

**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 1st QUARTER OF 2020
“ARMECONOMBANK” OJSC 23/1 AMIRYAN STR., YEREVAN**

ARMECONOMBANK

Note 1. “Legal Field and Corporate Governance”

Legal Field

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

The Head office of the Bank and 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. Khachaturyan

Per Fischer

Structure and Members of the Bank’s Management

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V. Jhangiryan

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

As of 31.03.2020, the Chartered capital amounts to AMD 25,955,663. It includes 1,883,333 common shares each with AMD 10,400 and 424,600 preferred shares with AMD 15,000 nominal value per share.

Main Participants

Sukiasyan Saribek Albert	27.86%
Sukiasyan Khachatur Albert	16.02%
Sukiasyan Eduard Albert	10.67%
Sukiasyan Robert Albert	17.06%

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 indirect method.

Cash and cash equivalents consist of cash drafts, 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.

Securities or a part thereof acquired by the Bank after 01.01.2020 upon the resolution of the Bank’s Executive Board may be classified as financial assets calculated at amortized value.

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

Profit and loss occurred from the further measurement:

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

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

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

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

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

Repurchase Agreements

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

Financial Assets' Possible Loss Provision

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

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

Pursuant to IFRS 9 :

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

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

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

Where:

BALANCE- balance amount of the given loan sub-portfolio

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

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

LGD – (loss-given-default) loss-given value based on the effective interest rate, when the loan becomes default

EAD30 and EAD90 indicators are calculated for the loans included in Stage 1 and Stage 2 classes respectively.

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

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

Intangible Assets

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

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

Attribution of the item of intangible asset to any category (computer software, licenses and power of attorney, copyrights, etc.) set by the ‘‘Card of Accounts of the Banks Operating within the Territory of RA’’ and ‘‘The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA’’ is made based on the methodical instructions of the Chief accountant, arising from its usage specifications.

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

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

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

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

The amortization period and the amortization method of intangible assets should be set in compliance with IFRS, within the period of the agreement so signed and in case of the absence of such period, a period of 10 years will be set. Amortization method is changed by making corresponding changes in this Policy by the Bank’s Board.

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

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

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

Fixed Assets

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

The initial value of the unit of fixed assets comprises its purchase cost, taxes, including VAT, import duties and other obligatory payments, which are not subject to be returned to the Bank by relevant authorities and any

expenses related to bringing the asset to working state for its purposeful usage. Any discount or privilege provided is deducted from the purchase cost.

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

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

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

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

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

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

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

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

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

Depreciation is not calculated for land.

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

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

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

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

The results of revaluation are reflected in the Bank's balance sheet and Income statement in the manner prescribed by IFRS. The growth occurred in the outcome of revaluation is charged to the undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

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

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

Inventory

The Bank's inventory includes:

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

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

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

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

Settlements between the Bank and Branches

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

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

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

Share Capital and Treasury Stock

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

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

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

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

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

Segment Statements

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

Issued Corporate Bonds

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

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

Comparable Information

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

After Balance Sheet Date Events

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

If the Bank reveals errors on its own,

Fundamental errors are revealed by an audit organization,

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

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

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



Interim Report
On Financial Results
31 March 2020
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 (unaudited)
1	Assets			
1.1	Cash and their equivalents	13	34,714,232	43,881,300
1.2	Standard bank precious metal bullions and coins		34,565	51,728
1.3	Due from banks and other financial institutions	14	10,833,612	13,952,543
1.4	Reverse repurchase agreement	14.1	6,816,117	6,222,111
1.5	Financial assets rated at actual value through profit or loss	15	40,869	4,416
1.5.1	Other financial assets rated at amortized value		504,494	480,260
1.6	Loans and advances provided to customers at amortized value	16	181,350,593	176,192,585
1.7	Financial assets at fair value rated through other comprehensive financial results	17	4,651,109	4,846,699
1.7.1	Securities pledged under repurchase agreement	17.1	23,906,619	20,180,825
1.9	Non-current assets held for sale		602,571	590,116
1.10	Fixed assets	20	10,982,127	10,902,317
1.10.1	Intangible assets	20	577,813	525,828
1.10.1	Right-of-use assets	20.1	1,301,332	1,370,872
1.12	Other assets	21	1,061,386	1,276,963
	Total assets		277,377,439	221,697,397
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	41,007,630	45,859,670
2.2	Loans and deposits received from the international financial institutions	22.1	41,034,370	36,707,938
2.3	Loans received from the CBA and from the RA government	22.2	10,083,742	9,306,047
2.4	Repurchase agreement	22.3	22,912,727	25,623,028
2.5	Liabilities to Customers	23	111,389,567	113,474,487
2.6	Subordinate borrowing	23.1	759,453	719,787
2.7	Liabilities on current taxes		212,903	325,303
2.8	Securities issued by the Bank	24	4,630,107	4,452,356
2.9	Financial liabilities at fair value through profit or loss	25	80,518	6,207
2.10	Amounts payable	26	429,338	433,668
2.11	Deferred tax liabilities	11	1,081,370	1,027,172
2.12	Reserves	30	37,057	100,560
2.13	Lease liabilities	40	1,340,763	1,434,222
2.14	Other liabilities	27	1,188,779	1,826,204
	Total liabilities		236,188,324	241,296,649
3	Capital			
3.1	Chartered capital	28	25,955,663	25,635,343
3.2	Emission income		180,180	
3.3	Reserves			
3.3.1	Main reserve		3,105,000	3,105,000
3.3.2	Revaluation reserve		5,108,979	5,113,608
3.4	Undistributed profit(loss)		6,839,293	5,327,963
	Total capital		41,189,115	39,181,914
	Total liabilities and capital		277,377,439	280,478,563

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 April 2020

Interim Report
On Financial Results
"31" March 2020
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Accounting period (unaudited)	Previous period (unaudited)
Interest and similar income	3	6,410,235	4,769,085
Interest and similar expenses	3	(2,992,873)	(2,508,544)
Net interest and similar income		3,417,362	2,260,541
Income as commissions and other fees	4	564,249	528,931
Expenses as commissions and other fees	4	(179,482)	(121,442)
Net commission and other fees		384,767	407,489
Net commercial income	5	544,477	467,538
Other operational income	6	84,429	56,166
Operational income		4,431,035	3,191,734
Net allocations to possible asset loss provisions	7	(43,788)	(193,812)
Total administrative expenses	8	(1,710,977)	(1,737,948)
Other operational income	9	(703,488)	(577,203)
Operational profit		1,972,782	682,771
Profit/loss before taxation		1,972,782	682,771
Profit tax expenses(compensation)	11	(263,509)	(135,823)
Profit for period		1,709,273	546,948

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 April 2020

Interim Report
 On Other Comprehensive Financial Results
 "31" March 2020
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
Other comprehensive financial results			
Revaluation of financial assets at fair value rated through other comprehensive financial results		(150,615)	(329,110)
Devaluation of financial assets at fair value rated through other comprehensive financial results after taxation		8,227.59	39,814
Profit from revaluation of non-current assets after taxation		91,369	394,415
Profit tax on the revaluation of financial assets at fair value rated through other comprehensive financial results		70,751	65822

Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 April 2020

Interim Report
On Equity Changes
31 March 2020

ARMECONOMBANK OJSC 23/1 Amiryan 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
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)									
<i>Balance as of the beginning of the financial year as of 01 January 2019 (audited)</i>	22,266,343	22,266,343	-	3,000,000	1,546,717	3,055,310	3,669,058	33,537,428	33,537,428
Recalculated balance	22,266,343	22,266,343	-	3,000,000	1,546,717	3,055,310	3,669,058	33,537,428	33,537,428
Transactions with shareholders (owners) regarding to shares, including:	3,369,000	3,369,000						3,369,000	3,369,000
Comprehensive income		-	-	-	(223,474)	394,415	546,948	717,889	717,889
Dividends		-	-	-			(110,023)	(110,023)	(110,023)
Internal movements including:	-	-	-	-	-	(52,590)	52,590	-	-
Decrease of value from the revaluation of fixed and intangible assets						(52,590)	52,590		
<i>Balance as of the end of the interim accounting period 31.03.2019(unaudited)</i>	25,635,343	25,635,343	-	3,000,000	1,323,243	3,397,135	4,158,573	37,514,294	37,514,294

Interim period of the current year (ascending from the beginning of the year) (II table)									
<i>Balance as of the beginning of the financial year as of 01 January 2020 (unaudited)</i>	25,635,343	25,635,343	-	3,105,000	1,787,705	3,325,903	5,327,963	39,181,914	39,181,914
Recalculated balance	22,266,343	22,266,343	-	3,105,000	1,787,705	3,325,903	5,327,963	35,812,914	35,812,914
Transactions with shareholders (owners) regarding to shares, including:	320,320	320,320	180,180	-	-	-	-	500,500	500,500
Investments in chartered capital and other increase of chartered capital	320,320	320,320	180,180	-	-	-	-	500,500	500,500
Comprehensive income		-	-	-	(71,637)	91,369	1,709,273	1,729,005	1,729,005
Dividends		-	-	-	-	-	(222,304)	(222,304)	(222,304)
Internal movements including:	-	-	-	-	-	(24,361)	24,361	-	-
Decrease of value from the revaluation of fixed and intangible assets						(24,361)	24,361		
<i>Balance as of the end of the interim accounting period 31.03.2020(unaudited)</i>	25,955,663	25,955,663	180,180	3,105,000	1,716,068	3,392,911	6,839,293	41,189,115	41,189,115

Chairman of the Executive Board(CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 15 April 2020

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (audited)
I. Cash flows from operations			
Profit for the year		1,709,273	546,948
<i>Adjustments</i>			
Expenses on profit tax		263,509	135,823
Loss from depreciation of interest-bearing assets		43,788	193,812
Depreciation and amortisation		368,543	191,720
Gain/loss from disposal of fixed assets and intangible assets		(609)	(4,927)
Net gain from foreign exchange		2,164	274,415
Net gain from financial assets available for sale		(174,556)	(125,244)
Other income		28,862	(285,128)
Cash flows from operations before changes in operational assets and liabilities		2,240,974	927,419
Changes in operational assets or liabilities			
Increase/ decrease in operational assets			
Due from financial institutions		2,759,298	(14,798)
Reverse repurchase agreements		(616,223)	(1,370,436)
Loans to customers		(1,491,214)	359,547
Other assets		237,519	218,034
Liabilities to financial institutions		(5,514,739)	(3,879,689)
Repurchase agreements		(2,720,219)	2,560,786
Liabilities to customers		(4,069,045)	1,519,655
Other liabilities		(342,149)	(443,183)
Cash used in operations before taxation		(9,515,797.22)	(122,665)
Paid profit tax		(159,589)	(103,793)
Net cash used in operations		(9,675,386)	(226,458)
Cash flows from investments			
Decrease(increase) of securities at fair value rated though profit/loss and available for sale		(3,355,648)	(2,571,172)
Decrease(increase)of other financial assets at amortized value			
Acquisition of fixed assets		(284,252)	(367,694)
Proceeds from sale of fixed assets		13,441	291,291
Acquisition of intangible assets		(71,173)	(5,141)
Net cash flows from investments (used)/(gained from)		(3,697,632)	(2,652,716)
Cash flows from financial operations			
Loans from RA CB and RA Government		777,695	55,009
Proceeds/repayment of loans received from international financial institutions		2,855,775	3,862,088
Subordinated loan (repayments)/proceeds			(3,396,394)
Increase (decrease) of securities issued by the Bank			1,014,217
Lease liabilities		(174,604)	
Issue of shares		500,500	3,369,000
Dividends paid		(226,986)	(109,048)
Net cash from financial operations		3,732,380	4,794,872
Impact of foreign exchange on cash balances		329,528	(65,959)
Net increase of cash and equivalents thereof		(9,311,111)	1,849,739
Cash and equivalents thereof as of the beginning of the period	13_2	44,028,411	38,194,409
Cash and equivalents thereof as of the end of the period	13_2	34,717,300	40,044,148

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 15 April 2020

Note 3: "Net Interest and Similar Income"


Thous. AMD

Interest and similar income	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	195,819	126,194
Interest income from loans and advances to customers	5,513,747	4,062,572
Interest income from debt securities	586,213	495,057
Interest income from REPO agreements	105,162	76,544
Other interest income	9,294	8,718
Total	6,410,235	4,769,085
Interest and Similar Expenses		
Interest expenses from the Bank's current accounts deposits and loans allocated in banks and other financial institutions	1,457,079	1,076,790
Interest expenses on terms deposits and current accounts of customers	1,213,423	1,054,308
Interest expenses under REPO agreements	232,922	251,501
Interest expenses on subordinated borrowings	10,813	84,558
Interest expenses against the interest securities issued by the Bank.	71,207	37,278
Interest expenses on lease agreements	2,737	
Other interest income	4,692	4,109

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


Thous. AMD

Commission and Other Fee Income	01/01/2019-31/12/2019	01/01/2018-31/12/2018
Cashier's operations	43,234	57,857
Settlement services	403,307	388,280
Guarantees, warranties, letters of credit operations, trust management operations	28,480	20,050
Foreign currency and security operations	337	75
Payment card servicing	35,020	27,338
Other commission fees	53,871	35,331
Total	564,249	528,931
Commission and Other Fee Expenses:		
Commission fee from correspondent and other accounts	2,012	1,307
Expenses on payment card operations	98,439	60,234
Guarantees, warranties, letters of credit operations, trust management operations	14,265	6,693
Foreign currency and security operations	15,772	7,485
Other commission fees	48,994	45,723
Total	179,482	121,442
Net commission and other fees received	384,767	407,489

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


Thous. AMD

Financial assets rated at fair value through profit or loss	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including	55,125	94,169
Shares		
Debt Securities		
Derivatives	55,125	94,169
Total	21,362	376,112
Investments at fair value rated through other comprehensive financial assets		
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	189,720	145,380
Debt securities	189,720	145,380
Derivatives		
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results,	(9,605)	(9,729)
Total	180,115	135,651
Foreign currency operations		
Net income from foreign currency sale/purchase	338,239	225,867
Net income from the revaluation of foreign currency	(2,160)	(274,418)
Net income from the sale/purchase of precious standardized bullions and coins	2,020	1,141
Net income from the revaluation of precious standardized bullions and coins	4,901	3,185
Total	343,000	(44,225)
Net income from commercial operations	544,477	467,538

Note 6 : "Other Operatioanl Income"


Thous. AMD

	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Other operational expenses		
Income from penalties and fines	60,487	40,730
Net income from disposal of fixed and intangible assets	609	4,927
Other income *	23,333	10,509
Total	84,429	56,166

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

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


Thous. AMD

	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Cash and cash equivalents (Note 13)		
Initial balance	147,112	7,729
Net deductions to reserve	(144,043)	5,685
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	3,069	13,414
"Due to Banks and other Financial institutions" (Note 14)		
Initial balance	164,262	12,031
Net deductions to reserve	(86,167)	(4,582)
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	78,095	7,449
From loans and advances to customers (Note 16)		
Initial balance	2,000,954	1,792,875
Net deductions to reserve	329,791	170,530
Return of amounts previously charged to off balance item	36,634	55,435
Usage of reserve	(122,377)	(66,451)
Summary balance	2,245,002	1,952,389
Financial assets rated at fair value through other comprehensive financial assets (Note 17)		
Initial balance	52,586	227,486
Net deductions to reserve	8,756	39,814
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	61,342	267,300
On other assets (Note 21)		
Initial balance	12,858	11,218
Net deductions to reserve	(1,903)	1,999
Return of amounts previously charged to off balance item	167	
Usage of reserve	(27)	
Summary balance	11,122	13,217
Other financial assets rated at amortized value		
Initial balance	1,332	
Net deductions to reserve	857	
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	2,189	-
Post-balance sheet items containing loan exposures (note 30)		
Initial balance	100,560	61,891
Net deductions to reserve	(63,503)	(19,634)
Usage of reserve		
Summary balance	37,057	42,257
Total net deductions to reserve	43,788	193,812

Note 8 : "Total administrative expenses"

Thous. AMD

"Total administrative expenses"	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Salary and similar payments	1,197,415	1,072,866
Training and tutorship expenses	915	548
Business trip expenses	7,968	6,267
Operational leases expenses	3,344	160,076
Insurance costs	36,395	32,251
Servicing and maintenance of the Bank's equipment	53,962	99,400
Maintenance and safekeeping of Bank buildings	181,640	170,108
Audit and consulting services	12,400	10,425
Communication and transmission costs	25,494	26,682
Transportation costs	33,874	33,851
Taxes (except income tax) penalties and other mandatory payments	61,233	74,031
Office and organizational expenses	27,517	26,330
Other administrative expenses	68,820	25,113
Total	1,710,977	1,737,948

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

	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Average number of Bank employees	842	812
Monthly average salary falling to a single employee (thousand AMD)	433	410

Note 9 : "Other Operational Expenses"

Thous. AMD

Other operational expenses	01/01/2020-31/03/2020	01/01/2019-31/03/2019
Paid fines and penalties		
Payments made for collection	86,250	86,250
Advertising and representative expenses	118,546	166,349
Amortization costs of fixed assets and intangible assets	368,539	191,720
Allocations to the Fund of Recovery of Deposits	48,489	46,411
Other expenses	81,664	86,473
Total	703,488	577,203

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

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

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

Note 11 : "Profit tax Expenses (Reimbursement)"

Thous. AMD

Expenses on profit tax	01.01.2020 31.03.2020	01.01.2019 31.03.2019
Current tax expenses	3,661	200,669
Corrections of current taxes for the previous period recognized in the current period	43,528	7,377
Deferred tax expenses	216,320	(72,223)
Total	263,509	135,823

	01.01.2020 31.03.2020	Efficient rate (%)	01.01.2019 31.03.2019	Efficient rate (%)
Profit before taxation	1,972,782		682,771	
Profit tax with rate	355,100.76	18.00	136,554.20	20.00
Non-taxable income	(1,548)	(0.08)	-	-
Non-deductible expenses	(81,548)	(4.13)	(60,292)	(8.83)
Profit tax expenses	263,509	13.36	135,823	19.89

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
Deferred tax assets, including:	261,911	(78,353)	-	183,558
Accrued expenses and other liabilities	186,727	(3,472)		183,255
Loans and borrowings to customers	45,809	(45,809)		-
Cash and their equivalents	29,375	(29,072)		303
Deferred tax liabilities, including:	(1,289,082)	(137,967)	162,121	(1,264,928)
Investment securities	(438,062)	230	70,752	(367,080)
Fixed assets	(822,882)	(3,098)	91,369	(734,611)
Loans and borrowings to customers	-	(124,711)		(124,711)
Contingent liabilities	(4,032)	(13,634)		(17,666)
Claims to banks and other financial institutions	(24,106)	3,246		(20,860)
Net deferred tax asset/liability	(1,027,171)	(216,320)	162,121	(1,081,370)

Thous. AMD

Basic profit falling to a single share	01/01/2020 31/03/2020	01/01/2019 31/03/2019
Net profit of the accounting period after taxation	1,709,273	546,948
Dividends on preferential shares calculated for the current accounting period	222,304	110,023
Net gains(losses) of given period referring to owners of common shares	1,486,969	436,925
Net weighted average number of common shares in circulation during the given period	1,883,333	1,852,533
Basic profit falling to a single share	0.79	0.24

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

Note 13 : Cash and cash equivalents



Thous. AMD

	31/03/2020	31/12/2019
Cash and cash equivalents		
Cash and cash equivalent payment documents	11,110,909	11,919,061
Correspondent accounts with the CBA	21,860,511	17,359,028
Deposit accounts with the CBA		9,999,999
Correspondent accounts with the the resident banks	158,866	308,197
Correspondent accounts with the the non-resident banks	1,586,977	4,439,926
Accrued interests	38	2,201
Reserves/IFRS/	(3,069)	(147,112)
Cash and balances with the CBA	34,714,232	43,881,300

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

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

Thous. AMD

	31/03/2020	31/12/2019
Current accounts		
Deposited funds with CBA	291,000	1,289,500
With RA banks		
Loans and deposits	1,059,387	1,007,370
Other	16,122	152,380
With banks having BBB(Baa3) and higher ratings		
Other		
Loans and deposits		
With banks having ratings lower than BBB (Baa3) or no rating at all		
Loans and deposits		
Other	88,939	108,951
Accrued interest	405	435
Total	1,164,853	1,269,136
Possible loss provision for amounts due from banks (note 7)	(4,908)	(16,033)
Net receivables to banks	1,450,945	2,542,603

	31/03/2020	31/12/2019
Loans and deposits with Financial Institutions, other receivables		
With RA Financial Institutions:		
Loans and deposits	8,791,050	10,233,168
Other	141,964	882,716
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	491,011	424,138
Accrued interest	31,829	31,103
Total	9,455,854	11,571,125
Possible loss provision for receivables due to Financial Institutions	(73,187)	(161,185)
Net receivables to Financial Institutions	9,382,667	11,409,940
Net receivables to banks and Financial Institutions	10,833,612	13,952,543

** As of 31.12.2019 and 31.03.2020 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 115.621 (AMD 55272 thousand on 31.12.2019 and AMD 58.327 thousand on 31.03.2020) in Visa International, USD 165.793 (AMD 79.161 thousand on 31.12.2019, AMD 83.637 thousand on 31.03.2020) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 14.1 Reverse Repurchase Agreements

	31/03/2020	31/12/2019
Reverse Repurchase Agreements		
Reverse Repurchase Agreements with Financial Institutions	6,816,117	6,222,111
Total	6,816,117	6,222,111

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

Thous. AMD

	31/03/2020	31/12/2019
Other financial assets recalculated at fair value through profit/loss		
Derivative Instruments		
Forward		
Swap	40,869	4,416
Total	40,869	4,416

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"



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Loans and advances calculated at amortized value	31/03/2020	31/12/2019
Loans, including:	159,872,309	155,486,944
Mortgage loans	16,276,583	14,458,958
Credit cards	22,490,550	21,691,581
Accrued interest on the mentioned items	1,232,736	1,015,014
Total loans	183,595,595	178,193,539
Reserve for possible loss of customer loans and advances (note 7)	(2,245,002)	(2,000,954)
Total loans and advances at amortized value	181,350,593	176,192,585

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Analyses of provided loans and advances per customers	31/03/2020	31/12/2019
State industries	37,229	43,881
Including business cards	98,616	98,616
Individuals, including:	92,928,921	91,981,577
Consumer loans	52,298,174	51,866,540
Mortgage loans	16,276,508	14,458,958
Credit cards	22,411,548	21,576,916
Private entrepreneurs	14,022,070	13,688,777
Accrued interest	1,232,736	1,015,014
Total loans	183,595,595	178,193,539
Reserve for customers' loans and advances calculated at amortized value (note7)	(2,245,002)	(2,000,954)
Total loans and advances at amortized value	181,350,593	176,192,585

Analyses of loans and advances provided to the customers per the groups of businesses (segments)	31/03/2020	31/12/2019
State and major enterprises	38,295,046	36,335,235
SME * sector, including	57,266,668	50,651,320
Agriculture	1,436,763	1,247,560
Housekeeping	86,801,145	90,191,970
Accrued interests	1,232,736	1,015,014
Total loans and advances calculated at amortized value	183,595,595	178,193,539
Reserve for customers' loans and advances calculated at amortized value (note7)	(2,245,002)	(2,000,954)
Total loans and advances calculated at amortized value	181,350,593	176,192,585

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

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Loan liabilities on 20 major borrowers and related parties /without reserve/	31/03/2020	31/12/2019
Customers' loans and advances calculated at amortized value	45,854,468	42,123,407
Balance of off-balance sheet contingent liabilities	5,086,469	5,444,472
Total	50,940,937	47,567,879
Loan investments	183,595,595	178,193,539
Ratio in portfolio	27.75%	26.69%
Percentage ratio to capital	131.61%	147.40%
Total	50,940,937	47,567,879

		31/03/2020
Loan Investments through International programs	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	454,581	12
ADB/TFP/RCA/Asian Development Bank	13,134	1
ADB/WESSD/Asian Development Bank	2,369,782	137
BlueOrchard/MSE/	135,472	2
BlueOrchard/MSME/	406,446	2
DEC/SME/	2,991,072	116
EBRD/WiB/European Bank for Reconstruction and Development RCA	2,116,146	2
EBRD/WiB/European Bank for Reconstruction and Development	3,466,356	255
FINSCA/MSE/Finethic SCA	119,556	10
GAF/ KfW /ENERGY	201,976	156
FMO/MSME/Retail/	2,767,623	59
GAF/KfW/SME	6,092,155	833
GAF/KfW/SME/ENERGY	216,993	27
GLS AI MFF/ME/ GLS Alternative Investments – Mikrofinanzfonds		
INCOFINCVBA/MSE/	3,228,112	111
MSMEBondsSA/MSME/		
SICAV-SIF/ME1/Symbiotics Global Financial Inclusion Fund	375,174	96
EIB/APEX	437,396	9
SICAV-SIF/ME2/Symbiotics-Seb Microfinance Fund IV	5,569	2
BS/SME1	5,543	1
BS/SME3	1,902,323	57
EFA FIDF/SME	485,990	6
GLII/ME	30,958	2
Total	27,822,357	1,896

31/12/2019

Loan Investments through International programs	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	876,952	15
ADB/TFP/RCA/Asian Development Bank		
ADB/WESSD/Asian Development Bank	2,230,281	122
BlueOrchard/MSE/	4,368	1
DEG/SME/	3,373,968	127
EBRD/WiB/ European Bank for Reconstruction and Development RCA	622,874	1
EBRD/WiB/ European Bank for Reconstruction and Development	3,088,936	224
FINSCA/MSE/Finehic SCA	124,181	10
GAF/ KfW /ENERGY	145,265	142
FMO/MSME/Retail/	2,720,392	54
GAF/ KfW/SME	6,135,499	814
GAF/KfW/SME/ENERGY	239,145	29
GLS AI MEF/ME/GLS Alternative Investments – Mikrofinanzfonds	140,791	93
INCOFINCVBA/MSE/	3,615,674	124
MSMEBondsSA/MSME		
SICAV-SIF/ME1/Symbiotics-- Global Financial Inclusion Fund	412,906	107
EIB/APEX	354,733	6
SICAV-SIF/ME2/Symbiotics-Seb Microfinance Fund IV	6,244	2
BS/SME1	5,510	1
BS/SME3	1,306,385	42
EFA_FIDF/SME	717,256	10
GLI/ME	30,846	2
EFA_FIDF/SME		
GLI/ME		
Total	26,152,206	1,926

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	31/03/2020	Percentage	31/12/2019	Percentage
Industry	19,637,706	10.70	19,272,905	10.82
Agriculture	1,933,507	1.05	1,689,151	0.95
Construction	10,600,269	5.77	8,818,464	4.95
Transportation and communication	704,189	0.38	760,809	0.43
Commerce	35,830,941	19.52	35,642,628	20.00
Consumer	75,724,778	41.25	74,325,304	41.71
Mortgage loans	16,354,804	8.91	14,515,515	8.15
Service	12,150,908	6.62	11,377,898	6.39
Other	10,658,493	5.81	11,790,865	6.62
Total	183,595,595	100	178,193,539	100.00

Breakdown of loan portfolio per customer residency	31/03/2020	Percentage	31/12/2019	Percentage
RA residents	180,070,402	99.29	175,117,678	99.39
Residents of countries with Baa33 and higher ratings including	13,909	0.01	27,397	0.02
Italy	13,909		27,397	
Residents of countries with Baa33and lower ratings or no rating at all	33,546	0.02	32,496	0.02
Ukraine			597	
-Russia	33,546		31,899	
Accrued interest	1,232,736	0.68	1,015,014	0.58
Total	181,350,593	100	176,192,585	100.00

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



31/03/2020

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	73,880,336	539,864	310,046	100,699	1,764,862
Loans to individuals and private entrepreneurs	106,946,923	706,081	385,086	64,184	308,342	176,000
Total	180,827,259	1,245,945	695,132	164,883	2,073,204	834,174

31.12.2019

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	70,475,703	825,211			1,542,259.00
Loans to individuals and private entrepreneurs	105,730,671.00	676,699.00	136,515.00	47,488	308,391.00	276,429.00
Total	176,206,374.00	1,501,910.00	136,515.00	47,488.00	1,850,650.00	451,556.00

31/03/2020

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
Consumer				
Non-overdue	75,010,778	563,534	74,447,244	0.75%
Overdue				
1-30 days	89,461	4,577	84,884	5.12%
31- 60 days	252,921	38,974	213,947	15.41%
61- 90 days	95,433	24,438	70,995	25.61%
91-180 days	128,755	68,005	60,750	52.82%
180 and more	147431	94,650	52,781	64.20%
Total	75,724,779	794,178	74,930,601	1.05%
Trade				
Non-overdue	35,671,239	390,468	35,280,771	1.09%
Overdue			0	
1-30 days	4,745	48	4,697	1.01%
31- 60 days	1,253	399	854	31.84%
61- 90 days			0	
91-180 days	153,704	119756	33,948	77.91%
180 and more			0	
Total	35,830,941	510,671	35,320,270	1.43%
Production				
Non-overdue	19,637,274	76,217	19,561,057	0.39%
Overdue				
1-30 days	432	1		
31- 60 days				
61- 90 days				
180 and more			0	
Total	19,637,706	76,218	19,561,057	0.39%
Construction				
Non-overdue	10,600,269	31,363	10,568,906	0.30%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
Total	10,600,269	31,363	10,568,906	0.30%
Mortgage				
Non-overdue	16,322,721	32,625	16,290,096	0.20%
Overdue				
1-30 days			0	
31- 60 days	25,471	1,251	24,220	4.91%
61- 90 days	6612	333	6279	5.04%
91-180 days				
180 and more				
Total	16,354,804	34,209	16,320,595	0.21%
Agriculture				
Non-overdue	1,932,857	1,306	1,931,551	0.07%
Overdue				
1-30 days			0	
31- 60 days	650	27		4.15%
61- 90 days				
91-180 days				
Total	1,933,507	1,333	1,931,551	0.07%
Other fields				
Non-overdue	21,568,501	155,644	21,412,857	0.72%
Overdue				
1-30 days	14,560	146	14,414	1.00%
31- 60 days	315,078	100417	214,661	31.87%
61- 90 days			0	
91-180 days			0	
180 and more	1,615,450	540,823	1,074,627	33.48%
Total	23,513,589	797,030	22,716,559	3.39%
TOTAL	183,595,595	2,245,002	181,349,539	1.22%

31.12.2019

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
Consumer				
Non-overdue	73,780,247	456,026	73,324,221	0.62%
Overdue				
1-30 days	146,478	2,534	143,944	1.73%
31- 60 days	69,150	26,009	43,141	37.61%
61- 90 days	69,335	24,961	44,374	36.00%
91-180 days	152,618	136,793	15,825	89.63%
180 and more	107476	96,332	247,284	89.63%
Total	74,325,304	742,655	73,582,649	1.00%
Trade				
Non-overdue	35,637,766	503,455	35,134,311	1.41%
Overdue			0	
1-30 days	2,945	41	2,904	1.39%
31- 60 days	1,294	485	809	
61- 90 days	623	234	389	37.56%
91-180 days				
180 and more			0	
Total	35,642,628	504,215	35,138,413	1.41%
Production				
Non-overdue	19,272,905	156,238	19,116,667	0.81%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
Total	19,272,905	156,238	19,116,667	0.81%
Construction				
Non-overdue	8,818,464	72,310	8,746,154	0.82%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
Total	8,818,464	72,310	8,746,154	0.82%
Mortgage				
Non-overdue	14,504,931	41,547	14,463,384	0.29%
Overdue				
1-30 days	6,425	17		
31- 60 days	3,882	2,925	957	75.35%
61- 90 days	277	39	238	14.08%
91-180 days				
180 and more				
Total	14,515,515	44,528	14,464,579	0.31%
Agriculture				
Non-overdue	1,689,151	4,658	1,684,493	0.28%
Overdue				
1-30 days			0	
31- 60 days				
61- 90 days				
91-180 days				
Total	1,689,151	4,658	1,684,493	0.28%
Other fields				
Non-overdue	22,392,141	305,859	22,086,282	1.37%
Overdue				
1-30 days			0	
31- 60 days				
61- 90 days			0	
91-180 days	1,536,100	169,213	1,366,887	11.02%
180 and more	1,331	1,278	53	96.02%
Total	23,929,572	476,350	23,453,222	1.99%
TOTAL	178,193,539	2,000,954	176,186,177	1.12%

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


Thous. AMD		
Government securities	31/03/2020	31/12/2019
RA Governmental T-bills	3,929,446	4,156,781
Reserve for RA Governmental T-bills		
Total	3,929,446	4,156,781

Thous. AMD				
RA non-state securities	31/03/2020		31/12/2019	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	631,836		600,091	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	631,836	83,971	600,091	83,971
Investments in RA non-governmental securities (reserve for possible losses)				
Net Investments in RA non-governmental securities	631,836	83,971	600,091	83,971
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,856		5,856
Total non-state securities of RA	-	5,856	-	5,856
Financial assets rated at fair value through other comprehensive financial assets	4,561,282	89,827	4,756,872	89,827

Investments in share capital of other entities as of 31.03.2020

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

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

Note 17.1 : " Securities pledged under repurchase agreement"

Thous. AMD		
Assets	31/03/2020	31/12/2019
Total pledged securities	23,906,619	26,984,273
including:		
Pledged securities	23,906,619	20,180,825
Securities under REPO agreement		6,803,448
Reserve for pledged securities		
Total	23,906,619	20,180,825
Resources attracted under REPO agreement	22,912,727	25,623,028

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

	31/03/2020	31/12/2019
Other financial assets calculated at amortized value	504,494	480,260
Total	504,494	480,260

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
Balance of the fixed assets as of the end of previous period 31/12/2019	8,062,398	3,440,631	754,973	2,265,394	11,611	446,415	14,981,422
Increase		50,599	6,654	73,801	119,397	33,801	284,252
Disposal			(13,078)				(13,078)
Written-off						(3,150)	(3,150)
Reclassification	91,730	600			(92,330)		-
Balance of fixed assets at the end of accounting period 31/03/2020	8,154,128	3,491,830	748,549	2,339,195	38,678	477,066	15,249,446
Balance of accumulated amortization at the end of the previous period 31/12/2019	209,627	1,997,501	337,255	1,421,135	-	113,587	4,079,105
Increase	55,648	74,424	22,400	42,575		6,358	201,405
Disposal			(13,008)				(13,008)
Written-off of amortization (from revaluation)							-
Balance of accumulated amortization at the end of the accounting period 31/03/2020	265,275	2,071,925	346,647	1,463,710	-	119,763	4,267,320
Net balance sheet value							-
At the end of the accounting period	7,888,853	1,419,905	401,902	875,485	38,678	357,303	10,982,126
At the end of the previous accounting period	7,852,771	1,443,130	417,718	844,259	11,611	332,828	10,902,317

Depreciation expense on right -of-use assets **147,944**

Total amortization expenses of fixed assets **201,405**

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
Balance of intangible assets at the end of the previous period 31/12/2019	301,286	417,334	206	30,552	60,000	809,378
Increase		11,173			60,000	71,173
Reclassification						-
Balance of intangible assets at the end of the accounting period 31/03/2020	301,286	428,507	206	30,552	120,000	880,551
Intangible balance of accumulated amortization at the end of previous period 31/12/2019	79,814	185,504	69	18,163	-	283,550
Increase	6,594	11,816	4	776		19,190
Disposal						-
Reclassification						-
Balance of accumulated amortization at the end of accounting period 31/12/2019	86,408	197,320	73	18,939	-	302,740
Net balance sheet value						
At the end of the accounting period	214,878	231,187	133	11,613	120,000	577,811
At the end of the previous accounting period	221,472	231,830	137	12,389	60,000	525,828

As of 31.03.2020, 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.

Total fixed assets and intangible assets amortization costs **368,539.00**

Note 21: "Other Assets"



Thous. AMD

	31/03/2020	31/12/2019
Amounts receivable from bank operations		
Amounts receivable from other operations	62,919	139,422
Total	62,919	139,422
Reserve for possible loss provision from bank operations (note 7)	(704)	(1,425)
Net amounts receivable from bank operations	62,215	137,997
Debtor liabilities and prepayments		
Debtor liabilities on the budget	103	59
Debtor liabilities to suppliers		
Prepayments to employees		89
Prepayments to suppliers	444,888	500,678
Prepayments on the budget and mandatory social insurance payments	12,447	6,304
Other debtor liabilities and prepayments	50,980	51,235
Total	508,418	558,365
Reserve	229,943	302,344
Sequestered pledge and available-for-sale assets		
Future period expenses	221,553	226,773
Other assets	49,675	62,917
Reserve for possible loss provision on other assets (note 7)	(5,333)	(5,849)
Total	495,838	586,185
Total other assets	1,061,386	1,276,963

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

Thous. AMD

	31/03/2020	31/12/2019
Current accounts		
RA Banks	1,822	1,735
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	20,793	20,793
Accrued interest		
Total	22,615	22,528
Interbank loans and deposits, other		
Other		
RA banks		
Loans and deposits	5,045,321	11,513,391
Other	18,947	406
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other		
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	2,088,668	2,132,224
Other	541	64,583
Total	7,170,346	13,733,031
Financial Institutions		
Current accounts	1,671,390	1,224,818
Loans and deposits	31,302,741	30,175,038
Other	24,775	75,567
Accrued interest	815,763	628,688
Total	33,814,669	32,104,111
Total liabilities to banks and financial institutions	41,007,630	45,859,670

Note 22.1 Loans and advances from international financial institutions



Loans attracted from financial institutions	Project	Currency	Term	31/03/2020	Currency	Term	31/12/2019
Atlantic	Atlantic-AG/EXPIMP	EUR	1-3 years				
DEG	DEG/SME	USD	1-7 years	5,099,078	USD	1-7 years	4,926,242
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-5 years	991,151	AMD	1-5 years	5,809,609
European Bank for Reconstruction and Development	EBRD/TFP/RCA	EUR	1 less than a year	2,239,371	EUR	1 less than a year	1,266,267
European Bank for Reconstruction and Development	EBRD/WIB	AMD	1-4 years	4,797,356			
European Bank for Reconstruction and Development	EBRD/TFP/RCA	USD	1 less than a year	20,188			
EPA Financial Institution debt fund	EPA_FIDF/SME	USD	1-3 years	1,251,364	USD	1-3 years	1,195,435
Global Impact Investments	GLI/ME	USD	1-4 years	1,517,633	USD	1-4 years	1,456,627
GLS ALTERNATIVE INVESTMENTS - MPF	GLS_AL_MFF/ME	USD			USD	1-3 years	488,332
Incofin Investment Management	INCOFINCVBA/MSE	USD	1-4 years	3,416,107	USD	1-4 years	3,195,115
Incofin Investment Management	Incofin CVSO CVBA-SO/MSE	USD	1-4 years		USD	1-4 years	1,489,381
Dutch Development Bank	FMO/MMSME/RETAIL	USD	1-5 years	1,537,344	USD	1-5 years	9,545,039
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years	10,189,238	AMD	1-5 years	2,039,581
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years	1,988,673	AMD	1-4 years	509,895
Symbiotics Sicav (Lux)- Hortensia Impact Investing Fund	HIF/MMSME	AMD	1-4 years	497,168	AMD	1-4 years	239,197
Symbiotics Sicav (Lux)- Global Financial Inclusion Fund	GFIF/MMSME	AMD	1-4 years	246,782	AMD	1-4 years	239,197
Symbiotics Sicav (Lux)- Global Financial Inclusion Fund	GFIF/MMSME	AMD	1-4 years	206,519	AMD	1-4 years	239,197
Symbiotics Sicav (Lux)-SEBMF Microfinance Fund VII	SEBMFVIL/MMSME	AMD	1-4 years	1,969,140	AMD	1-4 years	1,913,576
Black Sea Trade and Development Bank (BSTDB)	BS/SME3	USD	1-5 years	5,067,359	USD	1-5 years	2,394,445
Total				41,034,370			36,707,938

Օտարազգություն 22.2 ՀՀ հնարման հանկից և ՀՀ կառավարությունից ստացված վարկեր

Մրցվող	31/03/2020		31/12/2019	
	Loan amount	Accrued interest	Loan amount	Accrued interest
"Women Entrepreneurship Support and Development" loan project	2,029,807	44,381	2,030,043	6,421
GAF/ RA SME lending project of European Investment Bank	440,486	9,962	304,970	4,004
GAF /Micro and Small Business Development Project of German-Arme	6,194,522	138,392	6,059,242	16,166
GAF "Renewable Energy Development" project	1,059,360	10,359	683,215	9,498
GAF "Access to finance for SMEs" project	107,396	2,320	144,374	609
Total	9,831,571	205,414	9,221,844	36,698

Note 22.3 REPO (repurchase) agreements

REPO (repurchase) agreements	31/03/2020	31/12/2019
REPO (repurchase) agreements with financial institutions	22,912,727	25,623,028
REPO (repurchase) agreements with financial institutions		
Total	22,912,727	25,623,028

Note 23: "Liabilities to Customers"

RA resident corporate entities and institutions	31/03/2020	31/12/2019
Current accounts	17,112,674	19,477,883
Term deposits	8,847,422	8,714,057
Other	352,475	817,179
Accrued interest	255,356	308,993
Total	26,567,927	29,318,112

Non-resident corporate entities, institutions	31/03/2020	31/12/2019
Current accounts	408,807	325,192
Deposits	27,741	26,376
Other	2	2
Accrued interest	995	651
Total	437,545	352,221

RA resident private entrepreneurs	31/03/2020	31/12/2019
Current accounts	776,215	980,188
Term deposit	-	-
Other	13,158	11,229
Accrued interest	125	-
Total	789,498	991,417

RA resident individuals	31/03/2020	31/12/2019
Current accounts	18,096,637	19,539,280
Term deposits	57,788,493	55,895,793
Other	657,580	628,773
Accrued interest	1,075,301	1,011,140
Total	77,618,011	77,074,986

Non- resident individuals	31/03/2020	31/12/2019
Current accounts	884,177	956,715
Other	1,814,661	1,724,391
Accrued interest	71,510	59,270
Total	5,976,586	5,737,751
Total liabilities to customers	111,389,567	113,474,487

As of 31.03.2020, the amount necessary to secure obligations was AMD 4.135.246 thousand.

As of 31.03.2020, the amount frozen by court order and tax authorities was AMD 2.451.305 thousand.

Note 23.1 : "Subordinate Borrowing"

As of 31.03.2020, the Bank attract subordinate borrowing` AMD 759.453

Note 24: "Securities issued by the Bank"

	31/03/2020	31/12/2019
Interest securities issued by the Bank	4,630,107	4,452,356
Total	4,630,107	4,452,356

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

Financial liability at fair value recalculated through profit/loss	Thous.AMD	
	31/03/2020	31/12/2019
Derivative instruments		
Swap	80,518	6,207
Forward		
Other		
Total	80,518	6,207

Note 26: "Amounts Payable"

Amounts payable	Thous.AMD	
	31/03/2020	31/12/2019
Dividends	380,849	385,694
For insurance of deposit	48,489	47,974
Total	429,338	433,668

Note 27: " Other Liabilities"

On income tax of non-resident	28,183	57,332
On VAT	1,939	5,503
On other taxes and penalties	112,469	225,596
Salary liabilities to employees	913,241	817,804
Credit debts to suppliers	102,624	115,909
Other liabilities	30,323	604,060
Balance at the end of the period	1,188,779	1,826,204

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD 25,955,663 thous., including 1,883,333 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

Name of the major shareholder	Participation amount	The size of participation in	Thous.AMD
			Shareholders activity type (for
Sukiasyan Saribek Albert	5,457,078	27.86%	
Sukiasyan Khachatur Albert	3,138,533	16.02%	
Sukiasyan Eduard Albert	2,089,558	10.67%	
Sukiasyan Robert Albert	3,341,738	17.06%	

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

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 31.03.2020 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation

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

	31/03/2020	31/12/2019
Unutilized credit lines	6,842,669	6,092,716
Provided guarantees	6,677,531	5,979,486
Provided letters of credit		
Reserve on the mentioned items (note 7)	(37,057)	(100,560)

Liabilities on operational leases

Structure of minimum rental fees	Thous.AMD	
	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		620,432
1-5 years		2,133,085
more than 5 years		129,832
Total	0	2,883,349

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	31/03/2020	31/12/2019
Bank shareholder	2,904,337	2,958,344
Bank management	157,449	127,519
Financial institutions	352,857	50,145
Total	3,414,643	3,136,008
Interest income	52,312	301,095
Facilities attracted from Bank related entities	31/03/2020	31/12/2018
Bank shareholder	888,243	662,997
Bank management	320,286	85,719
Financial institutions	70,517	190,942
Total	1,279,046	939,658
Interest expense	17,716	27,045
Salary or Similar Payment to the Bank Management	31/03/2020	31/12/2018
Board	54,502	283,966
Salary	54,502	268,066
Awarding		15,900
Executive body	93,558	375,836
Salary	93,558	346,950
Awarding		28,886
Internal Audit	23,138	95,988
Salary	23,138	88,286
Awarding		7,702
Total	171,198	755,790

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

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

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

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

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

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

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

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

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

31/03/2020

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<i>Item</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries*</i>	<i>Non-OECD* countries</i>	<i>Total</i>
Assets					
Cash and balances with the CBA	33,138,143	546,588	837,586	191,916	34,714,232
Standard bank precious metal bullions and coins	34,565				34,565
Due from banks and other financial institutions	10,457,994	42,034	331,285	2,299	10,833,612
Reverse repurchase agreements	6,816,117				6,816,117
Financial assets at fair value recalculated through profit/loss		40,869			40,869
Customers' loans and advances rated at amortized value	181,322,664	13,982	13,947		181,350,593
Securities at fair value rated through other comprehensive financial results	4,645,253		5,856		4,651,109
Securities pledged under repurchase agreement	23,906,619				23,906,619
Other financial assets carried at amortized cost	504,494				504,494
Other assets	53,629		8,586		62,215
Total assets	260,879,478	643,473	1,197,259	194,215	262,914,425

31/12/2019

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<i>Item</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries*</i>	<i>Non-OECD* countries»</i>	<i>Total</i>
Assets					
Cash and balances with the CBA	39,543,670	3,303,175	928,587	105,868	43,881,300
Standard bank precious metal bullions and coins	51,728				51,728
Due from banks and other financial institutions	13,419,452	171,087	357,267	4,737	13,952,543
Reverse repurchase agreements	6,222,111				6,222,111
Financial assets at fair value recalculated through profit/loss	18	4,398			4,416
Customers' loans and advances rated at amortized value	176,159,877	5,373	27,335		176,192,585
Securities pledged under repurchase agreement	20,180,825				20,180,825
Securities at fair value rated through other comprehensive financial results	4,840,843		5,856		4,846,699
Other financial assets carried at amortized cost	480,260				480,260
Other assets	137,366		1,095		138,461
Total assets	261,036,150	3,484,033	1,320,139	110,605	265,950,928

Loans allocated in the territory of RA per RA regions:

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RA regions	31/03/2020	31/12/2019
Yerevan	124,851,504	120,563,568
Kotayk	2,097,273	2,109,613
Gegharkunik	5,364,305	5,231,239
Shirak	6,152,923	5,861,768
Armavir	7,968,767	7,707,320
Ararat	13,223,069	11,816,476
Syunik	5,836,747	5,753,548
Artsakh	4,316,978	4,138,718
Aragatsotn	1,405,120	1,332,659
Vayots Dzor	1,183,692	1,193,252
Tavush	2,189,461	2,320,534
Total	181,350,593	176,192,585

Credit Risk Analysis

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

2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 31.03.2020 did not exceed 9.60%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 31.03.2020, loan investments without reserves amounted to AMD 183.595.595. As of 31.03.2020, the volume of loans in the Stage 2, Stage 3 amounted to AMD 2.742.757 thousand.

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

5) The volume of repo transactions (except extensions) affected in the 1st quarter of 2020 was AMD 156,644,603 against AMD 148,294,708 of the same period of the previous year. Reverse repo transactions in the 1st quarter of 2020, made AMD 18,367,377 against AMD 14,997,643 of the same period of the previous year

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

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

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

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

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

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

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

Two types of monitoring are performed:

1. Monitoring via actual visits,

3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before the extension of the consecutive installment or the new

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 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

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.

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Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2019 IV Q	1,419.70	162.03	225.33	64.73	34.06	1.53	518.39	304.37	14.79	1,750.03
2020 I Q	1,523.89	64.55	80.32	218.99	30.42	1.51	536.51	330.85	17.04	1,700.08
increase/decrease	104.19	-97.48	-145.00	154.26	-3.64	-0.02	18.12	26.48	2.25	-49.95

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

31/03/2020

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	AMD	USD	EUR	RUB	Other currency	Total
Cash and their equivalents	17,640,492	12,265,918	3,755,646	989,246	62,929	34,714,232
Bank standardized bullions of precious metals and coins	443				34,122	34,565
Receivables to banks and other financial institutions	898,613	3,459,581	6,450,996	24,420	3	10,833,612
Reverse Repurchase Agreements	6,357,079	459,038				6,816,117
Loans and advances to customers calculated at amortized value	103,970,591	60,284,260	17,051,377	44,365		181,350,593
Financial instruments at fair value recalculated through profit/loss	4,122,097	471,728	57,284			4,651,109
Securities pledged under repurchase agreements	23,906,619					23,906,619
Other financial assets calculated at amortized value		504,494				504,494
Other assets	44,726	7,748	9,725	16		62,215
Total assets	156,940,660	77,452,768	27,325,027	1,058,047	97,054	262,873,556
Liabilities						
Liabilities to the banks and other financial institutions	22,105,982	10,953,842	7,934,428	13,375	3	41,007,630
Loans and deposits from international financial institutions	10,563,182	28,231,917	2,239,271			41,034,370
Loans from the CBA and RA	10,083,742					10,083,742
REPO agreements	22,710,796	201,931				22,912,727
Liabilities to Customers	59,829,723	43,953,715	5,673,050	1,899,025	34,054	111,389,567
Subordinate borrowing		759,453				759,453
Liabilities on current taxes	212,903					212,903
Securities issued by the Bank	1,016,684	3,613,423				4,630,107
Amount payable	429,338					429,338
Deferred tax liabilities	1,081,370					1,081,370
Other liabilities	1,121,153	55,080	11,811	688	47	1,188,779
Total liabilities	129,154,873	87,769,361	15,858,560	1,913,088	34,104	234,729,985
Balance-sheet open position	27,785,787	(10,316,593)	11,466,468	(855,041)	62,950	28,143,571
Financial liabilities at fair value recalculated through profit/loss						
Aggregately payable currency derivatives	2,008,876	8,739,230	(11,622,450)	868,984	(34,288)	(39,649)
Net position	29,794,663	(1,577,364)	(155,982)	13,943	28,662	28,103,921

31/12/2019

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	AMD	USD	EUR	RUB	Other currency	Total
Assets						
Bank standardized bullions of precious metals and coins	443				51,285	51,728
Receivables to banks and other financial institutions	2,508,325	5,013,892	6,241,301	189,025		13,952,543
Reverse Repurchase Agreements	5,775,586	446,525				6,222,111
Loans and advances to customers calculated at amortized value	100,848,096	59,253,818	16,035,097	55,574		176,192,585
Financial instruments measured at fair value through profit or loss	4,351,769	440,819	54,111			4,846,699
Securities pledged under repurchase agreement	20,180,825					20,180,825
Other financial assets calculated at amortized value		480,260				480,260
Other assets	130,747	4,754	2,135	49	776	138,461
Other assets	159,892,280	75,845,013	28,274,120	1,797,245	137,854	265,946,512
Liabilities						-
Liabilities to the banks and other financial institutions	20,645,443	10,426,766	14,732,825	53,603	1,033	45,859,670
Loans and deposits from international financial institutions	10,544,794	24,896,877	1,266,267			36,707,938
Loans from the CBA and RA	9,306,047					9,306,047
REPO agreements	25,431,006	192,022				25,623,028
Liabilities to Customers	61,929,438	44,292,833	5,663,840	1,571,026	17,350	113,474,487
Subordinated borrowing	719,787					719,787
Liabilities on current taxes	325,303					325,303
Securities issued by the Bank	1,016,771	3,435,585				4,452,356
Amount payable	433,668					433,668
Deferred tax liabilities	1,027,172					1,027,172
Other liabilities	1,760,681	57,889	6,775	810	49	1,826,204
Other liabilities	133,140,110	83,301,972	21,669,707	1,625,439	18,432	239,755,660
Balance-sheet open position	26,752,170	(7,456,959)	6,604,414	171,806	119,422	26,190,852
Financial liabilities at fair value recalculated through profit/loss						
Aggregately payable currency derivatives	62,379	6,836,724	(6,850,065)	1,377	(52,205)	(1,790)
Open position	26,814,549	(620,235)	(245,651)	173,183	67,217	26,189,062

**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 1st quarter of 2020 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 17,382,630 thousand against AMD 14,771,973 thousand of the same period of the previous year by decreasing in absolute value by AMD2,610,657 or 17.7%, that is in average the Bank was sensitive to liabilities in the 1st quarter of 2020. In the 1st quarter of 2020, the average accumulated disbalance has increased in absolute value by AMD 9,950,848 thousand or by 36.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 1st quarter of 2020 has decreased by 0.1 percentage point, forming 108.9% against 113.5% average value of the 1st quarter of 2019, that is in 1st quarter of 2020 the assets sensitive to interest rate changes have formed 108.9% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 1st quarter of 2020 was 1.688 year (against the 1.525 year as of the 1st quarter of 2019) as it increased by 0.163 year or by 10.7% , as compared with the end of the previous quarter (1.680 year) the mentioned indicator has increased by 0.008 year or 0.5%.

The duration of liabilities as of the end of the 1st quarter of 2020 was 1.063 year (against 0.847 year of the 1st quarter of 2019) increasing by 0.216 year or 25.5%. In correlation with the end of the previous quarter (0.979) the indicator has increased by 0.083 year or 8.5%.

The duration gap as of the end of the 1st quarter of 2020 was 0.762 (against 0.774 of the 1st quarter of 2019) increasing by 0.012 or 1.16%. In correlation with the end of previous quarter (0.784) the indicator has increased by -0.022 or 2.8%.

Assets and Liabilities with changing interest rates

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Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances to customers at amortized value		332956										
Total	-	332956	-	-	-	-	-	-	-	-	-	-
- Loans			3,348,630	3,537,008		12,611,750	2,440,350					
Total	-	-	3,348,630	3,537,008	-	12,611,750	-	-	-	-	-	-
Net position	-	332,956	(3,348,630)	(3,537,008)	-	(12,611,750)	-	-	-	-	-	-

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Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
-Loans	4,797,000		4,797,000			6,732,107				2,440,350		
Total	4,797,000	-	4,797,000	-	-	6,732,107	-	-	-	2,440,350	-	-
Net position	(4,797,000)	-	(4,797,000)	-	-	(6,732,107)	-	-	-	(2,440,350)	-	-

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

Item	Interest rates of accounting period: 31/03/2020		Interest rates of accounting period: 31/12/2019	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Balance at CBA			4.60	-
Receivables to banks and other financial institutions, including:	6.4	1.2	6.62	1.22
- Interbank Loans		1.8		1.76
-Interbank REPO	6.0		6.17	
Loans and advances provided to	13.9	8.4	13.06	8.46
	10.0	7.0	10.36	6.95
Liabilities				
Liabilities to banks and other financial	7.1	3.3	7.39	3.47
Liabilities to Customers	5.6	3.6	5.33	3.46

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

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

On the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk. Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of

Price Risk

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

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

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

Liquidity Risk

1) The Bank's definition of Liquidity Risk

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

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

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

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

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

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

1. Preterm withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities). The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of the breaches of the standards gives an opportunity to get accurate assessments of the Bank's liquidity risk through the analysis of the impact of call in of Individuals term deposits and on-demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

Note 33: "Capital and Capital Adequacy Ratio"



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

We present the structure of balance sheet capital:

	thous. AMD	
	31.03.2020	31.12.2019
Chartered capital	25,955,663	25,635,343
Emission income/loss	180,180	
Reserves:	8,163,680	8,176,540
Main reserve	3,105,000	3,105,000
Revaluation reserve	5,058,680	5,071,540
Undistributed profit/loss	6,623,973	5,595,244
Total capital	40,743,316	39,407,127

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.

2020	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	1	2	3 (1+2)	4	5	6	7
January	31,321,393	6,264,279	37,585,672	233,879,724	3,791,710	14.16	12
February	31,588,434	6,317,687	37,906,121	229,506,140	4,006,775	14.42	12
March	32,382,296	6,325,083	38,707,379	235,813,689	4,241,738	14.27	12
2019	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	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
October	30,301,115	5,399,116	35,700,231	223,043,306	3,555,438	14.13	12
November	30,583,690	5,613,799	36,197,489	225,486,114	3,510,113	14.21	12
December	30,883,065	6,025,603	36,908,668	230,406,499	3,543,771	14.20	12

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

Thous.AMD

As of 31.03.2020				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	65,874,503	210,983	19,514	-
10%	6,476,039			647,604
20%	676,294			135,259
30%	52,273			15,682
35%	4,558,435			1,595,452
50%	849,541			424,771
75%	36,153,312	305,721		27,344,275
100%	91,134,864	3,202,780	622	94,338,266
110%	336,079	55,743		431,004
150%	65,826,982	6,706,233	188,239	109,082,181
200%	2,606,188			5,212,376
Total	274,544,510	10,481,460	208,375	239,226,869

As of 31.12.2019				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	78,415,645	168,025		-
10%	6,354,723			635,472
20%	1,485,381			297,076
30%	173,384			52,015
35%	4,453,563			1,558,747
50%	1,052,767			526,384
75%	34,778,809	392,985		26,084,107
100%	91,217,941	2,656,117	120,295	94,114,648
110%	366,876	83,192		-
150%	66,543,588	5,937,176	19,953	108,751,076
200%	2,515,838			
Total	287,358,515	9,237,495	140,248	232,019,525

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



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

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

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

As of 31.03.20 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 31.03.20 the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35. "Hedging of Envisaged Future Transactions"

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

Note 36. "De-recognition"

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

Note 37. "Pledged assets"

As of 31.03.20, the Bank has no pledged assets.

Note 38. "Accepted Pledge"

As of 31.03.2020, 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	31/03/2020		31/12/2019	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	64,325,869	255,489,504	52,110,663	210,104,952
Car	1,973,902	6,729,810	1,660,810	6,192,910
Equipment	2,610,794	14,473,114	1,663,811	5,967,455
Ready made products	3,853,768	9,832,500	1,181,078	5,188,986
Guarantee	64,398,317	282,953,283	40,268,615	197,344,316
Monetary funds	1,928,527	4,656,327	556,889	964,047
Gold items	12,532,032	15,177,389	9,417,962	11,398,065
Other securities	267,710	637,362	287,512	773,543
Other pledge	11,503,009	23,857,258	15,787,642	22,179,624
No collateral available	14,799,611		12,203,221	
Total	178,193,539	613,806,547	135,138,203	460,113,898

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