>

<b>AMD'000</b>	<b>2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from letters of credit</b>				
Balance at 1 January	37,391	-	-	37,391
New assets originated or purchased	7,806	-	-	7,806
Assets repaid	(30,660)	-	-	(30,660)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
<b>Balance at 31 December</b>	<b>14,537</b>	<b>-</b>	<b>-</b>	<b>14,537</b>

**(d) Receivables from finance leases**

	<b>2020 AMD'000</b>	<b>2019 AMD'000</b>
<b>Gross investment in finance leases receivable</b>		
Less than one year	3,841,013	1,620,206
Between one and five years	10,788,243	1,417,781
More than five years	1,122,663	4,345,955
	<b>15,751,919</b>	<b>7,383,942</b>
Unearned finance income	(2,718,413)	(1,477,090)
<b>Gross investment in finance lease receivables</b>	<b>13,033,506</b>	<b>5,906,852</b>
Impairment allowance	(548,916)	(247,162)
<b>Net investment in finance leases</b>	<b>12,484,590</b>	<b>5,659,690</b>
<b>The net investment in finance leases comprises</b>		
Less than one year	3,075,850	1,435,309
Between one and two years	3,052,556	1,331,204
Between two and three years	2,512,927	1,167,345
Between three and four years	1,852,526	719,592
Between four and five years	1,099,538	391,708
More than five years	891,193	614,532
	<b>12,484,590</b>	<b>5,659,690</b>



The following tables show reconciliations from the opening to the closing balances of the gross carrying values of receivables from finance leases for the years ended 31 December 2020 and 2019.

<b>AMD'000</b>	<b>2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from finance lease</b>				
Balance at 1 January	5,577,779	-	329,073	5,906,852
New assets originated or purchased	8,497,747	-	-	8,497,747
Assets repaid	(1,339,750)	-	(31,343)	(1,371,093)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(91,744)	91,744	-	-
Transfer to Stage 3	(280,880)	-	280,880	-
<b>Balance at 31 December</b>	<b>12,363,152</b>	<b>91,744</b>	<b>578,610</b>	<b>13,033,506</b>

<b>AMD'000</b>	<b>2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from finance lease</b>				
Balance at 1 January	1,863,354	-	438,476	2,301,830
New assets originated or purchased	4,140,682	-	-	4,140,682
Assets repaid	(394,914)	-	(151,428)	(546,342)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(31,343)	-	31,343	-
Recoveries	-	-	10,682	10,682
<b>Balance at 31 December</b>	<b>5,577,779</b>	<b>-</b>	<b>329,073</b>	<b>5,906,852</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for receivables from finance leases for the years ended 31 December 2020 and 2019.

<b>AMD'000</b>	<b>2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Receivables from finance lease</b>				
Balance at 1 January	15,746	-	231,416	247,162
New assets originated or purchased	76,311	-	-	76,311
Assets repaid	-	-	(21,859)	(21,859)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(268)	268	-	-
Transfer to Stage 3	(638)	-	638	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	70,623	18,669	160,087	249,379
Unwinding of discount	-	-	(2,077)	(2,077)
<b>Balance at 31 December</b>	<b>161,774</b>	<b>18,937</b>	<b>368,205</b>	<b>548,916</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from finance lease</b>				
Balance at 1 January	12,064	-	265,561	277,625
New assets originated or purchased	11,601	-	-	11,601
Assets repaid	(4,002)	-	(10,682)	(14,684)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(3,917)	-	3,917	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	-	-	(43,121)	(43,121)
Unwinding of discount	-	-	5,059	5,059
Recoveries	-	-	10,682	10,682
<b>Balance at 31 December</b>	<b>15,746</b>	<b>-</b>	<b>231,416</b>	<b>247,162</b>

**(i) Quality analysis of finance leases**

The following table provides information on the credit quality of receivables from finance leases as at 31 December 2020:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Receivables from finance leases</b>				
- not overdue	11,959,564	91,744	89,915	12,141,223
- overdue less than 30 days	403,588	-	-	403,588
- overdue more than 90 days	-	-	488,695	488,695
<b>Total gross receivables from finance leases</b>	<b>12,363,152</b>	<b>91,744</b>	<b>578,610</b>	<b>13,033,506</b>
Credit loss allowance	(161,774)	(18,937)	(368,205)	(548,916)
<b>Total net receivables from finance leases</b>	<b>12,201,378</b>	<b>72,807</b>	<b>210,405</b>	<b>12,484,590</b>

The following table provides information on the credit quality of receivables from finance leases as at 31 December 2019:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
<b>Receivables from finance leases</b>				
- not overdue	5,577,779	-	-	5,577,779
- overdue less than 30 days	-	-	31,344	31,344
- overdue more than 90 days	-	-	297,729	297,729
<b>Total gross receivables from finance leases</b>	<b>5,577,779</b>	<b>-</b>	<b>329,073</b>	<b>5,906,852</b>
Credit loss allowance	(15,746)	-	(231,416)	(247,162)
<b>Total net receivables from finance leases</b>	<b>5,562,033</b>	<b>-</b>	<b>97,657</b>	<b>5,659,690</b>

**(ii) Concentration of receivables from finance leases**

As at 31 December 2020 the Bank has no customers whose balances exceed 10% of the Bank's equity (2019: nil).

**(iii) Analysis of collateral**

Receivables from finance lease are secured by real estate, equipment and vehicles. The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2020:

	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
<b>31 December 2020</b>								
Finance lease	578,610	39,293	154,020	76,078	(17,843)	251,548	327,062	368,205
<b>Total</b>	<b>578,610</b>	<b>39,293</b>	<b>154,020</b>	<b>76,078</b>	<b>(17,843)</b>	<b>251,548</b>	<b>327,062</b>	<b>368,205</b>

Receivables from finance lease are secured by real estate, equipment and vehicles. The following table provides information on the collateral pledged for the receivables from finance lease classified at Stage 3 as at 31 December 2019:

	Gross carrying amount	Estimated market value of collateral				Total collateral	Net exposure	Associated ECL
		Real estate	Vehicles	Other	Surplus			
<b>31 December 2019</b>								
Finance lease	329,073	-	126,500	-	-	126,500	202,573	231,416
<b>Total</b>	<b>329,073</b>	<b>-</b>	<b>126,500</b>	<b>-</b>	<b>-</b>	<b>126,500</b>	<b>202,573</b>	<b>231,416</b>

## 21 Property, equipment and intangible assets

AMD'000	Leasehold improvements	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
<b>Cost</b>						
Balance at 1 January 2020	4,759,362	7,643,528	2,506,026	303,730	3,151,700	18,364,346
Additions	116,029	767,617	54,212	-	1,037,870	1,975,728
Disposals/write-offs	(99,145)	(328,572)	(101,862)	-	(374,304)	(903,883)
Transfers	-	(186,395)	186,395	-	-	-
<b>Balance at 31 December 2020</b>	<b>4,776,246</b>	<b>7,896,178</b>	<b>2,644,771</b>	<b>303,730</b>	<b>3,815,266</b>	<b>19,436,191</b>
<b>Depreciation and amortization</b>						
Balance at 1 January 2020	1,545,436	3,616,602	605,485	114,429	1,320,000	7,201,952
Depreciation and amortization for the year	279,714	894,559	216,553	39,755	722,332	2,152,913
Disposals/write-offs	(10,120)	(215,036)	(68,490)	-	(365,564)	(659,210)
Transfers	-	(16,361)	16,361	-	-	-
<b>Balance at 31 December 2020</b>	<b>1,815,030</b>	<b>4,279,764</b>	<b>769,909</b>	<b>154,184</b>	<b>1,676,768</b>	<b>8,695,655</b>
<b>Carrying amount</b>						
<b>At 31 December 2020</b>	<b>2,961,216</b>	<b>3,616,414</b>	<b>1,874,862</b>	<b>149,546</b>	<b>2,138,498</b>	<b>10,740,536</b>
<b>AMD'000</b>	<b>Leasehold improvements</b>	<b>Computers and communication equipment</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Intangible assets</b>	<b>Total</b>
<b>Cost</b>						
Balance at 1 January 2019	4,531,055	6,267,277	2,321,987	298,130	2,570,230	15,988,679
Additions	279,476	1,448,953	232,688	30,271	856,191	2,847,579
Disposals/write-offs	(51,169)	(72,702)	(48,649)	(24,671)	(274,721)	(471,912)
<b>Balance at 31 December 2019</b>	<b>4,759,362</b>	<b>7,643,528</b>	<b>2,506,026</b>	<b>303,730</b>	<b>3,151,700</b>	<b>18,364,346</b>
<b>Depreciation and amortization</b>						
Balance at 1 January 2019	1,278,411	2,847,926	458,661	98,710	1,064,634	5,748,342
Depreciation and amortization for the year	318,194	807,793	187,465	38,110	479,817	1,831,379
Disposals/write-offs	(51,169)	(39,117)	(40,641)	(22,391)	(224,451)	(377,769)
<b>Balance at 31 December 2019</b>	<b>1,545,436</b>	<b>3,616,602</b>	<b>605,485</b>	<b>114,429</b>	<b>1,320,000</b>	<b>7,201,952</b>
<b>Carrying amount</b>						
<b>At 31 December 2019</b>	<b>3,213,926</b>	<b>4,026,926</b>	<b>1,900,541</b>	<b>189,301</b>	<b>1,831,700</b>	<b>11,162,394</b>

## 22 Leases

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

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

### (a) Right of use asset

	2020 AMD'000	2019 AMD'000
Balance at 1 January	11,235,119	10,984,619
Additions to right of use assets	192,695	74,839
Depreciation charge for the period	(943,483)	(1,027,215)
Lease contract modifications	159,560	1,202,876
<b>Balance at 31 December</b>	<b>10,643,891</b>	<b>11,235,119</b>

### (b) Amounts recognized in profit or loss

	2020 AMD'000	2019 AMD'000
Depreciation of right of use asset	943,483	1,027,215
Interest on lease liabilities	1,359,428	1,294,627

### (c) Amounts recognized in statement of cash flows

	2020 AMD'000	2019 AMD'000
Total cash outflow for leases	1,853,981	1,444,183

## 23 Other assets

	2020 AMD'000	2019 AMD'000
Receivables from unsettled transactions	1,839,832	2,043,477
Brokerage accounts	765,568	373,512
Restricted accounts with clearing houses	622,671	569,931
Credit loss allowance	(70,434)	(42,495)
<b>Total other financial assets at amortised cost</b>	<b>3,157,637</b>	<b>2,944,425</b>
Prepayments to suppliers	6,030,644	2,299,207
Standard bullions of precious metals	1,215,094	863,805
Inventories	194,032	188,858
Other	16,371	83,685
<b>Total other non-financial assets</b>	<b>7,456,141</b>	<b>3,435,555</b>
<b>Total other assets</b>	<b>10,613,778</b>	<b>6,379,980</b>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for other financial assets for the years ended 31 December 2020 and 31 December 2019.

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Other financial assets at amortized cost</b>				
Balance at 1 January	4,343	467	37,685	42,495
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	5,935	(123)	42,541	48,353
Write offs	-	-	(301,061)	(301,061)
Recoveries	-	-	280,647	280,647
<b>Balance at 31 December</b>	<b>10,278</b>	<b>344</b>	<b>59,812</b>	<b>70,434</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Other financial assets at amortized cost</b>				
Balance at 1 January	14,884	209	3,405	18,498
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(37,133)	37,133	-	-
Transfer to Stage 3	-	(37,359)	37,359	-
Net remeasurement of loss allowance	26,592	484	185,327	212,403
Write offs	-	-	(188,406)	(188,406)
<b>Balance at 31 December</b>	<b>4,343</b>	<b>467</b>	<b>37,685</b>	<b>42,495</b>

## 24 Deposits and balances from banks

	2020 AMD'000	2019 AMD'000
Loans from the Central Bank of Armenia	15,496,687	13,092,867
Loans and term deposits from commercial banks		
- With initial maturity period of less than 12 months	7,352,076	10,674,325
- With initial maturity period of more than 12 months	15,676,267	4,568,199
Liabilities for letters of credit	17,058,096	5,512,922
Vostro accounts	262,390	640,500
	<b>55,845,516</b>	<b>34,488,813</b>

According to the agreement the Central Bank of Armenia provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the “Directing Office of the “German Armenian Foundation” program”.

As at 31 December 2020 and 2019 the Bank has no counterparties except for the Central Bank of Armenia, whose balances exceed 10% of equity.

## 25 Current accounts and deposits from customers

	2020 AMD'000	2019 AMD'000
<b>Current accounts and demand deposits</b>		
- Individuals	90,671,553	77,232,696
- Legal entities	261,862,919	260,795,880
<b>Term deposits</b>		
- Individuals	157,045,702	171,586,444
- Legal entities	89,380,492	83,608,413
	<b>598,960,666</b>	<b>593,223,433</b>

As at 31 December 2020, the Bank maintained customer current accounts and deposit balances of AMD 1,102,140 thousand (2019: AMD 1,977,340 thousand) that serve as collateral for loans and credit related commitments granted by the Bank.

As at 31 December 2020, the Bank has two customers (31 December 2019: three customers) whose balances exceed 10% of equity. The gross value of these balances as 31 December 2020 is AMD 151,070,677 thousand (2019: AMD 144,761,622 thousand).

## 26 Debt securities issued

	2020 AMD'000	2019 AMD'000
Domestic bonds issued	77,966,049	50,000,346
Green bonds issued to international financial institutions	26,959,811	-
Promissory notes	1,990,453	4,572,709
	<b>106,916,313</b>	<b>54,573,055</b>

As at 31 December 2020 the Bank has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 22.1 billion and USD 105.7 million respectively (2019: AMD and USD denominated debt securities with nominal amount of AMD 8 billion and USD 86.7 million respectively). As at 31 December 2020 carrying value of the bonds is AMD 22,385,424 thousand and AMD 55,580,625 thousand accordingly (2019: AMD 8,125,943 thousand and AMD 41,874,403 thousand accordingly).

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

In 2016 Bank placed USD denominated promissory notes with four Luxembourg-based funds via its investment manager ResponsAbility Investments AG in the amount of USD 20,000,000 with maturity in 2021. As at 31 December 2020 carrying value of the promissory Notes is AMD 1,990,453 thousand (2019: AMD 4,572,709 thousand).

In 2020 the Bank issued green bonds in the amount of EUR 42 million with interest rate 3.05% maturing on 26 November 2025. The green bonds are issued in close cooperation with FMO, the Dutch Entrepreneurial Development, that is also anchor investor in this transaction. The purpose of issued green bonds is financing green projects that contribute to environmental sustainability.



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

	2020 AMD'000	2019 AMD'000
<b>Balance at 1 January</b>	54,573,055	50,846,356
<b>Changes from financing cash flows</b>		
Sale of debt securities issued	61,954,944	21,864,967
Repayment of debt securities issued	(15,091,797)	(17,659,493)
<b>Total changes from financing cash flows</b>	<b>46,863,147</b>	<b>4,205,474</b>
<b>The effect of changes in foreign exchange rates</b>	<b>5,235,413</b>	<b>(564,912)</b>
<b>Other changes</b>		
Interest expense	3,880,180	3,123,159
Interest paid	(3,635,482)	(3,037,022)
<b>Balance at 31 December</b>	<b>106,916,313</b>	<b>54,573,055</b>

## 27 Other borrowed funds and subordinated borrowings

	2020 AMD'000	2019 AMD'000
Borrowings from international financial institutions	128,879,544	126,654,327
Borrowings from Armenian financial institutions	27,818	31,280
	<b>128,907,362</b>	<b>126,685,607</b>
Subordinated borrowings from international financial institutions	48,416,832	36,495,281
	<b>48,416,832</b>	<b>36,495,281</b>

**(a) Concentration of borrowings from international financial institutions**

As at 31 December 2020, the Bank has loans from five financial institutions (31 December 2019: five), whose balances exceed 10% of equity. These balances as at 31 December 2020 are AMD 133,062,388 thousand (31 December 2019: AMD 114,833,909 thousand).

**(b) Subordinated borrowing**

As at 31 December 2020 subordinated borrowing represents:

- Borrowing received from an unrelated party international financial institution (AMD 26,837,952 thousand) maturing on 11 January 2022.
- Borrowing received from other 2 financial institutions in the amount of AMD 5,139,002 thousand maturing on 15 January 2026, in the amount of AMD 8,546,505 thousand maturing on 15 January 2027, in the amount of AMD 262,890 thousand maturing on 3 January 2031 and in the amount of AMD 7,630,483 thousand maturing on 3 January 2031.

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

**(c) Covenants**

The Bank is required to meet certain covenants in connection with borrowing agreements. The Bank was in compliance with all covenants as at 31 December 2020 and 2019.

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

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2020	126,685,607	36,495,281
<b>Changes from financing cash flows</b>		
Receipt	22,405,950	7,280,620
Repayments	(33,524,720)	-
<b>Total changes from financing cash flows</b>	<b>(11,118,770)</b>	<b>7,280,620</b>
<b>The effect of changes in foreign exchange rates</b>	<b>13,370,552</b>	<b>4,994,383</b>
<b>Other changes</b>		
Interest expense	5,560,007	2,977,669
Interest paid	(5,590,034)	(3,331,121)
<b>Balance at 31 December 2020</b>	<b>128,907,362</b>	<b>48,416,832</b>

'000 AMD	Other borrowed funds	Subordinated borrowings
Balance at 1 January 2019	120,913,209	50,414,125
<b>Changes from financing cash flows</b>		
Receipt	36,670,697	2,402,111
Repayments	(28,146,725)	(15,346,760)
<b>Total changes from financing cash flows</b>	<b>8,523,972</b>	<b>(12,944,649)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>(2,887,489)</b>	<b>(564,649)</b>
<b>Other changes</b>		
Interest expense	6,198,375	3,778,109
Interest paid	(6,062,460)	(4,187,655)
<b>Balance at 31 December 2019</b>	<b>126,685,607</b>	<b>36,495,281</b>

## 28 Other liabilities

	2020 AMD'000	2019 AMD'000
Payables to staff	2,452,591	3,433,379
Payables in transit	1,795,366	1,262,818
Financial liabilities related to factoring contracts	837,651	954,480
Tariffs payable	656,800	995,216
Payables to deposit guarantee fund	152,325	176,713
Other payables	246,338	1,438,284
<b>Total other financial liabilities</b>	<b>6,141,071</b>	<b>8,260,890</b>
Other taxes payable	1,128,154	305,946
Replenishment of regulatory capital not yet approved by CBA	-	95,484
Deferred income	29,362	3,003
<b>Total other non-financial liabilities</b>	<b>1,157,516</b>	<b>404,433</b>
<b>Total other liabilities</b>	<b>7,298,587</b>	<b>8,665,323</b>

## 29 Amounts payable under repurchase agreements

	2020 AMD'000	2019 AMD'000
Amounts payable to the Central Bank of Armenia	20,005,910	-
<b>Total amounts payable under reverse repurchase agreements</b>	<b>20,005,910</b>	<b>-</b>

### (a) Concentration of amounts payable under repurchase agreements

As at 31 December 2020, the Bank has no counterparty except for the Central Bank of Armenia (2019: no counterparty) whose balances exceed 10% of equity.

## 30 Share capital and reserves

### (a) Issued capital and share premium

As at 31 December 2020 the authorized, issued and outstanding share capital comprises 116,834 ordinary shares (2019: 116,710). All shares have a nominal value of AMD 320 thousand and are fully paid.

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

In 2020 the Bank issue additional 124 shares at par value of AMD 320,000 (2019: 146 shares at par value AMD 320,000) and placement price of AMD 770,031 (2019: AMD 599,687). In 2020 and 2019 all of the shares issued were fully purchased by ESPS Holding Limited.

### (b) Nature and purpose of reserves

#### *Revaluation reserve for investment securities*

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

### (c) Dividends

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

The Bank did not declare and pay dividends in 2020 (2019: declared and paid dividends amounted to AMD 1,050,000 thousand).

## 31 Risk management

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

### (a) Risk management policies and procedures

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

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The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

**(i) Interest rate risk**

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

**Average effective interest rates**

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2020 and 31 December 2019. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2020			2019		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
<b>Interest earning assets</b>						
Investment securities measured at fair value through profit or loss	8.15%	7.1%	3.4%	9.5%	6.7%	4.8%
Investment securities measured at fair value through other comprehensive income	8.69%	7.64%	-	10.2%	7.5%	-
Investment securities measured at amortized cost	7.82%	-	-	8.6%	6.2%	-
Loans and advances to banks	-	6.2%	-	-	5.3%	-
Amounts receivable under reverse repurchase agreements	6.6%	3.6%	-	6.1%	3.4%	0.5%
Loans and advances to customers	11.78%	7.95%	6.17%	12.7%	8.9%	6.2%
Receivables from finance leases	10.8%	7.1%	5.8%	13.9%	7.9%	6.5%
Receivables from factoring	12.0%	8.5%	5.9%	14.2%	8.8%	6.1%
Receivables from letter of credit	-	4.8%	4.4%	-	8.7%	5.3%
<b>Interest bearing liabilities</b>						
Deposits and balances from banks	6.26%	2.12%	0.49%	6.5%	2.2%	1.7%
Amounts payable under reverse repurchase agreements	5.41%	-	-	-	-	-
Term deposits from customers	8.75%	3.55%	1.48%	9.0%	4.1%	1.8%
Debt securities issued	9.53%	5.03%	3.05%	9.7%	5.2%	-
Subordinated borrowings	-	3.64%	6.26%	-	10.2%	6.3%
Other borrowed funds	8.04%	3.00%	2.77%	8.4%	5.0%	2.8%

### **Interest rate sensitivity analysis**

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities, except for interest bearing cash and cash equivalents and current accounts and demand deposits from customers, and existing as at 31 December 2020 and 2019, is as follows:

	<b>2020</b> <b>AMD'000</b>	<b>2019</b> <b>AMD'000</b>
100 bp parallel rise	(461,000)	(1,049,753)
100 bp parallel fall	461,000	1,049,753

An analysis of the sensitivity of equity as a result of changes in the fair value of financial instruments at fair value through other comprehensive income, based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	<b>2020</b> <b>Equity</b> <b>AMD'000</b>	<b>2019</b> <b>Equity</b> <b>AMD'000</b>
100 bp parallel rise	(307,040)	(315,398)
100 bp parallel fall	307,040	315,398

### **Currency risk**

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	<b>USD</b> <b>AMD'000</b>	<b>EUR</b> <b>AMD'000</b>	<b>Other</b> <b>currencies</b> <b>AMD'000</b>	<b>Total</b> <b>AMD'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	156,408,740	22,510,097	4,394,666	183,313,503
Investment securities at fair value through profit or loss	2,928,048	87,445	-	3,015,493
Investment securities at fair value through other comprehensive income	2,863,402	-	-	2,863,402
Loans and advances to banks	28,213,458	5,003,217	32,050	33,248,725
Amounts receivable under reverse repurchase agreements	7,699,295	-	-	7,699,295
Loans and advances to customers	311,549,981	129,309,804	2,026,516	442,886,301
Receivables from letters of credit	5,069,483	7,734,594	-	12,804,077
Receivables from finance leases	2,995,076	4,737,101	-	7,732,177
Receivables from factoring	7,162,697	3,603,282	10,376	10,776,355
Other financial assets	1,807,199	79,843	35,341	1,922,383
<b>Total assets</b>	<b>526,697,379</b>	<b>173,065,383</b>	<b>6,498,949</b>	<b>706,261,711</b>

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
<b>LIABILITIES</b>				
Investment securities at fair value through profit or loss	424,588	-	-	424,588
Deposits and balances from banks	30,251,908	10,012,647	707	40,265,262
Current accounts and deposits from customers	345,067,858	67,547,624	7,825,550	420,441,032
Debt securities issued	57,571,078	26,959,811	-	84,530,889
Subordinated borrowings	34,731,325	13,685,507	-	48,416,832
Other borrowed funds	72,121,984	44,120,072	-	116,242,056
Other financial liabilities	857,489	609,531	45,017	1,512,037
<b>Total liabilities</b>	<b>541,026,230</b>	<b>162,935,192</b>	<b>7,871,274</b>	<b>711,832,696</b>
<b>Net position</b>	<b>(14,328,851)</b>	<b>10,130,191</b>	<b>(1,372,325)</b>	<b>(5,570,985)</b>
Effect of derivatives	6,724,532	(16,668,860)	21,182	(9,923,146)
<b>Net position</b>	<b>(7,604,319)</b>	<b>(6,538,669)</b>	<b>(1,351,143)</b>	<b>(15,494,131)</b>

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019.

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
<b>ASSETS</b>				
Cash and cash equivalents	31,370,523	136,945,002	5,668,474	173,983,999
Investment securities at fair value through profit or loss	1,788,708	45,873	-	1,834,581
Investment securities at fair value through other comprehensive income	3,353,097	-	-	3,353,097
Investment securities at amortized cost	2,542,987	-	-	2,542,987
Loans and advances to banks	20,101,586	4,824,324	-	24,925,910
Amounts receivable under reverse repurchase agreements	1,346,506	7,524,129	-	8,870,635
Loans and advances to customers	328,225,481	80,824,999	1,740,067	410,790,547
Receivables from letters of credit	1,574,039	3,472,163	-	5,046,202
Receivables from finance leases	1,994,946	948,658	-	2,943,604
Receivables from factoring	6,902,267	3,015,623	2,985	9,920,875
Other financial assets	1,761,925	29,107	57,915	1,848,947
<b>Total assets</b>	<b>400,962,065</b>	<b>237,629,878</b>	<b>7,469,441</b>	<b>646,061,384</b>
<b>LIABILITIES</b>				
Deposits and balances from banks	13,556,167	4,869,901	1,018,093	19,444,161
Current accounts and deposits from customers	361,523,559	63,486,589	7,214,487	432,224,635
Debt securities issued	46,447,112	-	-	46,447,112
Subordinated borrowings	25,027,671	11,467,610	-	36,495,281
Other borrowed funds	74,938,072	36,480,965	-	111,419,037
Other financial liabilities	1,292,686	450,630	18,164	1,761,480
<b>Total liabilities</b>	<b>522,785,267</b>	<b>116,755,695</b>	<b>8,250,744</b>	<b>647,791,706</b>
<b>Net position</b>	<b>(121,823,202)</b>	<b>120,874,183</b>	<b>(781,303)</b>	<b>(1,730,322)</b>
Effect of derivatives	118,470,708	(122,495,280)	(239,651)	(4,264,223)
<b>Net position</b>	<b>(3,352,494)</b>	<b>(1,621,097)</b>	<b>(1,020,954)</b>	<b>(5,994,545)</b>



A weakening of the AMD, as indicated below, against the following currencies at 31 December 2020 and 2019, would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis is on net of tax basis, and is based on foreign currency exchange rate variances that the Bank considers to be reasonably possible at the end of the reporting period. The income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2020 AMD'000	2019 AMD'000
10% appreciation of USD against AMD	(760,432)	(335,249)
10% appreciation of EUR against AMD	(653,867)	(162,110)

A strengthening of the AMD against the above currencies at 31 December 2020 and 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

### (c) Credit risk

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

The credit policy establishes:

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

Legal entity loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the loan portfolio of legal entities. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Loans to individuals credit applications are reviewed by the Retail Lending Subdivisions.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

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

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans and advances to customers and concentration of credit risk in respect of loans and advances to customers refer to Note 20.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 33.

### ***Covid-19***

To assess the implication of Covid-19 on the credit quality of loans and advance to customers, the Bank has separately analysed its portfolios of loans to corporate customers and loans to retail customers.

Loans to corporate customers were assessed individually, to identify whether the implications of Covid-19 have led to significant increase in credit risk of the borrowers. For the purposes of assessment, the Bank has considered the following factors:

- magnitude/scale of loan restructuring due to Covid-19;
- borrower's equity position;
- collateralization of the loan;
- payments pattern of the borrowings subsequent to restructuring;
- whether the borrower operates in the sectors heavily affected by Covid-19;
- lengths of the economy lockdown imposed by the Government

Loans to retail customers have been analysed on collective basis, based on the overdue pattern.

### ***Impairment assessment***

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

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

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

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

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

### ***Definition of default***

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay, based on management's judgment. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

### ***PD estimation process***

#### ***Treasury and interbank relationships***

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

### *Loans and advances to customers*

#### **Bucketing**

The Bank does not have internal credit rating system implemented for corporate customers, which can be used in PD estimation. The following portfolios are segregated by the Bank.

- corporate loans;
- consumer loans;
- mortgages loans.

PDs for loans and advances to customers are based on historic information are calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring between overdue categories from the total number at the beginning of the period. In calculation of PDs the Bank considers forward looking macroeconomic parameters that had material impact on the probability of default.

#### **Exposure at default**

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

For Stage 3 and POCI financial assets exposure at default is equal to the balance amount of the loans.

EAD is derived from the historical behaviour of amortized costs of defaulted loans before the date when the default has occurred.

#### **Loss given default**

For Stage 1 loans to customers, as well as for individually not significant Stage 2 and Stage 3 exposures, the Bank calculated LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate of each loan. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.). For individually significant Stage 2 and Stage 3 exposures the Bank calculates LDG individually considering expected cash, including cash flows from realization of collateral.

#### **Significant increase in credit risk**

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

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

- overdue days of the borrower in other financial institutions in Armenia.
- significant difficulties in the financial conditions of the borrower.
- renegotiation of the loan terms resulting from deterioration of the borrower's financial position.
- deterioration of macroeconomic indicators and their possible effect on the borrower's financial performance.

### **Forward-looking information and multiple economic scenarios**

In its ECL models, the Bank relies on a broad range of macroeconomic indicators as forward-looking information, such as:

- consumer price index;
- USD/AMD exchange rate;
- RUR/AMD exchange rate;
- volumes of export;
- volumes of import.

The Bank obtains the forecasts of macroeconomic data from third party source (Economic Intelligence Unit). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios. The table shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations.

	<b>ECL scenario</b>	<b>Assigned probabilities, %</b>	<b>2021</b>	<b>2022</b>
<b>Key drivers</b>				
CPI index	Upside	20%	101.221	99.221
	Base case	50%	104.100	102.100
	Downside	30%	106.979	104.979
USD/AMD exchange rate	Upside	20%	439.5155	442.8155
	Base case	50%	487.1000	490.4000
	Downside	30%	534.6845	537.9845
RUR/AMD exchange rate	Upside	20%	9.3909	9.5709
	Base case	50%	6.8000	6.9800
	Downside	30%	4.2091	4.3891
Export, AMD million	Upside	20%	3,452.56	3,880.56
	Base case	50%	2,911.00	3,339.00
	Downside	30%	2,369.44	2,797.44
Import, AMD million	Upside	20%	5,828.09	6,530.09
	Base case	50%	5,165.00	5,867.00
	Downside	30%	4,501.90	5,203.90

Along with baseline forecasts (with 50% probability of occurrence) listed in the table above, additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the optimistic (with 20% probability of occurrence) and pessimistic (30% probability of occurrence) scenarios. These rates are weighted to form final ECL rates. In 2019 the Bank had applied the following weights for the scenarios: 60% probability of occurrence of baseline scenario, 20% probability of occurrence of both optimistic and pessimistic scenarios. The Bank has adjusted the weights of the scenarios in 2020 to reflect the Covid-19 and Nagorno Karabakh military conflict implications. Following the implications of Covid-19 and Nagorno Karabakh military conflict the PDs at Stage 1 have increased by 0.92% points for corporate loans, by 0.37%-0.66% for retail loans.

### **Offsetting financial assets and financial liabilities**

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

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

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

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

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

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

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	
				Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	17,258,217	-	17,258,217	(17,258,217)	-
<b>Total financial assets</b>	<b>17,258,217</b>	<b>-</b>	<b>17,258,217</b>	<b>(17,258,217)</b>	<b>-</b>
Amounts payable under repurchase agreements	(20,005,910)	-	(20,005,910)	(20,005,910)	-
<b>Total financial liabilities</b>	<b>(20,005,910)</b>	<b>-</b>	<b>(20,005,910)</b>	<b>(20,005,910)</b>	<b>-</b>

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	
				Financial instruments	Net amount
Amounts receivable under reverse repurchase agreements	23,549,559	-	23,549,559	(23,549,559)	-
<b>Total financial assets</b>	<b>23,549,559</b>	<b>-</b>	<b>23,549,559</b>	<b>(23,549,559)</b>	<b>-</b>
Amounts payable under repurchase agreements	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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



**(d) Liquidity risk**

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and international financial organisations, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Assets and Liabilities Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

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



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

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>AMD'000</b>								
<b>Financial liabilities</b>								
Deposits and balances from banks	671,173	9,788,969	2,140,395	10,044,487	27,041,389	8,879,204	58,565,617	55,845,516
Amount payable under purchase agreements	20,005,910	-	-	-	-	-	20,005,910	20,005,910
Current accounts and deposits from customers	377,784,438	33,918,155	62,517,276	102,828,820	29,500,256	31,671	606,580,616	598,960,666
Debt securities issued	289,902	1,809,383	9,345,396	13,882,209	92,369,439	-	117,696,329	106,916,313
Subordinated borrowings	382,925	246,845	429,396	1,047,523	32,043,921	24,811,934	58,533,577	48,416,832
Other borrowed funds	44,891	2,169,847	25,886,044	24,629,226	81,521,573	2,234,003	136,485,584	128,907,362
Lease liability	381,931	78,286	460,217	920,433	6,526,415	16,143,973	24,511,255	11,231,832
<b>Total financial liabilities</b>	<b>399,561,170</b>	<b>48,011,485</b>	<b>100,349,757</b>	<b>153,352,698</b>	<b>269,002,993</b>	<b>52,100,785</b>	<b>1,022,378,888</b>	<b>970,284,431</b>
<b>Credit related commitments</b>	<b>63,218,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,218,127</b>	<b>63,218,127</b>

The maturity analysis for financial liabilities as at 31 December 2019 is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>AMD'000</b>								
<b>Financial liabilities</b>								
Deposits and balances from banks	7,423,237	382,500	5,422,238	2,996,415	17,722,515	3,279,917	37,226,822	34,488,813
Current accounts and deposits from customers	356,185,087	34,927,937	72,038,201	107,275,162	31,440,265	70,768	601,937,420	593,223,433
Debt securities issued	4,906,704	654,511	3,054,746	6,087,421	40,713,121	-	55,416,503	54,573,055
Subordinated borrowings	1,143,339	-	357,153	1,579,947	30,511,336	12,653,304	46,245,079	36,495,281
Other borrowed funds	2,003,027	3,557,813	6,747,436	13,957,126	109,942,627	4,681,113	140,889,142	126,685,607
Lease liability	379,639	77,107	456,749	913,491	6,648,388	17,548,888	26,024,262	11,373,257
<b>Total financial liabilities</b>	<b>372,041,033</b>	<b>39,599,868</b>	<b>88,076,523</b>	<b>132,809,562</b>	<b>236,978,252</b>	<b>38,233,990</b>	<b>907,739,228</b>	<b>856,839,446</b>
<b>Credit related commitments</b>	<b>36,452,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,452,296</b>	<b>36,452,296</b>

Included in due to customers in the table above and in the table below are term deposits of individuals. In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The classification of these deposits in accordance with their stated maturity dates is presented below:

	<b>2020 AMD'000</b>	<b>2019 AMD'000</b>
Demand and less than 1 month	15,504,582	15,654,242
From 1 to 3 months	22,458,045	21,331,283
From 3 to 6 months	28,460,763	32,823,920
From 6 to 12 months	72,668,859	84,317,753
More than 1 year	17,953,453	17,459,245
	<b>157,045,702</b>	<b>171,586,444</b>

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>AMD'000</b>								
<b>ASSETS</b>								
Cash and cash equivalents	234,412,812	-	-	-	-	-	-	234,412,812
Financial instruments at fair value through profit or loss	52,946	479,885	1,563,706	6,095,657	1,284,372	-	-	9,476,566
Investment securities at fair value through other comprehensive income	-	32,306	2,492,014	6,638,866	1,961,850	82,965	-	11,208,001
Debt securities at amortized cost	-	4,494,005	11,658,102	23,599,731	11,785,455	-	-	51,537,293
Loans and advances to banks	-	1,836,523	-	528,866	-	33,158,420	-	35,523,809
Amounts receivable under reverse repurchase agreements	17,258,217	-	-	-	-	-	-	17,258,217
Loans and advances to customers	28,948,628	35,955,332	104,829,225	307,555,342	160,860,344	-	21,725,634	659,874,505
Receivables from letters of credit	30,071	4,899,987	3,349,425	4,524,594	-	-	-	12,804,077
Receivables from finance leases	297,048	508,848	2,238,398	8,550,502	728,961	-	160,833	12,484,590
Receivables from factoring	110,107	4,221,344	7,000,900	-	-	-	-	11,332,351
Property, equipment and intangible assets	-	-	-	-	-	10,740,536	-	10,740,536
Right of use asset	-	-	-	-	-	10,643,891	-	10,643,891
Deferred tax asset	-	-	1,028,409	-	-	-	-	1,028,409
Reposessed assets	-	-	-	-	-	1,823,888	-	1,823,888
Other assets	2,549,148	194,624	6,028,531	-	-	1,841,475	-	10,613,778
<b>Total assets</b>	<b>283,658,977</b>	<b>52,622,854</b>	<b>140,188,710</b>	<b>357,493,558</b>	<b>176,620,982</b>	<b>58,291,175</b>	<b>21,886,467</b>	<b>1,090,762,723</b>
<b>LIABILITIES</b>								
Financial instruments at fair value through profit or loss	13,465	74,373	8,013	408,561	-	-	-	504,412
Amounts payable under repurchase agreements	20,005,910	-	-	-	-	-	-	20,005,910
Deposits and balances from banks	665,161	9,770,834	11,403,483	25,113,016	8,893,022	-	-	55,845,516
Current accounts and deposits from customers	283,685,459	51,887,128	194,398,418	68,964,206	25,455	-	-	598,960,666
Debt securities issued	201,919	1,367,669	19,282,112	86,064,613	-	-	-	106,916,313
Subordinated borrowings	352,429	133,162	35,022	26,278,835	21,617,384	-	-	48,416,832
Other borrowed funds	44,820	1,794,210	47,750,301	77,208,100	2,109,931	-	-	128,907,362
Current tax liability	-	-	2,610,472	-	-	-	-	2,610,472
Lease liability	43,445	94,841	394,153	1,853,007	8,846,386	-	-	11,231,832
Provision for commitments	359,219	-	-	-	-	-	-	359,219
Other liabilities	2,694,114	1,595,189	3,009,284	-	-	-	-	7,298,587
<b>Total liabilities</b>	<b>308,065,941</b>	<b>66,717,406</b>	<b>278,891,258</b>	<b>285,890,338</b>	<b>41,492,178</b>	<b>-</b>	<b>-</b>	<b>981,057,121</b>
<b>Net position</b>	<b>(24,406,964)</b>	<b>(14,094,552)</b>	<b>(138,702,548)</b>	<b>71,603,220</b>	<b>135,128,804</b>	<b>58,291,175</b>	<b>21,886,467</b>	<b>109,705,602</b>

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

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2019:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>AMD'000</b>								
<b>ASSETS</b>								
Cash and cash equivalents	247,353,690	-	-	-	-	-	-	247,353,690
Financial instruments at fair value through profit or loss	73,561	79,022	1,038,564	4,535,502	2,528,957	-	-	8,255,606
Investment securities at fair value through other comprehensive income	-	90,547	808,703	5,970,379	3,909,460	69,896	-	10,848,985
Debt securities at amortized cost	-	123,001	11,113,364	17,540,179	4,734,346	-	-	33,510,890
Loans and advances to banks	-	-	1,675,211	-	-	25,339,429	-	27,014,640
Amounts receivable under reverse repurchase agreements	20,528,933	3,020,626	-	-	-	-	-	23,549,559
Loans and advances to customers	15,704,060	37,817,854	95,597,883	261,472,206	142,038,626	-	11,704,607	564,335,236
Receivables from letters of credit	57,104	166,237	941,852	3,881,009	-	-	-	5,046,202
Receivables from finance leases	19,361	222,207	989,947	3,591,396	736,957	-	99,822	5,659,690
Receivables from factoring	3,768,376	2,546,638	4,385,757	-	-	-	-	10,700,771
Property, equipment and intangible assets	-	-	-	-	-	11,162,394	-	11,162,394
Right of use asset	-	-	-	-	-	11,235,119	-	11,235,119
Reposessed assets	-	-	-	-	-	3,028,455	-	3,028,455
Other assets	2,080,176	189,450	2,672,652	-	-	1,437,702	-	6,379,980
<b>Total assets</b>	<b>289,585,261</b>	<b>44,255,582</b>	<b>119,223,933</b>	<b>296,990,671</b>	<b>153,948,346</b>	<b>52,272,995</b>	<b>11,804,429</b>	<b>968,081,217</b>
<b>LIABILITIES</b>								
Derivative financial liabilities	35,314	-	-	-	-	-	-	35,314
Deposits and balances from banks	7,413,097	363,086	16,029,223	7,670,584	3,012,823	-	-	34,488,813
Current accounts and deposits from customers	309,442,880	49,002,050	190,132,871	44,586,889	58,743	-	-	593,223,433
Debt securities issued	4,894,341	315,412	11,754,830	37,608,472	-	-	-	54,573,055
Subordinated borrowings	1,042,671	-	23,934	23,985,000	11,443,676	-	-	36,495,281
Other borrowed funds	2,000,252	3,078,393	16,554,283	100,816,265	4,236,414	-	-	126,685,607
Deferred tax liability	-	-	279,389	-	-	-	-	279,389
Current tax liability	-	-	-	918,445	-	-	-	918,445
Lease liability	37,939	77,307	354,050	1,923,342	8,980,619	-	-	11,373,257
Provision for commitments	116,222	-	-	-	-	-	-	116,222
Other liabilities	3,717,426	516,300	4,431,597	-	-	-	-	8,665,323
<b>Total liabilities</b>	<b>328,700,142</b>	<b>53,352,548</b>	<b>239,560,177</b>	<b>217,508,997</b>	<b>27,732,275</b>	<b>-</b>	<b>-</b>	<b>866,854,139</b>
<b>Net position</b>	<b>(39,114,881)</b>	<b>(9,096,966)</b>	<b>(120,336,244)</b>	<b>79,481,674</b>	<b>126,216,071</b>	<b>52,272,995</b>	<b>11,804,429</b>	<b>101,227,078</b>

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

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 December and during the reporting period are as follows:

	<b>2020</b> <b>AMD'000</b> <b>Unaudited</b>	<b>2019</b> <b>AMD'000</b> <b>Unaudited</b>
At 31 December	105.5%	100.7%
Average for December	85.32%	94.5%

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

## 32 Capital management

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

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

The Central Bank of Armenia sets and monitors capital requirements for the Bank. Under the current capital requirements set by the Central Bank of Armenia, banks have to maintain a minimum total capital of AMD 30,000,000 thousand (2019: AMD 30,000,000 thousand). The Bank is in compliance with minimum total capital requirements as at 31 December 2020 and 2019.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2020 and 2019, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2020 and 2019.

The following table shows the composition of the capital position calculated in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December:

	<b>2020</b> <b>AMD'000</b> <b>Unaudited</b>	<b>2019</b> <b>AMD'000</b> <b>Unaudited</b>
Tier 1 capital	109,740,188	93,090,744
Tier 2 capital	19,383,780	22,059,312
<b>Total capital</b>	<b>129,123,968</b>	<b>115,150,056</b>
 <b>Total risk weighted assets</b>	 <b>927,581,125</b>	 <b>781,286,761</b>
<b>Total capital expressed as a percentage of risk-weighted assets (total capital ratio)</b>	 <b>13.92%</b>	 <b>14.74%</b>

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

### 33 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

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

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

	2020 AMD'000	2019 AMD'000
<b>Contracted amount</b>		
Credit card commitments	17,191,180	16,219,615
Non-financial guarantees	16,357,723	9,745,780
Financial guarantees and letters of credit	12,085,764	5,649,694
Undrawn loans and credit lines	9,094,265	-
Undrawn overdraft facilities	8,489,195	4,837,207
	<b>63,218,127</b>	<b>36,452,296</b>
<b>Impairment allowance</b>	<b>(359,219)</b>	<b>(116,222)</b>

In addition to the above credit related commitments, the Bank has undrawn loans and credit lines the withdrawal of which is subject to additional approval by the Bank. The Bank considers such balances as uncommitted. The total amount of such uncommitted balances as at 31 December 2020 comprised AMD 11,884,119 thousand (2019: AMD 16,588,493 thousand).

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

The following tables show reconciliations from the opening to the closing balances of the loss allowance for commitments for the years ended 31 December 2020 and 2019.

AMD'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Commitments</b>				
Balance at 1 January	111,188	3,620	1,414	116,222
New exposures originated	78,641		-	78,641
Exposures expired	(28,812)	(2,068)	(1,414)	(32,294)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(9,674)	9,674	-	-
Transfer to Stage 3	(3)	(1,552)	1,555	-
Net remeasurement of loss allowance	174,403	4,471	17,776	196,650
<b>Balance at 31 December</b>	<b>325,743</b>	<b>14,145</b>	<b>19,331</b>	<b>359,219</b>

AMD'000	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Commitments</b>				
Balance at 1 January	120,080	5,755	14,328	140,163
New exposures originated	112,346	-	-	112,346
Exposures expired	(22,837)	(5,231)	(326)	(28,394)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(4,892)	4,892	-	-
Transfer to Stage 3	-	(1,414)	1,414	-
Net remeasurement of loss allowance	(93,509)	(382)	(14,002)	(107,893)
<b>Balance at 31 December</b>	<b>111,188</b>	<b>3,620</b>	<b>1,414</b>	<b>116,222</b>

## 34 Contingencies

### (a) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

### (b) Taxation contingencies

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

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

## 35 Related party transactions

### (a) Control relationships

The shareholders of the Bank as at 31 December 2020 are Imast Group (CY) (48.95%), EBRD (17.76%), ADB (13.94%), ESPS Holding Limited (11.83%) and Afeyan Foundation for Armenia Inc. (7.52%).

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

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

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

	2020 AMD'000	2019 AMD'000
Short-term employee benefits	2,177,391	2,801,262

These amounts include cash benefits in respect of members of the Board of Directors and the Management Board.

The outstanding balances and average effective interest rates as at 31 December 2020 and 2019 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2020 AMD'000	Average effective interest rate, %	2019 AMD'000	Average effective interest rate, %
<b>Statement of financial position</b>				
Loans and advances to customers	811,902	7.5%	1,006,530	8.04%
Other assets	2,331	-	2,188	-
Current accounts and deposits from customers	783,339	5.72%	987,153	6.31%
Other liabilities	1,184,620	-	1,185,957	-

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

	2020 AMD'000	2019 AMD'000
<b>Profit or loss</b>		
Interest income	79,657	87,384
Interest expense	(17,183)	(31,792)



### (c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2020 and related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Subsidiaries of the immediate parent company		Other entities under common control and other related parties		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
<b>Statement of financial position</b>									
<b>Assets</b>									
Loans and advances to customers	-	-	-	-	-	-	1,535,715	8.89%	1,535,715
Other asset	-	-	-	-	-	-	364	-	364
<b>Liabilities</b>									
Current accounts and deposits from customers									
- Current accounts and demand deposits	22,369	-	570,317	-	119,459	-	1,012,132	-	1,724,277
- Term deposits	-	-	-	-	520,051	5.64%	223,520	3.16%	743,571
Other borrowed funds	-	-	24,812,076	2.68%	-	-	-	-	24,812,076
Other liabilities	-	-	77,936	-	6	-	-	-	77,942
<b>Items not recognised in the statement of financial position</b>									
Guarantees received	-	-	5,090,815	1.00%	-	-	-	-	5,090,815
<b>Profit (loss)</b>									
Interest income	-	-	953	-	-	-	128,393	-	129,346
Interest expense	-	-	(852,535)	-	(40,216)	-	(10,233)	-	(902,984)
Operating lease expenses	-	-	-	-	(81,868)	-	-	-	(81,868)

The outstanding balances and the related average effective interest rates as at 31 December 2019 and related profit or loss amounts of transactions for the year ended 31 December 2019 with other related parties are as follows:

	<b>Parent company</b>		<b>Shareholder with significant influence</b>		<b>Subsidiaries of the immediate parent company</b>		<b>Other entities under common control and other related parties</b>		
	<b>AMD'000</b>	<b>Average effective interest rate, %</b>	<b>AMD'000</b>	<b>Average effective interest rate, %</b>	<b>AMD'000</b>	<b>Average effective interest rate, %</b>	<b>AMD'000</b>	<b>Average effective interest rate, %</b>	<b>Total AMD'000</b>
<b>Statement of financial position</b>									
<b>Assets</b>									
Loans and advances to customers	-	-	-	-	-	-	1,371,580	8.89%	1,371,580
Other asset	-	-	9,243	-	4,375	-	119	-	13,737
<b>Liabilities</b>									
Current accounts and deposits from customers									
- Current accounts and demand deposits	378,387	-	197,134	-	133,145	-	1,007,886	-	1,716,552
- Term deposits	-	-	-	-	976,068	4.81%	381,946	5.70%	1,358,015
Other borrowed funds	-	-	13,585,997	5.89%	-	-	-	-	13,585,997
Other liabilities	-	-	10,443	-	359	-	123	-	10,925
<b>Items not recognised in the statement of financial position</b>									
Guarantees received	-	-	8,870,606	1.10%	-	-	-	-	8,870,606
<b>Profit (loss)</b>									
Interest income	-	-	-	-	-	-	131,328	-	131,328
Interest expense	-	-	(1,330,627)	-	(35,373)	-	(5,414)	-	(1,371,414)
Other income	572,268	-	2,984	-	-	-	25,909	-	601,161
Operating lease expenses	-	-	-	-	(1,313,124)	-	-	-	(1,313,124)

## 36 Financial assets and liabilities: fair values and accounting classifications

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

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

As at 31 December 2020 and 2019 the estimated fair values of all financial instruments except for loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorized in Level 3 fair value hierarchy and fair value of investment securities measured at amortized cost is categorized in Level 2 in fair value hierarchy.

The table below sets out the carrying amounts and fair values of loans and advances to customers and investment securities at amortized cost as at 31 December 2020 and 2019:

	<b>Carrying amount AMD'000</b>	<b>Fair value AMD'000</b>	<b>Difference AMD'000</b>
Loans and advances to customers	696,495,523	695,334,192	(1,161,331)
Investment securities at amortized cost	51,537,293	51,276,359	(260,934)
<b>Total</b>	<b>748,032,816</b>	<b>746,610,551</b>	<b>(1,422,265)</b>

	<b>Carrying amount AMD'000</b>	<b>Fair value AMD'000</b>	<b>Difference AMD'000</b>
Loans and advances to customers	585,741,899	583,700,810	(2,041,089)
Investment securities at amortized cost	33,510,890	34,902,288	1,391,398
<b>Total</b>	<b>619,252,789</b>	<b>618,603,098</b>	<b>(649,691)</b>

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2020 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position.

<b>AMD'000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets and liabilities measured at fair value</b>				
Financial instruments at fair value through profit or loss				
- Debt and other fixed-income instruments	-	9,459,051	-	9,459,051
- Derivative assets	-	17,515	-	17,515
- Derivative liabilities	-	(504,412)	-	(504,412)
Financial assets at fair value through other comprehensive income				
- Investment securities	978,804	10,229,197	-	11,208,001
	<b>978,804</b>	<b>19,201,351</b>	<b>-</b>	<b>20,180,155</b>

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

AMD'000	Level 1	Level 2	Level 3	Total
<b>Assets and liabilities measured at fair value</b>				
Financial instruments at fair value through profit or loss				
- Debt and other fixed-income instruments	-	8,182,045	-	8,182,045
- Derivative assets	-	73,561	-	73,561
- Derivative liabilities	-	(35,314)	-	(35,314)
Financial assets at fair value through other comprehensive income				
- Investment securities	1,631,420	9,217,565	-	10,848,985
	<b>1,631,420</b>	<b>17,437,857</b>	<b>-</b>	<b>19,069,277</b>

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

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

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

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

## 37 Events after reporting period

On 9 March 2021, ESPS Holding Limited purchased in full additionally issued 125 shares of the Bank with nominal value of AMD 320,000 per share for AMD 867,339 per share. As a result of the transaction, the shareholding structure of the Bank changed as follows: Imast Group (CY) (48.90%), EBRD (17.74%), ADB (13.93%), ESPS Holding Limited (11.92%) and Afeyan Foundation for Armenia Inc. (7.51%).

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Abbreviation

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## Abbreviations

<b>ACCA</b>	Association of Chartered Certified Accountants	<b>CRA</b>	Counterparty Risk Assessment
<b>ADB</b>	Asian Development Bank	<b>CRM</b>	Customer Relationship Management
<b>AEA</b>	American Economic Association	<b>CSR</b>	Corporate Social Responsibility
<b>ALCM</b>	Asset, Liability & Capital Management	<b>DSCR</b>	Debt-Service Coverage Ratio
<b>ALCO</b>	Assets and Liabilities Management Committee	<b>DEG</b>	German Investment Corporation
<b>ALM</b>	Asset & Liability Management	<b>DMI</b>	Digital Maturity Index
<b>AMD</b>	Armenian Dram	<b>EAD</b>	Exposure at Default
<b>AMEX</b>	American Stock Exchange	<b>ECL</b>	Expected Credit Loss
<b>AML</b>	Anti-Money Laundering	<b>E&amp;S</b>	Environmental & Social
<b>AMLC</b>	Anti-Money Laundering Center	<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortization
<b>AMX</b>	Armenian Securities Exchange	<b>EBRD</b>	European Bank for Reconstruction and Development
<b>AZN</b>	Azerbaijani Manat	<b>ECA</b>	Export Credit Agency
<b>API</b>	Application Program Interface	<b>EDFI</b>	European Development Finance Institutions
<b>ARCA</b>	Armenian Card	<b>EMEA</b>	Europe, Middle East and Africa
<b>ASX</b>	Australian Stock Exchange	<b>EMG</b>	Emerging Markets Group
<b>ATM</b>	Automated Teller Machine	<b>ESG</b>	Environmental, Social and Governance
<b>BA</b>	Bachelor of Arts	<b>EU</b>	European Union
<b>BC</b>	Business Center	<b>EUR</b>	Euro
<b>BCA</b>	Baseline Credit Assessment	<b>FCA</b>	Financial Conduct Authority
<b>BCS</b>	Business Consulting Services	<b>FI</b>	Financial Institution
<b>BGEO</b>	Bank of Georgia Group PLC	<b>FMO</b>	The Netherlands Development Finance Company
<b>bln</b>	billion	<b>FWB</b>	Frankfurt Stock Exchange
<b>bn</b>	billion	<b>FX</b>	Foreign Exchange
<b>BoD</b>	Board of Directors	<b>FY</b>	Financial Year
<b>BPM</b>	Business Process Management	<b>GBF</b>	Green Bond Framework
<b>BS</b>	Bachelor of Science	<b>GBP</b>	Green Bond Principles
<b>CAB</b>	Current Account Balance	<b>GCPF</b>	Global Climate Partnership Fund
<b>CAGR</b>	Compound Annual Growth Rate	<b>GDP</b>	Gross Domestic Product
<b>CAR</b>	Capital Adequacy Ratio	<b>GEL</b>	Georgian Lari
<b>CB</b>	Central Bank	<b>GHG</b>	Greenhouse Gas
<b>CBA</b>	Central Bank of Armenia	<b>GMS</b>	General Meeting of Shareholders
<b>CBOT</b>	Chicago Board of Trade	<b>GTFP</b>	Global Trade Finance Program
<b>CEI</b>	Client Experience Index	<b>HR</b>	Human Resource
<b>CEO</b>	Chief Executive Officer	<b>HRM</b>	Human Resource Management
<b>CF</b>	Corporate Finance	<b>HSBC</b>	Hongkong and Shanghai Banking Corporation Limited
<b>CFA</b>	Chartered Financial Analyst	<b>IB</b>	Internet Banking
<b>CFO</b>	Chief Financial Officer	<b>IB</b>	Investment Banking
<b>CIB</b>	Corporate and Investment Banking	<b>IBM</b>	International Business Machines
<b>CIS</b>	Commonwealth of Independent States	<b>IBOR</b>	Interbank Offered Rate
<b>CJSC</b>	Closed Joint-Stock Company	<b>IBX</b>	Interactive Brokers Platform
<b>CNY</b>	Chinese Yuan		
<b>CPI</b>	Consumer Price Index		
<b>CPS</b>	Country Partnership Strategy		

## Appendix

<b>ICAAP</b>	Internal Capital Adequacy Assessment Process	<b>POCI</b>	Purchased or Originated Credit Impaired
<b>ICMA</b>	International Capital Market Association	<b>POS</b>	Point of Sale
<b>IE</b>	Individual Entrepreneur	<b>pp</b>	Percentage Points
<b>IFC</b>	International Finance Corporation	<b>PROPARCO</b>	French Financial Development Institution (Promotion et Participation pour la Coopération Économique)
<b>IFI</b>	International Financial Institution		
<b>IFRS</b>	International Financial Reporting Standards	<b>Q1</b>	the 1st quarter of the year
<b>IMF</b>	International Monetary Fund	<b>Q2</b>	the 2nd quarter of the year
<b>INSEAD</b>	European Institute of Business Administration	<b>Q3</b>	the 3rd quarter of the year
<b>IPO</b>	Initial Public Offer	<b>Q4</b>	the 4th quarter of the year
<b>IRR</b>	Internal Rate of Return	<b>RA</b>	Republic of Armenia
<b>IT</b>	Information Technology	<b>REPO</b>	Repurchase agreement
<b>KBC</b>	Kredietbank, Belgian universal multi-channel bank	<b>RM</b>	Risk Management
<b>KPI</b>	Key Performance Indicator	<b>RMD</b>	Risk Management Department
<b>KRI</b>	Key Risk Indicator	<b>ROA</b>	Return on Assets
<b>KZT</b>	Kazakhstan Tenge	<b>ROAE</b>	Return on Average Equity
<b>L/C</b>	Letter of Credit	<b>ROE</b>	Return on Equity
<b>LCC</b>	Large Credit Committee	<b>RUB</b>	Russian Ruble
<b>LCR</b>	Liquidity Coverage Ratio	<b>RWA</b>	Risk Weighted Assets
<b>LE</b>	Large Enterprise	<b>S&amp;P</b>	Standard & Poor's
<b>LGD</b>	Loss Given Default	<b>SACP</b>	Stand-Alone Credit Profile
<b>LIBOR</b>	London Interbank Offered Rate	<b>SBF</b>	French Stock Market Index
<b>LLC</b>	Limited Liability Company	<b>SCC</b>	Small Credit Committee
<b>LSE</b>	London Stock Exchange	<b>SDG</b>	Sustainable Development Goals
<b>LTD</b>	Limited Liability Company	<b>SEHK</b>	Stock Exchange of Hong Kong
<b>LTECL</b>	Lifetime Expected Credit Loss	<b>SEK</b>	Swedish Krona
<b>LTV</b>	Loan to Value	<b>SEUA</b>	State Engineering University of Armenia
<b>M&amp;A</b>	Mergers & Acquisitions	<b>SME</b>	Small or Medium-Sized Enterprise
<b>MA</b>	Master of Arts	<b>SOFR</b>	Secured Overnight Financing Rate
<b>MB</b>	Management Board	<b>SUNY</b>	State University of New York
<b>MBA</b>	Master of Business Administration	<b>SWOT</b>	Strengths, Weaknesses, Opportunities, and Threats
<b>MIS</b>	Management Information Systems	<b>SWX</b>	Swiss Exchange
<b>ML</b>	Machine Learning	<b>TFP</b>	Trade Facilitation Program
<b>mn</b>	Million	<b>TRY</b>	Turkish Lira
<b>NASDAQ OMX</b>	National Association of Securities Dealer Automated Quotation system	<b>TSE JPN</b>	Tokyo Stock Exchange, Japan
<b>NED</b>	Non-executive Directors	<b>UBS</b>	Union Bank of Switzerland
<b>NII</b>	Net-Interest Income	<b>UCO</b>	Universal Credit Organization
<b>NPA</b>	Non Performing Asset	<b>UK</b>	United Kingdom
<b>NPL</b>	Non Performing Loan	<b>UN</b>	United Nations
<b>NPS</b>	Net Promoter Score	<b>UNICEF</b>	United Nations International Children's Emergency Fund
<b>NYSE</b>	New York Stock Exchange	<b>US</b>	United States
<b>ODDO BHF</b>	Franco-German financial services group	<b>USA</b>	United States of America
<b>OeEB</b>	Development Bank of Austria	<b>USAID</b>	United States Agency for International Development
<b>OFID</b>	OPEC Fund for International Development	<b>USD</b>	United States dollar
<b>OPEC</b>	Organization of The Petroleum Exporting Countries	<b>VISA</b>	American Card Payment Organization
<b>OpLoss</b>	Operating Loss	<b>vPOS</b>	Virtual Point of Sale
<b>OTC</b>	Over-The-Counter	<b>VSE</b>	Vienna Stock Exchange
<b>PD</b>	Probability of Default	<b>WB</b>	World Bank
<b>PhD</b>	Doctor of Philosophy	<b>YE</b>	Year End
<b>PMP</b>	Project Management Professional	<b>YoY</b>	Year over Year
		<b>ZCMC</b>	Zangezur Copper Molybdenum Combine



