

**Appendix 5 Approved by Resolution N205 of  
the Board of the Central Bank of Armenia Dated  
on 10 July 2007**

**NOTES TO THE INTERIM REPORTS PUBLISHED IN THE 2<sup>nd</sup> QUARTER OF 2022  
“ARMECONOMBANK” OJSC 23/1 AMIRYAN STR., YEREVAN**

**ARMECONOMBANK**

## **Note 1. “Legal Field and Corporate Governance”**

### **Legal Field**

“ARMECONOMBANK” OJSC (hereinafter the Bank) founded in 1991, is the successor of former USSR “Zhilsotsbank” Armenian Republican Bank (1991-1993 "Armstatecombank) and was reorganized as an open joint stock company in 1995 and operated on the basis of the legislation of the Republic of Armenia (hereinafter RA). The bank was registered by the Central Bank of Armenia (hereinafter the CBA) with No1 License number.

The Head office of the Bank and 30 branches are located in Yerevan, another 22 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

### **Main Activities**

As a universal financial institution, “ARMECONOMBANK” OJSC offers its customers a comprehensive package of services. The prevailing part of the Bank’s activities falls to lending. The Bank offers lending to almost all sectors of the economy conditioned with the level of the risk and the prospect of the given project. The Bank actively operates in the area of lending with international lending programs. The Bank extends commercial, consumer and mortgage loans.

### **Business Environment**

Political and economic changes are very common in Armenia. As an emerging market, Armenia does not have a perfect business environment and corresponding sub-structures which usually exist in countries having free market economy.

Moreover, these conditions set limits to the volumes of transactions in financial markets and real values of the transactions may not comply with the performed transactions. The main obstacle of further economic development is the low level of economic and institutional development paralleled with territorial instability, centralized economic base and impact of international economic crisis.

International economic crisis led to reduction of GDP of Armenia as well as that of transfers from abroad on which Armenian economy depends much.

### **Corporate Governance**

Bank management bodies are: Shareholders’ General Meeting as the highest body of Bank management, the Board, the Management and the CEO.  
Structure and Members of the Board

#### **Chairman of the Board**

S. Sukiasyan

#### **Members of the Board**

R. Hayrapetyan

A. Melikyan

L. Petrosyan

H. Suvaryan

Per Fischer

## Structure and Members of the Bank’s Management

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V. Jhangiryan

## The Structure of the Bank’s Property and the Number of Shareholders/Participants at the end of the Accounting Period

As of 30.06.2022, the Chartered capital amounts to AMD 26,652,068. It includes 1,950,295 common shares each with AMD 10,400 and 424,600 preferred shares with AMD 15,000 nominal value per share.

### Main Participants

Sukiasyan Saribek Albert	31.89%
Sukiasyan Khachatur Albert	15.47%
Sukiasyan Eduard Albert	10.32%

## Remuneration Policy of the Bank’s Management

No special policy for the Bank’s management remuneration is applied at the Bank. The remuneration of top management is made based on the staff list approved by the Board.

### **Payments to Statutory Auditors**

The Bank’s statutory auditors are presented to the General Meeting of the Bank Shareholders and elected by the latter. And the size of their remuneration is established by the Bank Board.

## **Note 2. “Accounting Policy”**

### **Preparation and Submission of “ARMECONOMBANK” OJSC Financial Statements**

Financial statements are formed and submitted in compliance with RA Legislation and sub- legislative acts, the principles of forming of financial statements published by the Board of Financial Accounting Standards, guidelines of applying the principles, and the legal acts approved by the Board of the Central Bank. The financial statements are formed on the basis of the bank’s accounting.

The statements are made in thousands of Armenian drams without decimal units.

The accounting year for financial statements is the period from 1 January to 31 December inclusive.

Financial statements are prepared based on the principle of fair value for financial assets and liabilities carried at fair value and adjusted by financial results, as well as for available-for-sale assets, except the ones the fair value of which can’t be decided. Financial statements for other financial as well as non-financial assets and liabilities are prepared under their historical value.

The financial statements of the Bank (except the Statement on Cash flows) are prepared on accrual basis.

### **Recognition of Income and Expenses**

Interest incomes and expenses for all interest earning financial tools, except tools accounted for real value reappraised by profit/loss, in reports on financial results, using effective interest rate method are recognized as “interest income” and “interest expense.

Registration of interests for overdrafts, overnights, credit lines, corresponding accounts, bank accounts, demand deposits is implemented by linear way, if the bank cannot foresee future cash flows of these assets. Registration of interests of depreciated loans is not stopped. If balance sheet value of the financial asset or group of similar financial assets decreases because of losses from depreciation, the interest income continues to be recognized towards new balance sheet value.

Amounts receivable as fines and penalties are added to incomes every day. Corresponding agreements are basis for calculation of size of added amount.

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day.

After adjusting the effective interest rate of the given loan, fees charged for the loans provision (along with the correspondent expenses) are charged back

Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non-interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

Amortized deductions on fixed assets (including those received from financial leasing), capital investments for leased property and intangible assets are performed each day in amounts defined by this policy and are adjusted on the last working day of each month. Amortized deductions on fixed assets out of use are performed each day and are adjusted on the last working day of each month in the amounts defined by the Bank's Executive Board.

Dividends are entered into the Statement on Financial Results according to accrual principle at the moment they are declared.

### **Foreign Exchange Operations Accounting**

Transactions concluded in foreign currency are recalculated in accordance with operational currency - exchange rate of transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated at the average exchange rate set by the Central Bank of Armenia on the balance sheet date. The gains and losses from foreign currency transactions and from revaluation of monetary assets and liabilities denominated in foreign currencies are reflected in the Statement on Financial Results as income and expenses. Foreign currency non cash assets and liabilities, presented in their prime value, are translated into their AMD equivalent by the exchange rate of transaction date.

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances, etc.). When establishing the exchange rates, the rates operative in foreign exchange International market at that moment and those reflected in other systems are also taken into account, besides the aforementioned factors.

### **Tax Accounting**

Accounting on income tax, value added tax, property tax, land tax and obligatory social insurance payments should be carried out in compliance with RA Tax Legislation.

The income tax of the accounting period comprises current and deferred taxes.

The amount of current income tax is computed in accordance with requirements set forth in RA Legislation, the liability of income tax is accrued towards the tax profit for each day (taking into account non-deductible expenses from income in compliance with the law "On Profit tax") and on the last working day of each month it is being adjusted.

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts are recorded on the last working day of each quarter.

Income tax assets and liabilities are offset when the Bank:

- Has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities,
- Has an intention to make the settlement on a net basis, or to realize the asset and settle the liability simultaneously,
- The deferred tax asset and deferred tax liability relate to profit taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities or assets are anticipated to be settled or recovered.

### **Cash and Cash Equivalents**

The booking of the Bank's actual cash interflows (deposits) and/or outflows (withdrawals) is made by the nominal value of currencies, on the basis of payment documents duly prepared, stipulated by the procedure regulating teller operations, and other procedures and legal acts of the Bank.

The statement on cash flows is made by indirect method.

Cash and cash equivalents consist of cash drams, funds kept in Central Bank of Armenia (except amounts deposited for mutual settlement through ARCA clearing system) and amounts of other banks, which may be converted into cash in short period and are not exposed to considerable risk of change of value.

## Financial Instruments

IFRS 9 “Financial Instruments” entered into force on 01 January 2018 and is applicable for the accounting periods beginning after that date. The Bank has applied the new standard recognizing cumulative impact of transition on the non-distributed profit at the beginning of the accounting year and without recalculating the comparative information.

The Bank recognizes financial assets and liabilities on its balance sheet, when and only when it becomes the counterparty of that Instrument. Financial assets’ regular sales or purchases are accounted as of the date of the transaction.

According to IFRS 9, all financial debts, which do not comply solely with the principle and interest payment standards, during the initial recognition are classified as financial assets calculated at fair value through profit or loss.

For financial debts corresponding solely to the Principle and interest payment standards, the classification during the initial recognition is determined based on the business model pursuant to which these models are managed by:

- instruments held to receive contractual cash flows calculated at amortized value
- instruments available for sale and held for receiving contractual cash flows rated at fair value through other comprehensive income
- instruments held for other purposes, including commercial financial assets –calculated at fair value through profit or loss.

During the initial recognition equity financial assets shall be classified as assets calculated at real value through profit or loss, except when a decision is made, without the right of further review, to classify them into assets calculated at fair value through other comprehensive income.

All the realized and unrealized gains and losses, except dividends, from the equity instruments at fair value amounted through other comprehensive income are recognized on the other comprehensive financial results without further reclassification in the profit or loss.

The financial liabilities are classified as subsequently accounted at amortized value using effective interest rate method, except financial liabilities classified as accounted at fair value through profit or loss. The assets that were previously measured at fair value, after the adoption of the standard have continued to be accounted at fair value.

Debt securities which as of 31.12.2017 were classified as available- for- sale, by IFRS 9 will be classified as accounted at fair value through other comprehensive income, as the Bank expects not only to keep that assets to collect contractual cash flows but also to carry out relatively frequent sales with significant amounts.

Upon the resolution of the Bank’s Executive Board, the Bank may classify a part of the securities portfolio as financial assets calculated at amortized value.

Since the loans have solely met the Principle and interests payment criteria, after the application of the standard they will be measured at amortized value.

Profit and loss occurred from the further measurement:

The profit or loss from the financial assets is recognized as follows:

- The profit or the loss on the financial instrument at fair value calculated through profit or loss is recognized in the profit or loss using effective interest rate method
- Profit or loss on financial assets accounted at fair value through other comprehensive income is recognized in the equity – in other comprehensive financial results, until the given asset is recognized as depreciated. The profit or loss accumulated at that moment, which was previously recognized in the equity, shall be recognized in the profit or loss. Interests on the financial assets accounted at fair value through other comprehensive income shall be recognized in the profit or loss using effective interest rate method.
- Profit or loss on financial assets and liabilities accounted at amortized value shall be recognized in the profit or loss, when the financial asset or the liability is derecognized or recognized as depreciated, as well as during the calculation of amortization.

The Bank derecognizes the financial asset in the cases, when the contractual rights over the cash flows arising from financial assets are repealed or when it transfers the asset in such a deal, according to which all the risks and benefits related to the ownership over the asset are transferred as well, or in which the Bank does not maintain control over the financial asset. The Bank derecognizes the financial liability when contractual obligations are either discharged, cancelled or expired.

Derivative financial instruments include futures, forwards, swaps and options. The initial recognition of the derivative instruments shall be made at fair value available on derivative agreements signing date.

Afterward all derivative instruments are recalculated at fair value. The derivative instruments with positive real value are accounted as assets and the ones with negative real value- liabilities. The changes in fair value of derivative instruments are recognized directly in profit or loss statement.

### **Repurchase Agreements**

Repurchase agreements are used by the Bank as elements of its treasury management and trading business. These agreements are accounted for as financing transactions.

Securities sold under repurchase agreements are accounted for as securities secured by pledge, in which case the securities are reflected in the statement of financial position and the funds attracted under these agreements are included into amounts due to other banks or amounts due to customers.

Securities sold under repurchase agreements are accounted for as securities held-for trading and available-for-sale securities and funds received under these agreements are included into amounts due to other banks or amounts due to customers.

The amounts extended against securities purchased under Repurchase Agreement are accounted for as Due to other banks or Loans and Borrowings to Customers.

Any income or expense arising from purchase and sale of the underlying securities is recognized as interest income or expense, accrued during the period of Repurchase Agreements.

### **Leases**

Under the lease agreement and against certain compensation within the agreed period the right to use the asset is assigned to the lessee. The accounting on leases is carried out in compliance with IFRS 16.

At the beginning of the lease term the Bank recognizes the right-of use asset and relevant liabilities on future lease payments in balance sheet (with the exception of short-term leases and leases of low-value assets).

The right-of –use asset is initially measured at prime cost which includes the following:

- Initial value of the lease liability
- Payments made less discounts received
- Initial direct expenditures on transaction implemented by the lessee
- Expenses related to the disinvestment, transfer, recovery of the asset

Expenses related to the improvements of the leased asset are not included in the initial value of the lease liability is initially measured at present value of the future lease payments outstanding on that date applying the average interest rate of additional borrowings attracted by the lessee.

The lease liability is equal to the present value of the total amount of the below mentioned components:

- Fixed payments within lease term
- Payments variable depending on the index and coefficient within the lease term
- Guaranteed residual value or anticipated purchase price if such an option is available and the realization thereof is almost certain.
- Penalty for preterm termination, if it has been taken into account when defining the lease term

After the initial recognition the right-of-use asset shall be measured at prime cost:

- Less accumulated depreciation, which is calculated by linear method during the lease term of
- Adjusted at the extent of differences occurred from the review of contractual obligations
- After the start of the lease, the lease liability is measured:
- Increasing balance-sheet value for the reflection of interest of the lease liability
- Decreasing balance-sheet value to reflect paid rental fees
- Reappraising balance-sheet value to reflect amendments in the agreement terms.

The adoption of the standard resulted the recognition of right-of-use assets and appropriate liabilities by the Bank for all the previous operational leases (with the exception of leases classified as low-value or with a residual lease term of less than 12 months)

The new standard has been applied by the use of the progressive approach. The Bank decided not to include initial direct expenses in the value of the right-of-use asset for the operational lease agreements that had been effective on the date of initial application of IFRS 16 (January 1, 2019). The Bank measures the right-of-use asset effective as of the aforementioned date at present value of residual lease payments using the attraction interest rate of additional borrowings available on initial application date excluding any prepaid or accrued rental fees existing on transition date.

### **Financial Assets’ Possible Loss Provision**

The classification of the Bank’s assets and possible loss provisioning are made in conformity with the requirements of RA legislation and with the Procedure of “Classification of loans and debtor liabilities and composition of possible loss provisions” approved by ARMECONOMBANK OJSC Board.

As the published financial reports are drafted, further corrections of provisions in compliance with IFRS are made.

Pursuant to IFRS 9 :

The establishment of loan portfolio reserve assumes assessment of loan risk based on the behavior of time series of sub-portfolios of the loan portfolio and the macroeconomic factors affecting them. “Staging” (loan classification per overdue days) is applied for the assessment.

The size of a reserve for each sub-portfolio is determined through the following formula:

$$\text{RESERVE}=\text{BALANCE} * \text{EAD} * \text{PD} * \text{LGD}$$

Where:

BALANCE- balance amount of the given loan sub-portfolio

EAD– (exposure-at-default) ratio, through which sub-portfolio balance value is adjusted

PD – (probability of default) likelihood of default, that is which part of the sub-portfolio is inclined to default, where the default is equivalent to 90+ overdue days

LGD – (loss-given-default) loss-given value based on the effective interest rate, when the loan becomes default  
EAD30 and EAD90 indicators are calculated for the loans included in Stage 1 and Stage 2 classes respectively.

For the calculation of loan reserve appraisal of the loans included in Stage 1 and Stage classes  
PD12Month and PDLifetime are applied respectively.

The creation of State bond portfolio reserve is implemented based on PD and LGD rates given by Moody’s rating agency to Armenia.

### **Intangible Assets**

Intangible assets are initially recorded at their prime cost in AMD. Intangible assets purchased in foreign currency are recorded by the average exchange rate of purchase date fixed by the CBA, and are not re-valuated in case of further changes of the exchange rate.

The prime cost of internally generated intangible assets is defined in the development period of “Intangible Assets” in compliance with IFRS 38 if it is possible to show the correspondence of the internally generated intangible asset to the requirements set by IFRS 38.

Attribution of the item of intangible asset to any category (computer software, licenses and power of attorney, copyrights, etc.) set by the “Card of Accounts of the Banks Operating within the Territory of RA”

and “The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA” is made based on the methodical instructions of the Chief accountant, arising from its usage specifications.

The initial cost of internally generated intangible asset comprises the expenses set by IFRS. The initial cost includes only those expenses made during the accounting quarter during which the asset has been recognized.

Subsequent expenditures made on intangible assets, which can be added to the value of an intangible asset in compliance with IFRS, are recorded as capital investments and are added to the value of the asset by the resolution of the Executive Board of the Bank.

Amortization term for each item of intangible assets is defined by the Bank based on the criteria set by IFRS. Namely, to define the amortization term of internally generated computer software, the Bank takes into account the information on the estimated useful lives of software of the same type available in the market at the moment, terms of actual useful lives of software used at the Bank before, other criteria set by the Standard.

The Bank uses the straight-line method to allocate amortization amount of intangible assets over their useful lives.

The amortization period and the amortization method of intangible assets should be set in compliance with IFRS, within the period of the agreement so signed and in case of the absence of such period, the intangible assets are not subject to amortization. Amortization method is changed by making corresponding changes in this Policy by the Bank’s Board.

In case of significant fluctuations in fair value of intangible assets, they are revalued based on the resolution of the Bank’s Board.

The disclosure of information required by IFRS on internally generated intangible assets in financial statements is performed separately.

The amortization amount of intangible assets is calculated in accordance with “Profit Tax” law. The annual amortization interest rate is set by the resolution of the Bank’s Board.

### **Fixed Assets**

The unit of fixed assets that complies with the recognition of the standards of the asset is measured at their initial value (prime cost) in AMD, excluding buildings which are recorded at their revaluated value. The fixed assets purchased in foreign currency are registered as of the day of the purchase at the average exchange rate set by the Central Bank of Armenia and shall not be re-valued in case of exchange rate change.

The initial value of the unit of fixed assets comprises its purchase cost, taxes, including VAT, import duties and other obligatory payments, which are not subject to be returned to the Bank by relevant authorities and any expenses related to bringing the asset to working state for its purposeful usage. Any discount or privilege provided is deducted from the purchase cost.

The measurement of value, recognition, further expenses, revaluations and withdrawals on purpose of recording of the unit of purchased fixed assets is made in the order prescribed by RA Legislation, as well as by the Bank’s internal legal acts.

Attribution of the unit of fixed assets to any category (property and stationery communication means, calculating, computer and automated equipment, vehicles, etc.) set by the Card of Accounts of the Banks Operating within the Territory of RA and The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA is made based on the methodical instructions of the Chief accountant, arising from their usage specifications and purposes.

Fixed assets are recorded with the difference of initial value and accumulated depreciation taking into account the accumulated impairment losses. Depreciation is calculated using the straight-line method over the period of the asset’s useful life.

From 1 January 2018, the Bank defines the following terms of useful services:

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Terms of useful services

Annual

	(years )	interest rate (%)
Building	50	2
Computers	5	20
Transportation means	8	12.5
Other fixed assets, transportation means, UPS batteries, ATMs, property, office equipment,  (printers, scanners, copying devices), POS terminals, modems, Network devices	8  3 5	12.5  33.3 20
Fixed assets and intangible assets costing up to AMD 50.000	Up to the end of the given year	

The depreciation of fixed assets which were in operation until 1 January 2013, connected with review of terms of useful services is calculated as follows: the balance sheet value of fixed assets (initial value minus accumulated depreciation) is distributed by linear method of depreciation calculation in the newly defined residual term of useful service. The latter represents the time difference between the useful life cycle set from 1 January 2013 and the period from the starting date of use until 1 January 2013.

For fixed assets acquired after 01.01.2013 residual value amounts to 0.1% of their initial value, however not more than AMD 20.000, except buildings and transportation means residual value of which amounts to 1% of their initial value.

For fixed assets acquired up to 01.01.2013 the residual value amounts to 0.1% of their balance sheet value, however not more than AMD 20.000, except building and transportation means residual value of which amounts to 1% of their balance sheet value.

Depreciation of fixed assets is calculated in accordance with “Profit Tax” law. Annual interest rate of that group’s fixed assets is set by the resolution of the Bank’s Board.

Depreciation is not calculated for land.

Repairs and maintenance are recognized in the statement on financial results as expenses during the period in which they are incurred.

The expenditures raising the operational efficacy of property, plant and equipment compared with the preliminary evaluated normative indicators are recognized as capital expenditures and are added to the initial value of the asset. The above mentioned expenditures are amortized using the straight-line method over the residual term of the asset’s useful life if they don’t exceed the residual value of property, plant and equipment as of 1 January of the year; otherwise they are amortized during the whole period of useful life.

The outcome occurred from write off or disposal of a fixed asset is determined as a difference between net credits from asset disposal and its balance sheet value and is recognized as an income or loss in the income statement.

In case of significant fluctuation of the real (market) value of the Bank’s fixed assets (25% during financial year) the latter are reassessed based on the decision of the Bank’s Board. The revaluation is conducted by an independent company with relevant license.

The results of revaluation are reflected in the Bank’s balance sheet and Income statement in the manner prescribed by IFRS. The growth occurred in the outcome of revaluation is charged to the undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is

determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

The capital expenses on leased fixed assets are capitalized and amortized by linear method during the residual term of the asset’s useful life. The capital expenses on leased buildings are capitalized and amortized by linear method during 20 years.

Assets recorded as capital investments in the fixed assets are not amortized.

### **Inventory**

The Bank’s inventory includes:

- short-life items,
- goods, including goods which has passed to the Bank as a result of sequestration of pledge
- materials and supplies, which are to be used by the Bank during its performance

Short-life items are assets the useful lives of which do not exceed a year.

The inventories are measured at the lower of cost and net realizable value.

For the determination of the cost of inventory the Bank accepts and applies first in first out (FIFO) formula. According to FIFO formula the inventory units acquired first are sold, used or disposed of first, therefore the assets that remain in inventory by the end of the accounting period are the most recently purchased. The cost of the short-life items is written off at the beginning of their utilization.

### **Settlements between the Bank and Branches**

Reciprocal accounts of the Bank’s Head Office and its branches are compared each day via report received through program. The revealed errors are corrected during that day.

While drafting the balance sheet, the settlement accounts among the Head Office and its branches are brought to zero.

The settlement accounts between the Bank’s Head Office and its branches are closed weekly.

### **Share Capital and Treasury Stock**

Ordinary shares are included in equity (general) capital. Dividends on ordinary shares are recognized in equity capital in the period in which they are declared. Dividends for current year, which are declared after the balance sheet date, are disclosed in the subsequent events note.

Basic earnings per share should be calculated by dividing the net profit for the period attributable to the shareholders by the weighted average number of ordinary shares outstanding during the period.

Under certain circumstances and according to procedure established by the RA Legislation the Bank may repurchase its equity share capital. In this case reimbursement paid is deducted from total shareholders’ equity and is reflected as treasury stock until it is cancelled. When such shares are subset gently sold any reimbursement received is included in shareholders’ equity.

The positive difference between the price paid by investor’s for purchase of common shares and their nominal value is recognized in the equity as emissive fee on extraordinary shares.

### **Attracted Funds**

Attracted funds comprising accounts, issued securities and subordinate borrowings of Government and the Central Bank are initially recognized at the real value of received funds, less direct costs for operations. After initial recognition, attracted funds are accounted for in amortized value using effective interest rate method.

### **Provisions, Contingent Assets and Liabilities**

Contingent liabilities are not recognized in financial statements, but are disclosed in the accompanying notes. However, they are not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in financial statements, but is disclosed in the accompanying notes, when an inflow of economic benefits becomes probable.

### **Consolidated Financial Statements**

In cases set forth by legislation the Bank prepares consolidated financial statements in accordance with IFRS and the Procedure on Compilation of Consolidated Financial Statements Presented to the Central Bank of Armenia by the Banks Acting within the Territory of Armenia" approved by the Board of the Central Bank of Armenia.

### **Segment Statements**

The Bank uses the information of business-segments (per Individuals, organizations and rendered investment services) as a primary presentation form. Geographical segments are considered to be secondary presentation forms.

### **Issued Corporate Bonds**

Issued corporate bonds are initially recognized at their real value, which is the real cost of reimbursement received against them, less the transaction expenses.

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and repaid amounts, is reflected in the income and expense statement in the period of circulation of those securities, applying the effective interest method.

### **Comparable Information**

In case of necessity comparable figures are adjusted in order to ensure the comparability with the current year.

### **After Balance Sheet Date Events**

Respective corrections in the balance sheet, if necessary, after the date of balance sheet formed on the last working day of the fiscal year, are made in the following cases:

If the Bank reveals errors on its own,

Fundamental errors are revealed by an audit organization,

On purpose of reflection of clarifying events after the balance sheet date.

In cases if the Bank reveals errors on its own, if the amount of material error depends on the size or nature of the given transaction or size and nature of the article, and if the change of figures reflected in the balance sheet will be of a little importance, and if non- disclosure of that information will not impact decisions made on the basis of financial statements' data, no amendments will be made in the balance sheet of previous year.

If fundamental errors are discovered or arise after the publication of the Bank's annual financial statements as per the established order, then no adjustments shall be made and the representation of such information is considered to be unrealizable.

Interim Report  
On Financial Results  
30 June 2022  
ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

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	Item	Note	As of the end of the current interim period (unaudited)	As of the end of the previous financial year (audited)
<b>1</b>	<b>Assets</b>			
1.1	Cash and their equivalents	13	61,799,297	63,399,890
1.2	Standard bank precious metal bullions and coins		443	443
1.3	Due from banks and other financial institutions	14	7,754,993	9,497,133
1.4	Reverse repurchase agreement	14.1	8,909,068	7,826,751
1.5	Financial assets rated at actual value through profit or loss	15	6,681	5,053
1.5.1	Other financial assets rated at amortized value	18	688,933	801,359
1.6	Loans and advances provided to customers at amortized value	16	241,563,589	220,889,139
1.7	Financial assets at fair value rated through other comprehensive financial results	17	4,528,286	4,338,411
1.7.1	Securities pledged under repurchase agreement	17.1	37,662,554	37,667,527
1.9	Non-current assets held for sale		941,276	1,020,543
1.10	Fixed assets	20	10,556,993	10,725,710
1.10.1	Intangible assets	20	688,161	693,383
1.10.1	Right-of-use assets	20.1	1,711,337	1,968,567
1.12	Other assets	21	1,242,517	1,030,202
	<b>Total assets</b>		<b>378,054,128</b>	<b>359,864,111</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	54,193,376	53,677,620
2.2	Loans and deposits received from the international financial Institutions	22.1	63,216,156	55,584,125
2.3	Loans received from the CBA and from the RA government	22.2	27,914,671	21,819,777
2.4	Repurchase agreement		34,070,087	34,576,952
2.5	Liabilities to Customers	23	139,013,297	135,948,859
2.6	Subordinate borrowing	23.1	4,070,384	3,605,469
2.7	Liabilities on current taxes		462,470	247,266
2.8	Securities issued by the Bank	24	5,023,915	6,107,897
2.9	Financial liabilities at fair value through profit or loss	25	7,717	21,883
2.10	Amounts payable	26	1,006,421	532,196
2.11	Deferred tax liabilities	11	26,785	175,877
2.12	Reserves	30	83,517	77,321
2.13	Lease liabilities	40	1,266,810	1,572,752
2.14	Other liabilities	27	2,148,846	2,671,094
	<b>Total liabilities</b>		<b>332,504,452</b>	<b>316,619,088</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	26,652,068	26,107,555
3.2	Emission income		745,223	289,718
3.3	Reserves			
3.3.1	Main reserve		3,663,000	3,481,000
3.3.2	Revaluation reserve		(984,006)	(361,148)
3.3.3	Other reserve		3,165,291	3,214,025
3.4	Undistributed profit(loss)		12,308,100	10,513,873
	<b>Total capital</b>		<b>45,549,676</b>	<b>43,245,023</b>
	<b>Total liabilities and capital</b>		<b>378,054,128</b>	<b>359,864,111</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 July 2022

Interim Report  
On Financial Results  
30 June 2022

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period (unaudited)	Accounting period (unaudited)	Comparable current interim previous period (unaudited)	Previous period (unaudited)
Interest and similar income	3	7,925,065	15,350,454	6,722,747	13,265,469
Interest and similar expenses	3	(4,899,521)	(9,318,107)	(3,850,114)	(7,389,434)
<b>Net interest and similar income</b>		<b>3,025,543</b>	<b>6,032,347</b>	<b>2,872,633</b>	<b>5,876,035</b>
Income as commissions and other fees	4	1,010,055	1,862,908	814,089	1,496,678
Expenses as commissions and other fees	4	(356,569)	(695,100)	(273,199)	(501,689)
<b>Net commission and other fees</b>		<b>653,487</b>	<b>1,167,808</b>	<b>540,890</b>	<b>994,989</b>
Net commercial income	5	1,169,926	1,778,635	403,939	713,285
Other operational income	6	91,586	253,940	133,544	285,466
<b>Operational income</b>		<b>4,940,542</b>	<b>9,232,730</b>	<b>3,951,006</b>	<b>7,869,775</b>
Net allocations to possible asset loss provisions	7	360,199	207,487	1,411,300	(228,913)
Total administrative expenses	8	(2,200,381)	(4,175,902)	(1,757,033)	(3,504,768)
Other operational income	9	(775,376)	(1,546,743)	(818,874)	(1,604,574)
<b>Operational profit</b>		<b>2,324,984</b>	<b>3,717,572</b>	<b>2,786,399</b>	<b>2,531,520</b>
<b>Profit/loss before taxation</b>		<b>2,324,984</b>	<b>3,717,572</b>	<b>2,786,399</b>	<b>2,531,520</b>
Profit tax expenses(compensation)	11	(545,401)	(860,341)	(431,315)	(393,647)
<b>Profit for period</b>		<b>1,779,583</b>	<b>2,857,231</b>	<b>2,355,083</b>	<b>2,137,873</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 July 2022

Interim Report  
 On Other Comprehensive Financial Results  
 30 June 2022  
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

As of the end of the previous financial year (audited)

Thous. AMD

Name	Note	Current interim period (unaudited)	Accounting period (unaudited)	Comparable current interim previous period (unaudited)	Previous period (unaudited)
<b>Other comprehensive financial results</b>					
Revaluation of financial assets at fair value rated through other comprehensive financial results		(149,149)	(759,467)	(280,314)	366,398
Devaluation of financial assets at fair value rated through other comprehensive financial results after taxation		(8,020)	(95)	(219,606)	(193,954)
Profit tax on the revaluation of financial assets at fair value rated through other comprehensive financial results		26,847	136,704	50,456	(65,952)
Other comprehensive financial result after taxation		<b>(130,322)</b>	<b>(622,858)</b>	<b>(449,463)</b>	<b>106,493</b>
<b>Comprehensive financial result</b>		<b>1,649,261</b>	<b>2,234,373</b>	<b>1,905,621</b>	<b>2,244,366</b>

Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 July 2022

Interim Report  
On Equity Changes  
30 June 2022

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Equity elements	Accounting period		Emission income/loss	Main reserve	Revaluations of financial assets at fair value rated through other comprehensive financial results	Profit from revaluation of non-current assets	Undistributed profit(loss)	Total	Total capital
	Chartered capital	Net amount							
Articles	1	3	4	5	7	9	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)									
<i>Balance as of the beginning of the financial year as of 01 January 2021 (audited)</i>	25,955,663	25,955,663	180,180	3,275,000	- 63,931	3,319,815	8,928,892	41,595,619	41,595,619
<b>Recalculated balance</b>	25,955,663	25,955,663	180,180	3,275,000	- 63,931	3,319,815	8,928,892	41,595,619	41,595,619
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	151,892	151,892	109,538	-	-	-	-	261,430	261,430
Investments in chartered capital and other increase of chartered capital	151,892	151,892	109,538	-	-	-	-	261,430	261,430
Not distributed shares	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	-	-	-	106,493	-	2,137,873	2,244,366	2,244,366
<b>Dividends</b>	-	-	-	-	-	-	(821,753)	(821,753)	(821,753)
<b>Internal movements including:</b>	-	-	-	206,000	-	(64,495)	(141,505)	-	-
<b>Deductions to main reserve</b>	-	-	-	206,000	-	-	(206,000)	-	-
Decrease of value from the revaluation of fixed and intangible assets	-	-	-	-	-	(64,495)	64,495	-	-
<i>Balance as of the end of the interim accounting period 30.06.2021(unaudited)</i>	<b>26,107,555</b>	<b>26,107,555</b>	<b>289,718</b>	<b>3,481,000</b>	<b>42,562</b>	<b>3,255,320</b>	<b>10,103,507</b>	<b>43,279,662</b>	<b>43,279,662</b>

Interim period of the current year (ascending from the beginning of the year) (II table)									
<i>Balance as of the beginning of the financial year as of 01 January 2022 (unaudited)</i>	26,107,555	26,107,555	289,718	3,481,000	(361,148)	3,214,025	10,513,873	43,245,023	43,245,023
Recalculated balance	26,107,555	26,107,555	289,718	3,481,000	(361,148)	3,214,025	10,513,873	43,245,023	43,245,023
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	544,512	544,512	455,506	-	-	-	-	1,000,018	1,000,018
Investments in chartered capital and other increase of chartered capital	544,512	544,512	455,506	-	-	-	-	1,000,018	1,000,018
Not distributed shares	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	-	-	-	(622,858)	-	2,857,231	2,234,373	2,234,373
<b>Dividends</b>	-	-	-	-	-	-	(929,738)	(929,738)	(929,738)
<b>Internal movements including:</b>	-	-	-	182,000	-	(48,734)	(133,266)	-	-
Decrease of value from the revaluation of fixed and intangible assets	-	-	-	182,000	-	(48,734)	48,734	-	-
Deductions to main reserve	-	-	-	-	-	-	(182,000)	(182,000)	-
<i>Balance as of the end of the interim accounting period 30.06.2022(unaudited)</i>	<b>26,652,067</b>	<b>26,652,067</b>	<b>745,224</b>	<b>3,663,000</b>	<b>(984,006)</b>	<b>3,165,291</b>	<b>12,308,100</b>	<b>45,549,676</b>	<b>45,549,676</b>

Chairman of the Executive Board (CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 14 July 2022

Interim Report  
On the Cash Flows  
30 June 2022  
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
<b>1. Cash flows from operations</b>			
<b>Profit for the year</b>		2,857,231	2,137,873
<i>Adjustments</i>			
Expenses on profit tax		860,341	393,647
Loss from depreciation of interest-bearing assets		(207,487)	228,913
Depreciation and amortisation		861,266	800,125
Net income from disposal of fixed assets		(34,632)	(57,031)
Net gain from foreign exchange		776,905	338,975
Net income from sale/ purchase of financial assets rated at fair value through profit or loss		(329,844)	(205,329)
Financial assets at fair value rated through other comprehensive financial results		12,100	117,552
<b>Cash flows from operations before changes in operational assets and liabilities</b>		<b>4,795,880</b>	<b>3,754,725</b>
<b>Changes in operational assets or liabilities</b>			
<b>Increase/ decrease in operational assets</b>			
Due from financial institutions		(49,815)	3,713,460
Reverse repurchase agreements		(1,173,182)	2,641,553
Loans to customers		(34,209,484)	(10,503,827)
Other assets		(236,473)	1,365,234
Liabilities to financial institutions		515,756	2,810,457
Repurchase agreements		(31,625)	(1,065,633)
Liabilities to customers		13,002,747	762,838
Other liabilities		491,570	(606,907)
<b>Cash used in operations before taxation</b>		<b>(16,894,625.22)</b>	<b>2,871,900.16</b>
Paid profit tax		(658,072)	(1,155,059)
<b>Net cash used in operations</b>		<b>(17,552,697)</b>	<b>1,716,841</b>
<b>Cash flows from investments</b>			
Decrease(increase) of securities at fair value rated though profit/loss and available for sale		490,116	3,885,029
Decrease(increase)of other financial assets at amortized value		20,815	(330,779)
Acquisition of fixed assets		(281,377)	(439,894)
Proceeds from sale of fixed assets		36,642	76,647
Acquisition of intangible assets		(63,853)	(192,247)
<b>Net cash flows from investments (used)/(gained from)</b>		<b>202,343</b>	<b>2,998,756</b>
<b>Cash flows from financial operations</b>			
Loans from RA CB and RA Government		6,094,894	3,426,174
Proceeds/repayment of loans received from international financial institutions		16,512,618	3,204,214
Subordinated loan ( repayments)/proceeds		1,000,000	
Increase (decrease) of securities issued by the Bank		1,000,018	261,430
Prepayment received for the issue of shares		(659,134)	236,595
Lease liabilities		(404,234)	(360,071)
Issue of shares		(1,000,018)	(263,264)
Dividends paid		(448,984)	(450,765)
<b>Net cash from financial operations</b>		<b>22,095,160</b>	<b>6,054,312</b>
Impact of foreign exchange on cash balances		(6,345,399)	(1,808,477)
<b>Net increase of cash and equivalents thereof</b>		<b>(1,600,593)</b>	<b>8,961,431</b>
<b>Cash and equivalents thereof as of the beginning of the period</b>	13_2	<b>63,399,890</b>	<b>42,572,757</b>
<b>Cash and equivalents thereof as of the end of the period</b>	13_2	<b>61,799,297</b>	<b>51,534,188</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 14 July 2022

**Note 3: "Net Interest and Similar Income"**


THOUS. AMD

Interest and similar income	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	155,317	334,742	191,623	382,284
Interest income from loans and advances to customers	6,668,084	12,857,784	5,559,424	10,927,424
Interest income from debt securities	887,626	1,756,719	814,088	1,659,993
Interest income from REPO agreements	192,647	359,390	131,185	248,582
Other interest income	21,391	41,819	26,427	47,186
<b>Total</b>	<b>7,925,065</b>	<b>15,350,454</b>	<b>6,722,747</b>	<b>13,265,469</b>
<b>Interest and Similar Expenses</b>				
Interest expenses from the Bank's current accounts deposits and loans allocated in banks and other financial institutions	2,676,045	5,070,889	1,906,229	3,662,510
Interest expenses on terms deposits and current accounts of customers	1,466,334	2,880,755	1,149,938	2,300,168
Interest expenses under REPO agreements	528,750	943,134	607,881	1,070,191
Interest expenses on subordinated borrowings	92,591	162,414	23,336	46,586
Interest expenses against the interest securities issued by the Bank	88,453	176,131	109,410	216,480
Interest expenses on lease agreements	33,473	70,777	43,808	83,915
Interest expenses from derivatives with resident banks	13,596	13,596		
Other interest income	179	411	9,512	9,584
<b>Total</b>	<b>4,899,521</b>	<b>9,318,107</b>	<b>3,850,114</b>	<b>7,389,434</b>
<b>Net interest and similar income</b>	<b>3,025,544</b>	<b>6,032,347</b>	<b>2,872,633</b>	<b>5,876,035</b>

**Note 4: "Commission and Other Fee Income and Expenses"**


THOUS. AMD

Commission and Other Fee Income	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Cashier's operations	149,430	240,318	77,762	124,619
Settlement services	738,335	1,373,539	616,545	1,152,970
Guarantees, warranties, letters of credit operations, trust management operations	36,352	75,689	31,210	64,013
Foreign currency and security operations	3,641	5,101	2,181	2,979
Payment card servicing	41,075	80,599	35,276	71,606
Other commission fees	41,222	87,662	51,115	80,489
<b>Total</b>	<b>1,010,055</b>	<b>1,862,908</b>	<b>814,089</b>	<b>1,496,678</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	5,428	9,981	2,730	6,491
Expenses on payment card operations	214,887	425,753	179,471	327,616
Guarantees, warranties, letters of credit operations, trust management operations	12,488	25,942	16,373	32,716
Foreign currency and security operations	59,876	113,984	22,673	38,925
Other commission fees	63,890	119,440	51,952	95,941
<b>Total</b>	<b>356,569</b>	<b>695,100</b>	<b>273,199</b>	<b>501,689</b>
<b>Net commission and other fees received</b>	<b>653,486</b>	<b>1,167,808</b>	<b>540,890</b>	<b>994,989</b>

**Note 5: Financial assets rated at fair value through profit or loss**


THOUS. AMD

Financial assets rated at fair value through profit or loss	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including:	11,526	49,237	18,117	34,299
Shares				
Debt Securities				
Derivatives	11,526	49,237	18,117	34,299
<b>Net income from changes in real value of financial assets rated at fair value through profit or loss</b>	<b>390,562</b>	<b>329,844</b>	<b>(103,946)</b>	<b>205,329</b>
<b>Total</b>	<b>402,088</b>	<b>379,081</b>	<b>(85,829)</b>	<b>239,628</b>
<b>Investments at fair value rated through other comprehensive financial assets</b>				
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	34,817	68,646	96,546	151,003
Debt securities	34,817	68,646	96,546	151,003
Derivatives				
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results	(33,221)	(47,585)	(5,995)	(14,304)
<b>Total</b>	<b>1,596</b>	<b>21,061</b>	<b>90,551</b>	<b>136,699</b>
<b>Foreign currency operations</b>				
Net income from foreign currency sale/purchase	1,532,209	2,155,396	407,294	675,934
Net income from the revaluation of foreign currency	(765,971)	(776,905)	(8,077)	(338,976)
<b>Total</b>	<b>766,238</b>	<b>1,378,491</b>	<b>399,217</b>	<b>336,958</b>
<b>Net income from commercial operations</b>	<b>1,169,922</b>	<b>1,778,633</b>	<b>403,939</b>	<b>713,285</b>

Note 6 : "Other Operatioanl Income"



THOUS. AMD

	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
<b>Other operational expenses</b>				
Income from penalties and fines	68,104	138,357	106,996	198,809
Net income from disposal of fixed and intangible assets	1,440	34,633	10,663	57,031
Other income *	22,047	80,952	15,885	29,626
<b>Total</b>	<b>91,591</b>	<b>253,942</b>	<b>133,544</b>	<b>285,466</b>

The main sources of generation of other income\* are the amounts charged for provision of statement,check and deposit books,certificates and from such services for which no special income accounts are envisaged.

Note 7 : " Net Deductions to Possible Asset Losses Provision"



THOUS. AMD

	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
<b>Cash and cash equivalents (Note 13)</b>				
Initial balance	41,812	32,803	22,940	30,723
Net deductions to reserve	(5,612)	3,397	(2,639)	479
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>36,200</b>	<b>36,200</b>	<b>20,301</b>	<b>31,202</b>
<b>"Due to Banks and other Financial institutions" (Note 14)</b>				
Initial balance	152,720	#REF!	164,239	385,370
Reserve adjustment related to model change				
Net deductions to reserve	18,271	4,027	(10,688)	(101,758)
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>170,991</b>	<b>#REF!</b>	<b>153,551</b>	<b>283,612</b>
<b>From loans and advances to customers (Note 16)</b>				
Initial balance	3,760,642	#REF!	3,426,782	3,377,493
Net deductions to reserve	(352,965)	(175,611)	(1,143,260)	347,885
Return of amounts previously charged to off balance item	423,150	771,241	95,096	129,558
Usage of reserve	(129,215)	(269,569)	(519,281)	(803,472)
<b>Summary balance</b>	<b>3,701,612</b>	<b>#REF!</b>	<b>1,859,337</b>	<b>3,051,464</b>
<b>Financial assets rated at fair value through other comprehensive financial assets (Note 17)</b>				
Initial balance	238,073	228,409	217,045	437,927
Net deductions to reserve	(9,780)	(116)	(291,601)	(236,529)
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>228,293</b>	<b>228,293</b>	<b>(74,556)</b>	<b>201,398</b>
<b>On other assets (Note 21)</b>				
Initial balance	8,398	8,648	15,585	12,925
Net deductions to reserve	1,584	(30,517)	(1,547)	1,113
Return of amounts previously charged to off balance item	56	31,922		
Usage of reserve		(15)		
<b>Summary balance</b>	<b>10,038</b>	<b>10,038</b>	<b>14,038</b>	<b>14,038</b>
<b>Other financial assets rated at amortized value</b>				
Initial balance	277,530	278,316	205,298	53,143
Net deductions to reserve	(14,077)	(14,863)	62,398	214,553
Usage of reserve				
<b>Summary balance</b>	<b>263,453</b>	<b>263,453</b>	<b>267,696</b>	<b>267,696</b>
<b>Post-balance sheet items containing loan exposures (note 30)</b>				
Initial balance	81,137	77,321	62,351	54,637
Net deductions to reserve	2,380	6,196	(23,963)	3,170
Usage of reserve				
<b>Summary balance</b>	<b>83,517</b>	<b>83,517</b>	<b>38,388</b>	<b>57,807</b>
<b>Total net deductions to reserve</b>	<b>(360,199)</b>	<b>(207,487)</b>	<b>(1,411,300)</b>	<b>228,913</b>

**Note 8 : "Total administrative expenses"**


Thous. AMD

"Total administrative expenses"	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Salary and similar payments	1,458,878	2,778,688	1,207,678	2,438,431
Training and tutorship expenses	519	534	456	456
Business trip expenses	10,974	17,049	1,192	3,443
Operational leases expenses	-	-	2,701	5,404
Insurance costs	37,501	74,294	37,986	75,388
Servicing and maintenance of the Bank's equipment	140,780	295,405	110,584	200,784
Maintenance and safekeeping of Bank buildings	176,407	355,925	190,974	386,685
Audit and consulting services	5,489	6,158	10,758	24,185
Communication and transmission costs	30,033	60,463	28,534	55,912
Transportation costs	47,400	94,691	42,238	76,414
Taxes (except income tax) penalties and other mandatory payments	99,443	191,328	80,968	159,907
Office and organizational expenses	92,795	189,275	38,994	69,081
Lending and repayment costs	-	-	-	-
Other administrative expenses	100,162	112,092	3,971	8,678
<b>Total</b>	<b>2,200,381</b>	<b>4,175,902</b>	<b>1,757,034</b>	<b>3,504,768</b>

**The average number of the Bank employees and monthly average salary falling to a single employee**


	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Average number of Bank employees	823	827	841	846
Monthly average salary falling to a single employee (thousand AMD)	504	495	450	448

**Note 9 : "Other Operational Expenses"**


Thous. AMD

Other operational expenses	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Paid fines and penalties	-	-	27	27
Payments made for collection	86,250	172,500	86,250	172,500
Advertising and representative expenses	89,967	125,894	167,534	311,958
Amortization costs of fixed assets and intangible assets	439,100	861,265	405,042	800,125
Allocations to the Fund of Recovery of Deposits	55,535	114,462	48,294	96,804
Other expenses	104,524	272,622	111,727	223,160
<b>Total</b>	<b>775,376</b>	<b>1,546,743</b>	<b>818,874</b>	<b>1,604,574</b>

In other Expenses line of other operational expenses, mainly quarterly fees for VISA admission and costs of acquisition of payment cards are included.

**Note 10 : Net gain/losses from investments in controlled units"**


There is no data available for this note during the accounting and previous period.

**Note 11 : "Profit tax Expenses (Reimbursement)"**


Thous. AMD

Expenses on profit tax	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Current tax expenses	521,429	872,729	254,628	472,332
Deferred tax expenses	23,972	(12,388)	176,687	(78,686)
<b>Total</b>	<b>545,401</b>	<b>860,341</b>	<b>431,315</b>	<b>393,646</b>

	01/04/2022-30/06/2022	Efficient rate (%)	01/01/2022-30/06/2022	Efficient rate (%)	01/04/2021-30/06/2021	Efficient rate (%)	01/01/2021-30/06/2021	Efficient rate (%)
Profit before taxation	2,324,984		3,717,572		2,786,399		2,531,520	
Profit tax with rate	418,497	18%	669,163	18%	501,552	18%	455,674	18%
Non-deductible expenses	(9,197)	(0.00)	54,830	0.01	(69,822)	(0.03)	(119,307)	(0.05)
Foreign currency negative/positive difference	137,875	0.06	139,843	0.04	1,453	0.00	61,016	0.02
Other privileges	(1,774)	(0.00)	(3,495)	(0.00)	(1,868)	(0.00)	(3,736)	(0.00)
Profit tax expenses	545,401	0.23	860,341	0.23	431,315	0.155	393,647	0.155

**Calculation of deferred tax on temporary differences**


	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
<b>Deferred tax assets, including:</b>	<b>529,113</b>	<b>(2,259)</b>	<b>136,704</b>	<b>663,558</b>
Accrued expenses and other liabilities	217,341	58,546		275,887
Right-of-use assets	47,482	11,473		58,955
Investment securities	168,327	(2,348)	136,704	302,683
Claims to banks and other financial institutions	13,960	1,196		15,156
Cash and their equivalents	3,872	(1,346)		2,526
Loans and borrowings to customers	78,131	(69,780)		8,351
<b>Deferred tax liabilities, including:</b>	<b>(704,990)</b>	<b>14,647</b>	<b>-</b>	<b>(690,343)</b>
Loans and borrowings to customers				-
Fixed assets	(694,226)	12,049		(682,177)
Contingent liabilities	(10,764)	2,598		(8,166)
<b>Net deferred tax asset/liability</b>	<b>(175,877)</b>	<b>12,388</b>	<b>136,704</b>	<b>(26,785)</b>

Thous. AMD

Basic profit falling to a single share	01/04/2022-30/06/2022	01/01/2022-30/06/2022	01/04/2021-30/06/2021	01/01/2021-30/06/2021
Net profit of the accounting period after taxation	1,779,583	2,857,231	2,355,083	2,137,873
Dividends on preferential shares calculated for the current accounting period	219,861	442,166	224,747	442,166
Net gains(losses) of given period referring to owners of common shares	1,559,722	2,415,065	2,130,336	1,695,707
Net weighted average number of common shares in circulation during the given period	1,950,295	1,950,295	1,897,938	1,897,938
Basic profit falling to a single share	<b>0.80</b>	<b>1.24</b>	<b>1.12</b>	<b>0.89</b>

The basic profit falling to a single share is the correlation between net gain or loss referring to common share owners of the given period and average weighted number of common shares in circulation during the given period.

## Note 13 : Cash and cash equivalents



Thous. AMD

	30/06/2022	31/12/2021
<b>Cash and cash equivalents</b>		
Cash and cash equivalent payment documents	14,784,088	14,481,483
Correspondent accounts with the CBA	44,834,914	47,685,081
Deposit accounts with the CBA		
Correspondent accounts with the the resident banks	28,726	29,322
Correspondent accounts with the the non-resident banks	2,187,769	1,236,807
Accrued interests		
Reserves/IFRS/	(36,200)	(32,803)
<b>Cash and balances with the CBA</b>	<b>61,799,297</b>	<b>63,399,890</b>

\* Correspondent accounts with the CBA include mandatory provisioning funds calculated against the Bank's attracted funds according to the RA Bank Legislation.

## Note 14 : "Due to Banks and other Financial institutions"



Thous. AMD

	30/06/2022	31/12/2021
<b>Current accounts</b>		
Deposited funds with CBA	294,000	1,042,500
Reserve/IFRS/	(3,222)	(11,916)
<b>Total</b>	<b>290,778</b>	<b>1,030,584</b>
<b>With RA banks</b>		
Loans and deposits		
Other	97	76,217
<b>With banks having BBB(Baa3) and higher ratings</b>		
Other		
Loans and deposits		
<b>With banks having ratings lower than BBB (Baa3) or no rating at all</b>		
Loans and deposits		
Other	564,772	
<b>Accrued interest</b>		
<b>Total</b>	<b>564,869</b>	<b>76,217</b>
Possible loss provision for amounts due from banks (note 7)	(17,428)	(3,378)
<b>Net receivables to banks</b>	<b>838,219</b>	<b>1,103,423</b>

	30/06/2022	31/12/2021
<b>Loans and deposits with Financial Institutions, other receivables</b>		
<b>With RA Financial Institutions:</b>		
Loans and deposits	6,034,023	7,088,662
Other	611,763	849,558
<b>With Financial Institutions having BBB(Baa3) and higher ratings</b>		
Other		
<b>With Financial Institutions having a rating lower than BB(Baa3) or no rating at all</b>		
Other	281,842	471,568
Accrued interest	20,780	26,747
<b>Total</b>	<b>6,948,408</b>	<b>8,436,535</b>
Possible loss provision for receivables due to Financial Institutions	(31,635)	(42,825)
<b>Net receivables to Financial Institutions</b>	<b>6,916,773</b>	<b>8,393,710</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>7,754,992</b>	<b>9,497,133</b>

\*\* As of 31.12.2021 and 30.06.2022 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 165.862 (AMD 79.637 and AMD 82.500 thousand ) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

## Note 14.1 Reverse Repurchase Agreements



	30/06/2022	31/12/2021
<b>Reverse Repurchase Agreements</b>		
Repurchase Agreements with Financial Institutions	9,027,774	7,935,596
Reverse Repurchase Agreements with Financial Institutions	(118,706)	(108,845)
<b>Total</b>	<b>8,909,068</b>	<b>7,826,751</b>

## Note 15. "Financial assets recalculated at fair value through profit/loss"



Thous. AMD

	30/06/2022	31/12/2021
<b>Other financial assets recalculated at fair value through profit/loss</b>		
<b>Derivative Instruments</b>		
Forward		
Swap	6,681	5,053
<b>Total</b>	<b>6,681</b>	<b>5,053</b>

Possible loss provision for financial assets recalculated at fair rate through profit/loss (Note 7)

Note 16. "Loans and advances to customers calculated at amortized value"



Thous. AMD		
Loans and advances calculated at amortized value	30/06/2022	31/12/2021
Loans, including:	222,063,883	198,495,004
Mortgage loans	33,220,328	29,154,728
Credit cards	21,971,991	24,664,422
Accrued interest on the mentioned items	1,229,327	1,105,264
<b>Total loans</b>	<b>245,265,201</b>	<b>224,264,690</b>
Reserve for possible loss of customer loans and advances (note 7)	(3,701,612)	(3,375,551)
<b>Total loans and advances at amortized value</b>	<b>241,563,589</b>	<b>220,889,139</b>

Thous. AMD		
Analyses of provided loans and advances per customers	30/06/2022	31/12/2021
State industries	<b>125,824</b>	<b>13,895</b>
<b>Private industries, including:</b>	<b>121,625,513</b>	<b>108,572,486</b>
Major enterprises	70,353,395	60,732,821
Small and medium enterprises	51,272,118	47,839,665
Including business cards	62,098	63,687
<b>Individuals, including:</b>	<b>100,679,219</b>	<b>95,609,490</b>
Consumer loans	31,496,455	29,761,854
Mortgage loans	33,220,328	29,154,728
Credit cards	21,909,242	24,600,709
<b>Private entrepreneurs</b>	<b>21,605,318</b>	<b>18,983,555</b>
Accrued interest	<b>1,229,327</b>	<b>1,105,264</b>
<b>Total loans</b>	<b>245,265,201</b>	<b>224,264,690</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	(3,701,612)	(3,375,551)
<b>Total loans and advances at amortized value</b>	<b>241,563,589</b>	<b>220,889,139</b>

Thous. AMD		
Analyses of loans and advances provided to the customers per the groups of businesses (segments)	30/06/2022	31/12/2021
State and major enterprises	70,479,219	60,746,716
SME * sector, including	69,324,106	64,078,259
Agriculture	20,467,646	17,561,612
Housekeeping	104,232,549	98,334,451
Accrued interests	1,229,327	1,105,264
<b>Total loans and advances calculated at amortized value</b>	<b>245,265,201</b>	<b>224,264,690</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	<b>(3,701,612)</b>	<b>(3,375,551)</b>
<b>Total loans and advances calculated at amortized value</b>	<b>241,563,589</b>	<b>220,889,139</b>

\*\*SME sector involves investment loans provided to small and medium enterprises.

Thous. AMD		
Loan liabilities on 20 major borrowers and related parties /without reserve/	30/06/2022	31/12/2021
Customers' loans and advances calculated at amortized value	79,436,026	68,994,622
Balance of off-balance sheet contingent liabilities	3,486,337	8,182,114
<b>Total</b>	<b>82,922,363</b>	<b>77,176,736</b>
Loan investments	245,265,201	224,264,690
Ratio in portfolio	33.81%	34.41%
Total normative capital	48,285,103	45,625,212
Percentage ratio to capital	171.73%	169.15%
<b>Total</b>	<b>82,922,363</b>	<b>77,176,736</b>

Thous. AMD

Loan Investments through International programs	30/06/2022	Quantity
ADB/MSME	6,692,108	112
ADB/TFP/IBA	248,843	5
ADB/TFP/RCA	41,089	1
ADB/WESSD	3,069,100	178
BS/SME3	3,941,981	125
COVID-14	92	1
COVID-19/1/3	570,582	22
COVID-19/2/1	21,731	22
COVID-19/2/2	3,746,783	57
COVID-19/3	70,649	19
DEG/SME	824,900	46
EBRD/SMEC/Green	73,810	3
EBRD/TFP/IBA	5,022	1
EBRD/WIB	1,354,921	124
EIB/APEX	6,001,233	114
FINSCA/MSE	24,305	3
FMO/MSME/Green	1,087,265	29
FMO/MSME/Retail	2,343,100	89
GAF/ KIW /ENERGY	783,941	159
GAF/ KIW/ AGRO	1,201,892	96
GAF/GOV/SME	1,634	1
GAF/KIW/SME	14,060,310	1,254
GAF/KIW/SME/ENERGY	657,294	24
GLI/ME	13,173	2
GLS AI MFF/ME	876	3
INCOFINCVBA/MSE	2,532,889	97
Proparco/SME/Green	1,233,547	52
SICAV-SIF/ME1	2,024	3
<b>Total</b>	<b>50,595,094</b>	<b>2,642</b>

Thous. AMD

Loan Investments through International programs	31/12/2021	Quantity
ADB/MSME	3,097,746	98
ADB/TFP/IBA	94,915	6
ADB/TFP/RCA	80,641	1
ADB/WESSD	2,221,767	154
FMO/MSME/Green/	1,431,254	40
DEG/SME/	1,106,755	51
EBRD/WIB/	1,788,090	158
EBRD/TFP/IBA	23,200	1
EINSCA/MSE/	38,084	3
FMO/MSME/Retail/	3,661,947	129
GAF/ KW /AGRO	702,808	72
GAF/KW/SME	9,337,514	992
GAF/GOV/SME	2,318	1
GAF/KW/ENERGY	509,934	195
EIB/APEX	5,495,615	104
SICAV-SIF/ME1	6,189	5
BS/SME3	5,368,090	149
COVID 19/1/3	1,742,562	103
COVID 19/2/1	30,731	29
COVID 19/2/2	4,266,593	70
<b>Total</b>	<b>46,486,031</b>	<b>4,630</b>

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	30/06/2022	Percentage	31/12/2021	Percentage
Industry	22,247,619	14.78	23,691,377	14.78
Agriculture	25,517,239	6.07	22,577,206	6.07
Construction	22,619,657	7.06	19,599,706	7.06
Transportation and communication	3,525,113	0.31	817,054	0.31
Commerce	42,702,777	17.05	39,884,282	17.05
Consumer	54,080,408	30.81	55,159,331	30.81
Mortgage loans	33,353,616	10.18	29,270,247	10.18
Service	11,329,348	5.35	11,519,968	5.35
Other	29,889,424	8.41	21,745,519	8.41
<b>Total</b>	<b>245,265,201</b>	<b>100</b>	<b>224,264,690</b>	<b>100.00</b>

Breakdown of loan portfolio per customer residency	30/06/2022	Percentage	31/12/2021	Percentage
RA residents	240,244,262	99.45	219,760,368	99.49
Residents of countries with Baa33 and higher ratings including Norway	90,000	0.04	23,507	0.01
France			23,507	
Residents of countries with Baa33and lower ratings or no rating at all				
Accrued interest	1,229,327	0.51	1,105,264	0.50
<b>Total</b>	<b>241,563,589</b>	<b>100</b>	<b>220,889,139</b>	<b>100.00</b>

**Note 16. "Loans and borrowings to customers calculated at amortized value"**



30/06/2022						
The structure of customers' loans and borrowings calculated at amortized value per classification stages /FRS 9/	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
Corporate loans	121.719.460	853.832	325.068	101.730	252.636	113.655
Loans to individuals and private entrepreneurs	117.578.044	788.487	2.506.635	676.687	2.883.358	1.167.222
<b>Total</b>	<b>239.297.504</b>	<b>1.642.319</b>	<b>2.831.703</b>	<b>778.417</b>	<b>3.135.994</b>	<b>1.280.877</b>

31/12/2021						
Depreciation reserve gaps of loans and advances to customers calculated at amortized value per	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
Corporate loans	107.110.362	714.306	1.542.701	171.667	293.439	132.939
Loans to individuals and private entrepreneurs	110.477.943	740.993	1.585.646	103.036	3.254.599	1.512.608
<b>Total</b>	<b>217.588.305</b>	<b>1.455.299</b>	<b>3.128.347</b>	<b>274.703</b>	<b>3.548.038</b>	<b>1.645.547</b>

30/06/2022

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	53,443,996	1,798,615	51,645,381	3.37%
Overdue			0	
1-30 days	194,479	21,767	172,712	11.19%
31- 60 days	117,351	12,821	104,530	10.93%
61- 90 days	54,939	9,869	45,070	17.96%
91-180 days	177,430	74,831	102,599	42.17%
180 and more	92207	23,400	68,807	25.38%
<b>Total</b>	<b>54,080,402</b>	<b>1,941,303</b>	<b>52,139,099</b>	<b>3.59%</b>
<b>Trade</b>				
Non-overdue	42,459,426	185,424	42,274,002	0.44%
Overdue				
1-30 days				
31- 60 days	209,584	54431	155,153	
61- 90 days	27,141	6809	20,332	25.09%
91-180 days	5,902	2530	3,372	
180 and more	726	311	415	
<b>Total</b>	<b>42,702,779</b>	<b>249,505</b>	<b>42,453,274</b>	<b>0.58%</b>
<b>Production</b>				
Non-overdue	22,247,619	153,276	22,094,343	0.69%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days			0	
180 and more			0	
<b>Total</b>	<b>22,247,619</b>	<b>153,276</b>	<b>22,094,343</b>	<b>0.69%</b>
<b>Construction</b>				
Non-overdue	22,619,657	152,734	22,466,923	0.68%
Overdue			0	
1-30 days			0	
31- 60 days			0	
61- 90 days			0	
91-180 days			0	
180 and more			0	
<b>Total</b>	<b>22,619,657</b>	<b>152,734</b>	<b>22,466,923</b>	<b>0.68%</b>
<b>Mortgage</b>				
Non-overdue	33,334,237	90,599	33,243,638	0.27%
Overdue				
1-30 days	19,387	39	19,348	
31- 60 days			0	
61- 90 days			0	
91-180 days			0	
180 and more			0	
<b>Total</b>	<b>33,353,624</b>	<b>90,638</b>	<b>33,262,986</b>	<b>0.27%</b>
<b>Agriculture</b>				
Non-overdue	25,430,420	547,836	24,882,584	2.15%
Overdue				
1-30 days	69111	16554	52557	23.95%
31- 60 days	14173	5914	8,259	
61- 90 days	2927	1215	1,712	
91-180 days	490	383	107	
180 and more	115	90	25	
<b>Total</b>	<b>25,517,236</b>	<b>571,992</b>	<b>24,945,244</b>	<b>2.24%</b>
<b>Other fields</b>				
Non-overdue	44,659,074	503,673	44,155,401	1.13%
Overdue				
1-30 days				
31- 60 days				
61- 90 days	84,810	38491	46,319	
91-180 days				
180 and more			0	
<b>Total</b>	<b>44,743,884</b>	<b>542,164</b>	<b>44,201,720</b>	<b>1.21%</b>
<b>TOTAL</b>	<b>245,265,201</b>	<b>3,701,612</b>	<b>241,563,589</b>	<b>1.51%</b>

31/12/2021

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	54,433,337	1,887,963	52,545,374	3.47%
Overdue			0	
1-30 days	164,113	9,520	154,593	5.80%
31- 60 days	129,226	17,393	111,833	13.46%
61- 90 days	95,857	13,054	82,803	13.62%
91-180 days	203,885	45,769	158,116	22.45%
180 and more	132,913	51,756	81,157	38.94%
<b>Total</b>	<b>55,159,331</b>	<b>2,025,455</b>	<b>53,133,876</b>	<b>3.67%</b>
<b>Trade</b>				
Non-overdue	39,833,077	147,131	39,685,946	0.37%
Overdue			0	
1-30 days	1,468	5	1,463	0.34%
31- 60 days	909	421	488	
61- 90 days	35,331	16,335	18,996	46.23%
91-180 days	13,508	9,843	3,665	72.87%
180 and more			0	
<b>Total</b>	<b>39,884,293</b>	<b>173,735</b>	<b>39,710,558</b>	<b>0.44%</b>
<b>Production</b>				
Non-overdue	24,025,708	38,697	23,987,011	0.16%
Overdue			0	
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
<b>Total</b>	<b>24,025,708</b>	<b>38,697</b>	<b>23,987,011</b>	<b>0.16%</b>
<b>Construction</b>				
Non-overdue	19,599,706	303,289	19,296,417	1.55%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>19,599,706</b>	<b>303,289</b>	<b>19,296,417</b>	<b>1.55%</b>
<b>Mortgage</b>				
Non-overdue	29,216,921	71,430	29,145,491	0.24%
Overdue				
1-30 days	39,190	3,589	35,601	
31- 60 days			0	
61- 90 days	14,131	7,601	6,530	53.79%
91-180 days			0	
180 and more				
<b>Total</b>	<b>29,270,242</b>	<b>82,620</b>	<b>29,187,622</b>	<b>0.28%</b>
<b>Agriculture</b>				
Non-overdue	22,543,627	227,535	22,316,092	1.01%
Overdue			0	
1-30 days	17,569	787	16,782	4.48%
31- 60 days	3,124	1,297	1,827	41.52%
61- 90 days	3,273	1,359	1,914	41.52%
91-180 days	7,938	6,222	1,716	
180 and more	1,674	1,312	362	
<b>Total</b>	<b>22,577,205</b>	<b>10,977</b>	<b>22,338,693</b>	<b>0.05%</b>
<b>Other fields</b>				
Non-overdue	34,196,142	305,444	33,890,698	0.89%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>34,196,142</b>	<b>305,444</b>	<b>33,890,698</b>	<b>0.89%</b>
<b>TOTAL</b>	<b>224,712,627</b>	<b>2,940,217</b>	<b>221,544,875</b>	<b>1.31%</b>

**Note 17. "Financial assets rated at fair value through other comprehensive financial results"**



		Thous. AMD			
		30/06/2022	31/12/2021		
<b>Government securities</b>					
RA Governmental T-bills		4,416,368	4,225,515		
<b>Total</b>		<b>4,416,368</b>	<b>4,225,515</b>		
Thous. AMD					
<b>RA non-state securities</b>		30/06/2022		31/12/2021	
		listed	unlisted	listed	unlisted
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>					
Long term debt instruments					
Short term debt instruments					
Capital instruments			105,755		105,755
<b>Total non-state securities of RA</b>			<b>105,755</b>		<b>105,755</b>
Investments in RA non-governmental securities (reserve for possible losses)					
<b>Net Investments in RA non-governmental securities</b>		-	<b>105,755</b>	-	<b>105,755</b>
Thous. AMD					
		30/06/2022		31/12/2021	
		listed	unlisted	listed	unlisted
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>					
Capital instruments			6,163		7,141
<b>Total non-state securities of RA</b>		-	<b>6,163</b>	-	<b>7,141</b>
<b>Financial assets rated at fair value through other comprehensive financial assets</b>		<b>4,416,368</b>	<b>111,918</b>	<b>4,225,515</b>	<b>112,896</b>

Investments in share capital of other entities as of 31.12.2021

					Thous. AMD	
Name of entity	Main activity	Country of registration	Investment date	Investment (thous AMD)	Share %	
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	6,163	-	
"Armenian Card" CJSC	Payment service	RA	22/02/2000	82,500	6.20	
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58	
<b>Total</b>				<b>111,918</b>		

The balance sheet and real values of the financial assets rated at fair value through other comprehensive financial results (except investments into capital instruments) correspond to each other. The investments into capital instruments in RA are not quoted in any exchange and have a limited market. There are no definite accepted principles and methods to precisely decide the real value of those instruments, and therefore those securities are accounted in their cost price, deducted the reserve amount for depreciation

**Note 17.1 : " Securities pledged under repurchase agreement"**

		Thous. AMD	
		30/06/2022	31/12/2021
<b>Assets</b>			
<b>Total pledged securities</b>		37,915,166	37,932,907
including:			
Financial assets at amortized cost		14,861,337	14,799,561
Other financial assets rated at amortized value		23,053,829	23,133,346
Reserve for Financial assets at amortized cost		(252,612)	(265,380)
<b>Total</b>		<b>37,662,554</b>	<b>37,667,527</b>

**Note18. "Other financial assets calculated at amortized value"**



		Thous. AMD	
		30/06/2022	31/12/2021
Government securities rated at amortized value		187,451	200,000
Non-state securities rated at amortized value		508,990	600,147
Accumulated interest		3,333	14,150
Reserve of financial assets calculated at amortized value		(10,841)	(12,938)
<b>Total</b>		<b>688,933</b>	<b>801,359</b>

**Note 19. "Investment in the chartered capital of the controlled entities"**



There is no data available for this note during the accounting and previous period

Note 20. "Fixed assets and intangible assets"

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Right-of-use assets	Total
<b>Balance of the fixed assets as of the end of previous period 31/12/2021</b>	<b>8,657,363</b>	<b>4,035,780</b>	<b>1,007,932</b>	<b>2,520,409</b>	<b>24,299</b>	<b>3,717,588</b>	<b>19,963,371</b>
Increase	650	95,044	97,350	54,419	33,914	129,581	410,958
Disposal			(38,510)				(38,510)
Written-off		(617)				(43,323)	(43,940)
Reclassification	18,862	24,240			(43,102)		-
<b>Balance of fixed assets at the end of accounting period 30/06/2022</b>	<b>8,676,875</b>	<b>4,154,447</b>	<b>1,066,772</b>	<b>2,574,828</b>	<b>15,111</b>	<b>3,803,846</b>	<b>20,291,879</b>
<b>Balance of accumulated amortization at the end of the previous period 31/12/2021</b>	<b>671,966</b>	<b>2,824,555</b>	<b>396,961</b>	<b>1,626,592</b>	<b>-</b>	<b>1,749,021</b>	<b>7,269,095</b>
Increase	119,604	175,168	61,613	91,595		344,210	792,190
Disposal			(36,500)				(36,500)
Reclassification			(36,500)				
Written-off of amortization		(512)				(722)	(1,234)
<b>Balance of accumulated amortization at the end of the accounting period 30/06/2022</b>	<b>791,570</b>	<b>2,999,211</b>	<b>385,574</b>	<b>91,595</b>		<b>343,488</b>	<b>8,023,551</b>
<b>Net balance sheet value</b>							
<b>At the end of the accounting period</b>	<b>7,885,305</b>	<b>1,155,236</b>	<b>681,198</b>	<b>2,483,233</b>	<b>15,111</b>	<b>3,460,358</b>	<b>12,268,328</b>
<b>At the end of the previous accounting period</b>	<b>7,985,397</b>	<b>1,211,225</b>	<b>610,971</b>	<b>893,817</b>	<b>24,299</b>	<b>1,968,567</b>	<b>12,694,276</b>

The revaluation of fixed assets was carried out by an independent appraiser based on market value. Increase from the revaluation was attributed to the revaluation reserve of the equity.

**Intangible Assets**

Thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other Intangible Assets	Total
<b>Initial value</b>					
<b>Balance of intangible assets at the end of the previous period 31/12/2021</b>	<b>561,478</b>	<b>617,575</b>	<b>206</b>	<b>30,550</b>	<b>1,209,809</b>
Increase		61,422		2,431	63,853
Disposal		(26,617)			(26,617)
<b>Balance of intangible assets at the end of the accounting period 30/06/2022</b>	<b>561,478</b>	<b>652,380</b>	<b>206</b>	<b>32,981</b>	<b>1,247,045</b>
<b>Intangible balance of accumulated amortization at the end of previous period 31/12/2021</b>	<b>163,959</b>	<b>329,088</b>	<b>99</b>	<b>23,279</b>	<b>516,425</b>
Increase	26,648	41,461	8	959	69,076
Disposal					-
Reclassification		(26,617)			(26,617)
<b>Balance of accumulated amortization at the end of accounting period 30/06/2022</b>	<b>190,607</b>	<b>343,932</b>	<b>107</b>	<b>24,238</b>	<b>558,884</b>
<b>Net balance sheet value</b>					-
<b>At the end of the accounting period</b>	<b>370,871</b>	<b>308,448</b>	<b>99</b>	<b>8,743</b>	<b>688,161</b>
<b>At the end of the previous accounting period</b>	<b>397,519</b>	<b>288,487</b>	<b>107</b>	<b>7,271</b>	<b>693,384</b>

As of 30.06.2022, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

## Note 21: "Other Assets"



Thous. AMD

	30/06/2022	31/12/2021
<b>Amounts receivable from bank operations</b>		
Amounts receivable from other operations	59,544	81,526
<b>Total</b>	<b>59,544</b>	<b>81,526</b>
Reserve for possible loss provision from bank operations (note 7)	(615)	(830)
<b>Net amounts receivable from bank operations</b>	<b>58,929</b>	<b>80,696</b>
<b>Debtor liabilities and prepayments</b>		
Debtor liabilities on the budget	418,780	160,341
Prepayments to employees	3	387
Prepayments to suppliers	202,647	206,950
Prepayments on the budget and mandatory social insurance payments	31,894	43,915
Other debtor liabilities and prepayments	45,263	57,659
<b>Total</b>	<b>698,587</b>	<b>469,252</b>
Reserve for possible loss provision on other assets (note 7)	(6,987)	(4,689)
<b>Total</b>	<b>691,600</b>	<b>464,563</b>
Reserve	251,171	175,493
Future period expenses	144,884	249,993
Other assets	98,369	62,586
Reserve for possible loss provision on other assets (note 7)	(2,436)	(3,129)
<b>Total</b>	<b>491,988</b>	<b>484,943</b>
<b>Total other assets</b>	<b>1,242,517</b>	<b>1,030,202</b>

## Note 22. "Liabilities to banks and other financial institutions"



Thous. AMD

	30/06/2022	31/12/2021
<b>Current accounts</b>		
RA Banks	9,889	9,814
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	13,343	15,236
Accrued interest		
<b>Total</b>	<b>23,232</b>	<b>25,050</b>
<b>Interbank loans and deposits, other</b>		
Other		
<b>RA banks</b>		
Loans and deposits	2,036,004	4,801,248
Other		1,257
<b>Banks having BBB(Baa3) and higher rating</b>		
Loans and deposits	203,605	
Other		
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>		
Loans and deposits	1,219,500	1,362,570
Other	53,199	54,418
Accrued interest	8,635	12,783
<b>Total</b>	<b>3,520,943</b>	<b>6,232,276</b>
<b>Financial Institutions</b>		
Current accounts	6,923,012	4,451,755
Loans	18,184,697	21,911,985
Deposits	24,784,470	20,287,607
Other	59,711	85,966
Accrued interest	697,311	682,981
<b>Total</b>	<b>50,649,201</b>	<b>47,420,294</b>
<b>Total liabilities to banks and financial institutions</b>	<b>54,193,376</b>	<b>53,677,620</b>

Note 22.1 Loans and advances from international financial institutions



Loans attracted from financial institutions	Project	Currency	Term	30/06/2022		31/12/2021	
				Currency	Term	Currency	Term
BlueOrchard	BlueOrchard/MSME	USD	1-4 years	7,172,771	USD	1-4 years	4,824,801
DEG	DEG/SME	USD	1-7 years	2,490,948	USD	1-7 years	3,422,980
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-4 years	947,072	AMD	1-4 years	1,435,867
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-5 years	1,281,374	AMD	1-5 years	1,915,277
European Bank for Reconstruction and Development	EBRD/SM/EC/Green	AMD	1-4 years	2,819,256			
European Bank for Reconstruction and Development	EBRD/TFP/RCA	EUR	1 less than a year		EUR	1 less than a year	
EFA - Financial Institution debt fund	EFA - FIDE/SME	USD	1-3 years		USD	1-3 years	
Global Impact Investments	GI/IME	USD	1-4 years		USD	1-4 years	
Incofin Investment Management	INCOFIN/CVBA/MSME	USD	1-4 years	419,979	USD	1-4 years	
Incofin Investment Management	Incofin/CVSO/CVBA/SO/MSME	USD	1-4 years		USD	1-4 years	990,897
Dutch Development Bank	FMO/MSME/Green	USD	1-5 years	4,078,373	USD	1-5 years	4,802,096
Dutch Development Bank	FMO/MSME/Green	EUR	1-5 years	2,120,594	EUR	1-5 years	2,713,422
Dutch Development Bank	FMO/MSME/RETAIL	USD	1-5 years	5,032,717	USD	1-5 years	7,414,861
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years		AMD	1-4 years	
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years		AMD	1-4 years	
Symbiotics Sicav (Lux) - Hortensia Impact Investing Fund	HIF/MSME	AMD	1-4 years	160,919	AMD	1-4 years	160,153
Symbiotics Sicav (Lux) - Global Financial Inclusion Fund	GFI/MSME	AMD	1-4 years	160,919	AMD	1-4 years	160,153
Symbiotics Sicav (Lux) - SEB/MSME Microfinance Fund VII	SEB/MSME/MSME	AMD	1-4 years	1,297,511	AMD	1-4 years	1,281,227
Symbiotics Sicav (Lux) - SEB/MSME Microfinance Fund VI	SEB/MSME/MSME	AMD	1-4 years	815,334			813,450
Symbiotics Sicav (Lux) - Hortensia Impact Investing Fund	SEB/MSME/MSME	USD	1-4 years	310,093			365,040
Symbiotics Sicav II - ABN AMRO Impact Fund	SAAF/MSME	USD	1-4 years	413,457			486,720
Dual Return Fund S.I.C.A.V	DRF/ME	USD	1-4 years	2,064,817			2,430,746
Microfinance Enhancement Facility S.A., SICAV-SIF	MEF/MSME	USD	1-4 years	2,060,499			2,427,128
Black Sea Trade and Development Bank (BSTDB)	BS/MSME	USD	1-5 years	3,411,362	USD	1-5 years	4,810,692
Asian Development Bank	ADB/TFP/RCA	USD	1 less than a year		USD	1 less than a year	240,606
Asian Development Bank	ADB/MSME	USD	1-5 years	6,193,915	USD	1-5 years	7,296,747
Micro, Small & Medium Enterprises Bonds S.A.	MSMEBondsSA/Social/Green	AMD	1-4 years	7,665,457	AMD	1-4 years	7,601,259
AFD Propanco	Propanco/SME/Green	USD	1-5 years	4,095,793			
Responsibility Sicav Lux Micro and SME Leaders	responsAbilitySicav (Lux) MSMEFL/ME	USD	1-4 years	1,150,429			
Responsibility Sicav Lux Micro and SME Finance Debt Fund	responsAbilitySicav (Lux) MSMEF/ME	USD	1-4 years	2,876,072			
Responsibility Sicav Lux Inclusion Fund	responsAbilitySicav (Lux) FIF/ME	USD	1-4 years	493,041			
Responsibility Global Micro and SME Finance Fund	responsAbilitySicav GMSMEF/ME	USD	1-4 years	1,643,470			
Covid-19 Emerging and Frontier Markets MSME Support Fund	Covid19EmFMarketMSMESupFund/MS	USD	1-5 years	2,039,988			
<b>Total</b>				<b>63,216,157</b>			<b>55,584,124</b>

Note 22.2 . Loans received from the Central Bank of the Republic of Armenia and RA Government



Program	30/06/2022		31/12/2021	
	Loan amount	Accrued interest	Loan amount	Accrued interest
"Women Entrepreneurship Support and Development" loan project	1,760,756	5,671	2,027,057	6,549
GAF/ RA SME lending project of European Investment Bank	6,084,144	80,550	5,702,361	70,916
GAF /Micro and Small Business Development Project of German-Arm	15,272,849	130,056	10,403,385	53,709
GAF "Renewable Energy Development" project	2,702,791	59,160	1,918,379	47,048
GAF "Access to finance for SMEs" project	700,595	5,899	633,808	5,152
RA "Agriculture support" project	1,000,705	8,711	689,978	4,801
COR-AGRO	20,904	109	32,976	175
Cor-Ref	-	-	134,750	-
Cor-Cof	-	-	6,000	-
COVID-19	81,769	-	119,256	-
<b>Total</b>	<b>27,624,515</b>	<b>290,156</b>	<b>21,667,951</b>	<b>188,350</b>

Note 22.3 REPO (repurchase) agreements



REPO (repurchase) agreements	30/06/2022	31/12/2021
REPO (repurchase) agreements with financial institutions	34,070,087	34,576,952
REPO (repurchase) agreements with customers		
<b>Total</b>	<b>34,070,087</b>	<b>34,576,952</b>

**Note 23: "Liabilities to Customers"**

<b>RA resident corporate entities and institutions</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Current accounts	34,623,878	29,949,138
Term deposits	14,026,672	13,372,968
Other	2,162,237	1,289,337
Accrued interest	465,535	314,818
<b>Total</b>	<b>51,278,322</b>	<b>44,926,261</b>

<b>Non-resident corporate entities, institutions</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Current accounts	1,582,351	2,747,632
Deposits		
Other	2	2
Accrued interest		146
<b>Total</b>	<b>1,582,353</b>	<b>2,747,780</b>

<b>RA resident private entrepreneurs</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Current accounts	1,407,421	1,430,359
Term deposit	3,599	1,100
Other	56,491	15,074
Accrued interest	45	40
<b>Total</b>	<b>1,467,556</b>	<b>1,446,573</b>

<b>RA resident individuals</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Current accounts	20,409,834	19,978,527
Term deposits	58,549,452	60,452,272
Other	822,223	898,085
Accrued interest	1,256,139	1,108,029
<b>Total</b>	<b>81,037,648</b>	<b>82,436,913</b>

<b>Non- resident individuals</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Current accounts	966,312	1,416,568
Term deposits	2,571,601	2,872,591
Other	52,293	60,673
Accrued interest	57,212	41,500
<b>Total</b>	<b>3,647,418</b>	<b>4,391,332</b>
<b>Total liabilities to customers</b>	<b>139,013,297</b>	<b>135,948,859</b>

As of 30.06.2022, the amount necessary to secure obligations was AMD 8.969.898 thousand.

As of 30.06.2022, the amount frozen by court order and tax authorities was AMD 4.124.486 thousand.

**Note 23.1 : "Subordinate Borrowing"**

As of 30.06.2022, the Bank attract subordiante borrowing` AMD 4,070,384.

**Note 24: "Securities issued by the Bank"**

	<b>30/06/2022</b>	<b>31/12/2021</b>
Interest securities issued by the Bank	5,023,915	6,107,897
<b>Total</b>	<b>5,023,915</b>	<b>6,107,897</b>

**Note 25 : "Financial liabilities at fair value recalculated through profit/loss"**

Thous.AMD

Financial liability at fair value recalculated through profit/loss	30/06/2022	31/12/2021
<b>Derivative instruments</b>		
Swap	7,717	21,883
<b>Forward</b>		
Other		
<b>Total</b>	<b>7,717</b>	<b>21,883</b>

**Note 26: "Amounts Payable"**

Thous.AMD

Amounts payable	30/06/2022	31/12/2021
Dividends	950,886	470,126
For insurance of deposit	55,535	62,070
<b>Total</b>	<b>1,006,421</b>	<b>532,196</b>

**Note 27: " Other Liabilities"**

Thous.AMD

Other Liabilities	30/06/2022	31/12/2021
On income tax of non-resident	108,220	90,761
On VAT	2,792	2,810
On other taxes and penalties	119,930	189,702
Salary liabilities to employees	1,400,668	1,093,951
Credit debts to suppliers	132,274	113,509
Other liabilities	384,962	1,180,361
<b>Balance at the end of the period</b>	<b>2,148,846</b>	<b>2,671,094</b>

**Note 28: "Chartered capital"**

The Bank's registered and fully paid share capital totals AMD 26,652,068 thous., including 1,950,295 common shares with a nominal value of AMD 10,400 per share and 424,600 preference shares with a nominal value of AMD 15,000 per share. The chart below shows information on the key shareholders of the

Thous.AMD

Name of the major shareholder	Participation amount	The size of participation in	Shareholders activity type (for
Sukiasyan Saribek Albert	6,468,332	31.89%	
Sukiasyan Khachatur Albert	3,138,533	15.47%	
Sukiasyan Eduard Albert	2,093,333	10.32%	

The shareholders of preference shares of the Bank are entitled to:

**Note 29: "Other Equity Components"**

There are no data available for this note in the accounting and previous periods.

## Note 30: "Reserves, Contingencies, Potential Liabilities"



The Bank's legal liabilities: as of 30.06.2022 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.06.2022 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

### The Bank's contingent liabilities on off balance sheet items containing credit risks

	Thous.AMD	
	30/06/2022	31/12/2021
Unutilized credit lines	5,181,044	4,969,004
Provided guarantees	9,024,760	9,700,755
Provided letters of credit		209,146
Reserve on the mentioned items (note 7)	(83,517)	(77,321)

### Liabilities on operational leases

## Note 31 : "Transactions with Related Parties"



In the context of the present note the Bank's related parties are the Bank management, shareholders, entities related to them in the prescribed order set forth by RA law on the "Banks and Banking".

The Bank management comprises the Chairman of the Bank's Board, Deputy Chairman of the Board and the members of the Board, the Chief Executive Officer, the Deputy Chief Executive Officer, Chief Accountant, Deputy Chief Accountant, Head of Internal Audit Department, employees of Internal Audit Department, members of the Bank administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank's subdivisions, heads of the Bank's administration, departments and divisions

The transactions with the Bank related parties have been made on the basis of the current market conditions and interest rates.

Loans and advances at amortized value to the Bank related parties	30/06/2022	31/12/2021
Bank shareholder	5,644,445	4,604,405
Bank management	463,832	409,763
Financial institutions	-	-
<b>Total</b>	<b>6,108,277</b>	<b>5,014,168</b>
<b>Interest income</b>	<b>260,949</b>	<b>438,180</b>

Facilities attracted from Bank related entities	30/06/2022	31/12/2021
Bank shareholder	3,962,678	2,905,297
Bank management	679,458	685,922
Financial institutions	269,450	209,297
<b>Total</b>	<b>4,911,586</b>	<b>3,800,516</b>
<b>Interest expense</b>	<b>99,802</b>	<b>90,462</b>

Salary or Similar Payment to the Bank Management	30/06/2022	31/12/2021
<b>Board</b>	<b>134,931</b>	<b>273,066</b>
Salary	134,931	251,666
Awarding		21,400
<b>Executive body</b>	<b>226,396</b>	<b>448,524</b>
Salary	225,896	411,038
Awarding	500	37,486
<b>Internal Audit</b>	<b>51,116</b>	<b>105,516</b>
Salary	51,116	97,411
Awarding		8,105
<b>Total</b>	<b>412,443</b>	<b>827,106</b>

*The credit risk is the possible danger of delay or non-repayment of the loan, accrued interest or a part of it conditioned by the deterioration of the financial*

## **2) The methods of measurement and assessment of credit risk**

A loan risk assessment and management methodology has been elaborated at the bank, which gives a possibility to assess the risks connected with the loan based on the calculation results of the relevant model. By simultaneous consideration of mathematical and economic arguments the credit risks assessment model provides a complex risk assessment approach, resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables. During the preliminary analysis of the borrower's creditworthiness the bank finds out the potential borrower's conformity to the general criteria set forth by its credit policy and if the outcome is positive a scrupulous analysis of factors of creditworthiness is made.

## **3) Description of models (if available),**

In addition to the above mentioned methodology, the Bank applies the "stress test" method, that envisages calculation of the Bank's losses in case of occurrence of various considered shock scenes.

When applying "stress tests", a number of scenarios concerning the risk are being examined and in case of each scenario losses of the Bank are calculated through the relevant method. For the loan risk assessment the following shock scenarios are applied:

1. Written-off of the classified loans to the extent of X%,
2. Classification of Y% of doubtful loans to bad loans,
3. Classification of Z% of standard loans to watchlist,
4. Classification of U% foreign currency standard loans to watchlist,
5. The fact of the loan becoming bad as a result of major borrower's bankruptcy,
6. Classification of K% of total loans to bad loans,
7. Transformation of L% of post-balance sheet conditional liabilities and post-balance sheet term operations into balance sheet items,
8. The scene of simultaneous occurrence of the first (except those classified as doubtful), second, third and seventh scenes, where the parameters of X,Y,Z,U, K, L scenes are ( figures from 1-100)

As a result of the application of stress tests, the impact of the mentioned shock situations on the minimum size of the Bank's general capital adequacy standard (N1) is calculated, the possibilities and sizes of breach of those standards, the size of surplus amount transferable to reserve fund are assessed.

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios (for different values of each scenario parameter) which are used for the purpose of analysis of possible scenarios drafted on the basis of previous period data. The analysis of more possible scenarios enables to assess the riskiness of loan portfolio undertake measures for the insurance of the minimum level of risk. The analysis of the written-off scenarios of a certain percent of doubtful, standard, and general loans classified on the basis of the minimum size of the Bank's equity and adequacy standards include determination of critical points of breach of a standard which enables to assess the probability (risk) of a breach of a standard on the given date.

#### **4) Determination of the allowable level of loan risk: quantitative analysis and assessment of risk**

While generating its loan portfolio, the Bank records and tabulates statistics on centralization of certain types of loans:

- V per sectors of economy,
- V per regions
- V per a single Borrower and related Parties
- V per loan terms
- V per pledge, etc.

#### **5) Loan risk regulation, works performed on mitigation and elimination of credit risk impact**

The loan policy adopted by the Bank pursues a goal to maximize the efficiency of allocation of attracted funds as loan providing relevant liquidity and risk diversification under conditions of necessary profitability.

The Bank's loan risk management is performed via procedures regulating this process that set forth the criteria of assessment of the borrower's creditworthiness presented to the borrower, assessment of loan security level, analysis of pledge disposal, restrictions on extension of large loans, forecast of external environmental changes, credit monitoring, control, supervision, etc.

30/06/2022

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Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	59,629,804	1,094,502	701,537	373,454	61,799,297
Standard bank precious metal bullions and coins	443				443
Due from banks and other financial institutions	7,024,540	564,157	164,901	1,395	7,754,993
Reverse repurchase agreements	8,909,068				8,909,068
Customers' loans and advances rated at amortized value	241,554,582		9,007		241,563,589
Securities at fair value rated through other comprehensive financial results	4,522,123		6,163		4,528,286
Securities pledged under repurchase agreement	37,662,554				37,662,554
Other financial assets carried at amortized cost	688,933				688,933
Other assets	83,252				83,252
<b>Total assets</b>	<b>360,075,299</b>	<b>1,658,659</b>	<b>881,607</b>	<b>374,850</b>	<b>362,990,415</b>

31/12/2021

Thous.AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	62,221,711	280,008	750,654	147,517	63,399,890
Standard bank precious metal bullions and coins	443				443
Due from banks and other financial institutions	9,247,970	1,569	247,594		9,497,133
Reverse repurchase agreements	7,826,751				7,826,751
Financial assets at fair value recalculated through profit/loss		5,053			5,053
Customers' loans and advances rated at amortized value	220,865,617		23,522		220,889,139
Securities pledged under repurchase agreement	37,667,527				37,667,527
Securities at fair value rated through other comprehensive financial results	4,331,270		7,141		4,338,411
Other financial assets carried at amortized cost	801,359				801,359
Other assets	80,696				80,696
<b>Total assets</b>	<b>343,043,344</b>	<b>286,630</b>	<b>1,028,911</b>	<b>147,517</b>	<b>344,506,402</b>

**Loans allocated in the territory of RA per RA regions:**

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RA regions	30/06/2022	31/12/2021
Yerevan	156,309,617	143,049,120
Kotayk	22,748,183	18,805,532
Ararat	12,260,992	12,114,357
Lori	6,932,505	7,653,113
Gegharkunik	6,982,241	6,447,257
Shirak	6,010,442	5,555,027
Armavir	8,544,753	7,380,620
Syunik	5,396,468	4,950,127
Aragatsotn	7,691,962	7,196,748
Vayots Dzor	1,656,518	1,509,537
Tavush	1,262,874	1,109,894
Artsakh	5,767,035	5,117,805
<b>Total</b>	<b>241,563,589</b>	<b>220,889,139</b>

## Credit Risk Analysis

- 1) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.
- 2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.06.2022 did not exceed 9.13%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are
- 3) As of 30.06.2022, loan investments without reserves amounted to AMD 245.265.201. As of 30.06.2022 the volume of loans in the Stage 2, Stage 3 amounted to AMD 5.967.697 thousand.
- 4) The provisioning of loan portfolio corresponds to the requirements of IFRS.
- 5) The volume of repo transactions (except extensions) affected in the 2nd quarter of 2022 was AMD 20,176,618 and 2,315,731 USD against AMD 514,821,205 of the same period of the previous year. Reverse repo transactions in the 1st quarter of 2022, made AMD 302,720,010, USD 0 and 1,500,000 EUR against AMD 18,324,037, USD 1,142.668 and 0 EUR of the same period of the previous year.
- 6) The lending procedure at "ARMECONOMBANK" OJSC is performed by a dedicated team of employees with excellent professional qualification and work experience. The engagement of employees is made via competitive examination held by a special competition committee. The announcements of competitions are placed in mass media and in the Bank's Website.
- 7) On the purpose of rising the efficiency of lending process and mitigation of risks connected with commercial loans, loan officers make careful analysis of the Borrower's performance. On the purpose of analysis the specialist of loan extension unit visit the place where the customer's business is located and not only uses the existing accounting documents, but also elaborates and uses his own versions of balance sheet, income expenses, cash flows, capital movement statements.

The balance sheet compiled by the Bank specialist reflects the situation at the time when the analysis is made liquid assets/cash in the pay desk, bank accounts, savings/ accounts receivables/receivable amounts, goods on transit, prepayments made/ .good supplies/raw materials, half ready goods, goods, fixed assets/equipments related to customers business activity, cars, real estate and other property/. The statement of income /expenses is compiled, taking into account the average indicators of customers disposal/average data/, value of goods and services/cost of raw materials, prime cost of goods/, surplus costs/salary, rental fee, transportation expenses, communal expenses, taxes, etc., other income expenses, repayments of extendable loan principal and interest.

During the process of analysis, the following economic ratios and indicators reflecting the financial state of the Borrower are calculated: capital adequacy ratio, liquidity ratio, circulation ratio, surplus, gross margin, net margin, limit of allowable decrease of liquidity volumes. The ratio of loan servicing is also calculated separately.

The loan amount is provided only after checking the conformity of the Borrower's financial state with the requirements of the Bank for those ratios set forth by the internal procedures regulating the lending process.

On the purpose of rising the efficiency of lending process, a regular monitoring of provided loans is performed. The monitoring is performed by the Bank's special unit, Loan Monitoring Division. The day-by-day monitoring of loans is made by loan officers in case of necessity.

**Two types of monitoring are performed:**

1. Monitoring via actual visits,
3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before the extension of the consecutive installment or the new loan.
4. Changes related to suppliers, consumer structure, and raw material prices.

5. Other ratio describing the financial state of the Borrower.

During the monitoring process, the relevant specialist discovers cases of non-purposeful usage of loan or provision of untrue information by the Borrower, the Bank may terminate further lending in case the lending is by installments, or may terminate the Loan Agreement and perform preterm repayment of principal, credit line provided for commercial purposes and accrued interest based on its rights under the Pledge Agreement.

The assessment of pledge is made by a specialized company with a license for assessment. The assessment of property reflects the market situations, taking into account the forecast of property prices.

The loan and pledge agreements signed with the customers contain a provision on mandatory security

Collection of written-off loans is made by special units of the Bank, jointly with the problematic loan division

8) Lending process at "ARMECONOMBAK" OJSC includes all relevant impetus for the detection of credit risks.

Credit risk management at the Bank is performed by the following main procedures:

1. Prudential discovery process of lending object,
2. Collection of standard portfolio of loan documentation,
3. Loan monitoring,
4. Problematic loan repayment process.

As result of the above mentioned processes, the following data are discovered and assessed: Borrower's competency, loan purpose, Borrower's creditworthiness and loan repayment sources, risks connected with the Borrower's related parties, Borrower's loan history, experience of entrepreneurial activities, market position, conformity of the pledge object.

The business activity of the customers' finances by the Bank is in many cases interconnected, which enables the Bank to check the correctness of the information presented by the customer comparing that information with the information by another bank customer who acts as a supplier, buyer or competitor of the first.

## **Market Risk**

### **1) The Bank's own definition of the market risk**

Market risk is a foreign currency, interest rate and price risk which depends on the exchange rate and security price fluctuations.

### **2) The methods of market risk measurement and assessment**

#### **Foreign currency risk**

##### *Assessment of foreign exchange risk and position management efficiency*

The calculations of VAR model of foreign currency risk assessment are made on a daily basis, taking into account previous period data of foreign currency exchange rates and foreign currency position data. As a risk exponent on separate foreign currency position, the possible maximum size of revaluation loss incurred as a result of a day's (ten days) exchange rate fluctuations is reviewed under the conditions of the given reliability level. The calculations of the model are made under 99% reliability level conditions. Under the frames of the model, the correlation matrix of foreign currency exchange rate fluctuations is calculated on the basis of which the assessment of possible maximum loss (risk of foreign currency assets and liabilities package) incurred from foreign currency positions is made.

By the results of the accounting quarter, the possible maximum average daily loss per separate foreign currency positions and foreign currency assets and liabilities portfolio under 99% reliability has formed.

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	Gross VAR
2022 I Q	9,306.47	59.11	266.65	183.41	19.80	6.95	1,585.13	337.97	9,831.28
2022 II Q	11,478.99	94.48	319.27	181.97	34.76	8.83	2,771.51	460.46	12,568.32
increase/decrease	2,172.52	35.37	52.63	-1.45	14.96	1.87	1,186.38	122.49	2,737.05

The analysis of the Bank's foreign currency risk according to financial assets and liabilities:

30/06/2022							Thous.AMD
	AMD	USD	EUR	RUB	Other currency	Total	
Cash and their equivalents	29,116,518	26,185,689	4,498,950	1,940,032	58,108	61,799,297	
Bank standardized bullions of precious metals and coins	443					443	
Receivables to banks and other financial institutions	1,876,446	4,814,678	988,448	75,420		7,754,993	
Reverse Repurchase Agreements	8,444,731	464,337				8,909,068	
Loans and advances to customers calculated at amortized value	159,300,347	71,432,881	10,759,609	70,752		241,563,589	
Financial assets at fair value rated through other comprehensive financial results	4,117,962	410,324				4,528,286	
Securities pledged under repurchase agreements	37,662,554					37,662,554	
Other financial assets calculated at amortized value	187,509	501,424				688,933	
Other assets	69,328	8,484	5,228		212	83,252	
<b>Total assets</b>	<b>240,775,839</b>	<b>103,817,817</b>	<b>16,252,235</b>	<b>2,086,204</b>	<b>58,320</b>	<b>362,990,415</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	44,469,033	4,733,678	4,937,068	53,598		54,193,376	
Loans and deposits from international financial institutions	15,147,840	45,947,722	2,120,594			63,216,156	
Loans from the CBA and RA	27,914,671					27,914,671	
REPO agreements	34,070,087					34,070,087	
Liabilities to Customers	80,596,661	47,517,372	8,439,353	2,433,109	26,802	139,013,297	
Subordinate borrowing	1,011,477	3,058,907				4,070,384	
Liabilities on current taxes	462,470					462,470	
Securities issued by the Bank	2,273,970	2,749,945				5,023,915	
Amount payable	1,006,421					1,006,421	
Deferred tax liabilities	26,785					26,785	
Lease liabilities	1,266,810					1,266,810	
Other liabilities	1,967,028	64,383	115,618	1,143	673	2,148,846	
<b>Total liabilities</b>	<b>210,213,253</b>	<b>104,072,007</b>	<b>15,612,633</b>	<b>2,487,850</b>	<b>27,475</b>	<b>332,413,218</b>	
<b>Balance-sheet open position</b>	<b>30,562,585</b>	<b>(254,190)</b>	<b>639,602</b>	<b>(401,646)</b>	<b>30,845</b>	<b>30,577,197</b>	
Financial liabilities at fair value recalculated through profit/loss						-	
<b>Aggregately payable currency derivatives</b>		<b>5,308,713</b>	<b>(5,382,100)</b>	<b>603,098</b>		<b>519,711</b>	
<b>Net position</b>	<b>30,562,585</b>	<b>5,054,523</b>	<b>(4,752,498)</b>	<b>201,452</b>	<b>30,845</b>	<b>31,096,908</b>	

31/12/2021							Thous.AMD
	AMD	USD	EUR	RUB	Other currency	Total	
<b>Assets</b>							
Cash and their equivalents	33,553,520	23,814,104	5,035,413	825,273	171,580	63,399,890	
Bank standardized bullions of precious metals and coins	443					443	
Receivables to banks and other financial institutions	2,963,342	1,553,917	4,790,258	189,615		9,497,133	
Reverse Repurchase Agreements	7,562,014	264,737				7,826,751	
Loans and advances to customers calculated at amortized value	135,480,414	75,911,638	9,437,683	59,404		220,889,139	
Securities pledged under repurchase agreement	3,795,266	543,145				4,338,411	
Financial assets at fair value rated through other comprehensive financial results	37,667,527					37,667,527	
Other financial assets calculated at amortized value	210,039	591,444				801,483	
Other assets	73,144	4,992	2,402	157	1	80,696	
<b>Other assets</b>	<b>221,305,709</b>	<b>102,683,977</b>	<b>19,265,756</b>	<b>1,074,449</b>	<b>171,581</b>	<b>344,501,473</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	38,412,928	7,911,478	5,027,714	2,325,498	2	53,677,620	
Loans and deposits from international financial institutions	13,357,388	39,513,315	2,713,422			55,584,125	
Loans from the CBA and RA	21,819,777					21,819,777	
REPO agreements	34,576,952					34,576,952	
Liabilities to Customers	75,951,766	50,656,541	7,135,822	2,074,951	129,779	135,948,859	
Subordinated borrowing		3,605,469				3,605,469	
Liabilities on current taxes	247,266					247,266	
Securities issued by the Bank	2,564,398	3,543,499				6,107,897	
Amount payable	532,196					532,196	
Deferred tax liabilities	175,877					175,877	
Lease liabilities	1,572,752					1,572,752	
Other liabilities	2,313,345	328,475	28,310		963	2,671,094	
<b>Other liabilities</b>	<b>191,524,645</b>	<b>105,558,777</b>	<b>14,905,268</b>	<b>4,400,449</b>	<b>130,744</b>	<b>316,519,884</b>	
<b>Balance-sheet open position</b>	<b>29,781,064</b>	<b>(2,874,800)</b>	<b>4,360,488</b>	<b>(3,326,000)</b>	<b>40,837</b>	<b>27,981,589</b>	
Financial liabilities at fair value recalculated through profit/loss						(16,762)	
<b>Aggregately payable currency derivatives</b>		<b>1,352,286</b>	<b>(4,612,185)</b>	<b>3,243,137</b>		<b>(16,762)</b>	
<b>Open position</b>	<b>29,781,064</b>	<b>(1,522,514)</b>	<b>(251,697)</b>	<b>(82,863)</b>	<b>40,837</b>	<b>27,964,827</b>	

\*"I group foreign currency" comprises the following currencies : USD, GBP, EUR, CHF standardized gold bullions and metal account.

\*\*"II group foreign currency" comprises: RUB, KZT, GEL, and AED

## Interest Rate Risk

### Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 2 nd quarter of 2022 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 5,011,219 thousand against AMD 15,128,946 thousand of the same period of the previous year by decreasing in absolute value by AMD 10,117,727 or 66.9%, that is in average the Bank was sensitive to assets in the 2 nd quarter of 2022. In the 2 nd quarter of 2022, the average accumulated disbalance has increased in absolute value by AMD 10,360,897 thousand or by 67.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2 nd quarter of 2022 has decreased by 4.4 percentage point, forming 101.7% against 106.2% average value of the 2 nd quarter of 2021, that is in 2 nd quarter of 2022 the assets sensitive to interest rate changes have formed 101.7% of the liabilities sensitive to interest rate changes

The duration of assets as of the end of 2 nd quarter of 2022 was 1.746 year (against the 1.680 year as of the 2 nd quarter of 2021) as it increased by 0.065 year or by 3.9%, as compared with the end of the previous quarter (1.853 year) the mentioned indicator has increased by 0.107 year or 5.8%.

The duration of liabilities as of the end of the 2 nd quarter of 2022 was 1.05 year (against 1.011 year of the 2 nd quarter of 2021) increasing by 0.038 year or 3.8%. In correlation with the end of the previous quarter (1.124) the indicator has increased by 0.074 year or 6.6%.

The duration gap as of the end of the 2 nd quarter of 2022 was 0.81 (against 0.778 of the 2 nd quarter of 2021) increasing by 0.031 or 4%. In correlation with the end of previous quarter (0.847) the indicator has increased by 0.037 or 4.4%.

### Assets and Liabilities with changing interest rates

30/06/2022

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Item	up to 1 month		1-3 months		3-6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Cash and their equivalents	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- Loans			488,070	1,085,893	2,443,398	246,805	3,073,527	3,263,078	7,974,640	6,204,567		
<b>Total</b>	-	-	<b>488,070</b>	<b>1,085,893</b>	<b>2,443,398</b>	<b>246,805</b>	<b>3,073,527</b>	<b>3,263,078</b>	<b>7,974,640</b>	<b>6,204,567</b>	-	-
<b>Net position</b>	-	-	<b>(488,070)</b>	<b>(1,085,893)</b>	<b>(2,443,398)</b>	<b>(246,805)</b>	<b>(3,073,527)</b>	<b>(3,263,078)</b>	<b>(7,974,640)</b>	<b>(6,204,567)</b>	-	-

31/12/2021

Thous.AMD

Item	up to 1 month		1-3 months		3-6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers rated at amortized value												
<b>Total</b>												
Resources attracted												
Liabilities to banks and other financial												
-Loans			1,464,210	12,987,786	9,399,774	487,368						
<b>Total</b>	-	-	<b>1,464,210</b>	<b>12,987,786</b>	<b>9,399,774</b>	<b>487,368</b>	-	-	-	-	-	-
<b>Net position</b>	-	-	<b>(1,464,210)</b>	<b>(12,987,786)</b>	<b>(9,399,774)</b>	<b>(487,368)</b>	-	-	-	-	-	-

The average interest rates applicable for interest-bearing assets and liabilities as of the end of accounting and previous periods are presented below.

Item	Interest rates of accounting period: 30/06/2022		Interest rates of accounting period: 31/12/2021	
	AMD	Foreign currency	AMD	Foreign currency
<b>Assets</b>				
Balance at CBA				
Receivables to banks and other financial institutions, including:				
- Interbank Loans	10.74	1.23	9.35	1.23
- Interbank REPO	11.00	1.76	11.00	1.76
	10.66		9.11	
Loans and advances provided to customers rated at amortized value	13.16	9.09	13.07	8.65
Financial instruments at fair value through profit or loss	8.33	6.29	8.02	6.29
<b>Liabilities</b>				
Liabilities to banks and other financial	8.40	4.15	8.14	3.90
Liabilities to Customers	4.90	3.88	4.75	3.52

### 3)Description of models

#### **Foreign Currency Risk**

*Foreign currency risk is the maximum loss from revaluation arising from exchange rate fluctuation, assessed per separate currencies, as well as for the whole portfolio (hereinafter, portfolio) in the Bank's foreign currency assets and liabilities.*

On the purpose of measurement and assessment of foreign currency risk, the VAR (Value at Risk) method (model) accepted in the International practice is used, on the basis of which the size of the maximum possible losses (with trustiness) is calculated per separate types of foreign currency (foreign currency positions), as well as for the whole portfolio. According to the VAR model, the size of possible maximum loss is calculated on the basis of foreign currency open positions time series describing the interest rate fluctuations. On the basis of one day VARs calculated for the Banks' foreign currency assets and liabilities the values of 10 day VARs are assessed for separate foreign currencies and total portfolio.

The calculation of possible maximum loss gives the bank an opportunity to assess the efficiency of its foreign currency operations, taking into account the level of exposure to risk, manage the foreign currency positions, arising from the size of the possible maximum loss, limiting the volumes of foreign currency positions in case of necessity.

The Bank's foreign currency policy is aimed at efficient management of foreign currency positions and is paralleled with justified risk level and is calculated in accordance with foreign currency risk calculation standard methodology during the calculation of standards.

#### **Interest Rate Risk**

*Interest rate risk is the possibility of negative impact of changes in the market interest rates on the Bank's net interest income or economic value of capital.*

The evaluation of the interest rate risk is made via the application of the "Model of gap in assets and liabilities sensitive to interest rate changes" ("GAP model") and the "Duration model", which enable to assess the impact of interest rate changes on the Bank's net interest income and economic value of capital.

The GAP indicator (gap) is calculated as a difference between the assets and liabilities sensitive to interest rate changes. The calculations are made each month for evaluation of the impact of the interest rate changes on the net interest income during the upcoming 3 months period.

Within the frames of the present model the following suppositions are made:

1. During the period under review the structure and volumes of assets and liabilities remain unchanged. That means that the repaid assets and liabilities are again allocated and attracted but in this case by new interest rate
2. The review of interest rate is made in the middle point of each period
3. The interest rates of all assets and liabilities with different maturities change in the same extent that is movement of profitability curves of assets and liabilities occur.

The Bank's sensitivity to the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the correlation of assets and liabilities accumulative gap to assets.

The dynamics and fluctuations of changing interest rates are constantly reviewed and the impact of their probable changes on the Bank's assets and liabilities at changing interest rates is assessed.

On the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk.

Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of

#### **Price Risk**

*Price risk is the danger for the Bank to incur financial losses due to unfavorable changes in the market prices of securities conditioned by factors related to general fluctuations of market prices of securities under the circulation in the market, as well as factors related to given security and its issuer (in the conditions of long or short position presence for the present capital instrument).*

Possible minimum level of price risk is maintained through the following measures undertaken:

- V Analysis of dynamics of structure, volume and price indicators of financial market and liquidity of separate financial instruments, discovery of the existing tendencies
- V Assessment of possible losses,
- V Application of hedging instruments
- V Setting limits on financial instruments (per type of security operation, per dealer, per issuer, stop-loss),
- V Diversification of security portfolio per issuer, sectors, maturities, etc.

## **Liquidity Risk**

### **1) The Bank's definition of Liquidity Risk**

Liquidity is the Bank's possibility of fully and timely repayment of its obligations

*The liquidity risk is the probability that the Bank will not be able to meet its debtors' requirements in time without bearing additional losses which will negatively influence the Bank's profit/capital.*

### **2) Description of the models of assessment and assessment of liquidity risk**

For the assessment of liquidity risk the stress test method is used, which envisages the discovery of probability of breaches of liquidity standards of the Bank in case of various shock scenarios considered and calculation of the size of those breaches and maturity gap method, that envisages the calculation of liquidity indicators, by which the assessment of liquidity management quality is made.

When applying the stress tests, a number of scenarios related to the given situation are taken into consideration. During each scenario the sizes of breaches of the Bank's standards are calculated via the relevant method.:

The following shock scenarios are applied for the assessment of liquidity risk:

1. Preterm withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities).

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of the breaches of the standards gives an opportunity to get accurate assessments of the Bank's liquidity risk through the analysis of the impact of call in of Individuals term deposits and on-demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

**3) Determination of the allowable level of liquidity risk - quantitative analysis and assessment of risk**  
**Liquidity Risk Assessment**



Over the 2 nd quarter of 2022, instant liquidity, up to 90 days accumulative and general (up to one year accumulative) liquidity indicators have decreased by 2, 1.8 and 6.4, percentage point respectively.

Accounting period											30/06/2022		Thous.AMD			
Item	Non-performing		Repayment date		up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Termless	Total					
	Term	Overdue	On-demand													
Cash and cash equivalents	-	-	61,799,297	-	-	-	-	-	-	-	-	-	-	-	-	61,799,297
Standardized precious metal bullions and coins	-	-	443	-	-	-	-	-	-	-	-	-	-	-	-	443
Receivables to banks and other financial institutions	-	-	-	1,503,365	4,038,624	311,732	1,539,419	312	361,541	-	-	-	-	-	-	7,754,999
Reverse Repurchase Agreements	-	-	-	8,909,069	-	-	-	-	-	-	-	-	-	-	-	8,909,069
Financial assets at fair value recalculated through profit/loss	-	-	-	6,661	-	-	-	-	-	-	-	-	-	-	-	6,661
Other financial assets calculated at amortized value	-	-	-	2,614	-	512,694	70,448	103,176	-	-	-	-	-	-	-	888,932
Loans and advances provided to customers rated at amortized value	2,494,778	137,545	-	25,780,489	15,001,545	21,926,965	104,504,279	71,717,988	-	-	-	-	-	-	-	241,663,589
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	410,324	-	269,966	896,609	2,839,469	111,918	-	-	-	-	-	-	4,628,286
Securities pledged under repurchase agreements	-	-	-	37,662,554	-	-	-	-	-	-	-	-	-	-	-	37,662,554
Other receivables	70	-	-	60,763	19,134	471	-	-	2,815	-	-	-	-	-	-	83,253
<b>Total</b>	<b>2,494,848</b>	<b>137,545</b>	<b>61,799,740</b>	<b>74,336,859</b>	<b>19,059,303</b>	<b>29,021,828</b>	<b>107,010,755</b>	<b>74,860,945</b>	<b>478,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382,997,007</b>
including:																
I group foreign currency	297,485	6,809	32,528,372	8,218,286	7,195,388	6,438,265	39,340,480	26,051,238	70,356	-	-	-	-	-	-	120,148,479
II group foreign currency	0	-	1,836,191	79,453	3,688	6,997	45,198	-	-	-	-	-	-	-	-	2,071,445
On maturity of liabilities repayment																
By floating interest rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
By fixed interest rate	2,370,465	116,213	-	33,332,357	18,665,337	23,021,828	107,010,755	74,860,945	-	-	-	-	-	-	-	269,177,900
Non-interest	124,383	21,332	61,799,740	41,003,502	393,966	-	-	-	476,274	-	-	-	-	-	-	109,819,107
Liabilities to banks and other financial institutions																
Liabilities to banks and other financial institutions	-	-	7,094,049	5,815,018	2,791,493	15,189,650	13,108,612	10,194,555	-	-	-	-	-	-	-	54,193,377
Loans and deposits from international financial institutions	-	-	-	2,685,387	6,129,606	9,549,171	43,425,318	1,426,675	-	-	-	-	-	-	-	63,216,167
Loans from the RA Government and CBA	-	-	-	244,062	1,045,911	1,788,123	22,232,959	2,603,615	-	-	-	-	-	-	-	27,914,070
Reverse Repurchase Agreements	-	-	-	34,070,089	-	-	-	-	-	-	-	-	-	-	-	34,070,089
Liabilities to customers	-	-	62,084,183	18,785,222	15,715,025	26,186,021	15,660,059	582,785	-	-	-	-	-	-	-	139,019,295
Subordinate borrowings	-	-	-	35,122	-	-	-	-	4,035,262	-	-	-	-	-	-	4,070,384
Securities issued by the Bank	-	-	-	62,297	27,191	-	4,934,428	-	-	-	-	-	-	-	-	5,023,916
Lease liabilities	-	-	-	1,266,810	-	-	-	-	-	-	-	-	-	-	-	1,266,810
Liabilities on current taxes	-	-	-	7,717	-	-	-	-	-	-	-	-	-	-	-	7,717
Financial liabilities at fair value rated through profit/loss	-	-	-	-	462,470	-	-	-	-	-	-	-	-	-	-	462,470
Amounts payable	0	0	728,582	277,840	-	0	0	0	0	0	0	0	0	0	0	1,006,422
Other liabilities	-	-	1,893,851	246,618	1,652	6,726	-	-	-	-	-	-	-	-	-	2,149,847
Off-balance sheet contingent liabilities	-	-	-	1,785,347	2,782,954	4,084,869	4,020,190	1,532,644	0	-	-	-	-	-	-	14,205,804
<b>Total</b>	<b>-</b>	<b>-</b>	<b>71,800,665</b>	<b>65,281,529</b>	<b>26,856,302</b>	<b>56,804,360</b>	<b>103,381,668</b>	<b>20,375,536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,699,968</b>
including:																
I group foreign currency	-	-	18,409,635	11,155,307	13,557,312	29,844,579	47,718,882	2,307,802	-	-	-	-	-	-	-	117,093,617
II group foreign currency	-	-	885,792	709,685	374,477	356,931	183,561	2,628,063	-	-	-	-	-	-	-	5,138,509
Major Liabilities																
By floating interest rate	-	-	-	34,203,565	1,098,226	1,778,039	16,804,317	7,951,077	-	-	-	-	-	-	-	61,835,224
By fixed interest rate	-	-	32,446,791	53,711,212	15,446,574	54,071,661	86,577,249	12,424,459	-	-	-	-	-	-	-	254,877,646
Non-interest	-	-	39,353,874	-	1,098,226	1,778,039	16,804,317	7,951,077	-	-	-	-	-	-	-	86,885,533
<b>Net liquidity gap</b>	<b>2,494,848</b>	<b>137,545</b>	<b>(10,000,925)</b>	<b>9,054,330</b>	<b>(9,896,999)</b>	<b>(39,782,632)</b>	<b>3,628,189</b>	<b>54,285,409</b>	<b>478,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,397,139</b>
including:																
I group foreign currency	297,485	6,808	14,118,737	(2,897,021)	(6,361,824)	(17,808,814)	(6,378,402)	23,743,436	70,366	-	-	-	-	-	-	3,059,962
II group foreign currency	-	-	(1,850,389)	(949,892)	(370,899)	(949,892)	(138,420)	(2,829,089)	-	-	-	-	-	-	-	(3,087,094)
Floating interest rate	-	-	-	(11,570,317)	(12,411,502)	(954,660)	-	-	-	-	-	-	-	-	-	(24,936,479)
Fixed interest rate	2,370,465	116,213	(82,446,791)	(20,378,858)	3,218,783	(31,049,833)	20,433,508	62,238,486	-	-	-	-	-	-	-	4,498,954
<b>Accumulative liquidity gap</b>	<b>2,494,848</b>	<b>2,632,393</b>	<b>(7,388,532)</b>	<b>1,885,738</b>	<b>(8,211,201)</b>	<b>(41,993,733)</b>	<b>(38,364,544)</b>	<b>15,820,885</b>	<b>18,397,139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

  

Previous accounting period											31/12/2021		Thous.AMD			
Item	Non-performing		Repayment date		up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Termless	Total					
	Term	Overdue	On-demand													
Cash and cash equivalents	-	-	63,999,890	-	-	-	-	-	-	-	-	-	-	-	-	63,999,890
Standardized precious metal bullions and coins	-	-	443	-	-	-	-	-	-	-	-	-	-	-	-	443
Receivables to banks and other financial institutions	-	-	-	5,774,680	439,540	1,382,653	776,168	1,955	1,122,137	-	-	-	-	-	-	9,497,133
Reverse Repurchase Agreements	-	-	-	7,826,751	-	-	-	-	-	-	-	-	-	-	-	7,826,751
Financial assets at fair value recalculated through profit/loss	-	-	-	5,053	-	-	-	-	-	-	-	-	-	-	-	5,053
Other financial assets calculated at amortized value	-	-	-	23,274	-	-	654,699	123,386	-	-	-	-	-	-	-	891,359
Loans and advances provided to customers rated at amortized value	1,116,404	140,634	-	19,489,697	15,412,094	21,795,781	93,996,516	68,938,043	-	-	-	-	-	-	-	229,889,139
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	543,145	-	-	-	1,778,257	1,904,113	112,896	-	-	-	-	-	4,338,411
Securities pledged under repurchase agreements	-	-	-	72,840	694	-	1,803	32	5,269	-	-	-	-	-	-	37,662,527
Other receivables	59	-	-	72,840	694	-	1,803	32	5,269	-	-	-	-	-	-	80,697
<b>Total</b>	<b>1,116,463</b>	<b>140,634</b>	<b>63,400,333</b>	<b>33,712,166</b>	<b>53,543,099</b>	<b>23,180,237</b>	<b>97,285,672</b>	<b>70,972,266</b>	<b>1,235,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344,596,403</b>
including:																
I group foreign currency	399,813	11,451	28,804,203	10,336,597	4,194,870	8,839,240	38,422,870	32,044,274	79,637	-	-	-	-	-	-	123,133,055
II group foreign currency	5,672	-	851,949	192,125	2,024	4,048	44,454	-	-	-	-	-	-	-	-	1,109,272
On maturity of liabilities repayment																
By floating interest rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
By fixed interest rate	1,024,815	122,372	38,445	31,284,457	53,102,089	22,465,366	96,465,257	70,967,497	-	-	-	-	-	-	-	275,471,198
Non-interest	91,648	18,262	63,224,825	3,056,454	440,234	714,871	740,415	5,269	1,235,033	-	-	-	-	-	-	69,536,011
Liabilities to banks and other financial institutions																
Liabilities to banks and other financial institutions	-	-	4,622,498	7,195,314	5,579,015	4,768,153	22,424,646	9,087,994	-	-	-	-	-	-	-	53,677,620
Loans and deposits from international financial institutions	-	-	-	2,746,547	3,836,101	9,142,513	39,858,963	1,426,675	-	-	-	-	-	-	-	55,584,124
Loans from the RA Government and CBA	-	-	77,022	429,845	583,357	2,367,806	16,795,352	2,568,395	-	-	-	-	-	-	-	24,819,727
Reverse Repurchase Agreements	-	-	-	34,578,952	-	-	-	-	-	-	-	-	-	-	-	34,578,952
Liabilities to customers	-	-	57,798,577	15,242,575	11,216,419	31,726,010	19,238,301	726,977	-	-	-	-	-	-	-	135,948,859
Subordinate borrowings	-	-	-	28,358	-	-	-	-	3,577,111	-	-	-	-	-	-	3,605,469
Liabilities on current taxes	-	-	-	247,266	-	-	-	-	-	-	-	-	-	-	-	247,266
Securities issued by the Bank	-	-	-	1,112,638	2,439,046	-	2,556,213	-	-	-	-	-	-	-	-	6,107,897
Lease liabilities	-	-	-	21,815	-	-	-	-	-	-	-	-	-	-	-	21,815
Financial liabilities at fair value recalculated through profit/loss	-	-	-	21,883	-	-	-	-	-	-	-	-	-	-	-	21,883
Amounts payable	-	-	245,378	286,817	-	-	-	-	-	-	-	-	-	-	-	532,196
Other liabilities	-	-	2,366,414	294,750	331	9,599	-	-	-	-	-	-	-	-	-	2,671,094
Off-balance sheet contingent liabilities	-	-	-	748,121	6											

### Note 33: "Capital and Capital Adequacy Ratio"



The Bank does not have defined internal requirements for the capital level. The Central Bank of RA set forth a 12% capital adequacy ratio to risk weighted for all Armenian banks. The Central bank of Armenia has also defined a minimum amount for total capital forming AMD 30,000,000 thousand. During the accounting period, the Bank has met the established standard requirements on the capital level.

We present the structure of balance sheet capital:

	30/06/2022	31/12/2021
Chartered capital	26,652,068	26,107,555
Emission income/loss	745,223	289,718
Reserves:	5,657,085	6,139,145
Main reserve	3,663,000	3,481,000
Revaluation reserve	1,994,085	2,658,145
Undistributed profit/loss	13,088,049	11,461,042
<b>Total capital</b>	<b>46,142,425</b>	<b>43,997,460</b>

We hereby present the core and general capitals applied for calculation of the main prudential standards defined by the CBA and the capital adequacy indicators per months during the accounting period, with their comparison with the standard requirements.

	Involved in calculation standards						
<b>2022</b>	<b>Main capital</b>	<b>Additional capital</b>	<b>Total capital</b>	<b>Credit risk</b>	<b>Market and operational risk</b>	<b>Equivalent effective %</b>	<b>CBA limit %</b>
	<b>1</b>	<b>2</b>	<b>3 (1+2)</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
January	39,343,710	5,873,439	45,217,149	290,430,483	3,000,157	14.34	12
February	39,913,007	5,995,756	45,908,763	297,406,598	3,078,409	14.21	12
March	41,176,642	5,969,852	47,146,494	307,160,711	3,072,625	14.17	12
April	41,289,268	5,929,320	47,218,588	306,297,179	2,871,829	14.30	12
May	41,754,505	6,547,449	48,301,954	308,625,929	2,980,665	14.48	12
June	42,032,250	6,252,853	48,285,103	305,037,042	2,956,750	14.65	12
	Involved in calculation standards						
<b>2021</b>	<b>Main capital</b>	<b>Additional capital</b>	<b>Total capital</b>	<b>Credit risk</b>	<b>Market and operational risk</b>	<b>Equivalent effective %</b>	<b>CBA limit %</b>
	<b>1</b>	<b>2</b>	<b>3 (1+2)</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
January	36,109,324	4,936,045	41,045,369	246,908,521	3,682,709	14.79	12
February	36,862,957	5,186,411	42,049,368	248,218,015	3,055,501	15.36	12
March	37,144,772	5,112,177	42,256,949	250,436,469	2,874,602	15.40	12
April	37,557,475	4,797,173	42,354,648	258,860,190	3,066,859	14.89	12
May	37,753,167	4,626,423	42,379,590	256,315,833	2,782,039	15.16	12
June	37,875,979	4,576,151	42,452,130	258,397,890	2,798,182	15.07	12
July	38,005,764	4,333,289	42,339,053	256,359,226	2,819,277	15.13	12
August	38,330,652	4,104,534	42,435,186	263,415,629	2,811,731	14.79	12
September	38,587,603	3,840,838	42,428,441	271,473,243	2,859,987	14.37	12
October	38,917,483	3,908,891	42,826,374	267,966,865	2,768,737	14.71	12
November	39,166,288	4,903,026	44,069,314	277,100,612	2,684,953	14.72	12
December	39,309,165	6,316,046	45,625,211	288,146,861	2,593,328	14.73	12

We hereby present the weight of risks of assts and off-balance sheet contingent liabilities, incomplete term operations as of the end of current and previous accounting periods, per the classes of risk weights under

As of 30/06/2022				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	
0%	106,301,494			
10%	8,987,242			898,724
20%	566,610			113,322
30%	27,608		21,853	14,838
35%	5,926,559			2,074,296
50%	660,111			330,056
75%	40,280,238	290,808		30,428,285
100%	130,453,803	6,030,108		136,483,911
110%	368,515	63,062		474,735
150%	83,057,146	4,327,785		131,077,397
200%	1,610,059			3,220,118
<b>Total</b>	<b>378,239,385</b>	<b>10,711,763</b>	<b>21,853</b>	<b>305,115,680</b>

As of 31/12/2021				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	109,979,516			-
10%	8,255,327			825,533
20%	1,157,178			231,436
30%	93,229			27,969
35%	5,342,724			1,869,953
50%	649,908			324,954
75%	35,171,574	349,023		26,640,448
100%	113,944,111	5,164,604	117,906	119,226,621
110%	384,818	68,376		498,513
150%	83,565,779	5,846,703		134,118,723
200%	2,198,974			4,397,948
<b>Total</b>	<b>360,743,138</b>	<b>11,428,706</b>	<b>117,906</b>	<b>288,162,098</b>

## Note 34. "Fair value of Financial Assets and Liabilities"



We hereby present explanations on the assessed fair value of Financial Instruments given in accordance with the requirements of IFRS 32 on "Revelation and Presentation of Financial Instruments".

The fair value of Financial Instruments is the amount by which the asset may be exchanged or the liability may be repaid by well-informed and willing parties during "extended hand distance" deal.

The fair values of RA Government T-Bills and the Central Bank of Armenia securities are determined on the basis of market quotations.

As of 30.06.22 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

### **Cash and Balances with the CBA**

The balance sheet value of these short-term instruments exactly reflects their fair value.

### **Loans and advances provided to customers, receivables to banks and other financial institutions.**

The fair value of the loan portfolio depends on the credit and interest rate peculiarities of separate loans included in each class of loans that form the loan portfolio. The assessment of loan loss provision considers risks characteristic of classes of loans, depending on such factors, as the state of the sector of economy in which each borrower is engaged, financial state of each borrower and purchased guarantees. Therefore, the loan loss provision is the exact assessment of size that reflects the influence of the loan risk.

### **Resources attracted from banks and other financial institutions**

The balance sheet value is close to the fair value.

### **Customer deposits and bank accounts**

Customer deposits and bank accounts.

As of 30.06.22 the Bank had no financial assets accounted for by the amount exceeding their fair values.

## Note 35. "Hedging of Envisaged Future Transactions"



There are no data available for this note in the accounting and previous periods

## Note 36. "De-recognition"



There are no data available for this note in the accounting and previous periods.

## Note 37. "Pledged assets"



As of 30.06.22, the Bank has no pledged assets.

## Note 38. "Accepted Pledge"

As of 30.06.2022, there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

We hereby present the assets and warranties accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

Collateral type	30/06/2022		31/12/2021	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	95,665,600	403,691,610	88,437,096	365,955,585
Car	2,272,461	7,797,400	2,272,367	8,288,780
Equipment	2,162,562	13,498,177	2,038,432	12,412,588
Ready made products	5,241,389	14,372,000	7,465,058	11,598,000
Guarantee	74,626,813	392,213,668	74,832,269	393,338,707
Monetary funds	1,722,306	8,754,882	1,833,461	9,471,599
Gold items	19,060,311	22,268,620	16,825,161	19,917,771
Governmental securities	5,144	23,000	9,520	23,000
Other securities	6,221	33,703	10,310	38,553
Other pledge	22,102,998	38,142,362	17,590,714	32,784,598
No collateral available	22,399,396		12,950,302	
<b>Total</b>	<b>245,265,201</b>	<b>900,795,422</b>	<b>224,264,690</b>	<b>853,829,181</b>

## Note 39: "Non-performance/Breach of Liabilities"

There are no data available for this note for the accounting and previous periods.

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan