

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 3<sup>rd</sup> QUARTER OF 2019**  
**“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 29 branches are located in Yerevan, another 22 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

### **Main Activities**

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

### **Business Environment**

Political and economic changes are very common in Armenia. As an emerging market, Armenia does not have a perfect business environment and corresponding sub-structures which usually exist in countries having free market economy. Moreover, these conditions set limits to the volumes of transactions in financial markets and real values of the transactions may not comply with the performed transactions. The main obstacle of further economic development is the low level of economic and institutional development paralleled with territorial instability, centralized economic base and impact of international economic crisis.

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

### **Corporate Governance**

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

### **Structure and Members of the Board**

**Chairman of the Board**

S. Sukiasyan

**Members of the Board**

R. Hayrapetyan

A. Melikyan

L. Petrosyan

V. Khachatryan

Per Fischer

**Structure and Members of the Bank's Management**

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V.Jhangiryan

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

As of 30.09.2019, the Chartered capital amounts to AMD 25,635,343. It includes 1,852,533 common shares each with AMD 10,400 and 424,600 preferred shares with AMD 15,000 nominal value per share.

#### **Main Participants**

Sukiasyan Saribek Albert	28.32%
Sukiasyan Khachatur Albert	16.29%
Sukiasyan Eduard Albert	10.66%
Sukiasyan Robert Albert	16.87%

#### **Remuneration Policy of the Bank’s Management**

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

#### **Payments to Statutory Auditors**

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

#### **Note 2. “Accounting Policy”**

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

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

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

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

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

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

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

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

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

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

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day. After adjusting the effective interest rate of the given loan, fees charged for the loans provision (along with the correspondent expenses) are charged back

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

Amortized deductions on fixed assets (including those received from financial leasing), capital investments for leased property and intangible assets are performed each day in amounts

defined by this policy and are adjusted on the last working day of each month. Amortized deductions on fixed assets out of use are performed 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.

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 or not. 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. The prime cost of the internally generated computer software is determined in compliance with assets recognition criteria.

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 devices (printers, scanners, copying devices),	3	33.3
POS terminals, modems,		
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

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 subsequently sold any reimbursement received is included in shareholders' equity.

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

### **Attracted Funds**

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

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

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

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

### **Consolidated Financial Statements**

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

### **Segment Statements**

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

### **Issued Corporate Bonds**

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

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and 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.

**ARMECONOMBANK**



Interim Report  
On Financial Results  
30 September 2019  
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	Cash and their equivalents	13	34,649,507	38,158,045
1.2	Standard bank precious metal bullions and coins		91,197	116,058
1.3	Due from banks and other financial institutions	14	11,491,116	13,175,950
1.4	Reverse repurchase agreement	14.1	6,900,084	3,882,703
1.5	Financial assets rated at actual value through profit or loss	15	11,196	17,468
1.5.1	Other financial assets rated at amortized value		470,809	
1.6	Loans and advances provided to customers at amortized value	16	160,145,134	133,629,775
1.7	Financial assets at fair value rated through other comprehensive financial results	17	7,017,431	2,298,018
1.7.1	Securities pledged under repurchase agreement	17.1	17,569,316	17,454,208
1.9	Non-current assets held for sale		692,536	802,163
1.10	Fixed assets	20	10,635,639	10,330,854
1.10.1	Intangible assets	20	483,970	506,593
1.12	Other assets	21	996,893	1,325,562
	<b>Total assets</b>		<b>251,154,828</b>	<b>221,697,397</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	34,237,176	34,085,791
2.2	Loans and deposits received from the international financial institutions	22.1	33,804,239	24,059,690
2.3	Loans received from the CBA and from the RA government	22.2	8,123,458	6,055,317
2.4	Repurchase agreement	22.3	22,636,548	20,519,048
2.5	Liabilities to Customers	23	106,198,122	95,828,768
2.6	Subordinate borrowing	23.1		3,382,149
2.7	Liabilities on current taxes		248,112	273,836
2.8	Securities issued by the Bank	24	5,477,762	2,060,960
2.9	Financial liabilities at fair value through profit or loss	25	9,228	
2.10	Amounts payable	26	432,354	280,380
2.11	Deferred tax liabilities	11	717,176	849,982
2.12	Reserves	30	66,032	61,891
2.13	Other liabilities	27	1,665,007	1,226,268
	<b>Total liabilities</b>		<b>213,615,214</b>	<b>188,684,080</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	25,635,343	22,266,343
3.2	Emission income			
3.3	Reserves			
3.3.1	Main reserve		3,105,000	3,000,000
3.3.2	Revaluation reserve		4,724,607	4,556,554
3.4	Undistributed profit(loss)		4,074,664	3,190,420
	<b>Total capital</b>		<b>37,539,614</b>	<b>33,013,317</b>
	<b>Total liabilities and capital</b>		<b>251,154,828</b>	<b>221,697,397</b>

Chairman of the Executive Board(CEO)  
Chief Accountant  
Approval date: 14 October 2019

A. Khachatryan  
M. Poghosyan

Interim Report  
On Financial Results  
"30" September 2019  
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	5,343,222	15,219,797	4,194,632	12,236,598
Interest and similar expenses	3	(2,765,932)	(7,897,961)	(2,196,379)	(6,582,514)
<b>Net interest and similar income</b>		<b>2,577,290</b>	<b>7,321,837</b>	<b>1,998,253</b>	<b>5,654,085</b>
Income as commissions and other fees	4	657,863	1,785,957	810,887	2,218,601
Expenses as commissions and other fees	4	(160,915)	(436,527)	(110,448)	(356,906)
<b>Net commission and other fees</b>		<b>496,948</b>	<b>1,349,430</b>	<b>700,439</b>	<b>1,861,694</b>
Net commercial income	5	600,367	1,605,707	671,447	1,425,448
Other operational income	6	59,106	172,511	63,411	191,843
<b>Operational income</b>		<b>3,735,173</b>	<b>10,450,947</b>	<b>3,434,879</b>	<b>9,134,399</b>
Net allocations to possible asset loss provisions	7	(672,480)	(765,931)	(166,530)	(265,295)
Total administrative expenses	8	(1,914,371)	(5,462,639)	(1,762,535)	(5,012,967)
Other operational income	9	(620,176)	(1,845,645)	(595,594)	(1,773,885)
<b>Operational profit</b>		<b>528,147</b>	<b>2,376,731</b>	<b>910,220</b>	<b>2,082,252</b>
<b>Profit/loss before taxation</b>		<b>528,147</b>	<b>2,376,731</b>	<b>910,220</b>	<b>2,082,252</b>
Profit tax expenses(compensation)	11	(230,817)	(652,564)	(244,787)	(463,204)
<b>Profit for period</b>		<b>297,329</b>	<b>1,724,168</b>	<b>665,433</b>	<b>1,619,048</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 October2019

Interim Report  
 On Other Comprehensive Financial Results  
 "30"September 2019  
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
<b>Other comprehensive financial results</b>					
Revaluation of financial assets at fair value rated through other comprehensive financial results		91,804	(213,675)	(163,581)	(245,316)
Devaluation of financial assets at fair value rated through other comprehensive financial results after taxation		4,030	44,632	(33,525)	(27,622)
Profit from revaluation of non-current assets after taxation			394,391		(15,149)
Profit tax on the revaluation of financial assets at fair value rated through other comprehensive financial results		(18,361)	42,735	32,716	49,063
Other comprehensive financial result after taxation		77,474	268,083	(164,391)	(239,024)
<b>Comprehensive financial result</b>		<b>374,803</b>	<b>1,992,251</b>	<b>501,043</b>	<b>1,380,024</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 14 October2019

Interim Report  
On Equity Changes

"30"September 2019

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 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 from changes in IFRS					208,675		(32,150)	176,525	176,525
<b>Recalculated balance</b>	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
Investments in chartered capital and other increase of chartered capital	3,000,000	3,000,000						3,000,000	3,000,000
Increase in capital due to the merge of BTA bank								-	-
<b>Comprehensive income</b>		-	-	-	(223,875)	(15,149)	1,619,048	1,380,024	1,380,024
<b>Dividends</b>		-	-	-			(404,455)	(404,455)	(404,455)
<b>Internal movements including:</b>	-	-	-	-	-	(65,711)	65,711	-	-
Decrease of value from the revaluation of fixed and intangible assets						(65,711)	65,711	-	-
<b>Balance as of the end of the interim accounting period 30/09/2018(unaudited)</b>	16,708,745	34,085,791	33,438	6,000,000	1,516,077	3,076,917	5,845,525	30,180,702	30,180,702
<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 2019 (unaudited)</b>	22,266,343	22,266,343		3,000,000	1,501,220	3,055,334	3,190,420	33,013,317	33,013,317
Reserve amount from changes in IFRS	-	-	-	-	-	-	-	-	-
<b>Recalculated balance</b>	22,266,343	22,266,343	-	3,000,000	1,501,220	3,055,334	3,190,420	33,013,317	33,013,317
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	3,369,000	3,369,000	-	-	-	-	-	3,369,000	3,369,000
Investments in chartered capital and other increase of chartered capital	3,369,000	3,369,000		-	-	-		3,369,000	3,369,000
<b>Comprehensive income</b>		-	-	-	(126,308)	394,391	1,724,168	1,992,251	1,992,251
<b>Dividends</b>		-	-	-	-	-	(834,954)	(834,954)	(834,954)
<b>Internal movements including:</b>	-	-	-	105,000	-	(100,030)	(4,970)	-	-
Deductions to main reserve		-	-	105,000		-	(105,000)	-	-
Decrease of value from the revaluation of fixed and intangible assets		-				(100,030)	100,030	-	-
<b>Balance as of the end of the interim accounting period 30.09.2019 (unaudited)</b>	25,635,343	25,635,343	-	3,105,000	1,374,912	3,349,695	4,074,664	37,539,614	37,539,614

Chairman of the Executive Board(CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 14 October2019

Interim Report  
On the Cash Flows  
30 September 2019  
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
<b>1. Cash flows from operations</b>			
<b>Profit for the year</b>		1,724,168	1,619,048
<i>Adjustments</i>			
Expenses on profit tax		652,564	463,204
Loss from depreciation of interest-bearing assets		765,931	265,295
Depreciation and amortisation		617,477	532,630
Gain/loss from disposal of fixed assets and intangible assets		(7,761)	(98)
Net gain from foreign exchange		593,657	(26,184)
Net gain from financial assets available for sale		(567,935)	(711,979)
Other income		(550,090)	51,600
<b>Cash flows from operations before changes in operational assets and liabilities</b>		<b>3,228,011</b>	<b>2,193,516</b>
<b>Changes in operational assets or liabilities</b>			
<b>Increase/ decrease in operational assets</b>			
Due from financial institutions		2,136,460	(256,666)
Reverse repurchase agreements		(3,009,874)	4,297,126
Loans to customers		(24,584,714)	(26,306,873)
Repurchase agreements		(115,108)	3,142,977
Other assets		356,170	(104,835)
Liabilities to financial institutions		(222,115)	2,155,530
Repurchase agreements		2,113,354	(3,471,729)
Liabilities to customers		9,242,018	8,203,664
Other liabilities		55,203	196,203
<b>Cash used in operations before taxation</b>		<b>(10,800,596)</b>	<b>(9,951,087)</b>
Paid profit tax		(859,560)	(665,641)
<b>Net cash used in operations</b>		<b>(11,660,156)</b>	<b>(10,616,728)</b>
<b>Cash flows from investments</b>			
Decrease(increase) of securities at fair value rated though profit/loss and available for sale		(4,663,582)	(859,056)
Decrease(increase)of other financial assets at amortized value		(468,232)	49,957
Acquisition of fixed assets		(724,017)	(1,347,246)
Proceeds from sale of fixed assets		66,197	376,164
Acquisition of intangible assets		(29,665)	(115,182)
<b>Net cash flows from investments (used)/(gained from)</b>		<b>(5,819,298)</b>	<b>(1,895,363)</b>
<b>Cash flows from financial operations</b>			
Loans from RA CB and RA Government		2,068,141	1,671,689
Proceeds/repayment of loans received from international financial institutions		9,360,231	4,726,647
Subordinated loan repayments (proceeds)		(3,367,904)	(3,041,468)
Increase (decrease) of securities issued by the Bank		3,355,918	984,578
Prepayment received for the issue of shares		389,415	
Issue of preference shares		3,369,000	3,000,000
Dividends paid		(682,702)	(271,146)
<b>Net cash from financial operations</b>		<b>14,492,098</b>	<b>7,070,301</b>
Impact of foreign exchange on cash balances		(549,645)	(172,155)
<b>Net increase of cash and equivalents thereof</b>		<b>(3,537,001)</b>	<b>(5,613,945)</b>
<b>Cash and equivalents thereof as of the beginning of the period</b>	13_2	<b>38,194,407</b>	<b>35,824,831</b>
<b>Cash and equivalents thereof as of the end of the period</b>	13_2	<b>34,657,406</b>	<b>30,210,886</b>

Chairman of the Executive Board(CEO)

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Chief Accountant

M.Poghosyan

Approval date: 14 October 2019

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


Thous. AMD

Interest and similar income	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Interest income from the Bank's current accounts,deposits and loans allocated in banks and other financial institutions	166,515	463,862	92,507	325,355
Interest income from loans and advances to customers	4,484,266	12,841,181	3,494,179	9,987,633
Interest income from debt securities	570,691	1,609,323	516,568	1,667,909
Interest income from REPO agreements	112,772	278,473	85,062	236,678
Other interest income	8,978	26,959	6,316	19,023
<b>Total</b>	<b>5,343,222</b>	<b>15,219,798</b>	<b>4,194,632</b>	<b>12,236,598</b>
<b>Interest and Similar Expenses</b>				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	1,205,094	3,474,205	844,053	2,399,780
Interest expenses on terms deposits and current accounts of customers	1,193,175	3,300,563	1,001,922	2,919,944
Interest expenses under REPO agreements	286,506	862,528	229,988	721,916
Interest expenses on subordinate borrowings		84,558	90,642	456,384
Interest expenses against the interest securities issued by the Bank.	81,157	171,998	28,330	63,684
Other interest income	-	4,109	1,444	20,806
<b>Total</b>	<b>2,765,932</b>	<b>7,897,961</b>	<b>2,196,379</b>	<b>6,582,514</b>
<b>Net interest and similar income</b>	<b>2,577,290</b>	<b>7,321,837</b>	<b>1,998,253</b>	<b>5,654,084</b>

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


Thous. AMD

Commission and Other Fee Income	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Cashier's operations	65,519	168,625	37,107	127,490
Settlement services	461,247	1,285,138	374,416	1,000,030
Guarantees, warranties, letters of credit operations, trust management operations	29,010	73,277	16,410	94,550
Foreign currency and security operations	1,458	2,478	172	764
Payment card servicing	36,137	98,616	30,290	83,931
Other commission fees	64,492	157,823	352,492	911,836
<b>Total</b>	<b>657,863</b>	<b>1,785,957</b>	<b>810,887</b>	<b>2,218,601</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	2,004	4,534	1,006	3,122
Expenses on payment card operations	80,899	208,573	45,519	133,151
Guarantees, warranties, letters of credit operations, trust management operations	13,539	26,903	8,378	60,687
Foreign currency and security operations	10,725	31,155	8,248	30,793
Other commission fees*	53,748	165,362	47,297	129,153
<b>Total</b>	<b>160,915</b>	<b>436,527</b>	<b>110,448</b>	<b>356,906</b>
<b>Net commission and other fees received</b>	<b>496,948</b>	<b>1,349,430</b>	<b>700,440</b>	<b>1,861,695</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	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
<b>Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including</b>	<b>86,297</b>	<b>309,113</b>	<b>40,139</b>	<b>104,394</b>
Shares	-	-	-	-
Debt Securities	-	-	-	-
Derivatives	86,297	309,113	40,139	104,394
<b>Net income from changes in real value of financial assets rated at fair value through profit or loss</b>	<b>527,247</b>	<b>535,086</b>	<b>1,225</b>	<b>(35,698)</b>
<b>Total</b>	<b>613,544</b>	<b>844,199</b>	<b>41,364</b>	<b>68,696</b>
<b>Investments at fair value rated through other comprehensive financial assets</b>				
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	240,201	619,518	426,181	789,903
Debt securities	240,201	619,518	426,181	789,903
Derivatives	-	-	-	-
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results,	(8,481)	(70,265)	(35,037)	(77,924)
<b>Total</b>	<b>231,720</b>	<b>549,253</b>	<b>391,144</b>	<b>711,979</b>
<b>Foreign currency operations</b>				
Net income from foreign currency sale/purchase	305,484	787,101	252,597	622,261

Net income from the revaluation of foreign currency	(557,831)	(593,658)	(7,887)	26,186
Net income from the sale/purchase of precious standardized bullions and coins	1,540	3,808	2,317	12,228
Net income from the revaluation of precious standardized bullions and coins	5,910	15,004	(8,088)	(15,902)
<b>Total</b>	<b>(244,897)</b>	<b>212,255</b>	<b>238,939</b>	<b>644,773</b>
<b>Net income from commercial operations</b>	<b>600,367</b>	<b>1,605,707</b>	<b>671,447</b>	<b>1,425,448</b>

#### Note 6 : "Other Operational Income"



Thous. AMD

Other operational expenses	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Income from penalties and fines	47,393	125,574	48,533	145,225
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	(4,127)	7,761	3,255	98
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income *	15,840	39,176	11,623	46,520
<b>Total</b>	<b>59,106</b>	<b>172,511</b>	<b>63,411</b>	<b>191,843</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

Cash and cash equivalents (Note 13)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	13,303	36,639	2,898	-
IFRS 9 impact on reserves	-	-	-	7,479
Net deductions to reserve	(5,406)	(28,742)	853	(3,728)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
<b>Summary balance</b>	<b>7,897</b>	<b>7,897</b>	<b>3,751</b>	<b>3,751</b>
"Due to Banks and other Financial institutions" (Note 14)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	155,158	145,769	553	-
IFRS 9 impact on reserves	-	-	-	1,046
Net deductions to reserve	(4,678)	4,711	(55)	(548)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
<b>Summary balance</b>	<b>150,480</b>	<b>150,480</b>	<b>498</b>	<b>498</b>
From loans and advances to customers (Note 16)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	1,508,223	1,508,428	1,490,744	1,605,120
IFRS 9 impact on reserves	-	-	-	(302,340)
Net deductions to reserve	662,442	717,671	277,192	376,937
Return of amounts previously charged to off balance item	114,689	222,206	36,057	172,109
Usage of reserve	(41,053)	(204,004)	(147,345)	(195,178)
<b>Summary balance</b>	<b>2,244,301</b>	<b>2,244,301</b>	<b>1,656,648</b>	<b>1,656,648</b>
Financial assets rated at fair value through other comprehensive financial assets (Note 17)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	278,243	227,486	214,578	-
IFRS 9 impact on reserves	-	-	-	208,675
Net deductions to reserve	5,033	55,790	(33,525)	(27,622)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
<b>Summary balance</b>	<b>283,276</b>	<b>283,276</b>	<b>181,053</b>	<b>181,053</b>
Other financial assets rated at amortized value (Note 15)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	-	-	-	-
Net deductions to reserve	6,982	6,982	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
<b>Summary balance</b>	<b>6,982</b>	<b>6,982</b>	<b>-</b>	<b>-</b>
On other assets (Note 21)	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Initial balance	13,217	9,468	16,611	15,800

Net deductions to reserve	1,629	5,378	(5,103)	(4,723)
Return of amounts previously charged to off balance item	1,427	1,427	276	881
Usage of reserve	(78)	(78)	(22)	(196)
<b>Summary balance</b>	<b>16,195</b>	<b>16,195</b>	<b>11,762</b>	<b>11,762</b>
<b>Post-balance sheet items containing loan exposures (note 30)</b>	<b>01/07/2019-30/09/2019</b>	<b>01/01/2019-30/09/2019</b>	<b>01/07/2018-30/09/2018</b>	<b>01/01/2018-30/09/2018</b>
Initial balance	59,554	61,891	101,221	-
IFRS 9 impact on reserves				103,411
Net deductions to reserve	6,478	4,141	(72,832)	(75,022)
Usage of reserve				
<b>Summary balance</b>	<b>66,032</b>	<b>66,032</b>	<b>28,389</b>	<b>28,389</b>
<b>Total net deductions to reserve</b>	<b>672,480</b>	<b>765,931</b>	<b>166,530</b>	<b>265,294</b>

#### Note 8 : "Total administrative expenses"



	Thous. AMD			
"Total administrative expenses"	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Salary and similar payments	1,168,426	3,388,907	1,072,802	2,941,156
Allocations to social insurance state fund			-	-
Training and tutorship expenses	70	693	18	4,359
Business trip expenses	36,906	55,031	24,979	54,050
Operational leases expenses	161,012	482,077	154,236	473,839
Insurance costs	35,015	103,145	33,952	98,511
Servicing and maintenance of the Bank's equipment	63,051	214,552	135,160	387,220
Maintenance and safekeeping of Bank buildings	173,911	511,401	167,340	511,841
Audit and consulting services	3,417	26,117	3,895	30,376
Communication and transmission costs	25,350	79,297	26,002	74,105
Transportation costs	36,451	108,201	40,576	115,254
Taxes (except income tax) penalties and other mandatory payments	160,125	331,298	64,298	191,689
Office and organizational expenses	28,287	94,386	24,725	90,021
Other administrative expenses	22,350	67,534	14,552	40,546
<b>Total</b>	<b>1,914,371</b>	<b>5,462,639</b>	<b>1,762,535</b>	<b>5,012,967</b>

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



	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Average number of Bank employees	828	821	797	791
Monthly average salary falling to a single employee (thousand AMD)	430	419	391	381

#### Note 9 : "Other Operational Expenses"



	Thous. AMD			
Other operational expenses	01/07/2019-30/09/2019	01/01/2019-30/09/2019	01/07/2018-30/09/2018	01/01/2018-30/09/2018
Paid fines and penalties	75,574	75,574	-	141
Payments made for collection	74,630	247,634	86,250	258,750
Advertising and representative expenses	66,151	395,362	176,085	547,588
Expenses from factoring				-
Amortization costs of fixed assets and intangible assets	219,433	617,477	180,911	532,629
Losses from depreciation of assets	-	-	-	-
Allocations to the Fund of Recovery of Deposits	44,604	159,200	53,115	158,990
Other expenses	139,784	350,398	99,233	275,787
<b>Total</b>	<b>620,176</b>	<b>1,845,645</b>	<b>595,594</b>	<b>1,773,885</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

Ըստիմարտային գծով ծախս	01.07.2019 30.09.2019	01.01.2019 30.09.2019	01.07.2018 30.09.2018	01.01.2018 30.09.2018
Current tax expenses	276,507	726,881	302,872	585,000
Corrections of current taxes for the previous period recognized in the current period	64,478	106,955	-	(20,410)
Deferred tax expenses	(110,168)	(181,272)	(58,085)	(101,386)
<b>Total</b>	<b>230,817</b>	<b>652,564</b>	<b>244,787</b>	<b>463,204</b>

	01.07.2019 30.09.2019	Efficient rate (%)	01.01.2019 30.09.2019	Efficient rate (%)	01.07.2018 30.09.2018	Efficient rate (%)	01.01.2018 30.09.2018	Efficient rate (%)
Profit before taxation	528,147		2,376,731		910,220		2,082,252	
Profit tax with rate	105,629	20.00	475,346	20.00	182,044	20.00	416,450	20.00
Non-taxable income from financial assets measured at fair value through other comprehensive income	(292)	(0.06)	(292)	(0.01)	-	-	(2,736)	(0.13)
Non-taxable income	(44,632)	(8.45)	(44,632)	(1.88)	-	-	-	-
Non-deductible expenses	(3,376)	(0.64)	2,611	0.11	61,081	6.71	80,827	3.88
Foreign currency negative/positive difference	111,565	21.12	118,731	5.00	4,757	0.52	(2,057)	(0.10)
Corrections of calculated tax expenses of the previous year	64,478	12.21	106,955	4.50	-	-	(20,410)	(0.98)
Other privileges	(2,555)	(0.48)	(6,155)	(0.26)	(3,095)	(0.34)	(8,870)	(0.43)
<b>Profit tax expenses</b>	<b>230,817</b>	<b>43.70</b>	<b>652,564</b>	<b>27.46</b>	<b>244,787</b>	<b>26.89</b>	<b>463,204</b>	<b>22.25</b>

Calculation of deferred tax on temporary differences

Thous. AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
<b>Deferred tax assets, including:</b>	<b>285,256</b>	<b>146,533</b>	<b>-</b>	<b>431,789</b>
Accrued expenses and other liabilities	146,060	58,938		204,998
Loans and borrowings to customers	131,906	93,305		225,211
Cash and their equivalents	7,290	(5,710)		1,580
<b>Deferred tax liabilities, including:</b>	<b>(1,135,238)</b>	<b>34,740</b>	<b>(48,467)</b>	<b>(1,148,965)</b>
Investment securities	(329,809)	(507)	42,735	(287,581)
Fixed assets	(757,410)	19,266	(91,202)	(829,346)
Contingent liabilities	(30,621)	19,071		(11,550)
Claims to banks and other financial institutions	(17,398)	(3,090)		(20,488)
<b>Net deferred tax asset/liability</b>	<b>(849,982)</b>	<b>181,273</b>	<b>(48,467)</b>	<b>(717,176)</b>

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



Thous. AMD

Basic profit falling to a single share	01/07/2019- 30/09/2019	01/01/2019- 30/09/2019	01/07/2018- 30/09/2018	01/01/2018- 30/09/2018
Net profit of the accounting period after taxation	297,329	1,724,168	665,433	1,619,048
Dividends on preferential shares calculated for the current accounting period	224,747	557,074	126,575	126,575
<b>Net gains(losses) of given period referring to owners of common shares</b>	<b>72,582</b>	<b>1,167,094</b>	<b>538,858</b>	<b>1,492,473</b>
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>0.04</b>	<b>0.63</b>	<b>0.29</b>	<b>0.81</b>

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

## Note 13 : Cash and cash equivalents



	Thous. AMD	
	30/09/2019	31/12/2018
<b>Cash and cash equivalents</b>		
Cash and cash equivalent payment documents	11,624,912	9,304,956
Correspondent accounts with the CBA*	20,967,689	24,178,654
Deposit accounts with the CBA		2,000,000
Correspondent accounts with the the resident banks*	155,334	35,701
Correspondent accounts with the the non-resident banks*	1,909,406	2,674,110
Accrued interests	65	986
Reserves/IFRS/	(7,899)	(36,362)
<b>Cash and balances with the CBA</b>	<b>34,649,507</b>	<b>38,158,045</b>

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

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



	Thous. AMD	
	30/09/2019	31/12/2018
<b>Current accounts</b>		
Deposited funds with CBA	291,000	1,786,500
Accrued interest		
<b>Total</b>	<b>291,000</b>	<b>1,786,500</b>
<b>With RA banks</b>		
Loans and deposits	999,537	3,434,625
Other	118,208	303,698
<b>With banks having BBB(Baa3) and higher ratings</b>		
Other		
Loans and deposits		
<b>With banks having ratings lower than BBB (Baa3) or no rating at all</b>		
Loans and deposits		1,935,000
Other	117,109	92,870
<b>Accrued interest</b>	<b>383</b>	<b>2,185</b>
<b>Total</b>	<b>1,235,237</b>	<b>5,768,378</b>
Possible loss provision for amounts due from banks (note 7)	(14,574)	(336)
<b>Net receivables to banks</b>	<b>1,511,663</b>	<b>7,554,542</b>

	30/09/2019	31/12/2018
<b>Loans and deposits with Financial Institutions and other receivables</b>		
<b>With RA Financial Institutions:</b>		
Loans and deposits	9,299,551	5,278,666
Other	570,447	
<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	225,532	1,098,516
Accrued interest	27,094	16,660
<b>Total</b>	<b>10,122,624</b>	<b>6,393,842</b>
Possible loss provision for receivables due to Financial Institutions (Note 7)	(143,171)	(12,031)
<b>Net receivables to Financial Institutions</b>	<b>9,979,453</b>	<b>6,381,811</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>11,491,116</b>	<b>13,936,353</b>

As of 30.09.2019 and 31.12.2018 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 114.709(AMD 54.598 thousand on 30.09.2019 and AMD 54.522 thousand on 31.12.2018 ), in Visa International, USD162.314 (AMD 77.256 thousand on 30.09.19, AMD 77.948 thousand on 31.12.2018) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

\*\* Deposited funds with RA CB line reflects funds deposited for mutual settlements through ArCa System.

## Note 14.1 Reverse Repurchase Agreements

	30/09/2019	31/12/2018
<b>Reverse Repurchase Agreements</b>		
Reverse Repurchase Agreements with Financial Institutions	6,900,084	3,882,703
<b>Total</b>	<b>6,900,084</b>	<b>3,882,703</b>

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

	Thous. AMD	
	30/09/2019	31/12/2018
<b>Other financial assets recalculated at fair value through profit/loss</b>		
<b>Derivative Instruments</b>		
Forward		
Swap	11,196	17,468
<b>Total</b>	<b>11,196</b>	<b>17,468</b>

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

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



Thous. AMD

Loans and advances calculated at amortized value	30/09/2019	31/12/2018
Loans, including:	141,363,814	119,733,641
Mortgage loans	12,895,847	9,135,362
Credit cards	20,056,367	14,809,006
Factoring		
With re-purchase agreements		
Accrued interest on the mentioned items	969,254	595,556
<b>Total loans</b>	<b>162,389,435</b>	<b>135,138,203</b>
Reserve for possible loss of customer loans and advances (note 7)	(2,244,301)	(1,508,428)
<b>Total loans and advances at amortized value</b>	<b>160,145,134</b>	<b>133,629,775</b>

Thous. AMD

Analyses of provided loans and advances per customers	30/09/2019	31/12/2018
State industries	74,301	121,744
<b>Private industries, including:</b>	<b>67,019,617</b>	<b>58,533,589</b>
Major enterprises	30,767,288	24,995,713
Small and medium enterprises	36,252,329	33,537,876
Including business cards	168,204	89,972
<b>Individuals, including:</b>	<b>81,494,498</b>	<b>66,898,016</b>
Consumer loans	47,032,600	40,191,917
Mortgage loans	12,895,847	9,135,362
Credit cards	19,867,677	14,689,881
<b>Private entrepreneurs</b>	<b>12,831,765</b>	<b>8,983,316</b>
Accrued interest	969,254	601,538
<b>Total loans</b>	<b>162,389,435</b>	<b>135,138,203</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	(2,244,301)	(1,508,428)
<b>Total loans and advances at amortized value</b>	<b>160,145,134</b>	<b>133,629,775</b>

Thous. AMD

Loan liabilities on 20 major borrowers and related parties /without reserve/	30/09/2019	31/12/2018
Customers' loans and advances calculated at amortized value	42,123,407	41,196,154
Balance of off-balance sheet contingent liabilities	5,444,472	17,023,207
<b>Total</b>	<b>47,567,878</b>	<b>58,219,361</b>
Loan investments	162,389,435	135,138,203
Ratio in portfolio	29.29%	43.08%
Total normative capital	35,150,145	32,270,581
Percentage ratio to capital	135.33%	180.41%
<b>Total</b>	<b>47,567,878</b>	<b>58,219,361</b>

30/09/2019		
Loan Investments through International programs	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	423,034	13
ADB/TFP/RCA/Asian Development Bank	11,960	2
ADB/WESSD/Asian Development Bank	1,552,228	83
BlueOrchard/MSE/	1,286,803	42
DEG/SME/	3,884,075	145
EBRD/TFP/IBA European Bank for Reconstruction and Development	3,060,984	209
EBRD/WiB/European Bank for Reconstruction and Development	141,466	13
FINSCA/MSE/	69,910	58
GAF/ KfW /ENERGY	2,193,291	37
FMO/MSME/Retail/	6,338,409	788
GAF/KfW/SME	295,091	31
GAF/KfW/SME/ENERGY	118,901	96
GLS AI MFF/ME/Alternative Investments – Mikrofinanzfonds	3,603,269	114
INCOFINCVBA/MSE/	3,391	1
MSMEBondsSA/MSME/		
SICAV-SIF/ME1/Symbiotics Global Financial Inclusion Fund	428,186	122
	262,574	4
EIB/APEX	1,844	1
BS/SME3	90,030	8
EFA FIDF/SME	875,649	12
GLI/ME	43,028	3
<b>Total</b>	<b>24.684,123</b>	<b>1,782</b>

31/12/2018		
Loan Investments through International programs	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/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>

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	30/09/2019	Percentage	31/12/2018	Percentage
Industry	17,111,766	10.54	19,388,879	14.35
Agriculture	1,653,096	1.02	1,132,017	0.84
Construction	8,763,316	5.40	7,738,895	5.73
Transportation and communication	623,298	0.38	503,186	0.37
Commerce	33,455,624	20.60	24,625,736	18.22
Consumer	67,782,227	41.74	56,919,932	42.12
Mortgage loans	12,950,523	7.97	9,175,875	6.79
Service	11,269,798	6.94	10,556,635	7.81
Other	8,779,787	5.41	5,097,048	3.77
<b>Total</b>	<b>162,389,435</b>	<b>100</b>	<b>135,138,203</b>	<b>100</b>

Breakdown of loan portfolio per customer residency	30/09/2019	Percentage	31/12/2018	Percentage
RA residents	161,348,066	99.36	132,918,791	99
Residents of countries with Baa33 and higher ratings including	40,680	0.03	77,242	0.06
-Italy	40,680		77,242	
Residents of countries with Baa33and lower ratings or no rating at all	38,300	0.02	32,204	0.02
-Russia	38,300		32,204	0.03
Accrued interest	962,389	0.59	601,538	0.74
<b>Total</b>	<b>162,389,435</b>	<b>100</b>	<b>133,629,775</b>	<b>100</b>

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



30.09.2019

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
	Corporate loans	66,080,476	786,044	883,613	577,021	8,691
Loans to individuals and private entrepreneurs	94,370,644	618,156	830,196	62,559	215,815	192,175
<b>Total</b>	<b>160,451,120</b>	<b>1,404,200</b>	<b>1,713,809</b>	<b>639,580</b>	<b>224,506</b>	<b>200,521</b>

31.12.2018

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per stages of regression model	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
	Corporate loans	58,929,052	877,748			
Loans to individuals and private entrepreneurs	75,924,992.00	475,326.00	112,491.00	27,822	171,669.00	127,532.00
<b>Total</b>	<b>134,854,044.00</b>	<b>1,353,074.00</b>	<b>112,491.00</b>	<b>27,822.00</b>	<b>171,669.00</b>	<b>127,532.00</b>

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



30.09.2019

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	67,150,923	409,218	66,741,705	0.61%
Overdue				
1-30 days	233,725	1,628	232,097	0.70%
31- 60 days	81,577	29,897	51,680	36.65%
61- 90 days	92,691	32,757	59,934	35.34%
91-180 days	133,469	118,847	14,622	89.04%
180 and more	89842	80,526	9,316	89.63%
<b>Total</b>	<b>67,782,227</b>	<b>672,873</b>	<b>67,109,354</b>	<b>0.99%</b>
<b>Trade</b>				
Non-overdue	33,445,856	471,435	32,974,421	1.41%
Overdue			0	
1-30 days	6,776	95	6,681	1.40%
31- 60 days	1,534	575	959	
61- 90 days	1,458	546	912	37.45%
91-180 days				
180 and more			0	
<b>Total</b>	<b>33,455,624</b>	<b>472,651</b>	<b>32,982,973</b>	<b>1.41%</b>
<b>Production</b>				
Non-overdue	17,111,766	139,059	16,972,707	0.81%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
<b>Total</b>	<b>17,111,766</b>	<b>139,059</b>	<b>16,972,707</b>	<b>0.81%</b>
<b>Construction</b>				
Non-overdue	8,763,316	71,202	8,692,114	0.81%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>8,763,316</b>	<b>71,202</b>	<b>8,692,114</b>	<b>0.81%</b>
<b>Mortgage</b>				
Non-overdue	12,939,590	36,487	12,903,103	0.28%
Overdue				
1-30 days	1,102	0.83	1,101	
31- 60 days	9,831	3,859	5,972	39.25%
61- 90 days			0	#DIV/0!
91-180 days				
180 and more				
<b>Total</b>	<b>12,950,523</b>	<b>40,347</b>	<b>12,910,176</b>	<b>0.31%</b>
<b>Agriculture</b>				
Non-overdue	1,652,268	5,009	1,647,259	0.30%
Overdue				
1-30 days	828	0.87	827.13	0.11%
31- 60 days				
61- 90 days				
91-180 days				
<b>Total</b>	<b>1,653,096</b>	<b>5,010</b>	<b>1,648,086</b>	<b>0.30%</b>
<b>Other fields</b>				
Non-overdue	19,142,106	269,929	18,872,177	1.41%
Overdue				
1-30 days	2,864	136	2,728	4.75%
31- 60 days	1,526,718	571946	954,772	
61- 90 days			0	
91-180 days	1,195	1,148	47	96.07%
180 and more			0	#DIV/0!
<b>Total</b>	<b>20,672,883</b>	<b>843,159</b>	<b>19,829,724</b>	<b>4.08%</b>
<b>TOTAL</b>	<b>162,389,435</b>	<b>2,244,301</b>	<b>160,145,134</b>	<b>1.38%</b>

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	56,461,435	206,700	56,254,735	0.37%
Overdue				
1-30 days	184,955	631	184,324	0.34%
31- 60 days	56,659	15,175	41,484	26.78%
61- 90 days	46,812	10,574	36,238	22.59%
91-180 days	98,047	76,052	21,995	77.57%
180 and more	72024	50,451	21,573	70.05%
<b>Total</b>	<b>56,919,932</b>	<b>359,583</b>	<b>56,560,349</b>	<b>0.63%</b>
<b>Trade</b>				
Non-overdue	24,007,172	708,464	23,298,708	2.95%
Overdue			0	
1-30 days	3,319	101	3,218	3.04%
31- 60 days			0	
61- 90 days	256	131	125	51.17%
91-180 days				
180 and more			0	
<b>Total</b>	<b>24,010,747</b>	<b>708,696</b>	<b>23,302,051</b>	<b>2.95%</b>
<b>Production</b>				
Non-overdue	19,388,879	369,185	19,019,694	1.90%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
<b>Total</b>	<b>19,388,879</b>	<b>369,185</b>	<b>19,019,694</b>	<b>1.90%</b>
<b>Construction</b>				
Non-overdue	7,738,895	703	7,738,192	0.01%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>7,738,895</b>	<b>703</b>	<b>7,738,192</b>	<b>0.01%</b>
<b>Mortgage</b>				
Non-overdue	9,167,111	39,629	9,127,482	0.43%
Overdue				
1-30 days				
31- 60 days	6,804	1,508	5,296	22.16%
61- 90 days	1960	434	1526	22.14%
91-180 days				
180 and more				
<b>Total</b>	<b>9,175,875</b>	<b>41,571</b>	<b>9,134,304</b>	<b>0.45%</b>
<b>Agriculture</b>				
Non-overdue	1,131,363	1,159	1,130,204	0.10%
Overdue				
1-30 days	654	0.67	653.33	0.10%
31- 60 days				
61- 90 days				
91-180 days				
<b>Total</b>	<b>1,132,017</b>	<b>1,160</b>	<b>1,130,857</b>	<b>0.10%</b>
<b>Other fields</b>				
Non-overdue	16,769,604	26,501	16,743,103	0.16%
Overdue				
1-30 days	657	1	656	0.10%
31- 60 days				
61- 90 days			0	
91-180 days	237	68	169	28.69%
180 and more	1,360	961	399	70.66%
<b>Total</b>	<b>16,771,858</b>	<b>27,531</b>	<b>16,744,327</b>	<b>0.16%</b>
<b>TOTAL</b>	<b>135,138,203</b>	<b>1,508,428</b>	<b>133,629,775</b>	<b>1.12%</b>

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

Thous. AMD		
	30/09/2019	31/12/2018
<b>Government securities</b>		
RA Governmental T-bills	6,143,950	1,173,720
Reserve for RA Governmental T-bills		
<b>Total</b>	<b>6,143,950</b>	<b>1,173,720</b>

Thous. AMD				
	30/09/2019		31/12/2018	
	listed	unlisted	listed	unlisted
<b>RA non-state securities</b>				
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Long term debt instruments	783,654		1,034,529	
Short term debt instruments				
Capital instruments		83,971		83,971
<b>Total non-state securities of RA</b>	<b>783,654</b>	<b>83,971</b>	<b>1,034,529</b>	<b>83,971</b>
<b>Investments in RA non-governmental securities (reserve for possible losses)</b>				
<b>Net Investments in RA non-governmental securities</b>	<b>783,654</b>	<b>83,971</b>	<b>1,034,529</b>	<b>83,971</b>

Thous. AMD				
	30/09/2019		31/12/2018	
	listed	unlisted	listed	unlisted
<b>Non-governmental securities of other countries</b>				
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Capital instruments		5,856		5,798
<b>Total non-state securities of other countries</b>	<b>-</b>	<b>5,856</b>	<b>-</b>	<b>5,798</b>
<b>Financial assets rated at fair value through other comprehensive financial assets</b>	<b>6,927,604</b>	<b>89,827</b>	<b>2,208,249</b>	<b>89,769</b>

Investments in share capital of other entities as of 30.09.2019

Name of entity	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	5,856	-
"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>89,827</b>	

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

Note 17.1 : " Securities pledged under repurchase agreement"

Thous. AMD		
	30/09/2019	31/12/2018
<b>Assets</b>		
<b>Total pledged securities</b>	<b>23,768,117</b>	<b>21,400,762</b>
including:		
Pledged securities	17,569,316	17,454,208
Securities under REPO agreement	6,198,801	3,946,554
Reserve for pledged securities		
<b>Total</b>	<b>17,569,316</b>	<b>17,454,208</b>
Resources attracted under REPO agreement	22,636,548	20,519,048

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>Հիմնական միջոցների մնացորդը նախորդ ժամանակաշրջանի վերջում 31/12/2018</b>	<b>7,385,387</b>	<b>2,983,545</b>	<b>711,497</b>	<b>2,345,403</b>	<b>676,494</b>	<b>377,404</b>	<b>14,479,730</b>
Increase	81	225,381	9,294	117,478	294,475	77,308	724,017
Disposal	(299,185)	(1,049)	(34,123)	(5,511)			(339,868)
Written-off		(30,982)		(192,004)			(222,986)
Reclassification	970,977	44,094		(40,456)	(970,910)		3,705
Revaluation *	485,617						485,617
Disposal (revaluation*)	(31,014)						(31,014)
Written-off of amortization	(151,505)						(151,505)
Written-off of amortization (from revaluation )	(300,847)						(300,847)
<b>Balance of fixed assets at the end of accounting period 30/09/2019</b>	<b>8,059,511</b>	<b>3,220,989</b>	<b>686,668</b>	<b>2,224,910</b>	<b>59</b>	<b>454,712</b>	<b>14,646,849</b>
<b>Balance of accumulated amortization at the end of the previous period 31/12/2018</b>	<b>468,449</b>	<b>1,881,819</b>	<b>271,682</b>	<b>1,435,171</b>	<b>-</b>	<b>91,754</b>	<b>4,148,875</b>
Increase	152,797	194,412	63,600	137,245		17,135	565,189
Disposal	(13,340)	(1,050)	(19,428)	(4,992)			(38,810)
Reclassification	3	76		3,628			3,707
Disposal (revaluation*)	(1,407)						(1,407)
Written-off of amortization	(151,504)	(30,365)		(183,630)			(365,499)
Written-off of amortization (from revaluation )	(300,847)						(300,847)
<b>Balance of accumulated amortization at the end of the accounting period 30/09/2019</b>	<b>154,151</b>	<b>2,044,892</b>	<b>315,854</b>	<b>1,387,422</b>	<b>-</b>	<b>108,889</b>	<b>4,011,208</b>
<b>Net balance sheet value</b>							<b>-</b>
<b>At the end of the accounting period</b>	<b>7,905,360</b>	<b>1,176,097</b>	<b>370,814</b>	<b>837,488</b>	<b>59</b>	<b>345,823</b>	<b>10,635,641</b>
<b>At the end of the previous accounting period</b>	<b>6,916,938</b>	<b>1,101,726</b>	<b>439,815</b>	<b>910,232</b>	<b>676,494</b>	<b>285,650</b>	<b>10,330,855</b>

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

## Intangible Assets

Thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
<b>Initial value</b>						
Balance of intangible assets at the end of the previous period 31/12/2018	293,918	392,213	180	29,771	-	716,082
Increase	7,368	21,490	26	781		29,665
Reclassification						-
Balance of intangible assets at the end of the accounting period 30/09/2019	301,286	413,703	206	30,552	-	745,747
Intangible balance of accumulated amortization at the end of previous period 31/12/2018	53,817	140,544	53	15,075	-	209,489
Increase	19,410	30,561	12	2,304		52,287
Disposal						-
Reclassification	(7)			8		1
Balance of accumulated amortization at the end of accounting period 30/09/2019	73,220	171,105	65	17,387	-	261,777
<b>Net balance sheet value</b>						
At the end of the accounting period	228,066	242,598	141	13,165	-	483,970
At the end of the previous accounting period	240,101	251,669	127	14,696	-	506,593

As of 30.09.2019, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

## Note 21: "Other Assets"



Thous. AMD

Amounts receivable from bank operations	30/09/2019	31/12/2018
Amounts receivable from other operations	95,328	78,470
<b>Total</b>	<b>95,328</b>	<b>78,470</b>
Reserve for possible loss provision from bank operations (note 7)	(16,565)	(805)
<b>Net amounts receivable from bank operations</b>	<b>78,763</b>	<b>77,665</b>
<b>Debtor liabilities and prepayments</b>		
Debtor liabilities on the budget	61	65
Debtor liabilities to suppliers		
Prepayments to employees	1	37
Prepayments to suppliers	416,756	626,051
Prepayments on the budget and mandatory social insurance payments	952	1,600
Other debtor liabilities and prepayments	45,309	60,341
<b>Total</b>	<b>463,079</b>	<b>688,094</b>
Reserve for possible loss provision on other assets (note 7)	(4,632)	(6,881)
<b>Total</b>	<b>458,447</b>	<b>681,213</b>
<b>Other assets</b>		
Reserve	164,620	373,018
Sequestered pledge and available-for-sale assets		
Future period expenses	147,198	133,223
Other assets	153,551	63,975
Reserve for possible loss provision on other assets (note 7)	(5,686)	(3,532)
<b>Total</b>	<b>459,683</b>	<b>566,684</b>
<b>Total other assets</b>	<b>996,893</b>	<b>1,325,562</b>

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

Thous. AMD

Current accounts	30/09/2019	31/12/2018
RA Banks	1,722	1,749
<b>Banks having BBB(Baa3) and higher rating</b>		
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>	6,835	6,944
Accrued interest		
<b>Total</b>	<b>8,557</b>	<b>8,693</b>
<b>Interbank loans and deposits, other</b>		
Other		
<b>RA banks</b>		
Loans and deposits	6,188,268	12,875,437
Other	851	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	1,527,094	1,235,563
Other	46,608	67,268
Accrued interest	54,801	44,626
<b>Total</b>	<b>7,817,622</b>	<b>14,224,636</b>
<b>Financial Institutions</b>		
Current accounts	1,435,597	1,076,850
Loans and deposits	24,092,659	18,060,114
Other	58,253	47,876
Accrued interest	824,488	667,622
<b>Total</b>	<b>26,410,997</b>	<b>19,852,462</b>
<b>Total liabilities to banks and financial institutions</b>	<b>34,237,176</b>	<b>34,085,791</b>

Note 22.1 Loans and advances from international financial institutions



Loans attracted from financial institutions	Project	Currency	Term	30/09/2019	Currency	Term	31/12/2018
Asian Development Bank	ADB/TFP/RCA	USD	less than 1 years	876,726	USD	less than 1 years	1,462,058
BlueOrchard	BlueOrchard/MSE	USD	1-3 year	408,749	USD	1-3 year	812,081
DEG	DEG/SME	USD	1-7 year	4,812,505	USD	1-7 year	4,966,974
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-5 year	5,815,212	AMD	1-5 year	962,371
EFA Financial Institution debt fund	EFA_FIDF/SME	USD	1-3 year	1,183,406	USD	1-3 year	1,201,566
Finethic SCA	FINSCA/MSE	USD	1-3 year	480,457	USD	1-3 year	483,327
Global Impact Investments	GLI/IME	USD	1-3 year	2,400,148	USD	1-3 year	2,406,903
Global Impact Investments	GLI/IME	USD	1-4 year	1,423,102	USD	1-4 year	1,470,077
GLS ALTERNATIVE INVESTMENTS - MFF	GLS_AI_MFF/ME	USD	1-3 year	474,094	USD	1-3 year	491,100
Incofin Investment Management	INCOFINCVBA/MSE	USD	1-4 year	4,837,648	USD	1-4 year	4,841,134
Incofin Investment Management	INCOFINCVBA/MSE	USD	1-4 year	1,443,692			
Dutch Development Bank	FMO/MSME/RETAIL	USD	1-5 year	4,820,042			
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME				USD	1-3 year	1,523,831
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME				USD	1-3 year	899,136
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 year	1,975,340	AMD	1-4 year	2,031,307
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 year	493,835	AMD	1-4 year	507,826
Blak Sea Trade and development Bank	BS/SME3	USD	1-5 year	2,359,282			
<b>Total</b>				<b>33,804,238</b>			<b>24,059,690</b>

Note 22.2 Loans from the CBA and RA



Project	30.06.2019		31/12/2018	
	Loan amount	Accrued interest	Loan amount	Accrued interest
"Women Entrepreneurship Support and Development" loan project	1,162,821	14,861		
GAF/ RA SME lending project of European Investment Bank				
GAF /Micro and Small Business Development Project of German-Armenian Fund	224,999	3,026		
GAF "Renewable Energy Development" project	6,081,905	134,300	5,684,752	15,325
GAF "Access to finance for SMEs" project	164,056	3,556	295,655	1,252
	293,012	1,900	32,548	470
<b>Total</b>	<b>7,926,793</b>	<b>157,643</b>	<b>6,012,955</b>	<b>17,047</b>

Note 22.3 REPO (repurchase) agreements



REPO (repurchase) agreements	30/09/2019	31/12/2018
REPO (repurchase) agreements with financial institutions	22,636,548	20,166,042
REPO (repurchase) agreements with financial institutions		353,006
<b>Total</b>	<b>22,636,548</b>	<b>20,519,048</b>

## Note 23: "Liabilities to Customers"

Thous. AMD

	30/09/2019	31/12/2018
<b>RA resident corporate entities and institutions</b>		
Current accounts	17,317,414	18,345,584
Term deposits	8,681,646	4,375,585
Other	994,345	305,499
Accrued interest	296,294	148,719
<b>Total</b>	<b>27,289,699</b>	<b>23,175,387</b>
<b>Non-resident corporate entities, institutions</b>		
Current accounts	358,182	470,687
Deposits	26,172	
Other	2	222
Accrued interest	349	20
<b>Total</b>	<b>384,705</b>	<b>470,929</b>
<b>RA resident private entrepreneurs</b>		
Current accounts	861,028	564,501
Term deposit		-
Other	11,784	7,487
Accrued interest		19
<b>Total</b>	<b>872,812</b>	<b>572,007</b>
<b>RA resident individuals</b>		
Current accounts	16,026,081	18,123,242
Term deposits	54,272,725	47,735,780
Other	661,427	512,359
Accrued interest	933,994	710,712
<b>Total</b>	<b>71,894,227</b>	<b>67,082,093</b>
<b>Non- resident individuals</b>		
Current accounts	1,039,345	830,005
Term deposits	4,620,258	3,630,299
Other	48,945	37,166
Accrued interest	48,131	30,882
<b>Total</b>	<b>5,756,679</b>	<b>4,528,352</b>
<b>Total liabilities to customers</b>	<b>106,198,122</b>	<b>95,828,768</b>

As of 30.09.2019, the amount necessary to secure obligations was AMD 4.462.388 thousand.

As of 30.09.2019, the amount frozen by court order and tax authorities was AMD 590596 thousand.

## Note 23.1 : "Subordinate Borrowing"

As of 30.09.2019, the Bank did not attract any subordinate borrowing.

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

	30/09/2019	31/12/2018
Interest securities issued by the Bank	5,477,762	2,060,960
<b>Total</b>	<b>5,477,762</b>	<b>2,060,960</b>

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

Thous. AMD

Financial liability at fair value recalculated through profit/loss	30/09/2019	31/12/2018
<b>Derivative instruments</b>		
Swap	9,228	
Forward		
Other		
<b>Total</b>	<b>9,228</b>	<b>-</b>

**Note 26: "Amounts Payable"**

Thous. AMD

Amounts payable	30/09/2019	31/12/2018
Dividends	387,749	235,498
For insurance of deposit	44,605	44,882
<b>Total</b>	<b>432,354</b>	<b>280,380</b>

**Note 27: " Other Liabilities"**

Thous. AMD

Other liabilities	30/09/2019	31/12/2018
On income tax of non-resident	31,181	51,610
On VAT	2,528	1,740
On other taxes and penalties	129,687	198,582
Salary liabilities to employees	938,151	669,236
Credit debts to suppliers	86,941	61,540
Other liabilities	476,519	243,560
<b>Balance at the end of the period</b>	<b>1,665,007</b>	<b>1,226,268</b>

**Note 28: "Chartered capital"**

The Bank's registered and fully paid share capital totals AMD 25,635,343 thous., including 1,852,533 common shares with a nominal value of AMD 10,400 per share and 424,600 preference shares with a nominal value of AMD 15,000 per share. The chart below shows information on the key shareholders of the 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)
Sukiasyan Saribek Albert	5,457,078	28.32%	
Sukiasyan Khachatur Albert	3,138,533	16.29%	
Sukiasyan Eduard Albert	2,053,158	10.66%	
Sukiasyan Robert Albert	3,250,354	16.87%	

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

- a/ participate in the General Meeting of Shareholders of the Bank with the number of votes corresponding to the number and value of preference shares owned by them as prescribed by Law and the Bank's Charter.
- b/ receive quarterly payments (dividends),
- c/ receive any information concerning the Bank activities as prescribed by Law.
- d/ obtain its part of the Bank's property in case of the liquidation of the Bank

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

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

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

The Bank's legal liabilities: as of 30.09.2019 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.09.2019 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

	Thous. AMD	
	30/09/2019	31/12/2018
Unutilized credit lines	5,982,801	17,900,458
Provided guarantees	6,395,434	3,599,016
Provided letters of credit		
Reserve on the mentioned items (note 7)	(66,032)	(61,891)

### Liabilities on operational leases

	Thous. AMD	
Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		683,658
1-5 years		2,266,972
more than 5 years		135,559
<b>Total</b>	<b>0</b>	<b>3,086,189</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 interest rates.

	Thous. AMD	
Loans and advances at amortized value to the Bank related parties	30/09/2019	31/12/2018
Bank shareholder	1,628,073	2,664,389
Bank management	126,247	138,134
Financial institutions	50,128	67,482
<b>Total</b>	<b>1,804,448</b>	<b>2,870,005</b>
Interest income	214,455	298,477

	Thous. AMD	
Facilities attracted from Bank related entities	30/09/2019	31/12/2018
Bank shareholder	729,216	4,059,544
Bank management	64,067	446,312
Financial institutions	206,444	177,455
<b>Total</b>	<b>999,727</b>	<b>4,683,311</b>
Interest income	21,577	597,568

	Thous. AMD	
Salary or Similar Payment to the Bank Management	30/09/2019	31/12/2018
<b>Board</b>	<b>155,082</b>	<b>143,592</b>
Salary	155,082	143,592
Awarding		
<b>Executive body</b>	<b>260,008</b>	<b>218,511</b>
Salary	260,008	218,511
Awarding		
<b>Internal Audit</b>	<b>66,842</b>	<b>64,879</b>
Salary	66,342	64,579
Awarding	500	300
<b>Total</b>	<b>481,932</b>	<b>426,982</b>

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,U, K, L scenes are ( figures from 1-100)

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

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

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

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

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

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

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

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

Item	30/09/2019				Thous. AMD
	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	32,743,133	442,899	1,309,121	154,354	34,649,507
Standard bank precious metal bullions and coins	91,197				91,197
Due from banks and other financial institutions	11,209,077	87,210	188,617	6,212	11,491,116
Reverse repurchase agreements	6,900,084				6,900,084
Financial assets at fair value recalculated through profit/loss	11,196				11,196
Customers' loans and advances rated at amortized value	160,079,789	24,987	40,358		160,145,134
Securities at fair value rated through other comprehensive financial results	7,011,575		5,856		7,017,431
Securities pledged under repurchase agreement	17,569,316				17,569,316
Other assets	77,755		1,010		78,765
<b>Total assets</b>	<b>236,165,091</b>	<b>555,096</b>	<b>1,544,962</b>	<b>160,566</b>	<b>238,425,715</b>

Item	31.12.2018				Thous. AMD
	RA	CIS countries	OECD* countries*	Non-OECD* countries»	Total
<b>Assets</b>					
Cash and balances with the CBA	35,483,934	591,436	1,936,668	146,007	38,158,045
Due from banks and other financial institutions	10,758,103	1,908,354	500,741	8,752	13,175,950
Reverse repurchase agreements	3,882,703				3,882,703
Financial assets at fair value recalculated through profit/loss	17,468				17,468
Customers' loans and advances rated at amortized value	133,520,756	32,141	76,878		133,629,775
Securities pledged under repurchase agreement	19,746,428		5,798		19,752,226
Other assets	128,207		1,173		129,380
<b>Total assets</b>	<b>203,537,599</b>	<b>2,531,931</b>	<b>2,521,258</b>	<b>154,759</b>	<b>208,745,547</b>

Loans allocated in the territory of RA per RA regions:

RA regions	Thous. AMD	
	30/09/2019	31/12/2018
Yerevan	110,168,229	96,700,731
Kotayk	11,144,047	7,759,921
Lori	6,983,323	6,261,967
Gegharkunik	6,777,194	4,658,632
Shirak	5,343,578	4,127,286
Armavir	5,267,561	3,589,993
Ararat	4,753,874	3,349,154
Syunik	3,514,852	2,427,589
Artsakh	2,185,742	1,658,197
Aragatsotn	1,763,053	1,294,250
Vayots Dzor	1,176,900	956,980
Tavush	1,066,780	845,075
<b>Total</b>	<b>160,145,134</b>	<b>133,629,775</b>

## Credit Risk Analysis

1) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.09.2019 did not exceed 8.31. 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 30.09.2019, loan investments without reserves amounted to AMD 162,389,435. As of 30.09.2019, the volume of loans in the Stage 2, Stage 3 amounted to AMD 840,101 thousand.

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

5) The volume of repo transactions (except extensions) affected in the 3rd quarter of 2019 was AMD 157,441,858 against AMD 110,190,456 of the same period of the previous year. Reverse repo transactions in the 3rd quarter of 2019, made AMD 14,947,486 against AMD 18,074,505 of the same period of the previous year

6) The lending procedure at "ARMECONOMBANK" OJSC is performed by a dedicated team of employees with excellent professional qualification and work experience. The engagement of employees is made via competitive examination held by a special competition committee. The announcements of competitions are placed in mass media and in the Bank's Website.

7) On the purpose of rising the efficiency of lending process and mitigation of risks connected with commercial loans, loan officers make careful analysis of the Borrower's performance. On the purpose of analysis the specialist of loan extension unit visit the place where the customer's business is located and not only uses the existing accounting documents, but also elaborates and uses his own versions of balance sheet, income expenses, cash flows, capital movement statements.

The balance sheet compiled by the Bank specialist reflects the situation at the time when the analysis is made liquid assets/cash in the pay desk, bank accounts, savings/ accounts receivables/receivable amounts, goods on transit, prepayments made/ ,good supplies/raw materials, half ready goods, goods, fixed assets/equipments related to customers business activity, cars, real estate and other property/.

The statement of income /expenses is compiled, taking into account the average indicators of customers disposal/average data/, value of goods and services/cost of raw materials, prime cost of goods/, surplus costs/salary,rental fee, transportation expenses, communal expenses, taxes,etc., other income expenses, repayments of extendable loan principal and interest.

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

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

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

Two types of monitoring are performed:

1. Monitoring via actual visits,
2. Monitoring by phone calls.

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

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 in case the lending is by installments, or may terminate the Loan Agreement and perform preterm repayment of principal, credit line provided for commercial purposes and accrued interest based on its rights under the Pledge Agreement.

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

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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 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	Համախառն VAR
2019 II Q	1,644.49	194.49	212.94	92.24	39.10	1.89	1,015.46	230.03	15.24	2,128.44
2019 III Q	1,231.75	92.76	1,718.09	39.61	37.28	1.77	849.15	278.93	23.76	3,159.93
increase/decrease	-412.74	-101.73	1,505.14	-52.64	-1.82	-0.11	-166.31	48.90	8.52	1,031.49

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

30/09/2019

Thous. AMD

	AMD	USD	EUR	RUB	Other currency	Total
Cash and their equivalents	19,723,291	9,120,286	4,636,632	1,088,296	81,001	<b>34,649,507</b>
Bank standardized bullions of precious metals and coins	443				90,754	<b>91,197</b>
Receivables to banks and other financial institutions	1,116,677	4,207,010	6,041,327	126,101	1	<b>11,491,116</b>
Reverse Repurchase Agreements	6,398,709	501,375				<b>6,900,084</b>
Loans and advances to customers calculated at amortized value	89,470,262	57,883,364	12,735,125	56,383		<b>160,145,134</b>
Financial assets at real value rated through other comprehensive financial results	7,017,431					<b>7,017,431</b>
Securities pledged under repurchase agreements	17,569,316					<b>17,569,316</b>
Other financial assets calculated at amortized value		470,809				<b>470,809</b>
Other assets	68,032	5,618	4,307	146	662	<b>78,765</b>
<b>Total assets</b>	<b>141,384,162</b>	<b>72,188,462</b>	<b>23,417,391</b>	<b>1,270,926</b>	<b>172,418</b>	<b>238,413,359</b>
<b>Liabilities</b>						
Liabilities to the banks and other financial institutions	19,658,932	11,597,786	2,956,715	23,142	601	<b>34,237,176</b>
Loans and deposits from international financial institutions	8,120,166	25,684,073				<b>33,804,239</b>
Loans from the CBA and RA	8,123,458					<b>8,123,458</b>
REPO agreements	22,445,820	190,728				<b>22,636,548</b>
Liabilities to Customers	53,831,549	43,872,037	6,794,874	1,656,763	42,899	<b>106,198,122</b>
Liabilities on current taxes	248,112					<b>248,112</b>
Securities issued by the Bank	1,116,443	4,361,319				<b>5,477,762</b>
Amount payable	432,354					<b>432,354</b>
Deferred tax liabilities	717,176					<b>717,176</b>
Reserves	66,032					<b>66,032</b>
Other liabilities	1,508,724	82,535	7,917	65,830	1	<b>1,665,007</b>
<b>Total liabilities</b>	<b>116,268,766</b>	<b>85,788,478</b>	<b>9,759,506</b>	<b>1,745,735</b>	<b>43,501</b>	<b>213,605,986</b>
<b>Balance-sheet open position</b>	<b>25,095,396</b>	<b>(13,600,016)</b>	<b>13,657,885</b>	<b>(474,809)</b>	<b>128,917</b>	<b>24,807,373</b>
Financial liabilities at fair value recalculated through profit/loss						
<b>Aggregately payable currency derivatives</b>		<b>12,963,872</b>	<b>(13,255,155)</b>	<b>381,185</b>	<b>(87,934)</b>	<b>1,968</b>
<b>Net position</b>	<b>25,095,396</b>	<b>(636,144)</b>	<b>402,730</b>	<b>(93,624)</b>	<b>40,983</b>	<b>24,809,341</b>

31/12/2018

	AMD	USD	EUR	RUB	Other currency	Total
<b>Assets</b>						
Cash and their equivalents	19,409,916	7,288,803	10,096,619	1,295,801	66,906	<b>38,158,045</b>
Receivables to banks and other financial institutions	2,142,576	9,176,666	1,404,248	452,424	36	<b>13,175,950</b>
Reverse Repurchase Agreements	3,681,119	201,584				<b>3,882,703</b>
Loans and advances to customers calculated at amortized value	71,471,900	56,944,494	5,196,546	16,835		<b>133,629,775</b>
Securities pledged under repurchase agreements	19,131,502	620,724				<b>19,752,226</b>
Other assets	122,879	3,108	3,373	20		<b>129,380</b>
<b>Total assets</b>	<b>115,959,892</b>	<b>74,235,379</b>	<b>16,700,786</b>	<b>1,765,080</b>	<b>66,942</b>	<b>208,728,079</b>
<b>Liabilities</b>						
Liabilities to the banks and other financial institutions	13,809,185	16,449,077	3,677,240	149,094	1,195	<b>34,085,791</b>
Loans and deposits from international financial institutions	3,333,997	20,725,693				<b>24,059,690</b>
Loans from the CBA and RA	6,055,317					<b>6,055,317</b>
REPO agreements	20,204,342	314,706				<b>20,519,048</b>
Liabilities to Customers	46,307,832	42,176,826	5,826,961	1,488,309	28,840	<b>95,828,768</b>
Subordinated borrowing	705,853	2,676,296				<b>3,382,149</b>
Liabilities on current taxes	273,836					<b>273,836</b>
Securities issued by the Bank	102,880	1,958,080				<b>2,060,960</b>
Amount payable	280,380					<b>280,380</b>
Deferred tax liabilities	849,982					<b>849,982</b>
Reserves	61,891					<b>61,891</b>
Other liabilities	322,484	181,064	26,605	55,327		<b>585,480</b>
<b>Total liabilities</b>	<b>92,307,979</b>	<b>84,481,742</b>	<b>9,530,806</b>	<b>1,692,730</b>	<b>30,035</b>	<b>188,043,292</b>
<b>Balance-sheet open position</b>	<b>23,651,913</b>	<b>(10,246,363)</b>	<b>7,169,980</b>	<b>72,350</b>	<b>36,907</b>	<b>20,684,787</b>
Financial liabilities at fair value recalculated through profit/loss						
<b>Aggregately payable currency derivatives</b>	<b>(2,040,328)</b>	<b>9,400,298</b>	<b>(7,364,942)</b>	<b>145,120</b>	<b>(122,680)</b>	<b>17,468</b>
<b>Open position</b>	<b>21,611,585</b>	<b>(846,065)</b>	<b>(194,962)</b>	<b>217,470</b>	<b>(85,773)</b>	<b>20,702,255</b>

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

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

## Interest Rate Risk

### Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 3rd quarter of 2019 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 24,299,584 thousand against AMD 21,737,793 thousand of the same period of the previous year by decreasing in absolute value by AMD 2,561,791 or 11.8%, that is in average the Bank was sensitive to liabilities in the 2nd quarter of 2019. In the 3rd quarter of 2019, the average accumulated disbalance has increased in absolute value by AMD 6,443,744 thousand or by 36.1% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 3rd quarter of 2019 has decreased by 1.8 percentage point, forming 114.2% against 116.0% average value of the 3rd quarter of 2018, that is in 2nd quarter of 2019 the assets sensitive to interest rate changes have formed 114.2% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 3rd quarter of 2019 was 1.742year (against the 1.411 year as of the 3rd quarter of 2018) as it increased by 0.331 year or by 23.5% , as compared with the end of the previous quarter (1.579 year) the mentioned indicator has increased by 0.163year or 10.3%.

The duration of liabilities as of the end of the 3rd quarter of 2019 was 0.904 year (against 0.874 year of the 2nd quarter of 2018) increasing by 0.03 year or 3.4%. In correlation with the end of the previous quarter (0.902) the indicator has increased by 0.002 year or 0.2%.

The duration gap as of the end of the 3rd quarter of 2019 was 0.871 (against 0.643 of the 2nd quarter of 2018) increasing by 0.228 or 35.4%. In correlation with the end of previous quarter (0.783) the indicator has increased by 0.088 or 11.2%.

### Assets and Liabilities with changing interest rates 30.09.2019

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				8,121,925		7,139,550				4,820,200		
<b>Total</b>	-	-	-	<b>8,121,925</b>	-	<b>7,139,550</b>	-	-	-	<b>4,820,200</b>	-	-
<b>Net position</b>	-	-	-	<b>(8,121,925)</b>	-	<b>(7,139,550)</b>	-	-	-	<b>(4,820,200)</b>	-	-

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 provided to customers rated 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>(101,104)</b>	-	-	-	-

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

Item	Interest rates of accounting period: 30/09/2019		Interest rates of accounting period: 31/12/2018	
	AMD	Foreign currency	AMD	Foreign currency
<b>Assets</b>				
Balance at CBA			4.60	-
Receivables to banks and other financial institutions, including:	6.6	1.2	7.70	2.60
- Interbank Loans		1.8	0.00	2.60
-Interbank REPO	6.2		6.70	0.00
Loans and advances provided to customers rated at amortized value	13.4	8.6	12.05	6.24
Available for sale securities at fair value recalculated through profit/loss	10.4	6.8	11.50	5.60
<b>Liabilities</b>				
Liabilities to banks and other financial institutions	7.4	5.2	7.90	4.80
Liabilities to Customers	5.9	3.6	5.09	3.80



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

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

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

## **Liquidity Risk**

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

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

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

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

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

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

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

1. Preterm withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.

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

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches

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 3rd quarter of 2019, instant liquidity, up to 90 days accumulative and general (up to one year accumulative) liquidity indicators have decreased by 6.3, 48.0 and 24.9 percentage point respectively.

Accounting period	30/09/2019									Thous. AMD
	Item	Non-performing		Repayment date			Termless		Total	
	Term	Overdue	On -demand	up to 3 months	3 -6 months	6- 12 months	1 - 5 years	more than 5 years		
Cash and cash equivalents,	-	-	34,649,443	64	-	-	-	-	-	34,649,507
Standardized precious metal bullions and coins	-	-	91,197	-	-	-	-	-	-	91,197
Receivables to banks and other financial institutions	-	-	62,042	7,584,358	1,039,617	-	2,382,245	-	422,854	11,491,116
Reverse Repurchase Agreements	-	-	-	6,900,084	-	-	-	-	-	6,900,084
Financial assets at fair value recalculated through profit/loss	-	-	-	11,196	-	-	-	-	-	11,196
Other financial assets calculated at amortized value	-	-	-	1,890	-	-	468,919	-	-	470,809
Loans and advances provided to customers rated at amortized value	1,951,278	123,730	-	13,764,781	14,504,423	18,179,110	83,305,908	28,315,904	-	160,145,134
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	195,257	880	178,679	3,383,579	3,169,209	89,826	7,017,430
Securities pledged under repurchase agreements	-	-	-	17,569,316	-	-	-	-	-	17,569,316
Other receivables	15,893	-	-	-	3,381	-	-	59,490	-	78,764
<b>Total</b>	<b>1,967,171</b>	<b>123,730</b>	<b>34,802,682</b>	<b>46,026,946</b>	<b>15,548,301</b>	<b>18,357,789</b>	<b>89,540,851</b>	<b>31,544,603</b>	<b>512,680</b>	<b>238,424,553</b>
including:										
I group foreign currency	1,714,393	-	13,929,798	10,384,641	6,892,340	5,630,920	42,358,883	14,708,036	131,854	95,750,865
II group foreign currency	-	-	1,116,324	128,931	3,026	6,135	43,916	-	-	1,298,332
including:										
By floating interest rate	-	-	75,790	-	-	-	-	-	-	75,790
By fixed interest rate	1,872,662	123,730	258,292	43,268,788	14,128,094	16,656,511	86,345,268	31,507,016	-	194,160,361
Non-interest	94,509	-	34,468,600	2,758,158	1,420,207	1,701,278	3,195,383	37,587	512,680	44,188,402
<b>On maturity of liabilities repayment</b>	-	-	-	-	-	-	-	-	-	-
Liabilities to banks and other financial institutions	-	-	1,552,684	12,102,432	1,712,184	3,767,623	10,790,705	4,311,548	-	34,237,176
Loans and deposits from international financial institutions	-	-	-	5,718,714	598,951	613,396	26,391,226	481,952	-	33,804,239
Loans from the RA Government and CBA	-	-	39,021	280,294	23,537	364,585	7,246,330	169,691	-	8,123,458
Repurchase Agreements	-	-	-	22,636,548	-	-	-	-	-	22,636,548
Liabilities to customers	-	-	37,320,125	16,051,519	11,584,988	24,076,254	14,956,259	2,208,977	-	106,198,122
Subordinate borrowings	-	-	-	-	-	-	-	-	-	-
Securities issued by the Bank	-	-	-	1,098,681	-	951,548	3,427,533	-	-	5,477,762
Liabilities on current taxes	-	-	-	-	248,112	-	-	-	-	248,112
Financial liabilities at fair value rated through profit/loss	-	-	-	9,228	-	-	-	-	-	9,228
Amounts payable	-	-	387,749	44,605	-	-	-	-	-	432,354
Deferred tax liabilities	-	-	-	-	717,176	-	-	-	-	717,176
Reserves	-	-	-	66,032	-	-	-	-	-	66,032
Other liabilities	-	-	1,419,393	232,109	13,053	408	44	-	-	1,665,007
Off-balance sheet contingent liabilities	-	-	-	1,141,452	877,750	1,849,581	8,042,779	466,674	-	12,378,236
<b>Total</b>	<b>-</b>	<b>-</b>	<b>40,718,972</b>	<b>59,390,842</b>	<b>15,775,751</b>	<b>31,623,395</b>	<b>70,854,876</b>	<b>7,638,842</b>	<b>-</b>	<b>226,002,678</b>
including:										
I group foreign currency	-	-	13,898,099	26,028,966	6,544,230	16,697,499	29,859,896	2,626,690	-	95,655,380
II group foreign currency	-	-	488,655	481,633	266,915	196,684	247,953	-	-	1,681,840
including:										
Major Liabilities	-	-	-	20,655,987	21,637	364,091	7,572,703	-	-	28,614,418
By floating interest rate	-	-	-	8,121,925	-	7,139,550	-	4,820,200	-	20,081,675
By fixed interest rate	-	-	10,506,064	53,329,382	13,663,700	31,150,528	55,288,530	2,818,378	-	166,756,582
Non-interest	-	-	30,212,908	6,061,460	2,112,051	472,867	304,871	264	-	39,164,421
<b>Net liquidity gap</b>	<b>1,967,171</b>	<b>123,730</b>	<b>(5,916,290)</b>	<b>(13,363,896)</b>	<b>(227,450)</b>	<b>(13,265,606)</b>	<b>18,685,775</b>	<b>23,905,761</b>	<b>512,680</b>	<b>12,421,875</b>
including:										
I group foreign currency	1,714,393	-	31,699	(15,644,325)	348,110	(11,066,579)	12,498,987	12,081,346	131,854	95,485
II group foreign currency	-	-	627,669	(352,702)	(263,889)	(190,549)	(204,037)	-	-	(383,508)
Floating interest rate	-	-	75,790	(8,121,925)	-	(7,139,550)	-	(4,820,200)	-	(20,005,885)
Fixed interest rate	1,872,662	123,730	(10,247,772)	(10,060,594)	464,394	(14,494,017)	31,056,738	28,688,638	-	27,403,779

Accumulative liquidity gap	1,967,171	2,090,901	(3,825,389)	(17,189,285)	(17,416,735)	(30,682,341)	(11,996,566)	11,909,195	12,421,875	
<b>Previous accounting period</b>										
	<b>31/12/2018</b>									
	Thous. AMD									
<b>Item</b>	<b>Non-performing</b>		<b>Repayment date in</b>						<b>Termless</b>	<b>Total</b>
	Term	Overdue	On -demand	up to 3 months	3 -6 months	6-12 months	1-5 years	more than 5 years		
Cash and cash equivalents			36,186,028	1,972,017						38,158,045
Standardized precious metal bullions and coins	-	-	116,058	-	-	-	-	-	-	116,058
Receivables to banks and other financial institutions				6,834,632	1,466,421	183,134	2,721,169	161,083	1,809,511	13,175,950
Reverse Repurchase Agreements	-	-		3,882,703						3,882,703
Financial assets at fair value recalculated through profit/loss				17,468						17,468
Loans and advances provided to customers rated at amortized value	222,871	237,497		15,017,474	16,373,027	16,216,225	61,368,037	24,194,644		133,629,775
Financial assets at fair value calculated through other comprehensive financial result				100,252	211,678	182,010	1,173,276	541,034	89,768	2,298,018
Securities pledged under repurchase agreements				17,454,208						17,454,208
Other receivables	13	-		73,657	3,295		217	483		77,665
<b>Total</b>										-
including:	222,884	237,497	36,302,086	45,352,411	18,054,421	16,581,369	65,262,699	24,897,244	1,899,279	208,809,890
I group foreign currency										
II 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
including:	-	-	1,308,814	293,540	626	1,337	14,141	-	3,021	1,621,479
By floating interest rate										
By fixed interest rate			540,056							540,056
Non-interest	222,871	237,497	220,981	43,959,434	18,031,637	16,539,184	64,995,842	24,761,029	1,806,490	170,774,965
<b>On maturity of liabilities repayment</b>	13	-	35,541,049	1,392,977	22,784	42,185	266,857	136,215	92,789	37,494,869
	-	-								-
Liabilities to banks and other financial institutions	-	-	1,197,678	5,851,180	4,309,846	12,386,214	8,232,128	2,108,747		34,085,793
Loans and deposits 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 Government and CBA	-	-	25,315	5,275	70,255	58,484	5,895,988			6,055,317
REPO agreement	-	-		20,519,048						20,519,048
Liabilities to customers	-	-	39,161,057	12,396,868	9,848,257	20,463,896	11,830,458	2,128,232		95,828,768
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 liabilities at fair value recalculated through profit/loss										-
Amounts payable			280,380							280,380
Deferred tax liabilities			849,982							849,982
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>	-	-	42,837,700	44,910,870	18,106,979	45,704,123	49,575,670	9,048,212	-	210,183,554
I group foreign currency										-
II group foreign currency	-	-	15,004,087	12,446,325	10,060,828	26,980,803	23,221,052	6,195,894	-	93,908,989
Major Liabilities	-	-	503,572	424,683	248,615	436,718	81,313	-	-	1,694,901
including:			138,126,888		72,275	5,955,780				19,840,743
By floating interest rate										-
By fixed interest rate			101,017,28	4,231,924	101,104					14,434,756
Non-interest	-	-	10,764,668	37,412,330	20,193,520	45,916,216	29,443,922	7,597,403	-	162,595,601
Net liquidity gap	-	-	32,818,160	327,416	1,881	5,740	-	-	-	33,153,197
including:	222,884	237,497	(6,535,614)	441,541	(52,558)	(29,122,754)	15,687,029	15,849,032	1,899,279	(1,373,664)
<b>I group foreign currency</b>										-
<b>II group foreign currency</b>	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)
<b>By floating interest rate</b>	-	-	805,242	(131,143)	(247,989)	(435,381)	(67,172)	-	3,021	(73,422)
<b>By fixed interest rate</b>	-	-	(9,561,672)	(4,231,924)	(101,104)	-	-	-	-	(13,894,700)
<b>Accumulative liquidity gap</b>	222,871	237,497	(10,543,687)	6,547,104	(2,161,883)	(29,377,032)	35,551,920	17,163,626	1,806,490	19,446,906
	222,884	460,381	(6,075,233)	(5,633,692)	(5,686,250)	(34,809,004)	(19,121,975)	(3,272,943)	(1,373,664)	

## 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:

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	<b>30.09.2019</b>	<b>31.12.2018</b>
Chartered capital	25,635,343	22,266,343
Emission income/loss		
Reserves:	7,602,986	7,374,540
Main reserve	3,105,000	3,000,000
Revaluation reserve	4,497,986	4,374,540
Undistributed profit/loss	4,826,523	3,550,947
<b>Total capital</b>	<b>38,064,852</b>	<b>33,191,830</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.

2019y	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	26,906,529	6,490,827	33,397,356	200,970,617	2,619,987	14.99	12
February	27,000,876	6,639,226	33,640,102	205,658,127	2,607,664	14.79	12
March	27,492,103	6,412,428	33,904,531	198,991,611	2,842,016	15.23	12
April	29,302,537	5,485,391	34,787,928	204,535,057	3,161,462	15.07	12
May	29,498,890	5,544,102	35,042,992	209,511,352	3,006,944	14.94	12
June	29,440,126	5,232,053	34,672,179	214,690,443	3,068,754	14.43	12

July	29,762,699	5,240,248	35,002,947	218,686,263	3,202,317	14.27	12
August	29,945,421	5,207,962	35,153,383	217,533,085	3,245,905	14.37	12
September	29,939,704	5,210,441	35,150,145	220,551,631	3,538,605	14.06	12
	Involved in calculation standards						
<b>2018y.</b>	<b>Main capital</b>	<b>Additional capital</b>	<b>Total capital</b>	<b>Credit risk</b>	<b>Market and operational risk</b>	<b>Equivalent effective %</b>	<b>CBA limit %</b>
	<b>1</b>	<b>2</b>	<b>3 (1+2)</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
January	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	174,681,572	2,895,764	15.89	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

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.

thous. AMD

As of 30.09.2019				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	67,616,756	250,822		-
10%	6,429,170			642,917
20%	984,709			196,942
30%	153,094			45,928
35%	4,357,466			1,525,113
50%	1,375,106			687,553
75%	30,094,574	317,452		22,809,020
100%	74,531,974	3,106,662	205,887	77,844,523
110%	314,878	83,946		438,706
150%	68,728,014	5,568,901		111,445,373
200%	2,520,538			5,041,076
<b>Total</b>	<b>257,106,279</b>	<b>9,327,783</b>	<b>205,887</b>	<b>220,677,151</b>

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>Total</b>	<b>226,861,697</b>	<b>10,796,219</b>	<b>145,407</b>	<b>197,373,992</b>

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



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

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

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

As of 30.09.19 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

### Cash and Balances with the CBA

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

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

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

### Resources attracted from banks and other financial institutions

The balance sheet value is close to the fair value.

### Customer deposits and bank accounts

Customer deposits and bank accounts.

As of 30.09.19 the Bank had no financial assets accounted for by the amount exceeding their fair values.

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

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

### Note 36. "De-recognition"

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

### Note 37. "Pledged assets"

As of 30.09.19, the Bank has no pledged assets.

### Note 38. "Accepted Pledge"

As of 30.09.2019, there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

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

Collateral type	30/09/2019		31/12/2018	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	60,164,578	242,837,386	52,110,663	210,104,952
Car	1,708,173	6,098,310	1,660,810	6,192,910
Equipment	1,948,542	9,376,244	1,663,811	5,967,455
Ready made products	2,525,280	8,687,500	1,181,078	5,188,986
Guarantee	51,475,102	257,164,180	40,268,615	197,344,316
Monetary funds	3,412,754	4,073,129	556,889	964,047
Gold items	11,380,816	13,946,859	9,417,962	11,398,065
Other securities	625,818	628,962	287,512	773,543
Other pledge	15,637,908	28,069,397	15,787,642	22,179,624
No collateral available	13,510,464		12,203,221	
<b>Total</b>	<b>162,389,435</b>	<b>570,881,967</b>	<b>135,138,203</b>	<b>460,113,898</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