

**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 4<sup>th</sup> QUARTER OF 2018  
“ARMECONOMBANK” OJSC 23/1 AMIRYAN STR., YEREVAN**

## **Note1. “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 26 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**

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

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 31.12.2018, the Chartered capital amounts to AMD 22,266,343. It includes 1,852,533 common shares each with AMD 10,400 and 200,000 preferred shares with AMD 15,000 nominal value per share.

### **Main Participants**

Sukiasyan Saribek Albert	24.51%
Sukiasyan Khachatur Albert	20.84%
Sukiasyan Eduard Albert	14.61%
Sukiasyan Robert Albert	13.75%

### **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. 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 on the last working day of each month in the amounts defined by the Bank's Management.

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 direct 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.

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 and 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, or cancelled or expires.

8.1 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**

To insure the continuity of its performance the Bank may lease lands, buildings and areas, other property plant and equipment and may make capital investments in them. The accounting on leases is carried in accordance to RA legislation.

Leases of assets, under which the risk and rewards of ownership are retained with the lessor are classified as operating leases. Rentals under operating leases are recognized as expense in the statement on financial results on a straight-line basis over the lease term and are included in operating expenses.

The spending on rented land, building, spaces, and other fixed assets, which raise the value of rented fixed asset, are viewed as capital expenses and are recognized as asset. The given expenses are depreciated by straight line method during residual period of usable service.

From 01.01.2019, IFRS 16 will enter into force, which represents a comprehensive model defining leasing arrangements and accounting approaches designed for lessees and lessors.

After coming into force, the IFRS 16 will replace the acting guideline on leasing including IAS 17 Leases and related interpretations.

IFRS 16 Leases and service rendering contracts are differentiated depending on whether the specified asset is controlled by the customer. The distinction between operational leases (off-balance sheet) and financial leases (balance) are eliminated for lessees, and it is replaced by such a model, where the right-of-use asset and the appropriate liability shall be recognized by the lessees for all leases, except short-time leases and leases of low-value assets.

The right-of-use asset is initially measured at prime cost less accumulated depreciation and impairment losses, which shall be adjusted for any revaluation of lease liabilities

The lease liability is initially measured at the present value of the lease fees outstanding on that date. Accordingly, the lease liability is adjusted based on interest and lease payments, as well as the impact of lease changes. Furthermore, there will be an impact on the classification of cash flows as well, since pursuant to IAS 17 standard operational lease payments are presented as operational cash flows, whereas according to IFRS 16 model lease payments will be allocated to the principal and interest bearing units, which will be presented respectively as financing and operating cash flows.

#### **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 decided by the Bank based on the criteria set by IFRS. Namely, the amortization term of internally generated computer software, taking 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 depreciation 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, a period of 10 years will be set. 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 depreciation 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,	8	12.5
Other computer equipment (printers, scanners, copying devices), POS terminals, modems,	3	33.3
Network devices	5	20
Fixed assets and intangible assets costing up to AMD 50.000	Up to the end of the given year	

The depreciation of fixed assets which are 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 per separate currencies via report received through program. The revealed errors are corrected during that day. While drafting the balance sheet, the settlement accounts among the Head Office and its branches are brought to zero. The settlement accounts between the Bank’s Head Office and its branches are closed weekly.

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

Ordinary shares are included in equity (general) capital. Dividends on ordinary shares are recognized in equity capital in the period in which they are declared. Dividends for current year, which are declared after the balance sheet date, are disclosed in the subsequent events note. Basic earnings per share should be calculated by dividing the net profit for the period attributable to the shareholders by the weighted average number of ordinary shares outstanding during the period.

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

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

### **Attracted Funds**

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

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

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

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

### **Consolidated Financial Statements**

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

### **Segment Statements**

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

### **Issued Corporate Bonds**

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

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and reimbursed 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  
31 December 2018  
ARMECONOMBANK OJSC 23/1 Amiryan 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	Currencies and their equivalents	13	38,187,014	35,824,831
1.2	Standard bank precious metal bullions and coins		116,058	18,356
1.3	Due from banks and other financial institutions	14	13,936,353	13,036,368
1.4	Reverse repurchase agreement	14.1	3,882,703	4,296,862
1.5	Financial assets rated at actual value through profit or loss	15	18,870	
1.6	Loans and advances provided to customers at amortized value	16	133,439,957	104,216,558
1.7	Financial assets at fair value rated through other comprehensive financial results	17	2,298,018	2,036,091
1.7.1	Securities pledged under repurchase agreement	17.1	17,454,208	19,619,097
1.8	Other financial assets at amortized value	18		49,618
1.8	Investments in the chartered capital of supervised entities	19		
1.9	Non-current assets held for sale		802,163	75,000
1.10	Fixed assets	20	10,330,854	9,304,697
1.10.1	Intangible assets	20	506,593	321,118
1.12	Other assets	21	1,325,537	2,004,203
	<b>Total assets</b>		<b>222,298,328</b>	<b>190,802,799</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	34,085,791	14,822,737
2.2	Loans and deposits received from the international financial institutions	22.1	24,059,690	20,296,754
2.3	Loans received from the CBA and from the RA government	22.2	6,030,003	4,411,627
2.4	Repurchase agreement	22.3	20,519,048	20,511,989
2.5	Liabilities to Customers	23	95,854,082	91,703,898
2.6	Subordinate borrowing	23.1	3,382,149	6,409,601
2.7	Liabilities on current taxes		273,836	373,239
2.8	Securities issued by the Bank	24	2,060,960	1,068,764
2.9	Financial liabilities at fair value through profit or loss	25	1,402	7,706
2.10	Amounts payable	26	280,380	155,684
2.11	Deferred tax liabilities	11	925,401	1,096,006
2.12	Reserves	30	61,891	
2.13	Other liabilities	27	1,226,268	916,186
	<b>Total liabilities</b>		<b>188,760,901</b>	<b>161,774,191</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	22,266,343	13,708,745
3.2	Emission income			33,438
3.3	Reserves			
3.3.1	Main reserve		3,000,000	6,000,000
3.3.2	Revaluation reserve		4,602,026	4,689,054
3.4	Undistributed profit(loss)		3,669,058	4,597,371
	<b>Total capital</b>		<b>33,537,427</b>	<b>29,028,608</b>
	<b>Total liabilities and capital</b>		<b>222,298,328</b>	<b>190,802,799</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 January 2019

Interim Report  
On Financial Results  
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ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period	Accounting period	Comparable current interim period of the previous financial year	Previous period
Interest and similar income	3	4,376,339	16,612,937	3,896,392	14,121,977
Interest and similar expenses	3	(2,339,766)	(8,922,280)	(1,866,447)	(7,141,799)
<b>Net interest and similar income</b>		<b>2,036,574</b>	<b>7,690,658</b>	<b>2,029,944</b>	<b>6,980,178</b>
Income as commissions and other fees	4	959,237	3,177,838	676,743	2,041,823
Expenses as commissions and other fees	4	(133,007)	(489,913)	(288,237)	(601,361)
<b>Net commission and other fees</b>		<b>826,229</b>	<b>2,687,924</b>	<b>388,507</b>	<b>1,440,462</b>
Dividend income		-	1,329	-	1,172
Net commercial income	5	343,044	1,768,492	512,038	1,366,596
Other operational income	6	48,419	240,262	91,622	440,061
<b>Operational income</b>		<b>3,254,266</b>	<b>12,388,665</b>	<b>3,022,111</b>	<b>10,228,469</b>
Net allocations to possible asset loss provisions	7	(207,782)	(473,077)	156,991	(155,679)
Total administrative expenses	8	(1,948,781)	(6,961,748)	(1,750,557)	(5,887,469)
Other operational income	9	(584,058)	(2,357,943)	(534,229)	(2,149,665)
<b>Operational profit</b>		<b>513,645</b>	<b>2,595,897</b>	<b>894,316</b>	<b>2,035,656</b>
<b>Profit/loss before taxation</b>		<b>513,645</b>	<b>2,595,897</b>	<b>894,316</b>	<b>2,035,656</b>
Profit tax expenses(compensation)	11	(101,127)	(564,331)	(324,435)	(485,259)
<b>Profit for period</b>		<b>412,518</b>	<b>2,031,566</b>	<b>569,881</b>	<b>1,550,397</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date:14 January 2019

Interim Report  
 On Other Comprehensive Financial Results  
 43465  
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Current interim period	Accounting period	Comparable current interim period of the previous financial year	Previous period
<b>Other comprehensive financial results</b>					
Revaluation of financial assets at fair value rated through other comprehensive financial results		(19,742)	(265,058)	171,114	348,509
Devaluation of financial assets at fair value rated through other comprehensive financial results		8,811	18,811		
Profit from revaluation of non- current assets		19,432	4,283		
Profit tax on other comprehensive income		<b>3,948</b>	<b>53,012</b>	<b>(34,223)</b>	<b>(69,209)</b>
Other comprehensive financial result after taxation		12,449	(188,953)	136,891	279,300
<b>Comprehensive financial result</b>		<b>424,967</b>	<b>1,842,613</b>	<b>706,772</b>	<b>1,829,697</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 January 2019

Interim Report  
On Equity Changes  
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ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thous. AMD

Equity elements	Chartered capital		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
<b>Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)</b>									
<b>Balance as of the beginning of the financial year as of 01 January 2017 (audited)</b>	4,631,333	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
<b>Recalculated balance</b>	4,631,333	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
<b>Comprehensive Income</b>		-	-	-	279,300		1,550,397	1,829,697	1,829,697
<b>Dividends</b>		-	-	-	-	-	(370,507)	(370,507)	(370,507)
<b>Internal movements including:</b>	9,077,412	-	(9,077,412)	-	-	(106,660)	106,660	-	-
Cover of emission damage	9,077,412	-	(9,077,412)	-	-	-	-	-	-
<b>Balance as of the end of the interim accounting period 31/12/2017 (audited)</b>	13,708,745	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608	29,028,608
<b>Interim period of the current year (ascending from the beginning of the year) (II table)</b>									
<b>Balance as of the beginning of the financial year as of 01 January 2018 (audited)</b>	13,708,745	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608	29,028,608
Reserves amount arising from changes in IFRS	-	-	-	-	208,675	-	(32,150)	176,525	176,525
Recalculated balance	13,708,745	13,708,745	33,438	6,000,000	1,739,952	3,157,777	4,565,221	29,205,133	29,205,133
<b>Transactions with shareholders (owners) regarding to shares,</b>	3,000,000	3,000,000	-	-	-	-	-	3,000,000	3,000,000
Investments in chartered capital and other increase of chartered capital	3,000,000	3,000,000	-	-	-	-	-	3,000,000	3,000,000
<b>Comprehensive Income</b>		-	-	-	(193,235)	4,281	2,031,566	1,842,612	1,842,612
<b>Dividends</b>		-	-	-	-	-	(510,318)	(510,318)	(510,318)
<b>Internal movements including:</b>	5,557,598	5,557,598	(33,438)	(3,000,000)	-	(106,749)	(2,417,411)	-	-
Decrease of value from revaluation of fixed assets and intangible assets		-	-	-	-	(106,749)	106,749	-	-
Internal Movements of Other Equity Elements	5,557,598	5,557,598	(33,438)	(3,000,000)	-	-	(2,524,160)	-	-
<b>Balance as of the end of the interim accounting period (unaudited) 31.12.2018</b>	22,266,343	22,266,343	-	3,000,000	1,546,717	3,055,309	3,669,058	33,537,427	33,537,427

Chairman of the Executive Board(CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 14 January 2019

Interim Report  
On the Cash Flows  
43465  
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (audited)
<b>1. Cash flows from operations</b>			
<i>Net cash flows from operations before changes in operational assets or liabilities</i>		<b>4,438,506</b>	<b>3,253,819</b>
Interest received		16,201,228	13,529,470
Interest paid		(7,998,927)	(6,605,182)
Fees earned		3,645,243	2,542,689
Fees paid		(568,414)	(531,442)
Gain/ loss from financial assets held for commercial purposes		107,671	(29,728)
Gain/ loss from foreign exchange		889,684	769,643
Recovery of previously written-off assets		261,344	597,495
Paid salaries and similar payments		(3,992,515)	(3,772,596)
Other income received from operations and other expenses paid		(4,106,809)	(3,246,530)
<b>Cash flows from changes in operational assets or liabilities</b>			
<b>Decrease/( increase) in operational assets</b>		<b>(30,329,025)</b>	<b>(38,773,148)</b>
Due from financial institutions		(3,585,963)	(4,259,087)
Loans and advances to customers at amortized value		(31,228,125)	(29,830,756)
Securities at fair value available for sale recalculated through profit/loss		3,328,668	(4,637,734)
Other operational assets		1,156,394	(45,571)
<b>Increase/ decrease in operational assets</b>		<b>14,625,810</b>	<b>31,487,400</b>
Liabilities to financial institutions		3,564,242	10,217,379
Liabilities to customers		10,940,609	21,181,775
Decrease in other operational liabilities		120,959	88,246
<b>Net cash flows from operations before profit tax</b>		<b>(11,264,709)</b>	<b>(4,031,929)</b>
Paid profit tax		(769,434)	(123,986)
<b>Net cash flows from operations</b>		<b>(12,034,143)</b>	<b>(4,155,915)</b>
<b>2. Cash flows from investments increase(decrease)</b>			
Decrease(increase)of other financial assets at amortized value		48,074	
Capital investments in fixed assets and intangible assets		(741,764)	(533,378)
Acquisition of fixed assets and intangible assets		(1,585,320)	(1,128,425)
Disposal of fixed assets and intangible assets		358,473	81,359
<b>Net cash flows from investments</b>		<b>(1,920,537)</b>	<b>(1,580,444)</b>
<b>3. Cash flows from financial operations</b>			
Dividends paid		(379,732)	(354,828)
Borrowings received from the Central Bank Of Armenia		1,630,261	1,412,163
Increase ( decrease) of borrowings from banks		9,021,304	(2,154,139)
Increase (decrease) of other borrowings		2,292,859	8,944,646
Increase (decrease) of securities issued by the Bank		966,219	1,066,350
Shareholders' investments in chartered capital		3,000,000	
<b>Net cash flows from financial operations</b>		<b>16,530,911</b>	<b>8,914,192</b>
Impact of foreign exchange on cash and equivalents		(206,653)	587,169
<b>Net increase (decrease) of cash and equivalents thereof</b>		<b>2,576,231</b>	<b>3,177,833</b>
Cash and equivalents thereof as of the beginning of the period	13 2	<b>35,824,831</b>	<b>32,059,829</b>
Cash and equivalents thereof as of the end of the period	13 2	<b>38,194,409</b>	<b>35,824,831</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

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



Thous. AMD

Interest and similar income	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	102,766	428,121	100,667	346,915
Interest income from loans and advances to customers	3,711,122	13,698,755	3,154,768	11,317,743
Interest income from debt securities	481,428	2,149,337	562,418	2,118,183
Interest income from REPO agreements	75,224	311,902	74,672	307,528
Other interest income	5,799	24,822	3,867	31,608
<b>Total</b>	<b>4,376,339</b>	<b>16,612,937</b>	<b>3,896,392</b>	<b>14,121,977</b>
<b>Interest and Similar Expenses</b>				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	1,017,860	3,417,640	539,685	2,259,449
Interest expenses on terms deposits and current accounts of customers	939,310	3,859,254	866,454	3,252,389
Interest expenses under REPO agreements	261,073	982,989	246,408	853,694
Interest expenses on subordinate borrowings	91,024	547,408	196,623	734,976
Interest expenses against the interest securities issued by the Bank.	28,819	92,503	15,962	15,962
Other interest income	1,679	22,486	1,315	25,329
<b>Total</b>	<b>2,339,765</b>	<b>8,922,280</b>	<b>1,866,447</b>	<b>7,141,799</b>
<b>Net interest and similar income</b>	<b>2,036,574</b>	<b>7,690,657</b>	<b>2,029,945</b>	<b>6,980,178</b>

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



Thous. AMD

Commission and Other Fee Income	01/10/2018-31/12/2018	01/01/2018-31/12/2018	01/10/2017-31/12/2017	01/01/2017-31/12/2017
Cashier's operations	137,716	265,206	61,031	178,594
Settlement services	426,583	1,426,613	358,079	1,208,080
Guarantees, warranties, letters of credit operations, trust management operations	15,319	109,869	39,595	98,957
Foreign currency and security operations	124	888	566	3,318
Payment card servicing	40,810	124,741	37,397	114,799
Loan operations	-	-	-	-
Other commission fees	338,685	1,250,521	180,075	438,075
<b>Total</b>	<b>959,237</b>	<b>3,177,838</b>	<b>676,743</b>	<b>2,041,823</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	954	4,076	1,040	1,726
Expenses on payment card operations	56,947	190,098	47,998	157,504
Guarantees, warranties, letters of credit operations, trust management operations	4,322	65,009	30,981	69,833
Foreign currency and security operations	19,081	49,874	17,872	40,451
Other commission fees*	51,703	180,856	190,346	331,847
<b>Total</b>	<b>133,007</b>	<b>489,913</b>	<b>288,237</b>	<b>601,361</b>
<b>Net commission and other fees received</b>	<b>826,230</b>	<b>2,687,925</b>	<b>388,506</b>	<b>1,440,462</b>

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

Thous. AMD

Financial assets rated at fair value through profit or loss	01/10/2018-31/12/2018	01/01/2018-31/12/2018	01/10/2017-31/12/2017	01/01/2017-31/12/2017
<b>Financial assets rated at fair value through profit or loss</b>				
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including	49,571	153,965	24,644	38,321
Shares			-	
Debt Securities			-	
Derivatives	49,571	153,965	24,644	38,321
Net income from changes in real value of financial assets rated at fair value through profit or loss	51,523	15,825	(159,495)	(269,982)
<b>Total</b>	<b>101,094</b>	<b>169,790</b>	<b>(134,851)</b>	<b>(231,661)</b>
<b>Investments at fair value rated through other comprehensive financial assets</b>				
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results	32,659	822,562	223,094	533,283
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	32,659	822,562		
Debt securities	-		223,094	533,283
Derivatives	-		-	
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results	(3,284)	(81,208)		
<b>Total</b>	<b>29,375</b>	<b>741,354</b>	<b>223,094</b>	<b>533,283</b>
<b>Foreign currency operations</b>				
Net income from foreign currency sale/purchase	267,422	889,683	245,519	769,641
Net income from the revaluation of foreign currency	(64,802)	(38,616)	167,582	277,621
Net income from the sale/purchase of precious standardized bullions and coins	1,342	13,570	10,003	10,965
Net income from the revaluation of precious standardized bullions and coins	8,613	(7,289)	691	6,747
<b>Total</b>	<b>212,575</b>	<b>857,348</b>	<b>423,795</b>	<b>1,064,974</b>
<b>Net income from commercial operations</b>	<b>343,044</b>	<b>1,768,492</b>	<b>512,038</b>	<b>1,366,596</b>

## Note 6 : "Other Operatioanl Income"



Thous. AMD

Other operational expenses	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
Income from penalties and fines	47,784	193,009	69,886	365,300
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	(19,519)	(19,421)	(3,677)	(17,969)
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income *	20,154	66,674	25,413	92,730
<b>Total</b>	<b>48,419</b>	<b>240,262</b>	<b>91,622</b>	<b>440,061</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

	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
<b>Due from banks (Note14)</b>				
Initial balance	3,850	-	-	
IFRS 9 influence on reserves		7,479		
Net deductions to reserve	3,879	250		
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	7,729	7,729	-	-
<b>Due from financial institutions(Note 14)</b>				
Initial balance	8,062			
IFRS 9 influence on reserves		1,046		
Net deductions to reserve	3,969	10,985		
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	12,031	12,031	-	-
<b>From loans and advances to customers (Note 16)</b>				
Initial balance	1,656,648	1,605,120	1,622,392	1,546,483
IFRS 9 influence on reserves		(280,423)		
Net deductions to reserve	127,938	496,640	(161,716)	139,188
Return of amounts previously charged to off balance item	109,722	259,914	203,282	592,207
Usage of reserve	(101,433)	(288,376)	(58,254)	(672,174)
Summary balance	1,792,875	1,792,875	1,605,704	1,605,704

<b>Financial assets rated at fair value through other comprehensive financial assets (Note 17)</b>	<b>01/10/2018-31/12/2018</b>	<b>01/01/2018-31/12/2018</b>	<b>01/10/2017-31/12/2017</b>	<b>01/01/2017-31/12/2017</b>
Intitial balance	181,053	-		4,691
IFRS 9 influence on reserves		208,675		
Net deductions to reserve	46,433	18,811		(4,691)
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	<b>227,486</b>	<b>227,486</b>	-	-
<b>On other assets (Note 21)</b>	<b>01/10/2018-31/12/2018</b>	<b>01/01/2018-31/12/2018</b>	<b>01/10/2017-31/12/2017</b>	<b>01/01/2017-31/12/2017</b>
Intitial balance	13,405	21,558	16,833	376
IFRS 9 influence on reserves				
Net deductions to reserve	(7,939)	(11,089)	4,725	21,182
Return of amounts previously charged to off balance item	6,384	1,419		
Usage of reserve	(632)	(670)		
Summary balance	<b>11,218</b>	<b>11,218</b>	<b>21,558</b>	<b>21,558</b>
<b>Post-balance sheet items containing loan exposures (note 30)</b>	<b>01/10/2018-31/12/2018</b>	<b>01/01/2018-31/12/2018</b>	<b>01/10/2017-31/12/2017</b>	<b>01/01/2017-31/12/2017</b>
Intitial balance	28,389	-		
IFRS 9 influence on reserves		103,411		
Net deductions to reserve	33,502	(42,520)		
Return of amounts previously charged to off balance item	<b>61,891</b>	<b>60,891</b>		
Usage of reserve	<b>207,782</b>	<b>473,077</b>	<b>(156,991)</b>	<b>155,679</b>
Summary balance				

## Note 8 : "Total administrative expenses"

Thous. AMD

"Total administrative expenses"	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
Salary and similar payments	1,144,143	4,085,299	1,148,014	3,787,976
Allocations to social insurance state fund	-	-	-	159
Training and tutorship expenses	37,227	41,586	2,901	8,741
Business trip expenses	15,096	69,146	13,611	77,241
Operational leases expenses	164,552	638,391	156,680	584,034
Insurance costs	34,385	132,896	32,886	112,136
Servicing and maintenance of the Bank's equipment	142,531	529,751	64,381	215,562
Maintenance and safekeeping of Bank buildings	170,348	682,189	139,379	373,958
Audit and consulting services	15,338	45,714	26,114	79,246
Communication and transmission costs	24,007	98,112	22,249	98,972
Transportation costs	38,627	153,881	40,044	134,758
Taxes (except income tax) penalties and other mandatory payments	91,560	283,249	61,314	264,505
Office and organizational expenses	32,897	122,918	24,782	78,476
Other administrative expenses	38,070	78,616	18,202	71,705
<b>Total</b>	<b>1,948,781</b>	<b>6,961,748</b>	<b>1,750,557</b>	<b>5,887,469</b>

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

	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
Average number of Bank employees	808	795	872	937
Monthly average salary falling to a single employee (thousand AMD)	510	414	424	331

## Note 9 : "Other Operational Expenses"

Thous. AMD

Other operational expenses	01/10/2018- 31/12/2018	01/01/2018- 31/12/2018	01/10/2017- 31/12/2017	01/01/2017-31/12/2017
Paid fines and penalties	1,230	1,371	-	439
Payments made for collection	86,250	345,000	86,250	345,000
Advertising and representative expenses	169,966	717,554	144,492	689,670
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	183,517	716,146	168,076	614,535
Losses from depreciation of assets	-	-	-	-
Allocations to the Fund of Recovery of Deposits	44,882	203,872	50,773	172,232
Other expenses	98,213	374,000	84,638	327,789
<b>Total</b>	<b>584,058</b>	<b>2,357,943</b>	<b>534,229</b>	<b>2,149,665</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				
Profit tax expenses	01/10/2018-31/12/2018	01/01/2018-31/12/2018	01/10/2017-31/12/2017	01/01/2017-31/12/2017
Current tax expenses	104,992	689,992	335,800	539,376
Corrections of current taxes for the previous period recognized in the current period	-	(20,410)	-	(55,692)
Deferred tax expenses	(3,865)	(105,251)	(11,365)	1,575
<b>Total</b>	<b>101,127</b>	<b>564,331</b>	<b>324,435</b>	<b>485,259</b>

	01/10/2018-31/12/2018	Efficient rate (%)	01/01/2018-31/12/2018	Efficient rate (%)	01/10/2017-31/12/2017	Efficient rate (%)	01/01/2017-31/12/2017	Efficient rate (%)
<b>Profit before taxation</b>	<b>513,645</b>		<b>2,595,897</b>		<b>894,316</b>		<b>2,034,678.00</b>	
Profit tax with rate	102,729	20	519,179	20	178,863	20	406,936	20
Non-taxable income	(266)	(0)	(3,002,00)	(0)	234,00	0	234,00	0
Non-deductible expenses	(8,459)	(2)	72,368,00	3	182,751,00	20	203,437,00	10
Չվստահատված հարկային վնաս								
Foreign currency negative/positive difference	9,782	2	7,725,00	0	(33,654,00)	(4)	(56,678,00)	(3)
Profit from other revaluations								
Corrections of calculated tax expenses of the previous year	-	-	(20,410)	(1)	-	-	55,692,00	(3)
Other privileges	(2,659)	(1)	(11,529,00)	(0)	(3,759,00)	(0)	(12,978,00)	(1)
<b>Profit tax expenses</b>	<b>101,127</b>	<b>19,69</b>	<b>564,331,40</b>	<b>22</b>	<b>194,418,58</b>	<b>36</b>	<b>738,129,66</b>	<b>24</b>

Calculation of deferred tax on temporary differences

Thous. AMD					
	Balance as of the previous period	Deferred tax adjustment arising from the application of IFRS 9	Recognized by financial results	Recognized by equity	Balance at the accounting period
<b>Deferred tax assets, including:</b>	<b>169,883</b>	<b>41,735</b>	<b>34,862</b>	<b>-</b>	<b>246,480</b>
Fixed assets	4,221		2,130		6,351
Other liabilities	127,121		18,939		146,060
Loans and borrowings to customers	38,541		10,031		48,572
Securities		41,735	3,762		45,497
<b>Deferred tax liabilities, including:</b>	<b>(1,265,889)</b>	<b>(33,676)</b>	<b>70,389</b>	<b>57,295</b>	<b>(1,171,881)</b>
Securities rated at fair value through other comprehensives financial results	(382,820)			53,012	(329,808)
Revaluation of fixed assets	(789,441)		21,374	4,283	(763,784)
Reserve of customer's loans and advances	(13,586)	(56,063)	67,898		(1,751)
Other financial assets rated at amortized value	(194)		194		-
Contingent liabilities	(45,881)	20,682	(5,422)		(30,621)
Claims to banks and other financial institutions	(33,967)	1,705	(13,655)		(45,917)
<b>Net deferred tax asset/liability</b>	<b>(1,096,006)</b>	<b>8,059</b>	<b>105,251</b>	<b>57,295</b>	<b>(925,401)</b>

Note 12 : "Basic profit falling to a single share"

Thous. AMD				
Basic profit falling to a single share	01/10/2018-31/12/2018	01/01/2018-31/12/2018	01/10/2017-31/12/2017	01/01/2017-31/12/2017
Net profit of the accounting period after taxation	412,518	2,031,566	569,881	1,550,397
Dividends on preferential shares calculated for the current accounting period	105,863	232,438		
Net gains(losses) of given period referring to owners of common shares	306,655	1,799,128	569,881	1,550,397
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533	1,852,533	1,852,533
<b>Basic profit falling to a single share</b>	<b>0.17</b>	<b>0.97</b>	<b>0.31</b>	<b>0.84</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	
	31/12/2018	31/12/2017
<b>Cash and cash equivalents</b>		
Cash and cash equivalent payment documents	9,304,956	9,437,455
Correspondent accounts with the CBA*	24,178,654	25,017,857
Deposit accounts with the CBA	2,000,000	
Correspondent accounts with the the resident banks*	35,701	9,633
Correspondent accounts with the the non-resident banks*	2,674,110	1,359,568
Accrued interests	986	318
Reserves/IFRS/	(7,393)	
<b>Cash and balances with the CBA</b>	<b>38,187,014</b>	<b>35,824,831</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	
	31/12/2018	31/12/2017
<b>Current accounts</b>		
With RA banks	1,786,500	1,520,000
Accrued interest		
<b>Total</b>	<b>1,786,500</b>	<b>1,520,000</b>
<b>With RA banks</b>		
Loans and deposits	3,434,625	6,343,868
Other	303,698	255,982
With banks having BBB(Baa3) and higher ratings		
Loans and deposits		
With banks having ratings lower than BBB (Baa3) or no rating at all		
Loans and deposits	1,935,000	
Other	92,870	399,882
Accrued interest	2,185	2,763
<b>Total</b>	<b>5,768,378</b>	<b>7,002,495</b>
Possible loss provision for amounts due from banks (note 7)	(336)	
<b>Net receivables to banks</b>	<b>7,554,542</b>	<b>8,522,495</b>

	31/12/2018	31/12/2017
<b>Loans and deposits with Financial Institutions and other receivables</b>		
<b>With RA Financial Institutions:</b>		
Loans and deposits	5,278,666	3,851,953
Other		124,641
<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	1,098,516	525,273
Accrued interest	16,660	12,006
<b>Total</b>	<b>6,393,842</b>	<b>4,513,873</b>
Possible loss provision for receivables due to Financial Institutions (Note 7)	(12,031)	
<b>Net receivables to Financial Institutions</b>	<b>6,381,811</b>	<b>4,513,873</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>13,936,353</b>	<b>13,036,368</b>

\*\* As of 31.12.2017 and 31.12.2018 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 112.707 (AMD 53.869 thousand on 31.12.2017 and AMD 54.522 thousand on 31.12.2018 ), in Visa International, USD 147.014 (AMD 70.772 thousand on 31.12.17, AMD 77.948 thousand on 31.12.2018) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

payment system.

## Note 14.1 Reverse Repurchase Agreements

	31/12/2018	31/12/2017
Reverse Repurchase Agreements		
Reverse Repurchase Agreements with Financial Institutions	3,882,703	4,296,862
<b>Total</b>	<b>3,882,703</b>	<b>4,296,862</b>

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

	Thous. AMD	
	31/12/2018	31/12/2017
<b>Other financial assets recalculated at fair value through profit/loss</b>		
<b>Derivative Instruments</b>		
Forward		
Swap	18,870	
<b>Total</b>	<b>18,870</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	31/12/2018	31/12/2017
Loans, including:	119,544,611	94,533,272
Mortgage loans	9,135,362	6,436,464
Credit cards	14,809,006	10,514,788
Factoring		
With re-purchase agreements		
Accrued interest on the mentioned items	879,215	773,618
<b>Total loans</b>	<b>135,232,832</b>	<b>105,821,678</b>
Reserve for possible loss of customer loans and advances (note 7)	(1,792,875)	(1,605,120)
<b>Total loans and advances at amortized value</b>	<b>133,439,957</b>	<b>104,216,558</b>

Thous. AMD

Analyses of provided loans and advances per customers	31/12/2018	31/12/2017
<b>State industries</b>	<b>121,744</b>	<b>601,881</b>
<b>Private industries, including:</b>	<b>58,350,541</b>	<b>51,729,392</b>
Major enterprises	29,625,908	25,887,334
Small and medium enterprises	28,724,633	25,842,054
Including business cards	89,972	62,710
<b>Individuals, including:</b>	<b>66,898,016</b>	<b>48,605,916</b>
Consumer loans	40,191,917	29,409,643
Mortgage loans	9,135,362	6,436,464
Credit cards	14,689,881	10,452,078
<b>Private entrepreneurs</b>	<b>8,983,316</b>	<b>4,110,871</b>
<b>Accrued interest</b>	<b>879,215</b>	<b>773,618</b>
<b>Total loans</b>	<b>135,232,832</b>	<b>105,821,678</b>
Reserve for customers' loans and advances calculated at amortized value (note 7)	(1,792,875)	(1,605,120)
<b>Total loans and advances at amortized value</b>	<b>133,439,957</b>	<b>104,216,558</b>

Thous. AMD

Loan liabilities on 20 major borrowers and related parties /without reserve/	31/12/2018	31/12/2017
Customers' loans and advances calculated at amortized value	38,583,933	41,196,154
Balance of off-balance sheet contingent liabilities	13,501,576	17,023,207
<b>Total</b>	<b>52,085,509</b>	<b>58,219,361</b>
Loan investments	135,232,832	105,821,678
Ratio in portfolio	38.52%	55.02%
Total normative capital	33,494,291	32,270,581
Percentage ratio to capital	155.51%	180.41%
<b>Total</b>	<b>52,085,509</b>	<b>58,219,361</b>

Loan Investments through International programs	31/12/2018	
	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	432,689	11
ADB/TFP/RCA/Asian Development Bank	129,575	7
BlueOrchard/MSE	1,585,808	55
DEG/SME/	5,386,802	184
EBRD/WiB/ European Bank for Reconstruction and Development	1,033,603	94
FINSCA/MSE	232,079	17
GAF/ KfW /ENERGY	70,757	11
GAF/KfW/SME	6,044,003	648
GAF/KfW/SME/ENERGY	447,132	38
GLS AI MFF/ME/GLS Alternative Investments – Mikrofinanzfonds	141,034	121
INCOFINCVBA/MSE	1,004,188	16
MSMEBondsSA/MSME	647,454	23
SICAV-SIF/ME1/ Symbiotics Global Financial Inclusion Fund	525,550	141
SICAV-SIF/ME2/Symbiotics -Seb Microfinance Fund IV	2,516	1
<b>Total</b>	<b>17,683,190</b>	<b>1,367</b>

Loan Investments	31/12/2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	4,263,713	407
GAF " Development of the Renewable Energies" program	66,442	1
EBRD micro, small and middle lending program EBRD/MSME	28,358	7
Atlantic Forfaitierungs AG Loan Program	34,456	1
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	292,012	8
BLUE ORCHARD SME loan program	2,056,537	69
MSMEBondsSA/MSME	917,051	30
Mortgage Loans, including:	13,904	6
GAF	13,904	6
<b>Total</b>	<b>7,672,473</b>	<b>529</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)	31/12/2018	Percentage	31/12/2017	Percentage
Industry	19,388,879	14.34	17,376,615	16.42
Agriculture	1,132,017	0.84	942,959	0.89
Construction	7,738,895	5.72	6,520,193	6.16
Transportation and communication	503,186	0.37	443,497	0.42
Commerce	24,720,365	18.28	16,555,614	15.64
Consumer	56,919,932	42.09	41,531,676	39.25
Mortgage loans	9,175,875	6.79	6,468,965	6.11
Service	10,556,635	7.81	11,372,761	10.75
Other	5,097,048	3.77	4,609,398	4.36
<b>Total</b>	<b>135,232,832</b>	<b>100</b>	<b>105,821,678</b>	<b>100</b>

Breakdown of loan portfolio per customer residency	31/12/2018	Percentage	31/12/2017	Percentage
RA residents	132,451,296	99.26	103,410,686	99
Residents of countries with Baa33 and higher ratings including Italy	77,242	0.06	-	-
Residents of countries with Baa33and lower ratings or no rating at all	32,204	0.02	32,254	0.03
Russia	32,204		32,254	0.03
Accrued Interest	879,215	0.66	773,618	0.74
<b>Total</b>	<b>133,439,957</b>	<b>100</b>	<b>104,216,558</b>	<b>100</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 /IFRS 9/	Stage1 /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
	Loans to individuals	58,308,835	878,857			726,545
including non-residents	2,013,729	197				
loans to individuals and private entrepreneurs	75,924,992	475,326	100,791	26,653	171,669	127,532
including non-residents	32,466	111				
<b>Total</b>	<b>134,233,827</b>	<b>1,354,183</b>	<b>100,791</b>	<b>26,653</b>	<b>898,214</b>	<b>412,039</b>

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per lending sectors	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
	<b>Agriculture</b>	1,131,775	1,160			
<b>Industry</b>	35,800,272.30	1,084,041.83	255.77	131	726,545.00	284,506.65
<b>Consumer</b>	57,565,329.00	226,338.13	91,770.62	24,579.24	171,669.00	127,532.00
<b>Mortgage loans</b>	8,891,625.62	39,628.80	8,764.31	1,942.71		
<b>Other</b>	30,844,824.00	3,014.16				
<b>Total</b>	<b>134,233,826.30</b>	<b>1,354,182.59</b>	<b>100,790.70</b>	<b>26,653.24</b>	<b>898,214.00</b>	<b>412,038.65</b>

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

Thous. AMD		
Government securities	31/12/2018	31/12/2017
RA Governmental T-bills	1,173,720	1,532,076
Reserve for RA Governmental T-bills		
<b>Total</b>	<b>1,173,720</b>	<b>1,532,076</b>

Thous. AMD				
RA non-state securities	31/12/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	1,034,529		419,621	
Short term debt instruments				
Capital instruments		83,971		83,971
<b>Total non-state securities of RA</b>	<b>1,034,529</b>	<b>83,971</b>	<b>419,621</b>	<b>83,971</b>
Investments in RA non-governmental securities (reserve for possible losses)				(4,691)
<b>Net Investments in RA non-governmental securities</b>	<b>1,034,529</b>	<b>83,971</b>	<b>419,621</b>	<b>79,280</b>

Thous. AMD				
Non-governmental securities of other countries	31/12/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,798		5,114
<b>Total non-state securities of other countries</b>	-	<b>5,798</b>	-	<b>5,114</b>
<b>Financial assets rated at fair value through other comprehensive financial assets</b>	<b>2,208,249</b>	<b>89,769</b>	<b>1,951,697</b>	<b>252,759</b>

### Investments in share capital of other entities as of 31.12.2018

Thous. AMD					
Name of entity	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	5,798	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	60,716	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58
<b>Total</b>				<b>89,769</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		
Assets	31/12/2018	31/12/2017
<b>Total pledged securities</b>	<b>21,400,762</b>	<b>21,110,686</b>
including:		
pledged securities	17,454,208	19,619,097
pledged securities under REPO agreement	3,946,554	1,491,589
Reserve for pledged securities		
<b>Total</b>	<b>17,454,208</b>	<b>19,619,097</b>
<b>Resources attracted under REPO agreement</b>	<b>20,519,048</b>	<b>20,511,989</b>

## Note 18. "Financial assets calculated at amortized value"

Thous. AMD		
RA banks	31/12/2018	31/12/2017
<b>Total</b>	-	<b>49,618</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	Investments in leased fixed assets.	Total
<b>Balance of fixed assets at the end of the previous period 31/12/2017</b>	<b>7,126,524</b>	<b>2,396,989</b>	<b>714,558</b>	<b>1,937,762</b>	<b>397,652</b>	<b>262,074</b>	<b>12,835,559</b>
Increase	271,899	594,265	73,371	410,029	626,434	115,330	2,091,328
Disposal	(338,089)		(76,432)				(414,521)
Reclassification	346,534			1,058	(347,592)		-
Revaluation *	(21,414)						(21,414)
Written-off**		(7,517)					(7,517)
<b>Balance of fixed assets at the end of accounting period 31/12/2018</b>	<b>7,385,454</b>	<b>2,983,737</b>	<b>711,497</b>	<b>2,348,849</b>	<b>676,494</b>	<b>377,404</b>	<b>14,483,435</b>
<b>Balance of accumulated amortization at the end of the previous period 31/12/2017</b>	<b>290,587</b>	<b>1,672,351</b>	<b>218,791</b>	<b>1,275,674</b>	<b>-</b>	<b>73,459</b>	<b>3,530,862</b>
Increase	180,736	216,984	86,646	163,201		18,295	665,862
Disposal	(2,871)		(33,755)				(36,626)
Written-off		(7,517)					(7,517)
<b>Balance of accumulated amortization at the end of the accounting period 31/12/2018</b>	<b>468,452</b>	<b>1,881,818</b>	<b>271,682</b>	<b>1,438,875</b>	<b>-</b>	<b>91,754</b>	<b>4,152,581</b>
<b>Net balance sheet value</b>							<b>-</b>
<b>at the end of the accounting period</b>	<b>6,917,002</b>	<b>1,101,919</b>	<b>439,815</b>	<b>909,974</b>	<b>676,494</b>	<b>285,650</b>	<b>10,330,854</b>
<b>at the end of the previous accounting period</b>	<b>6,835,937</b>	<b>724,638</b>	<b>495,767</b>	<b>662,088</b>	<b>397,652</b>	<b>188,615</b>	<b>9,304,697</b>

**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>						
Intangible balance at the end of the previous period 31/12/2017	189,208	314,114	50	51,661	-	555,033
Increase	142,707	92,919	130			18,295
Disposal		(338)				(338)
<b>Intangible balance at the end of accounting period 31/12/2018</b>	<b>331,915</b>	<b>406,695</b>	<b>180</b>	<b>51,661</b>	<b>-</b>	<b>790,451</b>
Intangible balance of accumulated amortization at the end of previous period 31/12/2017	75,630	124,273	45	33,966	-	233,914
Increase	16,176	31,091	8	3,007		50,282
Disposal						-
Written-off		(338)				(338)
<b>Balance of accumulated amortization at the end of accounting period 31/12/2018</b>	<b>91,806</b>	<b>155,026</b>	<b>53</b>	<b>36,973</b>	<b>-</b>	<b>283,858</b>
<b>Net balance sheet value</b>						
<b>At the end of the accounting period</b>	<b>240,109</b>	<b>251,669</b>	<b>127</b>	<b>14,688</b>	<b>-</b>	<b>506,593</b>
<b>At the end of the previous accounting period</b>	<b>113,578</b>	<b>189,841</b>	<b>5</b>	<b>17,695</b>	<b>-</b>	<b>321,119</b>

As of 31.12.2018, AMD 450669 thousand total amount worth out-of-use assets were put into use.

As of 31.12.2018, 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"



Thou. AMD

	31/12/2018	31/12/2017
<b>Amounts receivable from bank operations</b>		
Amounts receivable from other operations	78,470	92,157
<b>Total</b>	<b>78,470</b>	<b>92,157</b>
Reserve for possible loss provision from bank operations (note 7)	(805)	(931)
<b>Net amounts receivable from bank operations</b>	<b>77,665</b>	<b>91,226</b>
<b>Debtor liabilities and prepayments</b>		
Debtor liabilities on the budget	65	123
Debtor liabilities to suppliers		
Prepayments to employees	37	114
Prepayments to suppliers	626,051	919,660
Prepayments on the budget and mandatory social insurance payments	1,600	1,033
Other debtor liabilities and prepayments	60,341	57,381
<b>Total</b>	<b>688,094</b>	<b>978,311</b>
Reserve for possible loss provision on other assets (note 7)	(6,881)	(9,786)
<b>Total</b>	<b>681,213</b>	<b>968,525</b>
<b>Other assets</b>		
Reserve	373,018	292,446
Sequestered pledge and available-for-sale assets		283,961
Future period expenses	133,223	245,128
Other assets	63,950	133,602
Reserve for possible loss provision on other assets (note 7)	(3,532)	(10,685)
<b>Total</b>	<b>566,659</b>	<b>944,452</b>
<b>Total other assets</b>	<b>1,325,537</b>	<b>2,004,203</b>

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

Thou. AMD

	31/12/2018	31/12/2017
<b>Current accounts</b>		
RA Banks	1,749	16,931
<b>Banks having BBB(Baa3) and higher rating</b>		
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>	6,944	2,036
Accrued interest		
<b>Total</b>	<b>8,693</b>	<b>18,967</b>
<b>Interbank loans and deposits, other</b>		
Other		
<b>RA banks</b>		
Loans and deposits	12,875,437	3,143,835
Other	1,742	
<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	1,235,563	2,063,894
Other	67,268	51,482
Accrued interest	44,626	53,855
<b>Total</b>	<b>14,224,636</b>	<b>5,313,066</b>
<b>Financial Institutions</b>		
Current accounts	1,076,850	589,927
Loans and deposits	18,060,114	8,288,186
Other	47,876	51,504
Accrued interest	667,622	561,087
<b>Total</b>	<b>19,852,462</b>	<b>9,490,704</b>
<b>Total liabilities to banks and financial institutions</b>	<b>34,085,791</b>	<b>14,822,737</b>

Note 22.1 Loans and advances received from International financial institutions



Loans from financial institutions	Project	Currency	Term	31/12/2018	Currency	Term	31/12/2017
ADB	ADB/TFP/RCA	USD	Less than 1 year	1,462,058	USD	Less than 1 year	24,298
Finethic SCA	ADB/TFP/RCA				USD	1-3 years	481,739
ADB	ADB/TFP/RCA				USD	1 year	67,974
BlueOrchard	BlueOrchard/MSE	USD	1-3 years	812,081	USD	1-3 years	1,621,477
DEG	DEG/SME	USD	1-7 years	4,966,974			
EBRD	EBRD/WIB	AMD	1-5 years	962,371			
Singapore Financial Organisation	EFA_FIDF/SME	USD	1-3 years	1,201,566			
Finethic SCA	FINSCA/MSE	USD	1-3 years	483,327			
Global Impact Investments	GLI/IME	USD	1-3 years	2,406,903	USD	1-3 years	2,424,534
Global Impact Investments	GLI/IME	USD	1-4 years	1,470,077	USD	1-4 years	1,446,438
GLS ALTERNATIVE INVESTMENTS - MFF	GLS_AI_MFF/ME	USD	1-3 years	491,100	USD	1-3 years	489,474
Incofin Investment Management	INCOFINCVBAMSE	USD	1-4 years	4,841,134	USD	1-4 years	4,879,879
Incofin Investment Management	INCOFINCVBAMSE				USD	1-2 years	1,490,474
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME	USD	1-3 years	1,523,831	USD	1-3 years	4,840,471
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME	USD	1-4 years	899,136			
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years	2,031,307	AMD	1-4 years	2,023,997
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years	507,826	AMD	1-4 years	505,999
<b>Total</b>				<b>24,059,690</b>			<b>20,296,754</b>

Note 22.2 Loans from the CBA and RA

Project	31/12/2018		31/12/2017	
	Loan amount	Accrued interest	Loan amount	Accrued interest
GAF/German-Armenian Fund "Mortgage lending" project			5,667	23
GAF /Micro and Small Business Development Project of German-Armenian Fund	5,684,752	15,325	4,123,694	10,999
GAF "RED" project	295,655	1,252	79,730	2,187
GAF "Access to finance for SMEs" project	32,548	470	174,912	730
Other				13,686
<b>Total</b>	<b>6,012,955</b>	<b>17,047</b>	<b>4,384,003</b>	<b>27,825</b>

Note 22.3 REPO (repurchase) agreements

	31/12/2018	31/12/2017
REPO (repurchase) agreements		
REPO (repurchase) agreements with financial institutions	20,166,042	20,511,989
REPO (repurchase) agreements with customers	353,006	
<b>Total</b>	<b>20,519,048</b>	<b>20,511,989</b>

Note 23: "Liabilities to Customers"

Thous. AMD

	31/12/2018	31/12/2017
<b>RA Government and local authorities</b>		
Loan		
Other	25,314	13,686
Accrued interest		
<b>Total</b>	<b>25,314</b>	<b>13,686</b>
<b>RA resident corporate entities and institutions</b>		
Current accounts	18,345,584	19,819,695
Term deposits	4,375,585	9,779,836
Other	305,499	49,102
Accrued interest	148,719	78,801
<b>Total</b>	<b>23,175,387</b>	<b>29,727,434</b>
<b>Non-resident corporate entities, institutions</b>		
Current accounts	470,687	1,776,082
Other	222	50,833
Accrued interest	20	199
<b>Total</b>	<b>470,929</b>	<b>1,827,114</b>
<b>Non-resident corporate entities, institutions</b>		
Current accounts	564,501	390,186
Term deposit	-	-
Other	7,487	3,935
Accrued interest	19	-
<b>Total</b>	<b>572,007</b>	<b>394,121</b>
<b>Non-resident corporate entities, institutions</b>		
Current accounts	18,123,242	15,021,475
Term deposit	47,735,780	40,132,867
Other	512,359	607,271
Accrued interest	710,712	489,252
<b>Total</b>	<b>67,082,093</b>	<b>56,250,865</b>
<b>Non-resident corporate entities, institutions</b>		
Current accounts	830,005	807,161
Term deposit	3,630,299	2,609,284
Other	37,166	54,773
Accrued interest	30,882	19,460
<b>Total</b>	<b>4,528,352</b>	<b>3,490,678</b>
<b>Total liabilities to customers</b>	<b>95,854,082</b>	<b>91,703,898</b>

As of 31.12.2018, the amount necessary to secure obligations was AMD 1.026.805 thousand.

As of 31.12.2018, the amount frozen by court order and tax authorities was AMD 120.293 thousand.

**Note 23.1 : "Subordinate Borrowing"**

The Bank attracted AMD 3.360.625 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital

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

	31/12/2018	31/12/2017
Interest securities issued by the Bank	2,060,960	1,068,764
<b>Total</b>	<b>2,060,960</b>	<b>1,068,764</b>

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

Thous. AMD

Financial liability at fair value recalculated through profit/loss	31/12/2018	31/12/2017
<b>Derivative instruments</b>		
Swap	1,402	7,706
Forward		
Other		
<b>Total</b>	<b>1,402</b>	<b>7,706</b>

Note 26: "Amounts Payable"

Thous. AMD

Amounts payable	31/12/2018	31/12/2017
Dividends	235,498	104,911
For insurance of deposit	44,882	50,773
<b>Total</b>	<b>280,380</b>	<b>155,684</b>

Note 27: " Other Liabilities"

Thous. AMD

Other liabilities	31/12/2018	31/12/2017
On income tax of non-resident	51,610	27,685
On VAT	1,740	1,605
On other taxes and penalties	198,582	168,334
Salary liabilities to employees	669,236	558,840
Credit debts to suppliers	61,540	77,031
Other liabilities	243,560	82,691
<b>Balance at the end of the period</b>	<b>1,226,268</b>	<b>916,186</b>

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD22,266,343 thous., including 1,852,533 common shares with a nominal value of AMD 10400 per share and 200,000 preferential shares with a nominal value of AMD 15,000 per share. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

Thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Սուրբիապան Սարիբեկ Այբերտի	5,457,078	24.51%	
Սուրբիապան Խաչատուր Այբերտի	4,638,533	20.84%	
Սուրբիապան Էդուարդ Այբերտի	3,253,158	14.61%	
Սուրբիապան Ռոբերտ Այբերտի	3,060,046	13.75%	

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

- a/ participate in the General Meeting of Shareholders of the Bank with the votes according to the number and nominal value of the shares they hold in cases set by the Law and the Bank's Charter
- b/ receive quarterly payments (dividends)
- c/ receive any information on the Bank's activities set forth by the Law

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 31.12.2018 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 31.12.2018 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	
	31/12/2018	31/12/2017
Unutilized credit lines	17,900,458	16,312,810
Provided guarantees	3,599,016	6,627,763
Provided letters of credit		
Reserve on the mentioned items (note 7)	(61,891)	

#### Liabilities on operational leases

	Thous. AMD	
Structure of minimum rental fees	Արտարժույթին համարժեք դրամով վճարման ենթակա գումարներ	ՀՀ դրամով վճարման ենթակա գումարներ
Up to 1 year		663,159
1-5 years		2,177,613
more than 5 years		33,179
<b>Total</b>		<b>2,873,951</b>

### 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

	Thous. AMD	
Customers' loans and advances rated at amortized value	31/12/2018	31/12/2017
<b>Initial balance</b>	<b>4,200,138</b>	<b>4,022,925</b>
<b>Loans and advances provided over the year</b>	<b>2,220,710</b>	<b>3,124,640</b>
Bank shareholder	349,752	334,472
Shareholder related entity	484,849	1,502,151
Bank manager	1,244,334	1,135,177
Manager related entity	141,776	152,840
<b>Loans and advances repaid over the year</b>	<b>3,803,186</b>	<b>2,947,427</b>
Bank shareholder	370,119	279,251
Shareholder related entity	2,199,183	1,481,377
Bank manager	1,034,870	1,087,996
Manager related entity	199,014	98,802
<b>Summary balance*</b>	<b>2,617,663</b>	<b>4,200,138</b>

	Thous. AMD	
Item	31/12/2018	31/12/2017
Interest income	419,187	465,557

	Thous. AMD	
<b>Liabilities to Customers</b>	<b>On-Demand</b>	<b>Term</b>
<b>Balance as of 31.12.2017</b>	<b>818,353</b>	<b>4,252,150</b>
<b>Amounts received over the accounting period (for 12 months of 2018), including,</b>	<b>8,466,931</b>	<b>192,123</b>
Bank shareholder	2,211,040	351
Shareholder related entity	5,376,966	
Bank manager	753,336	93,244
Bank manager related entity	125,589	98,528
<b>Amounts paid over the accounting period (for 12 months of 2018) including:</b>	<b>8,387,082</b>	<b>220,976</b>
Bank shareholder	2,282,452	
Shareholder related entity	5,276,351	-
Bank manager	705,225	75,346
Bank manager related entity	123,054	145,630
Exchange rate difference (+/-)		6,599
<b>Balance as of 31/12/2018</b>	<b>898,202</b>	<b>4,229,896</b>
<b>Interest expense as of 12 months of 2018</b>	<b>29.00</b>	<b>105,151</b>

	Thous. AMD	
<b>Salary or Similar Payment to the Bank Management</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Board</b>	<b>197,424</b>	<b>181,364</b>
Salary	184,716	167,464
Awarding	12,708	13,900
<b>Executive body</b>	<b>323,666</b>	<b>237,136</b>
Salary	298,080	218,136
Awarding	25,586	19,000
<b>Internal Audit</b>	<b>91,720</b>	<b>83,865</b>
Salary	85,668	78,520
Awarding	6,052	5,345
<b>Total</b>	<b>612,810</b>	<b>502,365</b>

## Note 32 : "Minimum Revelations on Financial Risks"

### 1)The Bank's own definition of credit risk

*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 state of the borrower, pledge depreciation and other similar reasons, which can cause financial losses.*

### 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, K 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.

31/12/2018

Thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	38,187,014				38,187,014
Due from banks and other financial institutions	116,058				116,058
Standard bank precious metal bullions and coins	9,089,105	2,606,592	2,085,896	154,760	13,936,353
Financial assets at fair value recalculated through profit/loss	3,882,703				3,882,703
Customers' loans and advances rated at amortized value	18,870				18,870
Securities at fair value rated through other comprehensive financial results	133,330,938	32,141	76,878		133,439,957
Financial assets calculated at amortized value	2,292,220		5,798		2,298,018
Investments in the chartered capital of controlled entities	17,454,208				17,454,208
Securities pledged under repurchase agreement					-
Other assets	76,492		1,173		77,665
<b>Total assets</b>	<b>204,447,608</b>	<b>2,638,733</b>	<b>2,169,745</b>	<b>154,760</b>	<b>209,410,846</b>
Off-balance sheet items containing credit risks	21,460,887	38,586			21,499,473
<b>Liabilities</b>					
Liabilities to banks and other financial institutions	37,184,602	74,857	24,190,570	2,725,455	64,175,484
Liabilities to customers	90,854,799	1,406,890	590,631	3,001,762	95,854,082
<b>Total liabilities</b>	<b>128,039,401</b>	<b>1,481,747</b>	<b>24,781,201</b>	<b>5,727,217</b>	<b>160,029,566</b>
<b>Net position</b>	<b>76,408,207</b>	<b>1,156,986</b>	<b>(22,611,456)</b>	<b>(5,572,457)</b>	<b>49,381,280</b>

31.12.2017

Thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	35,824,831				35,824,831
Due from banks and other financial institutions	18,356				18,356
Standard bank precious metal bullions and coins	11,010,379	1,067,036	866,862	92,091	13,036,368
Financial assets at fair value recalculated through profit/loss	4,296,862				4,296,862
Customers' loans and advances rated at amortized value					
Securities at fair value rated through other comprehensive financial results	104,184,470	32,088			104,216,558
Other financial assets rated at amortized value	2,030,977		5,114		2,036,091
Ներդրումներ վերահսկվող անձանց կանոնադրական կապիտալում	49,618				49,618
Other assets	19,619,097				19,619,097
<b>Total assets</b>	<b>89,669</b>		<b>1,726</b>		<b>91,395</b>
Off-balance sheet items containing credit risks	<b>177,124,259</b>	<b>1,099,124</b>	<b>873,702</b>	<b>92,091</b>	<b>179,189,176</b>
<b>Liabilities</b>	<b>22,940,572</b>				<b>22,940,572</b>
Liabilities to banks and other financial institutions					
Liabilities to customers	35,127,697	42,780	23,761,122	105,658	59,037,257
<b>Total liabilities</b>	<b>87,391,958</b>	<b>1,142,813</b>	<b>3,793,782</b>	<b>381,196</b>	<b>92,709,749</b>
<b>Net position</b>	<b>122,519,655</b>	<b>1,185,593</b>	<b>27,554,904</b>	<b>486,854</b>	<b>151,747,006</b>
<b>Զուտ դիրք</b>	<b>54,604,604</b>	<b>(86,469)</b>	<b>(26,681,202)</b>	<b>(394,763)</b>	<b>27,442,170</b>

Loans allocated in the territory of RA per RA regions:

Thous. AMD

RA regions	31/12/2018	31/12/2017
Yerevan	96,510,913	80,386,843
Aragatsotn	7,759,921	1,468,600
Ararat	6,261,967	2,250,197
Armavir	4,658,632	2,333,453
Gegharquniq	4,127,286	2,234,862
Lori	3,589,993	4,635,412
Kotayk	3,349,154	4,407,069
Shirak	2,427,589	3,721,685
Syunik	1,658,197	1,164,788
Vayots Dzor	1,294,250	645,453
Tavush	956,980	665,049
Artsakh	845,075	303,147
<b>Total</b>	<b>133,439,957</b>	<b>104,216,558</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 31.12.2018 did not exceed 15.13%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 31.12.2018 loan investments without reserves amounted to AMD 135,232,832 thousand. As of 31.12.2018 the volume of loans in the Stage 2, Stage 3 amounted to 982,078.

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

5) The volume of repo transactions (except extensions) affected in the 4th quarter of 2018 was AMD 151,423,176 against AMD 72,300,161 of the same period of the previous year. Reverse repo transactions in the 4th quarter of 2018, made AMD 10,351,038 against AMD 13,125,286 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 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,
2. Monitoring by phone calls.

During the process of monitoring the specialists of the loan monitoring division gather information on

2. . Information on the changes in the Borrower's market position (competitors, price fluctuations, realization, etc.)
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, 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.

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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 and security department.

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 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.

Thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2018 III Q	484.21	272.86	218.83	326.43	20.10	1.99	720.79	129.14	5.31	1,145.31
2018 IV Q	988.04	499.74	170.16	94.35	23.39	2.08	755.68	143.71	34.61	1,508.69
increase/decrease	503.83	226.89	-48.67	-232.08	3.28	0.09	34.88	14.56	29.30	363.38

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

31/12/2018

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Cash and their equivalents	19,444,309	17,433,790	1,308,915	38,187,014
Bank standardized bullions of precious metals and coins	443	115,615		116,058
Receivables to banks and other financial institutions	2,912,664	10,727,980	295,709	13,936,353
Reverse Repurchase Agreements	3,681,119	201,584		3,882,703
Financial instruments rated at fair value through profit/loss	18,870			18,870
Loans and advances to customers calculated at amortized value	70,904,620	62,518,502	16,835	133,439,957
Financial assets at real value rated through other comprehensive financial results	1,677,294	620,724		2,298,018
Securities pledged under repurchase agreements	17,454,208			17,454,208
Other financial assets calculated at amortized value	-			-
Other assets	71,164	6,481	20	77,665
<b>Total assets</b>	<b>116,164,691</b>	<b>91,624,676</b>	<b>1,621,479</b>	<b>209,410,846</b>
<b>Liabilities</b>				
Liabilities to the banks and other financial institutions	13,892,233	20,043,269	150,289	34,085,791
Receivables to banks and other financial institutions	3,382,372	20,677,318		24,059,690
Loans from the CBA and RA	6,030,003			6,030,003
REPO agreements	20,204,342	314,706		20,519,048
Liabilities to Customers	46,333,146	48,031,651	1,489,285	95,854,082
Subordinate borrowing	705,853	2,676,296		3,382,149
Liabilities on current taxes	273,836			273,836
Securities issued by the Bank	102,880	1,958,080		2,060,960
Financial liabilities at fair value recalculated through profit/loss	1,402			1,402
Amount payable	280,380			280,380
Deferred tax liabilities	925,401			925,401
Reserves	61,891			61,891
Other liabilities	963,272	207,669	55,327	1,226,268
<b>Total liabilities</b>	<b>93,157,011</b>	<b>93,908,989</b>	<b>1,694,901</b>	<b>188,760,901</b>
<b>Net position</b>	<b>23,007,680</b>	<b>(2,284,313)</b>	<b>(73,422)</b>	<b>20,649,945</b>

31/12/2017

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
<b>Assets</b>				
Cash and their equivalents	15,449,040	18,980,875	1,394,916	35,824,831
Bank standardized bullions of precious metals and coins	443	17,913	-	18,356
Receivables to banks and other financial institutions	1,894,563	10,898,965	242,840	13,036,368
Reverse Repurchase Agreements	4,087,212	209,650		4,296,862
Loans and advances to customers calculated at amortized value	54,195,056	50,020,025	1,477	104,216,558
Financial assets at real value rated through other comprehensive financial results	1,937,530	98,561	-	2,036,091
Other financial assets calculated at amortized value		49,618		49,618
Securities pledged under repurchase agreements	19,619,097	-	-	19,619,097
Other assets	35,350	99,271	4,121	138,742
<b>Total assets</b>	<b>97,218,291</b>	<b>80,374,878</b>	<b>1,643,354</b>	<b>179,236,523</b>
<b>Liabilities</b>				
Liabilities to the banks and other financial institutions	8,461,411	6,267,213	94,113	14,822,737
Receivables to banks and other financial institutions	2,529,997	17,766,757		20,296,754
Loans from the CBA and RA	4,411,627			4,411,627
REPO agreement	20,511,989			20,511,989
Liabilities to Customers	38,338,377	52,029,094	1,336,427	91,703,898
Subordinate borrowing	3,731,222	2,678,379		6,409,601
Liabilities on current taxes	373,239			373,239
Securities issued by the Bank	100,100	968,664		1,068,764
Financial liabilities at fair value recalculated through profit/loss	7,706			7,706
Amount payable	155,684			155,684
Deferred tax liabilities	1,096,006			1,096,006
Other liabilities	814,964	71,140	30,082	916,186
<b>Total liabilities</b>	<b>80,532,322</b>	<b>79,781,247</b>	<b>1,460,622</b>	<b>161,774,191</b>
<b>Net position</b>	<b>16,685,969</b>	<b>593,631</b>	<b>182,732</b>	<b>17,462,332</b>

## Interest Rate Risk

### Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 4th quarter of 2018 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 19,536,322 thousand against AMD 18,264,758 thousand of the same period of the previous year by increasing in absolute value by AMD 1,271,564 or 7.0%, that is in average the Bank was sensitive to liabilities in the 4th quarter of 2018. In the 3rd quarter of 2018, the average accumulated disbalance has increased in absolute value by AMD 2,201,471 thousand or by 10.1% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 4th quarter of 2018 has increased by 2.1 percentage point, forming 113.5% against 115.6% average value of the 4th quarter of 2017, that is in 4th quarter of 2018 the assets sensitive to interest rate changes have formed 113.5% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 4th quarter of 2018 was 1.467 year (against the 1.442 year as of the 4th quarter of 2017) as it decreased by 0.025 year or by 1.7%, as compared with the end of the previous quarter (1.411 year) the mentioned indicator has increased by 0.056 year or 4.0%.

The duration of liabilities as of the end of the 4th quarter of 2018 was 0.825 year (against 0.853 year of the 4th quarter of 2017) increasing by 0.028 year or 3.3%. In correlation with the end of the previous quarter (0.874) the indicator has increased by 0.049 year or 5.6%.

The duration gap as of the end of the 4th quarter of 2018 was 0.712 (against 0.675 of the 4th quarter of 2017) decreasing by 0.037 or 5.5%. In correlation with the end of previous quarter (0.643) the indicator has decreased by 0.069 or 10.7%.

### Assets and Liabilities with changing interest rates 31.12.2018

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances to customers at amortized value												
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
Loans				10,101,728		4,231,924		101,104				
<b>Total</b>	-	-	-	<b>10,101,728</b>	-	<b>4,231,924</b>	-	<b>101,104</b>	-	-	-	-
<b>Net position</b>	-	-	-	<b>(10,101,728)</b>	-	<b>(4,231,924)</b>	-	<b>0</b>	-	-	-	-

31/12/2017

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers rated at amortized value												
<b>Total</b>	-	-	-	<b>10,101,728</b>	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
Loans				357,824		2,791,308						
<b>Total</b>	-	-	-	<b>357,824</b>	-	<b>2,791,308</b>	-	-	-	-	-	-
<b>Net position</b>	-	-	-	<b>(357,824)</b>	-	<b>(2,791,308)</b>	-	<b>0</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: 31/12/2018		Interest rates of accounting period: 31/12/2017	
	AMD	Foreign	AMD	Foreign currency
<b>Assets</b>				
Balance at CBA	4.6	-	-	-
Receivables to banks and other financial institutions, including:	7.7	2.6	7.79	2.01
Interbank Loans	0.0	2.6	0.00	2.07
Interbank REPO	6.7	0.0	6.96	0.00
Loans and advances provided to customers rated at amortized value	12.9	8.9	15.04	8.51
Available for sale securities at fair value recalculated through profit/loss	11.5	5.6	12.70	6.81
<b>Liabilities</b>				
Liabilities to banks and other financial institutions	7.9	4.8	9.45	3.47
Liabilities to Customers	5.1	3.8	5.85	4.11

### 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.

In case of the duration model, the impact of interest rate changes on the economic value of capital is evaluated as of the end of accounting period.

Within the frames of this model durations of the Bank's assets and liabilities portfolio (average weighted maturities) are calculated firstly, then on the basis of the latter the change in economic value of capital, which is the difference of the changes in present values of assets (depending on the interest rate fluctuations) and liabilities (future flows) is calculated. For the evaluation of change in the economic value of capital, the duration gap (DGAP) is calculated,

which reflects the incongruity level of assets and liabilities durations, that is the incongruity of average weighted terms of assets and liabilities future flows. The big value of the duration gap indicates a high level of interest rate risk. The preservation of duration gap low level, that is the preservation of close duration values of assets and liabilities, results in interest rate risk hedging (stability of capital economic value against interest rate changes).

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 attractable and distributable funds.

#### Price Risk

***Price risk is the danger for the Bank to incur 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

The methodology of maturity gaps of assessment of liquidity risk enables to assess and analyze the Bank's liquidity risk, as well as to maintain the satisfactory level of liquidity of the Bank's policy. On this purpose the maturity gaps of the Bank's assets and liabilities are discovered, the liquidity indicators are calculated and the Bank's liquidity management quality is assessed. In the present methodology of liquidity assessment separation of instant, up to 90 days accumulative and general (up to one year) liquidities is made, also time series of liquidity indicators are considered for assessment of the bank liquidity management quality.

3) Determination of the allowable level of liquidity risk - quantitative analysis and assessment of risk

Liquidity Risk Assessment



Over the 4th quarter of 2018, the instant liquidity and up to 90 days accumulative liquidity indicator has decreased by 14.7 and 41.5 percentage point respectively, and general (up to 1 year accumulative) liquidity indicators has increased by 7.3 percentage point.

Accounting period		31/12/2018								Thous. AMD	
Item	Non-performing		Repayment date in						Termless	Total	
	Term	Overdue	On -demand	up to 3 months	3 -6 months	6- 12 months	1 - 5 years	more than 5 years			
On maturity terms of assets			36,186,028	2,000,986						38,187,014	
Cash and cash equivalents, balances with the CBA	-	-	116,058	-	-	-	-	-		116,058	
Standardized precious metal bullions				6,891,967	1,607,049	183,134	3,095,137	161,083	1,997,983	13,936,353	
Reverse Repurchase Agreements	-	-		3,882,703						3,882,703	
Financial assets at fair value through profit or loss:				18,870						18,870	
Loans and advances provided to customers rated at amortized value	647,982	237,497		15,017,474	16,255,327	16,216,225	61,031,891	24,033,561		133,439,957	
other financial assets calculated at amortized value				100,250	211,678	182,010	1,173,276	541,034	89,768	2,298,016	
Securities pledged under repurchase agreements				17,454,208						17,454,208	
Other receivables	13	-		73,670	3,295		217	483		77,678	
<b>Total</b>	<b>647,995</b>	<b>237,497</b>	<b>36,302,086</b>	<b>45,440,128</b>	<b>18,077,349</b>	<b>16,581,369</b>	<b>65,300,521</b>	<b>24,736,161</b>	<b>2,087,751</b>	<b>209,410,857</b>	
including:											
I group foreign currency	261,867	161,993	17,457,903	11,910,661	9,700,299	6,416,475	31,518,834	13,988,182	208,462	91,624,676	
II group foreign currency	-	-	1,308,814	293,540	626	1,337	14,141	-	3,021	1,621,479	
including:											
By floating interest rate			540,056							540,056	
By fixed interest rate	647,982	237,497		44,047,138	18,054,565	16,539,184	65,033,664	24,599,946	1,994,962	171,375,919	
Non-interest	13	-	35,541,049	1,392,990	22,784	42,185	266,857	136,215	92,789	37,494,882	
<b>On maturity of liabilities repayment</b>											
Liabilities to banks and other financial institutions	-	-	1,197,680	5,851,180	4,309,846	12,386,214	8,232,128	2,108,747		34,085,795	
Loans and advances from international financial institutions	-	-	349,797	3,177,574	6,068,147	13,013,362	1,450,809	-		24,059,689	
Loans from the RA and CBA	-	-		5,275	70,255	58,484	5,895,988			6,030,002	
REPO agreement	-	-		20,519,048						20,519,048	
Liabilities to customers	-	-	39,186,370	12,396,868	9,848,257	20,463,896	11,830,458	2,128,232		95,854,081	
Subordinate borrowings				21,725				3,360,424		3,382,149	
Liabilities on current taxes			273,836							273,836	
Securities issued by the Bank			26,421				2,034,539			2,060,960	
Financial assets at fair value recalculated through profit/loss			1,402							1,402	
Amounts payable			280,380							280,380	
Deferred tax liabilities			925,401							925,401	
Reserves	-	-	61,891							61,891	
Other liabilities	-	-	961,140	258,870	518	5,740	-	-	-	1,226,268	
Off-balance sheet contingent liabilities				5,508,107	700,529	6,721,642	8,569,195			21,499,473	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>43,264,318</b>	<b>41,971,670</b>	<b>20,296,505</b>	<b>45,921,956</b>	<b>29,443,922</b>	<b>7,597,403</b>	<b>-</b>	<b>188,495,774</b>	
including:											
I group foreign currency	-	-	15,004,087	12446325	10,060,828	26,980,803	23,221,052	6,195,894	-	93,908,989	
II group foreign currency	-	-	503,572	424,683	248,615	436,718	81,313	-	-	1,694,901	
Major Liabilities			13,812,688		72,275	5,955,780				19,840,743	
including:											
By floating interest rate			10,101,728	4,231,924	101,104					14,434,756	
By fixed interest rate	-	-	10,764,668	37,412,330	20,193,520	45,916,216	29,443,922	7,597,403	-	140,907,821	
Non-interest	-	-	32,818,160	327,416	1,881	5,740	-	-	-	33,153,197	
<b>Net liquidity gap</b>	<b>647,995</b>	<b>237,497</b>	<b>(6,962,232)</b>	<b>3,468,458</b>	<b>(2,219,156)</b>	<b>(29,340,587)</b>	<b>35,856,599</b>	<b>17,138,758</b>	<b>2,087,751</b>	<b>20,915,083</b>	
including:											
I group foreign currency	261,867	161,993	2,453,816	(535,664)	(360,529)	(20,564,328)	8,297,782	7,792,288	208,462	(2,284,313)	
II group foreign currency	-	-	805,242	(131,143)	(247,989)	(435,381)	(67,172)	-	3,021	(73,422)	
Floating interest rate	-	-	(13,812,688)	-	(72,275)	(5,955,780)	-	-	-	(19,840,743)	
Fixed interest rate	647,982	237,497	(10,543,687)	6,634,808	(2,138,955)	(29,377,032)	35,589,742	17,002,543	1,994,962	20,047,860	
<b>Accumulative liquidity gap</b>	<b>647,995</b>	<b>885,492</b>	<b>(6,076,740)</b>	<b>(2,608,282)</b>	<b>(4,827,438)</b>	<b>(34,168,025)</b>	<b>1,688,574</b>	<b>18,827,332</b>	<b>20,915,083</b>		

Previous accounting period

31/12/2017

Thous. AMD

Item	Non-performing		Repayment date in		3-6 months	6-12 months	1-5 years	more than 5 years	Termless	Term
	Term	Overdue	On-demand	up to 3 months						
Cash and cash equivalents			35,824,513	318	-	-	-	-	-	35,824,831
Standardized precious metal bullions			18,356		-	-	-	-	-	18,356
Receivables to banks and other financial institutions			248,482	5,584,480	1,670,744	728,283	2,983,234	176,504	1,644,641	13,036,368
Reverse Repurchase Agreements				4,296,862						4,296,862
Financial assets at fair value recalculated through profit/loss										-
Loans and advances provided to customers rated at amortized value	898,069	188,363		10,780,647	13,083,705	11,473,465	49,000,242	187,920,67	-	104,216,558
other financial assets calculated at amortized value				364,623	1,194		617,160	549,098	504,016	2,036,091
Securities pledged under repurchase agreements				19,619,097						19,619,097
<b>Total</b>	<b>898,069</b>	<b>188,363</b>	<b>36,091,351</b>	<b>40,646,027</b>	<b>14,755,643</b>	<b>12,201,748</b>	<b>52,600,636</b>	<b>19,517,669</b>	<b>2,148,657</b>	<b>179,048,163</b>
including:										
I group foreign currency										-
II group foreign currency	-	-		49,618				-		49,618
including:										
Floating interest rate			369,500							369,500
Fixed interest rate	898,069	188,363	2,659,129	38,055,755	14,754,245	12,201,748	52,184,985	19,517,145	416,177	140,875,616
Non-interest			33,062,722	2,590,272	1,398		415,651	524	1,732,480	37,803,047
<b>On maturity of liabilities repayment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities to banks and other financial institutions	-	-	711,780	3,384,875	184,2074	2,465,205	5,269,393	1,149,413		14,822,740
Loans and advances from international financial institutions	-	-		198,271	415,308	4,343,991	15,339,184			20,296,754
Loans from the RA and CBA	-	-	13,686	17,280	387,282	9,407	3,983,973			4,411,628
REPO agreement	-	-		20,511,989						20,511,989
Liabilities to customers	-	-	38,323,310	8,541,533	10,634,916	22,376,395	9,923,984	1,903,760		91,703,898
Subordinate borrowings				47,051				6,362,550		6,409,601
Liabilities on current taxes				373,239						373,239
Securities issued by the Bank				564			1,068,200			1,068,764
Financial assets at fair value recalculated through profit/loss				7,706						7,706
Amounts payable				155,684						155,684
Deferred tax liabilities				1,096,003						1,096,003
Reserves	-	-								-
Other liabilities	-	-		669,560	233,818	127	12,681			916,186
Off-balance sheet contingent liabilities					2,354,494	8,628,407	4,517,715	7,439,956		22,940,572
<b>Total</b>	<b>-</b>	<b>-</b>	<b>39,048,776</b>	<b>35,003,755</b>	<b>15,867,892</b>	<b>37,823,532</b>	<b>40,115,130</b>	<b>16,855,679</b>	<b>-</b>	<b>184,714,764</b>
including:										
I group foreign currency	-	-	16,178,944	8,961,913	7,218,455	23,084,668	19,729,881	4,524,730		79,698,591
II group foreign currency	-	-	586,649	368,478	229,155	407,969	33,676			1,625,927
Major Liabilities										-
including:										
By floating interest rate				357,824	2,791,308					3,149,132
By fixed interest rate	-	-	5,687,956	24,226,444	2,026,360	11,103,146	14,851,962	8,589,369		66,485,237
Non-interest	-	-	33,360,820	10,419,487	11,050,224	26,720,386	25,263,168	8,266,310		115,080,395
Net liquidity gap	<b>898,069</b>	<b>188,363</b>	<b>(2,957,425)</b>	<b>5,642,272</b>	<b>(1,112,249)</b>	<b>(25,621,784)</b>	<b>12,485,506</b>	<b>2,661,990</b>	<b>2,148,657</b>	<b>(5,666,601)</b>
including:										
<b>I group foreign currency</b>	<b>-</b>	<b>-</b>	<b>(16,178,944)</b>	<b>(8,961,913)</b>	<b>(7,218,455)</b>	<b>(23,084,668)</b>	<b>(19,729,881)</b>	<b>(4,524,730)</b>	<b>-</b>	<b>799,556</b>
<b>II group foreign currency</b>	<b>-</b>	<b>-</b>	<b>(586,649)</b>	<b>(318,860)</b>	<b>(229,155)</b>	<b>(407,969)</b>	<b>(33,676)</b>	<b>-</b>	<b>-</b>	<b>(65,179)</b>
<b>By floating interest rate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,779,632)</b>
<b>By fixed interest rate</b>	<b>898,069</b>	<b>188,363</b>	<b>(3,880,167)</b>	<b>(11,730,992)</b>	<b>4,329,304</b>	<b>(16,993,939)</b>	<b>22,277,618</b>	<b>30,002,646</b>	<b>291,536</b>	<b>25,382,438</b>
<b>Accumulative liquidity gap</b>	<b>898,069</b>	<b>1,086,432</b>	<b>(1,870,993)</b>	<b>3,771,279</b>	<b>2,659,030</b>	<b>(22,962,754)</b>	<b>(10,477,248)</b>	<b>(7,815,258)</b>	<b>(5,666,601)</b>	

### 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:

	thous. AMD	
	31.12.2018	31.12.2017
Chartered capital	22,266,343	13,708,745
Emission income/loss		33,438
Reserves:	7,374,540	14,925,058
Main reserve	3,000,000	6,000,000
Revaluation reserve	4,374,540	4,689,053
Undistributed profit/loss	3,550,947	4,236,005
<b>Total capital</b>	<b>33,191,830</b>	<b>28,667,241</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.

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2018.0	Main capital	Additional capital	Involved in calculation standards				
			Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
			1	2	3 (1+2)	4	5
January	22,237,931	8,895,172	31,133,103	162,604,603	2,964,793	16.62	12
February	22,372,558	8,949,023	31,321,581	164,993,021	2,881,752	16.57	12
March	22,394,302	8,957,721	31,352,023	167,283,611	2,932,572	16.35	12
April	22,477,933	8,991,173	31,469,106	171,626,878	3,114,747	15.93	12
May	22,564,866	9,025,947	31,590,813	666,508,113	2,895,764	4.57	12
June	24,486,179	8,024,985	32,511,164	178,105,489	2,931,788	16.05	12
July	25,608,927	7,454,226	33,063,153	176,320,294	2,947,230	16.46	12
August	25,832,738	7,611,498	33,444,236	177,374,129	2,849,681	16.63	12
September	25,916,416	7,386,936	33,303,352	182,523,604	2,664,827	16.27	12
October	25,965,103	7,455,384	33,420,487	187,015,180	2,647,373	15.98	12
November	26,177,739	7,361,071	33,538,810	190,171,448	2,537,621	15.87	12
December	26,735,335	6,758,956	33,494,291	196,080,641	2,554,422	15.41	12
2017թ.	Main capital	Additional capital	Involved in calculation standards				
			Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
			1	2	3 (1+2)	4	5
January	21,861,831	8,574,191	30,436,022	113,280,494	1,922,054	23.54	12
February	21,716,419	8,525,349	30,241,768	112,847,591	2,117,346	23.18	12
March	21,712,679	8,577,987	30,290,666	119,382,327	2,013,526	22.25	12

April	21,875,537	9,019,296	30,894,833	116,733,043	2,167,424	22.92	12
May	22,063,011	9,895,885	31,958,896	120,818,311	2,147,759	23.04	12
June	22,011,258	9,827,185	31,838,443	127,841,690	2,421,169	21.51	12
July	21,671,221	9,700,332	31,371,553	146,589,188	2,337,423	18.89	12
August	21,952,445	9,623,357	31,575,802	149,820,578	2,396,141	18.60	12
September	22,089,828	9,580,000	31,669,828	155,296,711	2,399,452	18.07	12
October	22,082,789	9,708,799	31,791,588	156,140,389	2,433,273	18.02	12
November	22,211,330	9,893,378	32,104,708	156,744,674	2,612,508	17.99	12
December	22,419,472	9,851,109	32,270,581	160,533,903	2,723,741	17.61	12

We hereby present the weight of risks of assets 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 Charter 2 approved by the Board of CBA.

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As of 31.12.2018				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	65,560,897	234,483		-
10%	3,812,100			381,210
20%	967,429			193,486
30%	310,033		30,728	102,228
35%	3,114,295			1,090,003
50%	1,949,936			974,968
75%	1,477,748			1,108,311
100%	89,319,445	4,762,189		94,081,634
110%				-
150%	60,349,814	5,799,547	145,407	99,442,152
<b>Ընդամենը</b>	<b>226,861,697</b>	<b>10,796,219</b>	<b>176,135</b>	<b>197,373,992</b>

31/12/2017				
Total	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	66,153,836	273,320		-
10%	4,262,528			426,253
20%	1,577,452			315,490
30%	260,072			78,022
35%	1,933,595			676,758
50%	517,727			258,864
75%	757,276			567,957
100%	70,756,794	4,901,348		75,658,142
110%				-
150%	45,924,058	7,844,858	43,575	80,718,737
<b>Total</b>	<b>192,143,338</b>	<b>13,019,526</b>	<b>43,575</b>	<b>158,700,222</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 31.12.18 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**

The balance sheet value is close to the fair value.

As of 31.12.18 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 31.12.18 the Bank has no pledged assets.

## Note 38. "Accepted Pledge"

As of 31.12.2018 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.

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Collateral type	31/12/2018		31/12/2017	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	52,497,463	210,104,952	41,318,815	164,093,759
Car	1,306,453	6,192,910	1,383,903	7,104,370
Equipment	1,181,078	5,967,455	657,784	4,394,184
Ready made products	1,663,811	5,188,986	613,011	2,041,778
Guarantee	40,330,800	197,344,316	30,914,066	140,550,946
Monetary funds	556,889	964,047	1,097,010	2,249,478
Gold items	9,417,962	11,398,065	8,302,797	10,425,868
Other securities	287,512	773,543	104,632	418,211
Other pledge	13,896,413	22,179,624	8,612,831	12,289,630
No collateral available	14,094,449		12,816,825	
<b>Total</b>	<b>135,232,830</b>	<b>460,113,898</b>	<b>105,821,674</b>	<b>343,568,224</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