

**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 2021  
“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

V. Khachatryan

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 30.06.2021, the Chartered capital amounts to AMD 26,107,555. It includes 1,897,938 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	27.95%
Sukiasyan Khachatur Albert	15.90%
Sukiasyan Eduard Albert	10.59%
Sukiasyan Robert Albert	17.41%

### **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:

	Terms of useful services (years )	Annual 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,	8	12.5
Network devices	3	33.3
Fixed assets and intangible assets costing up to AMD 50.000	5	20
	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 subsequently 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 2021  
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	51,534,188	42,572,757
1.2	Standard bank precious metal bullions and coins		443	443
1.3	Due from banks and other financial institutions	14	9,364,811	13,755,753
1.4	Reverse repurchase agreement	14.1	7,513,609	10,175,600
1.5	Financial assets rated at actual value through profit or loss	15	1,751	16,538
1.5.1	Other financial assets rated at amortized value		810,653	515,568
1.6	Loans and advances provided to customers at amortized value	16	199,790,468	193,337,215
1.7	Financial assets at fair value rated through other comprehensive financial results	17	2,912,636	4,316,855
1.7.1	Securities pledged under repurchase agreement	17.1	37,385,880	39,384,619
1.9	Non-current assets held for sale		887,975	2,315,795
1.10	Fixed assets	20	10,676,144	10,712,169
1.10.1	Intangible assets	20	715,925	581,733
1.10.1	Right-of-use assets	20.1	2,116,578	2,092,205
1.12	Other assets	21	1,073,465	1,012,677
	<b>Total assets</b>		<b>324,784,526</b>	<b>320,789,927</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	44,938,328	42,994,491
2.2	Loans and deposits received from the international financial Institutions	22.1	62,958,800	62,554,371
2.3	Loans received from the CBA and from the RA government	22.2	13,577,899	10,151,725
2.4	Repurchase agreement	22.3	37,059,411	38,125,044
2.5	Liabilities to Customers	23	110,605,521	112,495,412
2.6	Subordinate borrowing	23.1	1,244,914	1,311,068
2.7	Liabilities on current taxes		529,375	790,950
2.8	Securities issued by the Bank	24	6,224,743	6,185,733
2.9	Financial liabilities at fair value through profit or loss	25	25,854	11,549
2.10	Amounts payable	26	865,603	500,593
2.11	Deferred tax liabilities	11	455,139	467,873
2.12	Reserves	30	57,807	54,637
2.13	Lease liabilities	40	1,717,870	1,674,091
2.14	Other liabilities	27	1,243,600	1,876,771
	<b>Total liabilities</b>		<b>281,504,864</b>	<b>279,194,308</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	26,107,555	25,955,663
3.2	Emission income		289,718	180,180
3.3	Reserves			
3.3.1	Main reserve		3,481,000	3,275,000
3.3.2	Revaluation reserve		42,562	(63,931)
3.3.3	Other reserve		3,255,320	3,319,815
3.4	Undistributed profit(loss)		10,103,507	8,928,892
	<b>Total capital</b>		<b>43,279,662</b>	<b>41,595,619</b>
	<b>Total liabilities and capital</b>		<b>324,784,526</b>	<b>320,789,927</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 July 2021

Interim Report  
On Financial Results  
"30" June 2021

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

As of the end of the previous financial year (unaudited)  
Thous. AMD

Item	Note	Current interim period	Accounting period (unaudited)	Comparable current interim previous period	Previous period (unaudited)
Interest and similar income	3	6,722,747	13,265,469	6,287,119	12,697,354
Interest and similar expenses	3	(3,850,114)	(7,389,434)	(3,167,041)	(6,159,914)
<b>Net interest and similar income</b>		<b>2,872,633</b>	<b>5,876,035</b>	<b>3,120,078</b>	<b>6,537,440</b>
Income as commissions and other fees	4	814,089	1,496,678	528,764	1,093,013
Expenses as commissions and other fees	4	(273,199)	(501,689)	(163,056)	(342,538)
<b>Net commission and other fees</b>		<b>540,890</b>	<b>994,989</b>	<b>365,708</b>	<b>750,475</b>
<b>Income from dividends</b>					
Net commercial income	5	403,939	713,285	1,238,437	1,782,914
Other operational income	6	133,544	285,466	65,211	149,640
<b>Operational income</b>		<b>3,951,006</b>	<b>7,869,775</b>	<b>4,789,434</b>	<b>9,220,469</b>
Net allocations to possible asset loss provisions	7	1,411,300	(228,913)	189,160	145,372
Total administrative expenses	8	(1,757,033)	(3,504,768)	(1,926,765)	(3,637,742)
Other operational income	9	(818,874)	(1,604,574)	(669,744)	(1,373,232)
<b>Operational profit</b>		<b>2,786,399</b>	<b>2,531,520</b>	<b>2,382,085</b>	<b>4,354,867</b>
<b>Profit/loss before taxation</b>		<b>2,786,399</b>	<b>2,531,520</b>	<b>2,382,085</b>	<b>4,354,867</b>
Profit tax expenses(compensation)	11	(431,315)	(393,647)	(639,289)	(902,798)
<b>Profit for period</b>		<b>2,355,083</b>	<b>2,137,873</b>	<b>1,742,796</b>	<b>3,452,069</b>

Chairman of the Executive Board(CEO)

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Chief Accountant

M. Poghosyan

Approval date: 15 July 2021

Interim Report  
 On Other Comprehensive Financial Results  
 "30" June 2021  
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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

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		(280,314)	366,398	591,916	441,301
Devaluation of financial assets at fair value rated through other comprehensive financial results after taxation		(219,606)	(193,954)	12,017	20,245
Profit from revaluation of non-current assets after taxation				(83,644)	7,725
Profit tax on the revaluation of financial assets at fair value rated through other comprehensive financial results		50,456	(65,952)	(150,185)	(79,434)
Other comprehensive financial result after taxation		<b>(449,463)</b>	<b>106,493</b>	<b>370,104</b>	<b>389,836</b>
<b>Comprehensive financial result</b>		<b>1,905,621</b>	<b>2,244,366</b>	<b>2,112,900</b>	<b>3,841,906</b>

Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 July 2021

Interim Report  
On Equity Changes  
30 June 2021

ARMECONOMBANK OJSC 23/1 Amiryar 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 2020 (unaudited)</i>	25,635,343	25,635,343	-	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709	39,457,709
<b>Recalculated balance</b>	25,635,343	25,635,343	-	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709	39,457,709
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	320,320	320,320	180,180	-	-	-	-	500,500	500,500
Investments in chartered capital and other increase of chartered capital	320,320	320,320	180,180	-	-	-	-	500,500	500,500
<b>Comprehensive income</b>	-	-	-	-	382,112	7,725	3,452,069	3,841,906	3,841,906
<b>Dividends</b>	-	-	-	-	-	-	(821,276)	(821,276)	(821,276)
<b>Internal movements including:</b>	-	-	-	170,000	-	(48,729)	(121,271)	-	-
<b>Deductions to main reserve</b>	-	-	-	170,000	-	-	(170,000)	-	-
Decrease of value from the revaluation of fixed and intangible assets	-	-	-	-	-	(48,729)	48,729	-	-
<i>Balance as of the end of the interim accounting period 30.06.2020(unaudited)</i>	<b>25,955,663</b>	<b>25,955,663</b>	<b>180,180</b>	<b>3,275,000</b>	<b>(63,931)</b>	<b>3,368,545</b>	<b>7,985,184</b>	<b>42,978,839</b>	<b>42,978,839</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 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)	-	-	
Decrease of value from the revaluation of fixed and intangible assets	-	-	-	206,000	-	-	-	206,000	-	
Deductions to main reserve	-	-	-	-	-	(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>	

Chairman of the Executive Board (CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 15 July 2021

Interim Report  
On the Cash Flows  
"30" June 2021

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>		2,137,873	3,452,069
<i>Adjustments</i>			
Expenses on profit tax		393,647	902,798
Loss from depreciation of interest-bearing assets		228,913	(145,372)
Depreciation and amortisation		800,125	743,046
Net income from disposal of fixed assets		(57,031)	(1,043)
Net gain from foreign exchange		338,975	51,379
Net income from sale/ purchase of financial assets rated at fair value through profit or loss		(205,329)	(1,521,452)
Financial assets at fair value rated through other comprehensive financial results		117,552	9,719
<b>Cash flows from operations before changes in operational assets and liabilities</b>		<b>3,754,725</b>	<b>3,491,144</b>
<b>Changes in operational assets or liabilities</b>			
<b>Increase/ decrease in operational assets</b>			
Due from financial institutions		3,713,460	3,606,465
Reverse repurchase agreements		2,641,553	(1,118,840)
Loans to customers		(10,503,827)	(8,143,619)
Other assets		1,365,234	183,863
Liabilities to financial institutions		2,810,457	(9,046,512)
Repurchase agreements		(1,065,633)	1,782,660
Liabilities to customers		762,838	479,398
Other liabilities		(606,907)	(303,109)
<b>Cash used in operations before taxation</b>		<b>2,871,900</b>	<b>(9,068,550)</b>
Paid profit tax		(1,155,059)	(528,421)
<b>Net cash used in operations</b>		<b>1,716,841</b>	<b>(9,596,971)</b>
<b>Cash flows from investments</b>			
Decrease(increase) of securities at fair value rated though profit/loss and available for sale		3,885,029	(9,174,478)
Decrease(increase)of other financial assets at amortized value		(330,779)	
Acquisition of fixed assets		(439,894)	(554,871)
Proceeds from sale of fixed assets		76,647	1,212
Acquisition of intangible assets		(192,247)	(139,882)
<b>Net cash flows from investments (used)/(gained from)</b>		<b>2,998,756</b>	<b>(9,868,019)</b>
<b>Cash flows from financial operations</b>			
Loans from RA CB and RA Government		3,426,174	1,772,879
Proceeds/repayment of loans received from international financial institutions		3,204,214	11,122,115
Increase (decrease) of securities issued by the Bank		236,595	
Prepayment received for the issue of shares		(263,264)	
Lease liabilities		(360,071)	(352,509)
Issue of shares		261,430	500,500
Dividends paid		(450,765)	(454,678)
<b>Net cash from financial operations</b>		<b>6,054,312</b>	<b>12,588,307</b>
Impact of foreign exchange on cash balances		(1,808,477)	(297,018)
<b>Net increase of cash and equivalents thereof</b>		<b>8,961,431</b>	<b>(7,173,701)</b>
<b>Cash and equivalents thereof as of the beginning of the period</b>	13_2	<b>42,572,757</b>	<b>44,050,205</b>
<b>Cash and equivalents thereof as of the end of the period</b>	13_2	<b>51,534,188</b>	<b>36,876,504</b>

Chairman of the Executive Board(CEO)

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M.Poghosyan

Approval date: 15 July 2021

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


THOUS. AMD

	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
<b>Interest and similar income</b>				
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	191,623	382,284	158,070	353,889
Interest income from loans and advances to customers	5,559,424	10,927,424	5,343,461	10,857,208
Interest income from debt securities	814,088	1,659,993	666,319	1,252,532
Interest income from REPO agreements	131,185	248,582	102,228	207,390
Other interest income	26,427	47,186	21,733	26,335
<b>Total</b>	<b>6,722,747</b>	<b>13,265,469</b>	<b>6,291,811</b>	<b>12,697,354</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	1,906,229	3,662,510	1,534,615	2,991,694
Interest expenses on terms deposits and current accounts of customers	1,149,938	2,300,168	1,199,479	2,412,902
Interest expenses under REPO agreements	607,881	1,070,191	294,091	527,013
Interest expenses on subordinated borrowings	23,336	46,586	10,866	21,679
Interest expenses against the interest securities issued by the Bank	109,410	216,480	71,156	142,363
Interest expenses on lease agreements	43,808	83,915	61,504	64,241
Other interest income	9,512	9,584	22	22
<b>Total</b>	<b>3,850,114</b>	<b>7,389,434</b>	<b>3,171,733</b>	<b>6,159,914</b>
<b>Net interest and similar income</b>	<b>2,872,633</b>	<b>5,876,035</b>	<b>3,120,078</b>	<b>6,537,440</b>

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


THOUS. AMD

	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
<b>Commission and Other Fee Income</b>				
Cashier's operations	77,762	124,619	53,636	96,870
Settlement services	616,545	1,152,970	373,750	777,057
Guarantees, warranties, letters of credit operations, trust management operations	31,210	64,013	32,992	61,472
Foreign currency and security operations	2,181	2,979	2,126	2,463
Payment card servicing	35,276	71,608	33,829	68,849
Other commission fees	51,115	80,489	32,431	86,302
<b>Total</b>	<b>814,089</b>	<b>1,496,678</b>	<b>528,764</b>	<b>1,093,013</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	2,730	6,491	2,540	4,552
Expenses on payment card operations	179,471	327,616	88,309	186,748
Guarantees, warranties, letters of credit operations, trust management operations	16,373	32,716	14,656	28,921
Foreign currency and security operations	22,673	38,925	23,366	39,138
Other commission fees	51,952	95,941	34,185	83,179
<b>Total</b>	<b>273,199</b>	<b>501,689</b>	<b>163,056</b>	<b>342,538</b>
<b>Net commission and other fees received</b>	<b>540,890</b>	<b>994,989</b>	<b>365,708</b>	<b>750,475</b>

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


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	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
<b>Financial assets rated at fair value through profit or loss</b>				
<b>Net income from sale/purchase of financial assets rated at fair value through profit or loss, including</b>	<b>18,117</b>	<b>34,299</b>	<b>24,276</b>	<b>79,401</b>
Shares				
Debt Securities				
Derivatives	18,117	34,299	24,276	79,401
<b>Net income from changes in real value of financial assets rated at fair value through profit or loss</b>	<b>(103,946)</b>	<b>205,329</b>	<b>18,693</b>	<b>(15,070)</b>
<b>Total</b>	<b>(85,829)</b>	<b>239,628</b>	<b>42,969</b>	<b>64,331</b>
<b>Investments at fair value rated through other comprehensive financial assets</b>				
<b>Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:</b>	<b>96,546</b>	<b>151,003</b>	<b>946,823</b>	<b>1,136,543</b>
Debt securities	96,546	151,003	946,823	1,136,543
Derivatives	-	-	-	-
<b>Net income from sale/purchase of investments at fair value rated through other comprehensive financial results</b>	<b>(5,995)</b>	<b>(14,304)</b>	<b>(45,803)</b>	<b>(55,408)</b>
<b>Total</b>	<b>90,551</b>	<b>136,699</b>	<b>901,020</b>	<b>1,081,135</b>
<b>Foreign currency operations</b>				
Net income from foreign currency sale/purchase	407,294	675,934	341,459	679,696
Net income from the revaluation of foreign currency	(8,077)	(338,976)	(49,210)	(51,378)
Net income from the sale/purchase of precious standardized bullions and coins	-	-	1,759	3,779
Net income from the revaluation of precious standardized bullions and coins	-	-	440	5,351
<b>Total</b>	<b>399,217</b>	<b>336,958</b>	<b>294,448</b>	<b>637,448</b>
<b>Net income from commercial operations</b>	<b>403,939</b>	<b>713,285</b>	<b>1,238,437</b>	<b>1,782,914</b>

Note 6 : "Other Operatioal Income"



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	01/04/2021-30/06/2021	01/01/2021-30/06/2021	01/04/2020-30/06/2020	01/01/2020-30/06/2020
<b>Other operational expenses</b>				
Income from penalties and fines	106,996	198,809	51,336	111,823
Net income from disposal of fixed and intangible assets	10,663	57,031	434	1,043
Other income *	15,885	29,626	13,441	36,774
<b>Total</b>	<b>133,544</b>	<b>285,466</b>	<b>65,211</b>	<b>149,640</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

	01/04/2021-30/06/2021	01/01/2021-30/06/2021	01/04/2020-30/06/2020	01/01/2020-30/06/2020
<b>Cash and cash equivalents (Note 13)</b>				
Initial balance	22,940	30,723	3,069	28,031
Reserve adjustment related to model change	10,901			
Net deductions to reserve	(2,639)	479	(853)	(25,815)
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>31,202</b>	<b>31,202</b>	<b>2,216</b>	<b>2,216</b>
<b>"Due to Banks and other Financial institutions" (Note 14)</b>				
Initial balance	164,239	385,370	78,095	48,815
Reserve adjustment related to model change	130,061			
Net deductions to reserve	(10,688)	(101,758)	(7,782)	21,498
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>283,612</b>	<b>283,612</b>	<b>70,313</b>	<b>70,313</b>
<b>From loans and advances to customers (Note 16)</b>				
Initial balance	3,426,782	3,377,493	2,245,002	2,086,927
Reserve adjustment related to model change	1,192,127			
Net deductions to reserve	(1,143,260)	347,885	(199,466)	(177,115)
Return of amounts previously charged to off balance item	95,096	129,558	34,462	71,096
Usage of reserve	(519,281)	(803,472)	(372,398)	(273,308)
<b>Summary balance</b>	<b>3,051,464</b>	<b>3,051,464</b>	<b>1,707,600</b>	<b>1,707,600</b>
<b>Financial assets rated at fair value through other comprehensive financial assets (Note 17)</b>				
Initial balance	217,045	437,927	61,342	53,599
Reserve adjustment related to model change	275,954			
Net deductions to reserve	(291,601)	(236,529)	15,638	23,381
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>201,398</b>	<b>201,398</b>	<b>76,980</b>	<b>76,980</b>
<b>On other assets (Note 21)</b>				
Initial balance	15,585	12,925	10,982	12,860
Net deductions to reserve	(1,547)	1,113	2,170	292
Return of amounts previously charged to off balance item			480	480
Usage of reserve			(651)	(651)
<b>Summary balance</b>	<b>14,038</b>	<b>14,038</b>	<b>12,981</b>	<b>12,981</b>
<b>Other financial assets rated at amortized value</b>				
Initial balance	205,298	53,143	2,198	2,195
Net deductions to reserve	62,398	214,553		3
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>267,696</b>	<b>267,696</b>	<b>2,198</b>	<b>2,198</b>
<b>Post-balance sheet items containing loan exposures (note 30)</b>				
Initial balance	62,351	54,637	37,057	25,806
Reserve adjustment related to model change	19,419			
Net deductions to reserve	(23,963)	3,170	1,133	12,384
Usage of reserve				
<b>Summary balance</b>	<b>57,807</b>	<b>57,807</b>	<b>38,190</b>	<b>38,190</b>
<b>Total net deductions to reserve</b>	<b>(1,411,300)</b>	<b>228,913</b>	<b>(189,160)</b>	<b>(145,372)</b>

Note 8 : "Total administrative expenses"



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"Total administrative expenses"	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
Salary and similar payments	1,207,678	2,438,431	1,422,530	2,619,945
Training and tutorship expenses	456	456	2,790	3,705
Business trip expenses	1,192	3,443	1,014	8,982
Operational leases expenses	2,701	5,404	2,362	5,706
Insurance costs	37,986	75,388	34,685	71,080
Servicing and maintenance of the Bank's equipment	110,584	200,784	62,819	116,781
Maintenance and safekeeping of Bank buildings	190,974	386,685	196,293	377,933
Audit and consulting services	10,758	24,185	600	13,000
Communication and transmission costs	28,534	55,912	27,730	53,224
Transportation costs	42,238	76,414	27,047	60,921
Taxes (except income tax) penalties and other mandatory payments	80,968	159,907	65,034	126,267
Office and organizational expenses	38,994	69,081	40,589	68,106
Other administrative expenses	3,971	8,678	43,272	112,092
<b>Total</b>	<b>1,757,034</b>	<b>3,504,768</b>	<b>1,926,765</b>	<b>3,637,742</b>

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



	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
Average number of Bank employees	841	846	844	842
Monthly average salary falling to a single employee (thousand AMD)	450	448	432	433

Note 9 : "Other Operational Expenses"



Thous. AMD

Other operational expenses	01/04/2021- 30/06/2021	01/01/2021- 30/06/2021	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020
Paid fines and penalties	27	27		
Payments made for collection	86,250	172,500	86,250	172,500
Advertising and representative expenses	167,534	311,958	87,137	205,683
Amortization costs of fixed assets and intangible assets	405,042	800,125	374,505	743,044
Allocations to the Fund of Recovery of Deposits	48,294	96,804	54,323	102,812
Other expenses	111,727	223,160	67,529	149,193
<b>Total</b>	<b>818,874</b>	<b>1,604,574</b>	<b>669,744</b>	<b>1,373,232</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	01/04/2021-30/06/2021	01/01/2021-30/06/2021	01/04/2020-30/06/2020	01/01/2020-30/06/2020
Current tax expenses	254,628	472,332	819,444	823,105
Corrections of current taxes for the previous period recognized in the current period	-		-	
Deferred tax expenses	176,687	(78,686)	(180,155)	79,693
<b>Total</b>	<b>431,315</b>	<b>393,646</b>	<b>639,289</b>	<b>902,798</b>

	01/04/2021-30/06/2021	Efficient rate (%)	01/01/2021-30/06/2021	Efficient rate (%)	01/04/2020-30/06/2020	Efficient rate (%)	01/01/2020-30/06/2020	Efficient rate (%)
Profit before taxation	2,786,399		2,531,520		2,382,085		4,354,867	
Profit tax with rate	501,552	18.000	455,674	18.00	428,775	18.00	783,876	18.00
Non-deductible expenses	(69,822)	(2.506)	(119,307)	(4.71)	203,526	0.09	114,882	0.03
Foreign currency negative/positive difference	1,453	0.052	61,016	2.41	8,858	0.00	9,248	0.00
Other privileges	(1,868)	(0.067)	(3,736)	(0.15)	(1,870)	(0.00)	(3,660)	(0.00)
Profit tax expenses	431,315	15.479	393,647	15.55	639,289	26.84	902,798	20.73

**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>262,824</b>	<b>145,807</b>	<b>(65,952)</b>	<b>342,679</b>
Accrued expenses and other liabilities	94,518	152,642		247,160
Investment securities	100,544	38,271	(65,952)	72,863
Claims to banks and other financial institutions	26,805	(6,533)		20,272
Cash and their equivalents		2,384		2,384
Loans and borrowings to customers	40,957	(40,957)		-
<b>Deferred tax liabilities, including:</b>	<b>(730,697)</b>	<b>(67,121)</b>	<b>-</b>	<b>(797,818)</b>
Loans and borrowings to customers		(82,360)		(82,360)
Cash and their equivalents	(1,392)	1,392		-
Fixed assets	(717,219)	11,464		(705,755)
Contingent liabilities	(12,086)	2,383		(9,703)
<b>Net deferred tax asset/liability</b>	<b>(467,873)</b>	<b>78,686</b>	<b>(65,952)</b>	<b>(455,139)</b>

Thous. AMD

Basic profit falling to a single share	01/04/2021-30/06/2021	01/01/2021-30/06/2021	01/04/2020-30/06/2020	01/01/2020-30/06/2020
Net profit of the accounting period after taxation	2,355,083	2,137,873	1,742,796	3,452,069
Dividends on preferential shares calculated for the current accounting period	224,747	442,166	224,747	444,609
Net gains(losses) of given period referring to owners of common shares	2,130,336	1,695,707	1,518,049	3,007,460
Net weighted average number of common shares in circulation during the given period	1,897,938	1,897,938	1,852,533	1,852,533
Basic profit falling to a single share	<b>1.12</b>	<b>0.89</b>	<b>0.82</b>	<b>1.62</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

Cash and cash equivalents	30/06/2021	31/12/2020
Cash and cash equivalent payment documents	13,601,849	13,003,189
Correspondent accounts with the CBA	36,167,796	24,354,638
Deposit accounts with the CBA		1,400,000
Correspondent accounts with the the resident banks	237,026	123,656
Correspondent accounts with the the non-resident banks	1,558,641	3,721,710
Accrued interests	78	287
Reserves/IFRS/	(31,202)	(30,723)
<b>Cash and balances with the CBA</b>	<b>51,534,188</b>	<b>42,572,757</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

Current accounts	30/06/2021	31/12/2020
Deposited funds with CBA	292,500	1,292,500
Accrued interest		
<b>Total</b>	<b>292,500</b>	<b>1,292,500</b>
<b>With RA banks</b>		
Loans and deposits	743,790	3,396,835
Other	22,400	95,474
<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	64,141	75,197
<b>Accrued interest</b>		
	606	1,524
<b>Total</b>	<b>830,937</b>	<b>3,569,030</b>
Possible loss provision for amounts due from banks (note 7)	(15,898)	(65,692)
<b>Net receivables to banks</b>	<b>1,107,539</b>	<b>4,795,838</b>

Loans and deposits with Financial Institutions, other receivables	31/03/2021	31/12/2020
<b>With RA Financial Institutions:</b>		
Loans and deposits	7,568,287	7,833,288
Other	539,858	864,038
<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	293,529	420,583
Accrued interest	24,706	28,077
<b>Total</b>	<b>8,426,380</b>	<b>9,145,986</b>
Possible loss provision for receivables due to Financial Institutions	(169,108)	(186,071)
<b>Net receivables to Financial Institutions</b>	<b>8,257,272</b>	<b>8,959,915</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>9,364,811</b>	<b>13,755,753</b>

\*\* As of 31.12.2020 and 30.06.2021 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 165.862 (AMD 86.678 thousand on 31.12.2020 and AMD 82.245 thousand on 30.06.2021 ) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

## Note 14.1 Reverse Repurchase Agreements



Reverse Repurchase Agreements	30/06/2021	31/12/2020
Repurchase Agreements with Financial Institutions	7,612,215	10,309,207
Reverse Repurchase Agreements with Financial Institutions	(98,606)	(133,607)
<b>Total</b>	<b>7,513,609</b>	<b>10,175,600</b>

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



Thous. AMD

Other financial assets recalculated at fair value through profit/loss	30/06/2021	31/12/2020
<b>Derivative Instruments</b>		
Forward		
Swap	1,751	16,538
<b>Total</b>	<b>1,751</b>	<b>16,538</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	30/06/2021	31/12/2020
Loans, including:	175,949,199	170,140,385
Mortgage loans	22,840,377	19,788,032
Credit cards	25,945,202	25,598,405
Accrued interest on the mentioned items	947,531	975,918
<b>Total loans</b>	<b>202,841,932</b>	<b>196,714,708</b>
Reserve for possible loss of customer loans and advances (note 7)	(3,051,464)	(3,377,493)
<b>Total loans and advances at amortized value</b>	<b>199,790,468</b>	<b>193,337,215</b>

Thous. AMD		
Analyses of provided loans and advances per customers	30/06/2021	31/12/2020
State industries	<b>143,755</b>	<b>169,235</b>
<b>Private industries, including:</b>	<b>93,704,337</b>	<b>86,654,433</b>
Major enterprises	54,303,409	43,713,262
Small and medium enterprises	37,694,751	42,941,171
Including business cards	69,756	69,204
<b>Individuals, including:</b>	<b>92,292,984</b>	<b>94,673,208</b>
Consumer loans	32,112,357	40,049,390
Mortgage loans	22,840,377	19,788,032
Credit cards	25,675,446	25,528,256
<b>Private entrepreneurs</b>	<b>16,763,325</b>	<b>14,041,814</b>
Accrued interest	<b>947,531</b>	<b>975,918</b>
<b>Total loans</b>	<b>202,841,932</b>	<b>196,714,708</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	(3,051,464)	(3,377,493)
<b>Total loans and advances at amortized value</b>	<b>199,790,468</b>	<b>193,337,215</b>

Thous. AMD		
Analyses of loans and advances provided to the customers per the groups of businesses (segments)	30/06/2021	31/12/2020
State and major enterprises	54,447,164	43,837,581
SME * sector, including	55,674,621	68,077,035
Agriculture	13,058,267	7,143,583
Housekeeping	91,772,616	83,824,174
Accrued interests	947,531	975,918
<b>Total loans and advances calculated at amortized value</b>	<b>202,841,932</b>	<b>196,714,708</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	<b>(3,051,464)</b>	<b>(3,377,493)</b>
<b>Total loans and advances calculated at amortized value</b>	<b>199,790,468</b>	<b>193,337,215</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/	30/06/2021	31/12/2020
Customers' loans and advances calculated at amortized value	56,732,154	55,210,034
Balance of off-balance sheet contingent liabilities	3,326,356	5,193,806
<b>Total</b>	<b>60,058,510</b>	<b>60,403,840</b>
Loan investments	202,841,932	196,714,708
Ratio in portfolio	29.61%	30.71%
Total normative capital	42,452,130	41,188,731
Percentage ratio to capital	141.47%	146.65%
<b>Total</b>	<b>60,058,510</b>	<b>60,403,840</b>

Thous. AMD

Loan Investments through International programs	30/06/2021	31/12/2020
ADB/MSME	112,559	40
ADB/TFP/IBA/Asian Development Bank	174,601	6
ADB/TFP/RCA/Asian Development Bank	59,521	3
ADB/WESSD/Asian Development Bank	2,204,263	149
FMO/MSME/Green/	2,039,355	41
DEG/SME/	1,535,927	66
EBRD/WiB/European Bank for Reconstruction and Development	2,452,277	197
FINSCA/MSE/Finethic SCA	60,900	6
GAF/ KfW /ENERGY	424,315	25
FMO/MSME/Retail/	5,347,500	149
GAF/ KfW /AGRO	112,363	11
GAF/KfW/SME	6,737,886	853
GAF/KfW/SME/ENERGY	330,821	167
GAF/GOV/SME	2,958	1
GLS /AI MFF/ME	3,616	6
SICAV-SIF/MEI	11,462	7
EIB/APEX	3,173,307	75
Incofin CVSO CVBA-SO/MSE	52,628	1
BS /SME3	2,194,593	96
GLI/ME	22,708	2
COVID 14	3,636	2
COVID 19/1/1	21,047	1
COVID 19/1/2	503,533	7
COVID 19/1/3	3,587,499	118
COVID 19/2/1	38,497	37
COVID 19/2/2	4,748,648	74
COVID 19/3	142,060	16
<b>Total</b>	<b>36,098,480</b>	<b>2,156</b>

Thous. AMD

Loan Investments through International programs	31/12/2021	31/12/2020
ADB/TFP/IBA/Asian Development Bank	454,581	12
ADB/TFP/RCA/Asian Development Bank	13,134	1
ADB/WESSD/Asian Development Bank	2,369,782	137
BlueOrchard/MSE/	406,446	2
FMO/MSME/Green/	135,472	2
DEG/SME	2,991,072	116
EBRD/WiB/ European Bank for Reconstruction and Development RCA	2,116,146	2
EBRD/WiB/ European Bank for Reconstruction and Development	3,466,356	255
FINSCA/MSE/Finethic SCA	119,556	10
GAF/ KfW /ENERGY	201,976	156
FMO/MSME/Retail/	2,767,623	59
GAF/KfW/SME	6,092,155	833
GAF/KfW/SME/ENERGY	216,993	27
INCOFINCVBA/MSE/	3,228,112	111
SICAV-SIF/ME1/Symbiotics-- Global Financial Inclusion Fund	375,174	96
EIB/APEX	437,396	9
SICAV-SIF/ME2/Symbiotics-Seb Microfinance Fund IV	5,569	2
BS/SME1	5,543	1
BS/SME3	1,902,323	57
EFA_FIDF/SME	485,990	6
GLI/ME	30,958	2
<b>Total</b>	<b>27,822,357</b>	<b>1,896</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)	31/03/2021	Percentage	31/12/2020	Percentage
Industry	27,949,021	14.78	24,428,020	12.42
Agriculture	13,985,469	6.07	9,287,083	4.72
Construction	15,435,441	7.06	12,376,728	6.29
Transportation and communication	650,148	0.31	662,594	0.34
Commerce	35,937,631	17.05	35,216,623	17.90
Consumer	58,884,035	30.81	68,534,046	34.84
Mortgage loans	22,931,857	10.18	19,868,036	10.10
Service	10,659,404	5.35	10,783,610	5.48
Other	16,408,926	8.41	15,557,968	7.91
<b>Total</b>	<b>202,841,932</b>	<b>100</b>	<b>196,714,708</b>	<b>100.00</b>

Breakdown of loan portfolio per customer residency	31/03/2021	Percentage	31/12/2020	Percentage
RA residents	198,582,132	99.40	192,361,297	99.50
Residents of countries with Baa33 and higher ratings including	260,805	0.13	-	-
Belgium	231,354	-	-	-
France	29,451	-	-	-
Residents of countries with Baa33and lower ratings or no rating at all	-	-	-	-
Accrued interest	947,531	0.47	975,918	0.50
<b>Total</b>	<b>199,790,468</b>	<b>100</b>	<b>193,337,215</b>	<b>100.00</b>

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



The structure of customers' loans and borrowings calculated at amortized value per classification stages /FRS 9/	30/06/2021					
	Stage1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	31 March 2021	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
Corporate loans	93,755,016	229,912	42,887	3,267	383,159	279,608
Loans to individuals and private entrepreneurs	106,928,591	1,751,654	655,840	191,556	1,076,439	595,467
<b>Total</b>	<b>200,683,607</b>	<b>1,981,566</b>	<b>698,727</b>	<b>194,823</b>	<b>1,459,598</b>	<b>875,075</b>

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per	31/12/2020					
	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	86,794,109	187,190	102,302	45,827	274,610	200,660
Loans to individuals and private entrepreneurs	107,177,916	1,883,584	1,287,093	375,030	1,078,678	685,202
<b>Total</b>	<b>193,972,025</b>	<b>2,070,774</b>	<b>1,389,395</b>	<b>420,857</b>	<b>1,353,288</b>	<b>885,862</b>

30/06/2021

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	57,590,373	1,091,712	56,498,661	1.90%
Overdue			0	
1-30 days	329,204	30,231	298,973	9.18%
31- 60 days	183,151	68,769	114,382	37.55%
61- 90 days	208,177	68,443	139,734	32.88%
91-180 days	262,774	147,405	115,369	56.10%
180 and more	310360	184,917	125,443	59.58%
<b>Total</b>	<b>58,884,039</b>	<b>1,591,477</b>	<b>57,292,562</b>	<b>2.70%</b>
<b>Trade</b>				
Non-overdue	35,878,774	122,055	35,756,719	0.34%
Overdue			0	
1-30 days	8,411	726	7,685	8.63%
31- 60 days	2,103	972	1,131	46.22%
61- 90 days	38,125	17627	20,498	46.23%
91-180 days	8,576	6249	2,327	72.87%
180 and more	1,641	1,196	445	72.88%
<b>Total</b>	<b>35,937,630</b>	<b>148,825</b>	<b>35,788,805</b>	<b>0.41%</b>
<b>Production</b>				
Non-overdue	27,948,248	60,745	27,887,503	0.22%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days	770	700	70	90.91%
180 and more			0	
<b>Total</b>	<b>27,949,018</b>	<b>61,445</b>	<b>27,887,573</b>	<b>0.22%</b>
<b>Construction</b>				
Non-overdue	15,435,437	29,577	15,405,860	0.19%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>15,435,437</b>	<b>29,577</b>	<b>15,405,860</b>	<b>0.19%</b>
<b>Mortgage</b>				
Non-overdue	22,883,337	783,218	22,100,119	3.42%
Overdue				
1-30 days			0	
31- 60 days	4,155	1,563	2,592	37.62%
61- 90 days			0	#DIV/0!
91-180 days	44,361	38,554	5,807	
180 and more			0	
<b>Total</b>	<b>22,931,853</b>	<b>823,335</b>	<b>22,108,518</b>	<b>3.59%</b>
<b>Agriculture</b>				
Non-overdue	13,917,099	2,216	13,914,883	0.02%
Overdue				
1-30 days	20582	329	20253	1.60%
31- 60 days	7894	946	6,948	11.98%
61- 90 days	22817	1046	21,771	4.58%
91-180 days	17079	14324	2,755	83.87%
<b>Total</b>	<b>13,985,471</b>	<b>18,861</b>	<b>13,966,610</b>	<b>0.13%</b>
<b>Other fields</b>				
Non-overdue	27,555,514	278,301	27,277,213	1.01%
Overdue				
1-30 days	965	1	964	0.10%
31- 60 days			0	
61- 90 days	28,024	1485	26,539	
91-180 days	27,306	19,897	7,409	72.87%
180 and more	106,675	78,260	28,415	73.36%
<b>Total</b>	<b>27,718,484</b>	<b>377,944</b>	<b>27,340,540</b>	<b>1.36%</b>
<b>TOTAL</b>	<b>202,841,932</b>	<b>3,051,464</b>	<b>199,790,468</b>	<b>1.50%</b>

31/12/2020

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	66,177,890	1,229,294	64,948,596	1.86%
Overdue				
1-30 days	508,621	41,898	466,723	8.24%
31- 60 days	508,377	143,884	364,493	28.30%
61- 90 days	384,113	131,302	252,811	34.18%
91-180 days	666,982	383,529	283,453	57.50%
180 and more	288064	208,188	79,876	72.27%
<b>Total</b>	<b>68,534,047</b>	<b>2,138,095</b>	<b>66,395,952</b>	<b>3.12%</b>
<b>Trade</b>				
Non-overdue	35,171,158	108,891	35,062,267	0.31%
Overdue			0	
1-30 days	9,450	2,154	7,296	22.79%
31- 60 days	14,576	6872	7,704	47.15%
61- 90 days	2,585	1197	1,388	46.31%
91-180 days	15,098	11018	4,080	72.98%
180 and more	3,756	2,741	1,015	72.98%
<b>Total</b>	<b>35,216,623</b>	<b>132,873</b>	<b>35,083,750</b>	<b>0.38%</b>
<b>Production</b>				
Non-overdue	24,427,117	33,872	24,393,245	0.14%
Overdue			0	
1-30 days				
31- 60 days				
61- 90 days	899	130	769	14.46%
91-180 days				
180 and more			0	
<b>Total</b>	<b>24,428,016</b>	<b>34,002</b>	<b>24,394,014</b>	<b>0.14%</b>
<b>Construction</b>				
Non-overdue	12,376,726	22,674	12,354,052	0.18%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>12,376,726</b>	<b>22,674</b>	<b>12,354,052</b>	<b>0.18%</b>
<b>Mortgage</b>				
Non-overdue	19,775,925	679,522	19,096,403	3.44%
Overdue			0	
1-30 days	26,108	876	25,232	
31- 60 days	6,418	5,574	844	86.85%
61- 90 days	23458	8816	14,642	37.58%
91-180 days	32,710	28,411	4,299	86.86%
180 and more	3,425	2,975	450	86.86%
<b>Total</b>	<b>19,868,044</b>	<b>726,174</b>	<b>19,141,870</b>	<b>3.65%</b>
<b>Agriculture</b>				
Non-overdue	9,272,061	4,509	9,267,552	0.05%
Overdue				
1-30 days	8056	46	8010	0.57%
31- 60 days	2863	99	2,764	3.46%
61- 90 days	4102	1040	3062	25.35%
91-180 days				
<b>Total</b>	<b>9,287,082</b>	<b>5,694</b>	<b>9,281,388</b>	<b>0.06%</b>
<b>Other fields</b>				
Non-overdue	26,898,953	270,567	26,628,386	1.01%
Overdue				
1-30 days	2,749	1,018	1,731	37.03%
31- 60 days	97,402	44917	52,485	46.12%
61- 90 days	3,577	124	3,453	3.47%
91-180 days	75	68	7	90.67%
180 and more	1,416	1,289	127	91.03%
<b>Total</b>	<b>27,004,172</b>	<b>317,983</b>	<b>26,686,189</b>	<b>1.18%</b>
<b>TOTAL</b>	<b>196,714,710</b>	<b>3,377,495</b>	<b>193,337,215</b>	<b>1.72%</b>

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


	Thous. AMD	
	30/06/2021	31/12/2020
<b>Government securities</b>		
RA Governmental T-bills	2,799,740	3,557,090
<b>Total</b>	<b>2,799,740</b>	<b>3,557,090</b>

	30/06/2021		31/12/2020	
	listed	unlisted	listed	unlisted
<b>RA non-state securities</b>				
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Long term debt instruments			647,844	
Short term debt instruments				
Capital instruments		105,755		105,755
<b>Total non-state securities of RA</b>		<b>105,755</b>	<b>647,844</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>-</b>	<b>647,844</b>	<b>105,755</b>

	30/06/2021		31/12/2020	
	listed	unlisted	listed	unlisted
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Capital instruments		7,141		6,166
<b>Total non-state securities of RA</b>		<b>-</b>	<b>-</b>	<b>6,166</b>
<b>Financial assets rated at fair value through other comprehensive financial assets</b>	<b>2,799,740</b>	<b>112,896</b>	<b>4,204,934</b>	<b>111,921</b>

Investments in share capital of other entities as of 31.03.2021

Name of entity	Main activity	Country of registration	Investment date	Investment (thous AMD)	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	7,141	-
"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>112,896</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	
	30/06/2021	31/12/2020
<b>Assets</b>		
Pledged securities	39,592,056	39,428,538
Securities under REPO agreement	1,951,575	
Reserve for pledged securities	(254,601)	(43,919)
<b>Total</b>	<b>37,385,880</b>	<b>39,384,619</b>

**Note 18. "Other financial assets calculated at amortized value"**


	30/06/2021	31/12/2020
Government securities rated at amortized value	200,000	
Non-state securities rated at amortized value	619,798	522,571
Accumulated interest	3,950	2,221
Reserve of financial assets calculated at amortized value	(13,095)	(9,224)
<b>Total</b>	<b>810,653</b>	<b>515,568</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 31/12/2020</b>	<b>8,399,573</b>	<b>3,835,389</b>	<b>903,061</b>	<b>2,299,221</b>	<b>16,310</b>	<b>3,210,266</b>	<b>18,663,820</b>
Increase		92,761	112,189	58,155	176,789	437,354	877,248
Disposal			(68,333)	(5,886)			(74,219)
Written-off		(307)				(17,429)	(17,736)
Reclassification	156,684				(178,370)	(97,956)	(119,642)
<b>Balance of fixed assets at the end of accounting period 30/06/2021</b>	<b>8,556,257</b>	<b>3,927,843</b>	<b>946,917</b>	<b>2,351,490</b>	<b>14,729</b>	<b>3,532,235</b>	<b>19,329,471</b>
<b>Balance of accumulated amortization at the end of the previous period 31/12/2020</b>	<b>436,041</b>	<b>2,477,812</b>	<b>386,200</b>	<b>1,441,332</b>	<b>-</b>	<b>1,118,061</b>	<b>5,859,446</b>
Increase	116,724	173,022	54,837	89,804		307,680	742,067
Disposal			(54,035)	(568)			(54,603)
Written-off of amortization		(77)				(10,083)	(10,160)
<b>Balance of accumulated amortization at the end of the accounting period 30/06/2020</b>	<b>552,765</b>	<b>2,650,757</b>	<b>387,002</b>	<b>1,530,568</b>	<b>-</b>	<b>1,415,658</b>	<b>6,536,750</b>
<b>Net balance sheet value</b>							<b>-</b>
<b>At the end of the accounting period</b>	<b>8,003,492</b>	<b>1,277,086</b>	<b>559,915</b>	<b>820,922</b>	<b>14,729</b>	<b>2,116,577</b>	<b>12,792,721</b>
<b>At the end of the previous accounting period</b>	<b>7,963,532</b>	<b>1,357,577</b>	<b>516,861</b>	<b>857,889</b>	<b>16,310</b>	<b>2,092,205</b>	<b>12,804,374</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	Capital investments in intangible assets	Total
<b>Initial value</b>						
<b>Balance of intangible assets at the end of the previous period 31/12/2020</b>	<b>476,894</b>	<b>451,685</b>	<b>206</b>	<b>30,550</b>	<b>-</b>	<b>959,335</b>
Increase	42,900	149,347				192,247
Reclassification						-
<b>Balance of intangible assets at the end of the accounting period 30/06/2021</b>	<b>519,794</b>	<b>601,032</b>	<b>206</b>	<b>30,550</b>	<b>-</b>	<b>1,151,582</b>
<b>Intangible balance of accumulated amortization at the end of previous period 31/12/2020</b>	<b>115,392</b>	<b>240,920</b>	<b>84</b>	<b>21,205</b>	<b>-</b>	<b>377,601</b>
Increase	22,628	34,303	8	1,118		58,057
Disposal						-
Reclassification						-
<b>Balance of accumulated amortization at the end of accounting period 31/03/2021</b>	<b>138,020</b>	<b>275,223</b>	<b>92</b>	<b>22,323</b>	<b>-</b>	<b>435,658</b>
<b>Net balance sheet value</b>						<b>-</b>
<b>At the end of the accounting period</b>	<b>381,774</b>	<b>325,809</b>	<b>114</b>	<b>8,227</b>	<b>-</b>	<b>715,924</b>
<b>At the end of the previous accounting period</b>	<b>361,502</b>	<b>210,765</b>	<b>122</b>	<b>9,345</b>	<b>-</b>	<b>581,734</b>

As of 30.06.2021, 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

	30/06/2021	31/12/2020
<b>Amounts receivable from bank operations</b>		
Amounts receivable from other operations	95,181	69,582
<b>Total</b>	<b>95,181</b>	<b>69,582</b>
Reserve for possible loss provision from bank operations (note 7)	(966)	(1,281)
<b>Net amounts receivable from bank operations</b>	<b>94,215</b>	<b>68,301</b>
<b>Debtor liabilities and prepayments</b>		
Debtor liabilities on the budget	352,561	90,155
Debtor liabilities to suppliers		
Prepayments to employees	11	21
Prepayments to suppliers	196,060	257,923
Prepayments on the budget and mandatory social insurance payments	31,136	47,211
Other debtor liabilities and prepayments	56,470	64,187
<b>Total</b>	<b>636,238</b>	<b>459,497</b>
Reserve for possible loss provision on other assets (note 7)	(6,363)	(4,597)
<b>Total</b>	<b>629,875</b>	<b>454,900</b>
Reserve	130,070	223,332
Sequestered pledge and available-for-sale assets		
Future period expenses	161,249	202,282
Other assets	64,765	70,910
Reserve for possible loss provision on other assets (note 7)	(6,709)	(7,047)
<b>Total</b>	<b>349,375</b>	<b>489,477</b>
<b>Total other assets</b>	<b>1,073,465</b>	<b>1,012,678</b>

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



Thous. AMD

	30/06/2021	31/12/2020
<b>Current accounts</b>		
RA Banks	10,792	1,887
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	17,488	19,532
Accrued interest		
<b>Total</b>	<b>28,280</b>	<b>21,419</b>
<b>Interbank loans and deposits, other</b>		
Other		
<b>RA banks</b>		
Loans and deposits	4,959,281	5,226,705
Other	344	685
<b>Banks having BBB(Baa3) and higher rating</b>		
Loans and deposits		
Other		
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>		
Loans and deposits	2,246,995	2,317,959
Other	37,995	45,498
Accrued interest	22,502	18,250
<b>Total</b>	<b>7,267,117</b>	<b>7,609,097</b>
<b>Financial Institutions</b>		
Current accounts	1,978,990	1,449,617
Loans and deposits	34,721,149	32,913,566
Other	91,141	60,052
Accrued interest	851,651	940,740
<b>Total</b>	<b>37,642,931</b>	<b>35,363,975</b>
<b>Total liabilities to banks and financial institutions</b>	<b>44,938,328</b>	<b>42,994,491</b>

**Note 22.1 Loans and advances from international financial institutions**



Loans attracted from financial institutions	Project	Currency	Term	30/06/2021	Currency	Term	31/12/2020
BlueOrchard	BlueOrchard/MSME	USD	1-4 years	4,968,383	USD	1-4 years	5,232,330
DEC	DEC/SME	USD	1-7 years	4,069,078	USD	1-7 years	4,819,351
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-4 years	3,878,412	AMD	1-4 years	4,867,162
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-5 years	567,495	AMD	1-5 years	694,210
European Bank for Reconstruction and Development	EBRD/TFP/PCA	EUR	1 less than a year		EUR	1 less than a year	1,211,294
EFA Financial Institution debt fund	EFA_FIDE/SME	USD	1-3 years		USD	1-3 years	1,306,046
Global Impact Investments	GLI/ME	USD	1-4 years	1,512,850	USD	1-4 years	1,592,434
Incofin Investment Management	INCOFIN CVBA/MSE	USD	1-4 years	1,666,557	USD	1-4 years	1,756,361
Incofin Investment Management	Incofin CVSD CVBA-SO/MSE	USD	1-4 years	1,016,084	USD	1-4 years	1,605,694
Dutch Development Bank	FMO/MSME/Green	USD	1-5 years	4,993,172	USD	1-5 years	3,223,136
Dutch Development Bank	FMO/MSME/Green	EUR	1-5 years	2,841,780	EUR	1-5 years	5,262,679
Dutch Development Bank	FMO/MSME/RETAIL	USD	1-5 years	9,248,507	USD	1-5 years	10,360,594
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years	1,880,662	AMD	1-4 years	2,031,312
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years		AMD	1-4 years	512,221
Symbiotics Sicav (Lux)- Hortensia Impact Investing Fund	HIF/MSME	AMD	1-4 years	241,783	AMD	1-4 years	241,996
Symbiotics Sicav (Lux)- Global Financial Inclusion Fund	GFI/MSME	AMD	1-4 years	241,783	AMD	1-4 years	241,996
Symbiotics Sicav (Lux)-SEBMF Microfinance Fund VII	SEBMFVII/MSME	AMD	1-4 years	817,136	AMD	1-4 years	1,935,963
Symbiotics Sicav (Lux)- Hortensia Impact Investing Fund	SEBMF/MSME	USD	1-4 years	379,969			
Symbiotics Sicav II - ABN AMRO Impact Fund	SAAIF/MSME	USD	1-4 years	506,625			
Dual Return Fund S.I.C.A.V	DRF/ME	USD	1-4 years	2,506,545			
Microfinance Enhancement Facility S.A., SICAV-SIF	MEF/MSME	USD	1-4 years	2,526,917			
Black Sea Trade and Development Bank (BSTDB)	BS-SME3	USD	1-5 years	4,972,628	USD	1-5 years	5,275,296
Asian Development Bank	ADB/TFP/PCA	USD	1 less than a year	194,706	USD	1 less than a year	1,139,791
Asian Development Bank	ADB/MSME	USD	1-5 years	7,578,396	USD	1-5 years	3,942,012
Micro, Small & Medium Enterprises Bonds S.A.	MSMEBondsSA/Social/Green	AMD	1-4 years	6,358,833	AMD	1-4 years	5,302,485
<b>Total</b>				<b>62,958,801</b>			<b>62,554,370</b>

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



Program	30/06/2021		31/12/2020	
	Loan amount	accrued interest	Loan amount	1212106
"Women Entrepreneurship Support and Development" loan project	1,894,182	5,967	1,827,163	6,382
GAF/ RA SME lending project of European Investment Bank	2,323,271	27,984	708,532	26,864
GAF /Micro and Small Business Development Project of German-Ar	6,868,610	14,196	5,461,548	13,343
GAF "Renewable Energy Development" project	1,416,430	29,548	1,123,120	29,515
GAF "Access to finance for SMEs" project	474,971	2,522	244,928	1,760
COR-AGRO-II	7,632	39	10,176	53
COR-AGRO-III	12,553	32	-	-
Cor-Ref	269,500	-	404,250	-
Cor-Cof	11,250	-	16,625	-
COVID-19	169,394	-	212,177	-
<b>Total</b>	<b>13,447,793</b>	<b>80,288</b>	<b>10,008,519</b>	<b>77,917</b>

**Note 22.3 REPO (repurchase) agreements**



REPO (repurchase) agreements	30/06/2021	31/12/2020
REPO (repurchase) agreements with financial institutions	37,059,411	38,125,044
<b>Total</b>	<b>37,059,411</b>	<b>38,125,044</b>

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

<b>RA resident corporate entities and institutions</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Current accounts	21,897,467	21,420,211
Term deposits	7,497,073	8,129,908
Other	870,986	477,035
Accrued interest	330,208	349,775
<b>Total</b>	<b>30,595,734</b>	<b>30,376,929</b>

<b>Non-resident corporate entities, institutions</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Current accounts	1,233,866	1,890,143
Deposits		
Other	2	2
Accrued interest		216
<b>Total</b>	<b>1,233,868</b>	<b>1,890,361</b>

<b>RA resident private entrepreneurs</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Current accounts	921,886	831,444
Term deposit	40,475	4,199
Other	14,616	13,748
Accrued interest	1,069	121
<b>Total</b>	<b>978,046</b>	<b>849,512</b>

<b>RA resident individuals</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Current accounts	18,156,460	19,641,681
Term deposits	53,671,115	53,501,881
Other	1,032,687	883,777
Accrued interest	1,076,936	1,125,326
<b>Total</b>	<b>73,937,198</b>	<b>75,152,665</b>

<b>Non- resident individuals</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Current accounts	925,557	883,602
Term deposits	2,552,369	2,899,316
Other	312,329	387,592
Accrued interest	70,420	55,435
<b>Total</b>	<b>3,860,675</b>	<b>4,225,945</b>

**Total liabilities to customers**

<b>110,605,521</b>	<b>112,495,412</b>
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As of 30.06.2021, the amount necessary to secure obligations was AMD 5.282.062 thousand.

As of 30.06.2021, the amount frozen by court order and tax authorities was AMD 5.067.410 thousand.

**Note 23.1 : "Subordinate Borrowing"**

As of 30.06.2021, the Bank attract subordiante borrowing` AMD 1.244.914.

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

	<b>30/06/2021</b>	<b>31/12/2020</b>
Interest securities issued by the Bank	6,224,743	6,185,733
<b>Total</b>	<b>6,224,743</b>	<b>6,185,733</b>

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

	Thous.AMD	
Financial liability at fair value recalculated through profit/loss	30/06/2021	31/12/2020
<b>Derivative instruments</b>		
Swap	25,854	11,549
<b>Forward</b>		
Other		
<b>Total</b>	<b>25,854</b>	<b>11,549</b>

**Note 26: "Amounts Payable"**

	Thous.AMD	
Amounts payable	30/06/2021	31/12/2020
Dividends	817,308	446,320
For insurance of deposit	48,295	54,273
<b>Total</b>	<b>865,603</b>	<b>500,593</b>

**Note 27: " Other Liabilities"**

	Thous.AMD	
Other Liabilities	30/06/2021	31/12/2020
On income tax of non-resident	69,999	62,158
On VAT	2,600	2,350
On other taxes and penalties	100,476	183,335
Salary liabilities to employees	874,640	998,449
Credit debts to suppliers	84,373	84,764
Other liabilities	111,512	545,715
<b>Balance at the end of the period</b>	<b>1,243,600</b>	<b>1,876,771</b>

**Note 28: "Chartered capital"**

The Bank's registered and fully paid share capital totals AMD 26,107,556 thous., including 1,897,938 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

Name of the major shareholder	Participation amount	The size of participation in	Shareholders activity type (for
Sukiasyan Saribek Albert	5,516,150	27.95%	
Sukiasyan Khachatur Albert	3,138,533	15.90%	
Sukiasyan Eduard Albert	2,089,558	10.59%	
Sukiasyan Robert Albert	3,436,326	17.41%	

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 30.06.2020 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 30.06.2020 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	
	30/06/2021	31/12/2020
Unutilized credit lines	5,652,605	4,861,322
Provided guarantees	5,518,381	7,316,766
Provided letters of credit		
Reserve on the mentioned items (note 7)	(57,807)	(54,637)

#### 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.

<b>Loans and advances at amortized value to the Bank related parties</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Bank shareholder	5,121,707	3,941,879
Bank management	417,119	333,870
Financial institutions	-	352,061
<b>Total</b>	<b>5,538,826</b>	<b>4,627,810</b>
<b>Interest income</b>	<b>221,489</b>	<b>271,897</b>

  

<b>Facilities attracted from Bank related entities</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
Bank shareholder	1,057,728	1,128,108
Bank management	1,401,286	664,407
Financial institutions	265,779	186,170
<b>Total</b>	<b>2,724,793</b>	<b>1,978,685</b>
<b>Interest expense</b>	<b>30,318</b>	<b>24,902</b>

  

<b>Salary or Similar Payment to the Bank Management</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
<b>Board</b>	<b>120,836</b>	<b>252,771</b>
Salary	120,836	233,671
Awarding		19,100
<b>Executive body</b>	<b>192,765</b>	<b>409,839</b>
Salary	192,765	378,353
Awarding		31,486
<b>Internal Audit</b>	<b>50,491</b>	<b>101,264</b>
Salary	50,491	93,227
Awarding		8,037
<b>Total</b>	<b>364,092</b>	<b>763,874</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.

30/06/2021

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Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	49,996,243	866,097	552,858	118,990	51,534,188
Standard bank precious metal bullions and coins	443				443
Due from banks and other financial institutions	9,092,964	34,659	229,087	8,100	9,364,811
Reverse repurchase agreements	7,513,609				7,513,609
Financial assets at fair value recalculated through profit/loss		1,751			1,751
Customers' loans and advances rated at amortized value	199,526,422		264,046		199,790,468
Securities at fair value rated through other comprehensive financial results	2,905,495		7,141		2,912,636
Securities pledged under repurchase agreement	37,385,880				37,385,880
Other financial assets carried at amortized cost	810,653				810,653
Other assets	93,459		756		94,215
<b>Total assets</b>	<b>307,325,169</b>	<b>902,507</b>	<b>1,053,888</b>	<b>127,090</b>	<b>309,408,654</b>

31/12/2020

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	38,886,401	643,911	2,928,232	114,213	42,572,757
Standard bank precious metal bullions and coins	443				443
Due from banks and other financial institutions	12,929,143	79,642	741,943	5,025	13,755,753
Reverse repurchase agreements	10,175,600				10,175,600
Financial assets at fair value recalculated through profit/loss		16,538			16,538
Customers' loans and advances rated at amortized value	193,337,215				193,337,215
Securities pledged under repurchase agreement	39,384,619				39,384,619
Securities at fair value rated through other comprehensive financial results	4,310,689		6,166		4,316,855
Other financial assets carried at amortized cost	515,568				515,568
Other assets	68,588		994		69,582
<b>Total assets</b>	<b>299,608,266</b>	<b>740,091</b>	<b>3,677,335</b>	<b>119,238</b>	<b>304,144,930</b>

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

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RA regions	30/06/2021	31/12/2020
Yerevan	137,682,696	132,668,303
Aragatsotn	3,509,674	3,253,920
Ararat	10,580,111	9,944,887
Armavir	5,859,866	4,833,086
Gegharkunik	5,775,430	5,969,132
Lori	7,227,799	7,937,621
Kotayk	16,370,339	16,171,193
Shirak	5,092,479	5,395,918
Syunik	4,260,270	4,117,445
Vayots Dzor	1,295,131	1,079,485
Tavush	911,858	1,071,041
Artsakh	1,224,817	895,184
<b>Total</b>	<b>199,790,470</b>	<b>193,337,215</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 30.06.2021 did not exceed 7.9%. 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 30.06.2021, loan investments without reserves amounted to AMD 202.841.932. As of 30.06.2021, the volume of loans in the Stage 2, Stage 3 amounted to AMD 2.158.325 thousand.

4) The provisioning of loan portfolio corresponds to the requirements of IFRS.

5) The volume of repo transactions (except extensions) affected in the 2 nd quarter of 2021 was AMD 514.821.205 against AMD 292.473.843 of the same period of the previous year. Reverse repo transactions in the 2 nd quarter of 2021, made AMD 18.324.037, USD 1.142.668 against AMD 18.827.754 and USD 0 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
2021 I Q	5,108.30	197.64	159.78	449.21	25.35	5.64	1,366.35	756.20
2021 II Q	6,690.98	215.90	145.50	338.96	16.78	5.61	1,005.35	536.10
increase/decrease	1,582.68	18.26	-14.28	-110.25	-8.57	-0.03	-361.00	-220.10

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

30/06/2021							Thous.AMD
	AMD	USD	EUR	RUB	Other currency	Total	
Cash and their equivalents	20,276,606	26,058,413	3,756,915	1,288,633	153,622	51,534,188	
Bank standardized bullions of precious metals and coins	443					443	
Receivables to banks and other financial institutions	2,154,579	3,048,473	4,089,899	71,861		9,364,811	
Reverse Repurchase Agreements	7,151,646	361,963				7,513,609	
Loans and advances to customers calculated at amortized value	125,364,415	63,380,060	11,030,814	15,179		199,790,468	
Financial assets at fair value rated through other comprehensive financial results	2,912,636					2,912,636	
Securities pledged under repurchase agreements	37,385,880					37,385,880	
Other financial assets calculated at amortized value	200,069	610,584				810,653	
Other assets	87,418	4,363	2,415	20		94,215	
<b>Total assets</b>	<b>195,533,692</b>	<b>93,463,855</b>	<b>18,880,042</b>	<b>1,375,693</b>	<b>153,622</b>	<b>309,406,904</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	32,405,860	7,842,852	4,657,251	32,365		44,938,328	
Loans and deposits from international financial institutions	13,678,301	46,318,226	2,962,273			62,958,800	
Loans from the CBA and RA	13,577,899					13,577,899	
REPO agreements	37,059,411					37,059,411	
Liabilities to Customers	63,255,446	40,414,183	5,028,408	1,824,800	82,684	110,605,521	
Subordinate borrowing		1,244,914				1,244,914	
Liabilities on current taxes	529,375					529,375	
Securities issued by the Bank	2,563,972	3,660,771				6,224,743	
Amount payable	865,603					865,603	
Deferred tax liabilities	455,139					455,139	
Lease liabilities	1,717,870					1,717,870	
Other liabilities	1,114,918	124,431	3,480	328	443	1,243,600	
<b>Total liabilities</b>	<b>167,223,794</b>	<b>99,605,377</b>	<b>12,651,412</b>	<b>1,857,493</b>	<b>83,127</b>	<b>281,421,202</b>	
<b>Balance-sheet open position</b>	<b>28,309,898</b>	<b>(6,141,522)</b>	<b>6,228,630</b>	<b>(481,800)</b>	<b>70,495</b>	<b>27,985,701</b>	
Financial liabilities at fair value recalculated through profit/loss						-	
<b>Aggregately payable currency derivatives</b>	<b>(594,762)</b>	<b>6,637,991</b>	<b>(6,486,480)</b>	<b>419,148</b>		<b>(24,103)</b>	
<b>Net position</b>	<b>27,715,136</b>	<b>496,469</b>	<b>(257,850)</b>	<b>(62,652)</b>	<b>70,495</b>	<b>27,961,598</b>	

31/12/2020							Thous.AMD
	AMD	USD	EUR	RUB	Other currency	Total	
<b>Assets</b>							
Cash and their equivalents	18,124,517	18,224,707	4,864,681	1,208,602	150,250	42,572,757	
Bank standardized bullions of precious metals and coins	443					443	
Receivables to banks and other financial institutions	1,630,975	7,097,802	5,012,538	14,418	21	13,755,753	
Reverse Repurchase Agreements	9,871,539	304,061				10,175,600	
Loans and advances to customers calculated at amortized value	119,742,812	61,561,653	11,994,256	38,494		193,337,215	
Securities pledged under repurchase agreement	39,384,619					39,384,619	
Financial assets at fair value rated through other comprehensive financial results	3,773,447	479,736	64,900			4,318,083	
Other financial assets calculated at amortized value		514,340				514,340	
Other assets	62,228	55,164	2,598	68	802	120,860	
<b>Other assets</b>	<b>192,590,580</b>	<b>88,237,463</b>	<b>21,938,973</b>	<b>1,261,582</b>	<b>151,073</b>	<b>304,179,670</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	29,753,723	7,672,792	5,462,381	105,548	48	42,994,491	
Loans and deposits from international financial institutions	15,505,052	42,614,887	4,434,432			62,554,371	
Loans from the CBA and RA	10,151,725					10,151,725	
REPO agreements	38,125,044					38,125,044	
Liabilities to Customers	67,947,003	37,887,644	4,584,848	2,008,527	67,388	112,495,410	
Subordinated borrowing		1,311,068				1,311,068	
Liabilities on current taxes	790,950					790,950	
Securities issued by the Bank	2,389,969	3,795,764				6,185,733	
Amount payable	500,593					500,593	
Deferred tax liabilities	467,873					467,873	
Lease liabilities	1,674,091					1,674,091	
Other liabilities	1,628,952	195,543	24,690	27,370	216	1,876,771	
<b>Other liabilities</b>	<b>168,934,975</b>	<b>93,477,698</b>	<b>14,506,350</b>	<b>2,141,444</b>	<b>67,652</b>	<b>279,128,120</b>	
<b>Balance-sheet open position</b>	<b>23,655,605</b>	<b>(5,240,236)</b>	<b>7,432,623</b>	<b>(879,863)</b>	<b>83,421</b>	<b>25,051,550</b>	
Financial liabilities at fair value recalculated through profit/loss							
<b>Aggregately payable currency derivatives</b>		<b>6,279,158</b>	<b>(7,052,210)</b>	<b>778,041</b>		<b>4,989</b>	
<b>Open position</b>	<b>23,655,605</b>	<b>1,038,922</b>	<b>380,413</b>	<b>(101,821)</b>	<b>83,421</b>	<b>25,056,539</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 2021 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD15.128.946 thousand against AMD 22.865.609 thousand of the same period of the previous year by decreasing in absolute value by AMD 7.736.663 or 33.8%, that is in average the Bank was sensitive to assets in the 2 nd quarter of 2021. In the 2 nd quarter of 2021, the average accumulated disbalance has increased in absolute value by AMD 3.252.311 thousand or by 27.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 1 nd quarter of 2021 has decreased by 5.2 percentage point, forming 106.2% against 111.3% average value of the 2 nd quarter of 2020, that is in 2 nd quarter of 2021 the assets sensitive to interest rate changes have formed 106.2% of the liabilities sensitive to interest rate changes

The duration of assets as of the end of 2 nd quarter of 2021 was 1.680 year (against the 1.727 year as of the 2 nd quarter of 2020) as it increased by 0.046 year or by 2.7% , as compared with the end of the previous quarter (1.769year) the mentioned indicator has increased by 0.088 year or 5%.

The duration of liabilities as of the end of the 2 nd quarter of 2021 was 1.011 year (against 0.971 year of the 2 nd quarter of 2020) increasing by 0.04 year or 4.1%. In correlation with the end of the previous quarter (1.05) the indicator has increased by 0.039 year or 3.7%.

The duration gap as of the end of the 2 nd quarter of 2021 was 0.778 (against 0.877 of the 2 nd quarter of 2020) increasing by 0.099 or 11.3%. In correlation with the end of previous quarter (0.836) the indicator has increased by 0.058 or 6.9%.

### Assets and Liabilities with changing interest rates

30/06/2021

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	495,860	137,426	147,420	1,580,156	4,197,349	8,531,487	9,735,437		
<b>Total</b>	-	-	<b>488,070</b>	<b>495,860</b>	<b>137,426</b>	<b>147,420</b>	<b>1,580,156</b>	<b>4,197,349</b>	<b>8,531,487</b>	<b>9,735,437</b>	-	-
<b>Net position</b>	-	-	<b>(488,070)</b>	<b>(495,860)</b>	<b>(137,426)</b>	<b>(147,420)</b>	<b>(1,580,156)</b>	<b>(4,197,349)</b>	<b>(8,531,487)</b>	<b>(9,735,437)</b>	-	-

31/12/2020

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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												
Loans and advances provided to customers rated at amortized value												
<b>Total</b>												
Resources attracted												
Liabilities to banks and other financial												
-Loans			488,070	536,207	614,756	1,281,207	1,102,826	682,868	8,607,696	14,490,217		
<b>Total</b>	-	-	<b>488,070</b>	<b>536,207</b>	<b>614,756</b>	<b>1,281,207</b>	<b>1,102,826</b>	<b>682,868</b>	<b>8,607,696</b>	<b>14,490,217</b>	-	-
<b>Net position</b>	-	-	<b>(488,070)</b>	<b>(536,207)</b>	<b>(614,756)</b>	<b>(1,281,207)</b>	<b>(1,102,826)</b>	<b>(682,868)</b>	<b>(8,607,696)</b>	<b>(14,490,217)</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: 30/06/2021		Interest rates of accounting period: 31/12/2020	
	AMD	Foreign currency	AMD	Foreign currency
<b>Assets</b>				
Balance at CBA				
Receivables to banks and other financial institutions, including:				
- Interbank Loans	836.00%	134.00%	639.00%	123.00%
- Interbank REPO	11.00%	176.00%		176.00%
Loans and advances provided to customers rated at amortized value	806.00%		597.00%	
Financial instruments at fair value through profit or loss	1299.00%	846.56%	1389.00%	842.00%
<b>Liabilities</b>				
Liabilities to banks and other financial	797.00%	900.00%	819.00%	695.00%
Liabilities to Customers	775.00%	420.00%	706.00%	434.00%
	502.00%	387.00%	556.00%	356.00%

### 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 4th quarter of 2020, instant liquidity, up to 90 days accumulative and genera 2021

30/06/2021

Item	Non-performing		Repayment date		up to 3 months	the previous financial months	6-12 months	1-5 years	more than 5 years	Termless	Total
	Term	Overdue	On-demand	up to 3 months							
Cash and cash equivalents	-	-	51,534,110	78	-	-	-	-	-	-	<b>51,534,188</b>
Standardized precious metal bullions and coins	-	-	443	-	-	-	-	-	-	-	<b>443</b>
Receivables to banks and other financial institutions	-	-	-	6,238,894	604,728	1,052,218	1,090,718	3,508	374,745	-	<b>8,564,511</b>
Reverse Repurchase Agreements	-	-	-	7,513,609	-	-	-	-	-	-	<b>7,513,609</b>
Financial assets at fair value recalculated through profit/loss	-	-	-	-	1,751	-	-	-	-	-	<b>1,761</b>
Other financial assets calculated at amortized value	-	-	-	-	-	13,316	687,045	-	110,292	-	<b>810,653</b>
Loans and advances provided to customers rated at amortized value	1,799,416	248,667	-	23,907,375	17,471,980	22,217,118	85,294,314	48,851,602	-	-	<b>189,790,472</b>
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	-	-	-	948,800	1,850,940	112,896	-	<b>2,912,636</b>
Securities pledged under repurchase agreements	-	-	-	37,385,880	-	-	-	-	-	-	<b>37,385,880</b>
Other receivables	17	-	-	58,533	-	30,015	445	5,205	-	-	<b>94,216</b>
<b>Total</b>	<b>1,799,433</b>	<b>248,667</b>	<b>51,534,553</b>	<b>75,106,120</b>	<b>18,076,708</b>	<b>23,312,667</b>	<b>88,021,322</b>	<b>50,821,547</b>	<b>487,841</b>	-	<b>309,406,658</b>
including:											
I group foreign currency	776,873	25,911	29,958,739	13,946,518	4,221,715	6,227,860	36,751,895	18,489,338	82,245	-	<b>112,481,094</b>
II group foreign currency	-	-	1,328,871	64,551	-	1,666	8,739	-	-	-	<b>1,407,354</b>
including:											
By floating interest rate	-	-	-	-	-	-	-	-	-	-	-
By fixed interest rate	1,659,519	203,455	169,936	74,190,249	17,458,854	22,022,145	86,132,204	50,816,079	-	-	<b>252,662,441</b>
Non-interest	139,914	45,212	51,364,617	915,871	617,854	1,290,522	1,889,118	5,468	487,641	-	<b>56,706,217</b>
<b>On maturity of liabilities repayment</b>											
Liabilities to banks and other financial institutions	-	-	2,141,080	5,398,167	7,968,411	9,166,138	12,177,883	8,086,651	-	-	<b>44,938,328</b>
Loans and deposits from international financial institutions	-	-	-	2,550,245	4,413,830	6,422,314	49,572,411	-	-	-	<b>62,966,800</b>
Loans from the RA Government and CBA	-	-	49,819	708,768	728,384	938,422	9,920,111	1,232,395	-	-	<b>19,577,899</b>
Repurchase Agreements	-	-	-	37,059,411	-	-	-	-	-	-	<b>37,059,411</b>
Liabilities to customers	-	-	45,349,099	17,993,023	11,271,185	20,118,091	15,151,150	722,973	-	-	<b>110,605,621</b>
Subordinate borrowings	-	-	-	5,136	-	-	5,136	1,239,778	-	-	<b>1,244,914</b>
Securities issued by the Bank	-	-	-	109,489	-	-	3,528,465	2,591,789	-	-	<b>6,229,743</b>
Lease liabilities	-	-	-	617,718	6,542	95,940	781,650	216,020	-	-	<b>1,717,870</b>
Liabilities on current taxes	-	-	-	76,683	-	-	452,692	-	-	-	<b>529,375</b>
Amounts payable	-	-	595,004	222,304	48,295	-	-	-	-	-	<b>865,603</b>
Other liabilities	-	-	1,036,152	194,666	7,112	-	-	-	-	-	<b>1,243,800</b>
Off-balance sheet contingent liabilities	-	-	-	1,096,620	3,146,595	4,122,848	3,877,071	1,778,055	-	-	<b>14,021,198</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>49,173,154</b>	<b>66,027,230</b>	<b>27,588,912</b>	<b>44,862,020</b>	<b>94,072,065</b>	<b>13,275,872</b>	<b>-</b>	<b>-</b>	<b>294,987,253</b>
including:											
I group foreign currency	-	-	13,056,658	10,708,543	10,802,202	25,115,443	50,510,340	1,832,668	-	-	<b>112,025,854</b>
II group foreign currency	-	-	551,359	606,580	353,414	269,189	103,240	-	-	-	<b>1,883,782</b>
including:											
Major Liabilities	-	-	-	37,778,587	2,156,770	2,319,024	21,619,085	3,402,196	-	-	<b>67,275,662</b>
By floating interest rate	-	-	-	15,836,360	7,542,732	1,934,113	-	-	-	-	<b>25,313,205</b>
By fixed interest rate	-	-	-	16,378,873	4,586,332	4,114,367	939,902	13,275,070	-	-	<b>29,472,872</b>
Non-interest	-	-	32,942,81	4,327,545	12,236,32	1,774,290	81,163	165	0	-	<b>40,201,078</b>
<b>Net liquidity gap</b>	<b>1,799,433</b>	<b>248,667</b>	<b>2,361,399</b>	<b>9,079,890</b>	<b>(9,510,204)</b>	<b>(21,839,353)</b>	<b>(6,050,743)</b>	<b>37,545,675</b>	<b>487,841</b>	<b>-</b>	<b>14,421,405</b>
including:											
I group foreign currency	776,873	25,911	16,902,081	3,237,876	(6,590,497)	(10,887,693)	(13,765,445)	16,666,870	82,245	-	<b>455,240</b>
II group foreign currency	-	-	777,512	(642,029)	(361,748)	(96,501)	(94,501)	-	-	-	<b>(476,498)</b>
Floating interest rate	-	-	-	(16,836,360)	(7,542,732)	(1,634,113)	-	-	-	-	<b>(25,313,205)</b>
Fixed interest rate	1,659,519	203,455	(16,208,937)	26,326,924	(1,361,684)	(19,121,472)	(7,858,686)	37,540,372	-	-	<b>29,179,468</b>
<b>Accumulative liquidity gap</b>	<b>1,799,433</b>	<b>2,048,100</b>	<b>4,408,499</b>	<b>13,488,389</b>	<b>3,978,185</b>	<b>(17,681,168)</b>	<b>(29,811,911)</b>	<b>13,933,784</b>	<b>14,421,405</b>	<b>-</b>	<b>31/12/2020</b>

Item	Non-performing		Repayment date in		up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Termless	Total
	Term	Overdue	On-demand	up to 3 months							
Cash and cash equivalents	-	-	41,190,390	1,382,367	-	-	-	-	-	-	<b>42,572,757</b>
Standardized precious metal bullions and coins	-	-	443	-	-	-	-	-	-	-	<b>443</b>
Receivables to banks and other financial institutions	-	-	72,614	10,582,438	588,944	1,119,433	9,170	4,976	1,379,178	-	<b>13,755,753</b>
Reverse Repurchase Agreements	-	-	-	10,175,900	-	-	-	-	-	-	<b>10,175,900</b>
Financial assets at fair value recalculated through profit/loss	-	-	-	16,538	-	-	-	-	-	-	<b>16,538</b>
Other financial assets calculated at amortized value	-	-	-	515,568	-	-	-	-	-	-	<b>515,568</b>
Loans and advances provided to customers rated at amortized value	2,519,990	320,370	-	20,536,359	14,774,985	23,614,577	89,993,420	41,577,514	-	-	<b>193,337,215</b>
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	110,255	544,636	-	581,142	2,968,901	111,921	-	<b>4,316,855</b>
Securities pledged under repurchase agreements	-	-	-	39,384,619	-	-	-	-	-	-	<b>39,384,619</b>
Other receivables	1,172	-	-	119,245	-	-	-	-	-	-	<b>120,417</b>
<b>Total</b>	<b>2,521,162</b>	<b>320,370</b>	<b>41,263,447</b>	<b>82,822,989</b>	<b>15,907,565</b>	<b>24,734,016</b>	<b>90,583,732</b>	<b>44,551,391</b>	<b>1,491,099</b>	<b>-</b>	<b>304,195,765</b>
including:											
I group foreign currency	1,048,234	28,596	23,276,912	13,611,254	4,381,777	10,226,847	39,531,352	17,716,225	137,542	-	<b>109,958,739</b>
II group foreign currency	-	-	1,208,602	101,675	3,049	6,209	26,578	-	-	-	<b>1,346,113</b>
including:											
By floating interest rate	-	-	-	-	-	-	-	-	-	-	-
By fixed interest rate	2,303,697	272,475	388,660	41,728,035	15,907,565	24,734,010	90,583,732	44,777,841	-	-	<b>220,706,015</b>
Non-interest	217,465	47,895	40,874,344	40,858,948	-	-	-	-	1,491,099	-	<b>83,489,751</b>
<b>On maturity of liabilities repayment</b>											
Liabilities to banks and other financial institutions	-	-	1,581,768	7,263,140	6,561,220	8,222,005	12,038,917	7,327,441	-	-	<b>42,994,491</b>
Loans and deposits from international financial institutions	-	-	-	6,431,485	2,923,460	7,032,349	46,167,077	-	-	-	<b>62,554,371</b>
Loans from the RA Government and CBA	-	-	65,289	193,159	510,825	1,343,520	7,504,698	534,234	-	-	<b>10,151,725</b>
REPD agreement	-	-	-	38,125,044	-	-	-	-	-	-	<b>38,125,044</b>
Liabilities to customers	-	-	46,486,928	14,740,208	12,223,668	23,725,147	14,598,029	721,432	-	-	<b>112,495,412</b>
Subordinate borrowings	-	-	-	4,433	-	-	4,433	1,306,635	-	-	<b>1,311,068</b>
Liabilities on current taxes	-	-	-	790,950	-	-	-	-	-	-	<b>790,950</b>
Securities issued by the Bank	-	-	-	101,191	-	-	6,084,542	-	-	-	<b>6,185,733</b>
Lease liabilities	-	-	-	110,841	-	390,363	1,034,535	138,352	-	-	<b>1,674,091</b>
Financial liabilities at fair value recalculated through profit/loss	-	-	-	11,549	-	-	-	-	-	-	<b>11,549</b>
Amounts payable	-	-	221,572	279,021	-	-	-	-	-	-	<b>500,593</b>
Other liabilities	-	-	785,588	1,074,914	361	15,834	74	-	-	-	<b>1,876,771</b>
Off-balance sheet contingent liabilities	-	-	-	1,639,704	3,457,940	2,568,581	3,487,713	17,049	-	-	<b>11,170,987</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>49,141,145</b>	<b>70,765,639</b>	<b>25,677,474</b>	<b>43,297,779</b>	<b>90,915,585</b>	<b>10,845,143</b>	<b>-</b>	<b>-</b>	<b>289,842,785</b>
I group foreign currency	-	-	10,956,130	15,489,973	9,097,390	18,805,130	51,902,162	1,934,267	-	-	<b>108,185,052</b>
II group foreign currency	-	-	676,608	621,641	295,567	409,906	89,868	-	-	-	<b>2,093,590</b>
including:											
Major Liabilities	-	-	-	38,278,187	1,067,319	2,896,273	22,429,805	1,772,119	-	-	<b>66,443,703</b>
By floating interest rate	-	-	-	280,371	989,178	2,780,402	17,568,949	-	-	-	<b>21,618,900</b>
By fixed interest rate	-	-	-	14,959,739	64,685,949	19,265,750	37,789,540	63,185,284	9,105,468	-	<b>208,992,146</b>
Non-interest	-	-	35,073,416	3,802,145	3,024,543	5,165,864	10,462,543	1,671,540	-	-	<b>59,200,056</b>
<b>Net liquidity gap</b>	<b>2,521,162</b>	<b>320,370</b>	<b>(7,877,698)</b>	<b>12,857,350</b>	<b>(9,769,099)</b>	<b>(18,563,789)</b>	<b>(331,853)</b>	<b>34,586,248</b>	<b>1,491,099</b>	<b>-</b>	<b>14,352,980</b>
including:											
I group foreign currency	1,048,234	28,596	12,320,782	(1,878,719)	(4,715,613)	(8,578,263)	(12,370,810)	15,781,958	137,542		

### 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:

	31 March 2021	
	30.06.2020	31.12.2020
Chartered capital	26,107,555	25,955,663
Emission income/loss	289,718	180,180
Reserves:	6,613,738	6,171,784
Main reserve	3,481,000	3,275,000
Revaluation reserve	3,132,738	2,896,784
Undistributed profit/loss	10,085,661	9,197,719
<b>Total capital</b>	<b>43,096,672</b>	<b>41,505,346</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>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	
			Involved in calculation standards					
<b>2020</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	31,321,393	6,264,279	37,585,672	233,879,724	3,791,710	14.16	12	
February	31,588,434	6,317,687	37,906,121	229,506,140	4,006,775	14.42	12	
March	32,382,296	6,325,083	38,707,379	235,813,689	4,241,738	14.27	12	
April	33,001,732	6,483,617	39,485,349	234,587,896	4,268,010	14.62	12	
May	34,141,025	6,858,335	40,999,360	237,690,754	4,618,789	14.85	12	
June	34,557,742	6,727,414	41,285,156	239,876,328	4,689,338	14.80	12	
July	34,671,390	6,643,706	41,315,096	244,796,158	5,243,522	14.32	12	
August	34,930,419	6,615,519	41,545,938	249,658,663	5,533,107	14.05	12	
September	35,387,537	6,600,630	41,988,167	253,112,782	5,616,387	14.00	12	
October	35,507,277	6,222,183	41,729,460	259,527,031	5,829,976	13.54	12	
November	35,578,530	5,768,407	41,346,937	255,030,103	5,764,471	13.64	12	
December	36,191,459	4,997,271	41,188,730	250,164,157	5,481,659	13.92	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

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As of 30/06/2021				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	97,882,883	469,102		-
10%	7,287,289			728,729
20%	829,710			165,942
30%	114,321			34,296
35%	4,947,990			1,731,797
50%	960,019	2,970		481,495
75%	29,618,674	256,524		22,406,399
100%	119,456,565	3,860,722		123,317,287
110%	371,668	46,117		459,564
150%	63,118,692	3,390,700		99,764,088
200%	1,849,226			3,698,452
<b>Total</b>	<b>326,437,037</b>	<b>8,026,135</b>	<b>-</b>	<b>252,788,047</b>

As of 31/12/2020				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	94,723,420	246,076		-
10%	6,894,736			689,474
20%	734,324			146,865
30%	116,079			34,824
35%	4,804,667			1,681,633
50%	3,789,191	75,193		1,932,192
75%	30,556,668	322,856		23,159,643
100%	120,846,877	3,646,940	118,060	124,611,877
110%	288,190	40,292		361,330
150%	56,577,247	5,014,905		92,388,228
200%	2,101,085			4,202,170
<b>Total</b>	<b>321,432,484</b>	<b>9,346,262</b>	<b>118,060</b>	<b>249,208,236</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 30.06.21 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 30.06.21 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 30.06.21, the Bank has no pledged assets.

## Note 38. "Accepted Pledge"

As of 30.06.2021, 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	30/06/2021		31/12/2020	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	80,516,333	333,251,277	77,029,276	307,563,238
Car	2,265,349	7,311,680	2,230,587	7,271,960
Equipment	2,236,113	12,801,260	1,964,838	10,341,180
Ready made products	6,797,844	13,438,800	8,248,250	13,929,000
Guarantee	63,390,402	351,916,196	66,354,388	334,037,344
Monetary funds	1,821,037	5,807,815	1,964,820	5,828,662
Gold items	16,979,528	20,554,421	14,974,520	18,032,966
Governmental securities	9,736	23,000	9,949	23,000
Other securities	146,571	637,736	244,143	667,645
Other pledge	12,692,818	26,163,589	12,303,862	26,993,020
No collateral available	15,986,201		11,390,075	
<b>Total</b>	<b>202,841,932</b>	<b>771,905,774</b>	<b>196,714,708</b>	<b>724,688,015</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