

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



Note1. “Legal Field and Corporate Governance”

Legal Field

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

The Head office of the Bank and 26 branches are located in Yerevan, another 22 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

Main Activities

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

Business Environment

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

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

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

Corporate Governance

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

Structure and Members of the Board

Chairman of the Board

S. Sukiasyan

Members of the Board

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

Per Fischer

Structure and Members of the Bank's Management

CEO
A. Khachatryan

Deputy CEO
R. Badalyan

Deputy CEO
O. Chichyan

Deputy CEO
A. Arakelyan

Deputy CEO
A. Manrikyan

Deputy CEO
A. Pilosyan

Chief Accountant
M. Poghosyan

Head of Strategy and Risk Management Department
H. Avetisyan

Head of Legal Department
V. Jhangiryan

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

As of 30.09.2018, the Chartered capital amounts to AMD 16,708,745. It includes 1,852,533 common shares each with AMD 7,400 nominal value and 200,000 preferred shares with AMD 15,000 nominal value per share.

Main Participants

Sukiasyan Saribek Albert	23.24%
Sukiasyan Khachatur Albert	22.35%
Sukiasyan Eduard Albert	15.92%
Sukiasyan Robert Albert	13.54%

Remuneration Policy of the Bank’s Management

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

Payments to Statutory Auditors

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

Note 2. “Accounting Policy”

Preparation and Submission of “ARMECONOMBANK” OJSC Financial Statements

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

The statements are made in thousands of Armenian drams without decimal units. The accounting year for financial statements is the period from 1 January to 31 December inclusive.

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

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

Recognition of Income and Expenses

Interest incomes and expenses for all interest earning financial tools, except tools accounted for real value reappraised by profit/loss, in reports on financial results, using effective interest rate method are recognized as “interest income” and “interest expense. Registration of interests for overdrafts, overnights, credit lines, corresponding accounts, bank accounts, demand deposits is implemented by linear way, if the bank cannot foresee future cash flows of these assets. Registration of interests of depreciated loans is not stopped. If balance sheet value of the financial asset or group of similar financial assets decreases because of losses from depreciation, the interest income continues to be recognized towards new balance sheet value.

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

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day. After adjusting the effective interest rate of the given loan, fees charged for the loans provision (along with the correspondent expenses) are charged back. Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non-interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

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

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

Foreign Exchange Operations Accounting

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

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances, etc.). When establishing the

exchange rates, the rates operative in foreign exchange International market at that moment and those reflected in other systems are also taken into account, besides the aforementioned factors.

Tax Accounting

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

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

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts are recorded on the last working day of each quarter.

Income tax assets and liabilities are offset when the Bank:

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

Cash and Cash Equivalents

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

The statement on cash flows is made by direct method.

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

Financial Instruments

The Bank recognizes financial assets and liabilities on its balance sheet, when and only when it becomes the counterparty of that Instrument.

Financial assets and liabilities are initially recognized at cost, which is the fair value of reimbursement given or received, including or net of any transaction costs incurred, respectively. After the initial recognition all financial liabilities, except financial tools accounted for real value reappraised by profit/loss, are accounted for amortized value using effective interest rate method. After the initial recognition financial tools accounted for real value reappraised by profit/loss are accounted for real value.

The Bank classifies its financial assets into the following categories: financial assets accounted for real value reappraised by profit/loss, financial assets at fair value calculated by other comprehensive financial results, loans and debtor debts, financial assets at amortized value. Such classification of investments is made on the moment of their purchase based on the evaluations made by the Bank's management.

Assets accounted for real value reappraised by profit/loss are the assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. An asset should be classified as accounted for real value reappraised by profit/loss if, regardless of why it was acquired, it is part of a portfolio for which there exists an evidence of actual possibility of short-term profit making. During the initial recognition assets accounted for real value reappraised by profit/loss are accounted by fair value. Afterwards they are re-accounted by fair value based on the existing market prices. All the corresponding realized and unrealized gains and losses are registered in the income statement (Item of income received from the assets accounted for real value reappraised by profit/loss).

Unrealized gains and losses arising from changes in the fair value of financial assets at fair value accounted through other comprehensive financial results are directly reflected in the equity, until the mentioned financial asset is sold or recognized as depreciated. The profit or loss accumulated at that moment, which previously recognized in the equity, shall be recognized in the statement on financial results of the accounting period. In any case, interests are calculated in the statement on financial results through the effective interest rate method. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into assets accounted for real value reappraised by profit/loss.

The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques.

The investments in equity instruments, which are not quoted in any exchange and have limited market, are estimated in fair value, less the amount of possible loss provision.

The investments in subsidiaries and associated companies are estimates by prime cost model.

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor, with no intention of trading the receivable. Financial assets calculated for amortized value - when the bank has the positive intention and ability to hold those investments to maturity. The mentioned investments are calculated at amortized value using the effective interest rate method, less any possible loan loss provisions.

During its activities, the Bank acts as a party of agreements in derivative instruments that includes futures, forwards, swaps and options. All derivative instruments are classified as ones kept for

commercial purposes and their accounting is carried out as per the Policies of Initial Recognition of Financial Instruments to be later re-measured at real value.

The real value is established by the pricing in the markets or by applying such models on the basis of which the assessments of the current condition of the markets, the contractual prices of base instruments and other factors lays. The derivative instruments with positive real value are accounted as assets and the ones with negative real value- liabilities. Based on the nature of the derivative instrument, the products from the given operations are accounted as profit or loss from assets or foreign exchange operations kept for commercial purposes.

In case of accounting of hedges the results of changes in fair values of hedging instruments and relevant hedging articles are proportionally recognized as net profit and loss in the income 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 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.

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

The amounts extended against securities purchased under Repurchase Agreement are accounted for as Due to other banks or Loans and Borrowings to Customers. Any income or expense arising from purchase and sale of the underlying securities is recognized as interest income or expense, accrued during the period of Repurchase Agreements.

Leases

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

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

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

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

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

where

BALANCE – sub-portfolio balance amount of the given loan

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

Fixed Assets

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

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

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

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

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

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

Terms of useful services (years)	Annual interest rate (%)
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Building	50	2
Computers	5	20
Transportation means	8	12.5
Other fixed assets, transportation means, UPS batteries, ATMs, property, office equipment,	8	12.5
Other computer equipment (printers, scanners, copying devices), POS terminals, modems, Network devices	3 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 are in operation until 1 January 2013, connected with review of terms of useful services is calculated as follows: the balance sheet value of fixed assets (initial value minus accumulated depreciation) is distributed by linear method of depreciation calculation in the newly defined residual term of useful service. The latter represents the time difference between the useful life cycle set from 1 January 2013 and the period from the starting date of use until 1 January 2013.

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

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

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

Depreciation is not calculated for land.

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

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

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

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

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

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

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

Inventory

The Bank's inventory includes:

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

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

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

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

Settlements between the Bank and Branches

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

Share Capital and Treasury Stock

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

Under certain circumstances and according to procedure established by the RA Legislation the Bank may repurchase its equity share capital. In this case reimbursement paid is deducted from

total shareholders' equity and is reflected as treasury stock until it is cancelled. When such shares are subsequently sold any reimbursement received is included in shareholders' equity.

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

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

Segment Statements

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

Issued Corporate Bonds

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

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

Comparable Information

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

After Balance Sheet Date Events

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

If the Bank reveals errors on its own,

Fundamental errors are revealed by an audit organization,

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

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

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

ARMECONOMBANK

Interim Report
On Financial Results
"30" September 2018թ.
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

	Item	Note	As of the end of the current interim period (unaudited)	As of the end of the previous financial year (audited)
1	Assets			
1.1	Cash and balances with the CBA	13	29,241,882	35,975,312
1.2	Standard bank precious metal bullions and coins		128,982	18,356
1.3	Due from banks and other financial institutions	14	13,310,241	17,176,991
1.4	Financial assets rated at actual value through profit or loss	15	41,019	
1.5	Loans and advances provided to customers at amortized value	16	132,317,684	104,216,554
1.6	Financial assets at fair value rated through other comprehensive financial results	17	3,141,184	2,036,091
1.6.1	Securities pledged under repurchase agreement	17.1	16,476,120	19,619,097
1.7	Other financial assets at amortized value	18		49,618
1.9	Non-current assets held for sale		60,000	75,000
1.10	Fixed assets	20	9,757,901	9,304,697
1.10.1	Intangible assets	20	400,199	321,118
1.12	Other assets	21	2,114,973	2,009,965
	Total assets		206,990,185	190,802,799
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	65,290,357	59,037,257
2.2	Liabilities to Customers	23	100,437,849	92,709,749
2.3	Subordinate borrowing	23.1	3,375,447	6,409,601
2.4	Liabilities on current taxes		272,587	373,239
2.5	Securities issued by the Bank	24	2,057,017	1,068,764
2.6	Financial liabilities at fair value through profit or loss	25	2,094	7,706
2.7	Amounts payable	26	291,336	155,684
2.8	Deferred tax liabilities	11	933,256	1,096,006
2.8	Reserves	30	28,389	
2.9	Other liabilities	27	1,121,151	916,185
	Total liabilities		173,809,483	161,774,191
3	Capital			
3.1	Chartered capital	28	16,708,745	13,708,745
3.2	Emission income		33,438	33,438
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,592,934	4,689,054
3.4	Undistributed profit(loss)		5,845,585	4,597,371
	Total capital		33,180,702	29,028,608
	Total liabilities and capital		206,990,185	190,802,799

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 10 October 2018

Interim Report
On Financial Results
"30" September 2018
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period	Accounting period	Comparable current interim period of the previous financial year	Previous period
Interest and similar income	3	4,194,632	12,236,598	3,608,220	10,225,585
Interest and similar expenses	3	(2,196,379)	(6,582,514)	(1,830,505)	(5,275,352)
Net interest and similar income		1,998,253	5,654,085	1,777,716	4,950,234
Income as commissions and other fees	4	810,887	2,218,601	561,690	1,365,080
Expenses as commissions and other fees	4	(110,448)	(356,906)	(126,500)	(313,124)
Net commission and other fees		700,439	1,861,694	435,189	1,051,955
Dividend income		1,329	1,329	-	1,172
Net commercial income	5	671,447	1,425,448	432,047	853,580
Other operational income	6	63,411	191,843	87,862	348,439
Operational income		3,434,879	9,134,399	2,732,814	7,205,380
Net allocations to possible asset loss provisions	7	(166,530)	(265,295)	157,678	(312,670)
Total administrative expenses	8	(1,762,535)	(5,012,967)	(1,337,050)	(4,136,912)
Other operational income	9	(595,594)	(1,773,885)	(581,891)	(1,615,436)
Operational profit		910,220	2,082,252	971,551	1,140,362
Profit/loss before taxation		910,220	2,082,252	971,551	1,140,362
Profit tax expenses(compensation)	11	(244,787)	(463,204)	(157,576)	(160,824)
Profit for period		665,433	1,619,048	813,975	979,538

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 10 October 2018

Interim Report
On Other Comprehensive Financial Results
"30" September 2018
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Current interim period	Accounting period	Comparable current interim period of the previous financial year	Previous period
Other comprehensive financial results					
Revaluation of financial assets at fair value rated through other comprehensive financial results		(163,581)	(245,316)	(147,917)	178,010
Devaluation of financial assets at fair value rated through other comprehensive financial results		(33,525)	(27,622)	-	
Profit from revaluation of non- current assets		(0)	(15,149)	0	296
Profit tax on other comprehensive income		32,716	49,063	29,583	(35,661)
Other comprehensive financial result after taxation		(164,391)	(239,024)	(118,333)	142,645
Comprehensive financial result		501,043	1,380,024	695,642	1,122,183

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 10 October 2018

Interim Report
On Equity Changes
"30" September 2018
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 2017 (audited)</i>	4,631,333	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
Recalculated balance	4,631,333	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
Comprehensive income		-	-	-	142,408	237	979,538	1,122,183	1,122,183
Dividends		-	-	-		-	(370,507)	(370,507)	(370,507)
Internal movements including:	-	-	-	-	-	(85,318)	86,059	741	741
Decrease of value from revaluation of fixed assets and intangible assets						(85,318)	85,318	-	-
Internal movements of other equity elements	-	-	-	-	-	-	741	741	741
<i>Balance as of the end of the interim accounting period 30/09/2017(unaudited)</i>	4,631,333	4,631,333	9,110,850	6,000,000	1,394,385	3,179,356	4,005,911	28,321,835	28,321,835
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 2018 (audited)</i>	13,708,745	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608	29,028,608
Reserves amount arising from changes in IFRS	-	-	-	-	208,675	-	(32,150)	176,525	176,525
Recalculated balance	13,708,745	13,708,745	33,438	6,000,000	1,739,952	3,157,777	4,565,221	29,205,133	29,205,133
Transactions with shareholders (owners) regarding to shares, including:	3,000,000	3,000,000	-	-	-	-	-	3,000,000	3,000,000
Investments in chartered capital and other increase of chartered capital	3,000,000	3,000,000		-	-	-		3,000,000	3,000,000
Decrease of chartered capital, including repurchased and out of circulation shares	-	-	-	-	-	-		-	-
Comprehensive income		-	-	-	(223,875)	(15,149)	1,619,048	1,380,024	1,380,024
Dividends		-	-	-		-	(404,455)	(404,455)	(404,455)
Prepayments for shares emission		-						-	-
Internal movements including:						(65,771)	65,771	-	-
Decrease of value from revaluation of fixed assets and intangible assets		-				(65,771)	65,771	-	-
<i>Balance as of the end of the interim accounting period (unaudited) 30.09.2018</i>	16,708,745	16,708,745	33,438	6,000,000	1,516,077	3,076,857	5,845,585	33,180,702	33,180,702

Chairman of the Executive Board(CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 10 October 2018

Interim Report
On the Cash Flows
"30" September 2018
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (audited)
1. Cash flows from operations			
<i>Net cash flows from operations before changes in operational assets or liabilities</i>		3,339,088	2,035,598
Interest received		11,733,575	9,433,878
Interest paid		(5,623,071)	(4,607,302)
Fees earned		2,552,331	1,726,370
Fees paid		(417,434)	(357,843)
Gain/ loss from financial assets held for commercial purposes		102,720	(18,221)
Gain/ loss from foreign exchange		622,262	524,118
Recovery of previously written-off assets		173,062	392,452
Paid salaries and similar payments		(2,751,454)	(2,653,064)
Other income received from operations and other expenses paid		(3,052,902)	(2,404,790)
<i>Cash flows from changes in operational assets or liabilities</i>			
Decrease/(increase) in operational assets		(21,883,589)	(31,216,204)
Due from financial institutions		5,310,026	421,639
Loans and advances to customers at amortized value		(31,302,296)	(28,581,100)
Securities at fair value available for sale recalculated through profit/loss		2,448,940	(3,111,720)
Other operational assets		1,659,741	54,977
Increase/ decrease in operational assets		6,198,265	23,830,763
Liabilities to financial institutions		(3,032,764)	10,422,056
Liabilities to customers		9,192,138	13,443,167
Decrease in other operational liabilities		38,891	(34,460)
Net cash flows from operations before profit tax		(12,346,235)	(5,349,843)
Paid profit tax		(665,641)	(82,798)
Net cash flows from operations		(13,011,876)	(5,432,641)
2. Cash flows from investments increase(decrease)			
Decrease(increase)of other financial assets at amortized value		48,074	
Capital investments in fixed assets and intangible assets		(589,907)	(425,609)
Acquisition of fixed assets and intangible assets		(872,521)	(728,499)
Disposal of fixed assets and intangible assets		376,164	85,035
Net cash flows from investments		(1,038,190)	(1,069,073)
3. Cash flows from financial operations			
Dividends paid		(271,146)	(348,281)
Increase (decrease) of borrowings from the Central Bank Of Armenia		1,578,107	762,247
Increase (decrease) of borrowings from banks		1,761,550	1,505,745
Increase (decrease) of other borrowings		1,573,046	4,559,267
Increase (decrease) of securities issued by the Bank		966,719	
Shareholders' investments in chartered capital		3,000,000	
Net cash flows from financial operations		8,608,276	6,478,978
Impact of foreign exchange on cash and equivalents		(172,155)	212,565
Net increase (decrease) of cash and equivalents thereof		(5,441,790)	(22,736)
Cash and equivalents thereof as of the beginning of the period	13 2	35,824,831	32,059,829
Cash and equivalents thereof as of the end of the period	13 2	30,210,886	32,249,658

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 10 October 2018

Note 3: "Net Interest and Similar Income"



Thous. AMD

Interest and similar income	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	92,507	325,355	83,244	246,248
Interest income from loans and advances to customers	3,494,179	9,987,633	2,894,359	8,162,975
Interest income from debt securities	516,568	1,667,909	548,404	1,555,765
Interest income from REPO agreements	85,062	236,678	72,863	232,856
Other interest income	6,316	19,023	9,350	27,742
Total	4,194,632	12,236,598	3,608,220	10,225,586
Interest and Similar Expenses				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institution	844,053	2,399,780	602,346	1,719,764
Interest expenses on terms deposits and current accounts of customers	1,001,922	2,919,944	813,818	2,385,935
Interest expenses under REPO agreements	229,988	721,916	-	-
Interest expenses on subordinate borrowings	90,642	456,384	218,320	607,286
Interest expenses against the interest securities issued by the Bank.	28,330	63,684	196,020	538,353
Other interest income	1,444	20,806	-	24,014
Total	2,196,379	6,582,514	1,830,504	5,275,352
Net interest and similar income	1,998,253	5,654,084	1,777,716	4,950,234

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

Thous. AMD

Commission and Other Fee Income	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Cashier's operations	37,107	127,490	47,055	117,563
Settlement services	374,416	1,000,030	324,279	850,001
Guarantees, warranties, letters of credit operations, trust management operations	16,410	94,550	37,991	59,362
Foreign currency and security operations	172	764	643	2,752
Payment card servicing	30,290	83,931	27,821	77,402
Loan operations	-	-	-	-
Other commission fees	352,492	911,836	123,900	257,998
Total	810,887	2,218,601	561,689	1,365,078

Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	1,006	3,122	24	686
Expenses on payment card operations	45,519	133,151	39,339	109,506
Guarantees, warranties, letters of credit operations, trust management operations	8,378	60,687	24,387	38,852
Foreign currency and security operations	8,248	30,793	11,237	22,579
other commission fees*	47,297	129,153	51,513	141,500
Total	110,448	356,906	126,500	313,123
Net commission and other fees received	700,440	1,861,695	435,189	1,051,955

* Other commission fee expenses have mainly been made for received payment-settlement services and loans received from international financial institutions.

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

	Thous. AMD			
Financial assets rated at fair value through profit or loss	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including	40,139	104,394	9,277	13,677
-Derivatives	40,139	104,394	9,277	13,677
Net income from changes in real value of financial assets rated at fair value through profit or loss	1,225	(35,698)	(30,047)	(110,487)
Total	41,364	68,696	(20,770)	(96,810)
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	426,181	789,903	208,857	310,189
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	426,181	789,903	-	
Debt securities	-		208,857	310,189
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, includ	(35,037)	(77,924)	-	
Total	391,144	711,979	208,857	310,189

Foreign currency operations				
Net income from foreign currency sale/purchase	252,597	622,261	216,508	524,122
Net income from the revaluation of foreign currency	(7,887)	26,186	20,434	109,061
Net income from the sale/purchase of precious standardized bullions and coins	2,317	12,228	962	962
Net income from the revaluation of precious standardized bullions and coins	(8,088)	(15,902)	6,056	6,056
Total	238,939	644,773	243,960	640,201
Net income from commercial operations	671,447	1,425,448	432,047	853,580

Note 6 : "Other Operational Income"



Thous. AMD

Other operational expenses	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Income from penalties and fines	48,533	145,225	68,862	295,414
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	3,255	98	1,114	(14,292)
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income *	11,623	46,520	17,886	67,317
Total	63,411	191,843	87,862	348,439

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

Due from banks (Note14)	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Initial balance	2,997	-	-	
Net deductions to reserve	853	3,850		
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,850	3,850	-	-
Due from financial institutions(Note 14)	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Initial balance	5,386		6,797	23,974
IFRS 9's influence on reserve		5,758		
Net deductions to reserve	2,676	2,304	4,426	19,504
Return of amounts previously charged to off balance item				
Usage of reserve				(32,255)
Summary balance	8,062	8,062	11,223	11,223
From loans and advances to customers (Note 16)	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Initial balance	1,490,744	1,605,120	1,755,458	1,546,483
IFRS 9's influence on reserve		(302,340)		
Net deductions to reserve	272,508	364,935	(161,957)	292,391
Return of amounts previously charged to off balance item	36,057	172,109	170,678	388,925
Usage of reserve	(142,661)	(183,176)	(141,787)	(605,407)
Summary balance	1,656,648	1,656,648	1,622,392	1,622,392

Financial assets rated at fair value through other comprehensive financial assets (Note 17)	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Initial balance	214,578	-	4,691	4,691
IFRS 9's influence on reserve		208,675		
Net deductions to reserve	(33,525)	(27,622)		
Return of amounts previously charged to off balance item				
Usage of reserve			4,691	4,691
Summary balance	181,053	181,053	9,382	9,382
On other assets (Note 21)	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Initial balance	11,762	15,640	15,950	13,854
Net deductions to reserve	(3,150)	(3,150)	(147)	775
Return of amounts previously charged to off balance item	72	953	1,171	3,527
Usage of reserve	(2)	(38)	(141)	(1,323)
Summary balance	8,682	13,405	16,833	16,833
Post-balance sheet items containing loan exposures (note 30)	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Initial balance	101,221	-		
IFRS 9's influence on reserve		103,411		
Net deductions to reserve	(72,832)	(75,022)		
Summary balance	28,389	28,389		
Total net deductions to reserves	166,530	265,295	(157,678)	312,670

Note 8: "Total administrative expenses"



Thous. AMD

"Total administrative expenses"	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Salary and similar payments	1,072,802	2,941,156	852,878	2,639,962
Allocations to social insurance state fund	-	-	-	159
Training and tutorship expenses	18	4,359	59	5,840
Business trip expenses	24,979	54,050	27,185	63,630
Operational leases expenses	154,236	473,839	155,140	427,354
Insurance costs	33,952	98,511	24,446	79,250
Servicing and maintenance of the Bank's equipment	135,160	387,220	57,381	151,181
Maintenance and safekeeping of Bank buildings	167,340	511,841	64,612	234,579
Audit and consulting services	3,895	30,376	3,713	53,132
Communication and transmission costs	26,002	74,105	25,916	76,723
Transportation costs	40,576	115,254	33,453	94,714
Taxes (except income tax) penalties and other mandatory payments	64,298	191,689	60,586	203,191
Office and organizational expenses	24,725	90,021	17,821	53,694
Other administrative expenses	14,552	40,546	13,860	53,503
Total	1,762,535	5,012,967	1,337,050	4,136,912

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

	01/07/2018- 30/09/2018	01/01/2018-30/09/2018	01/07/2017- 30/09/2017	01/01/2017-30/09/2017
Average number of Bank employees	797	791	957	950
Monthly average salary falling to a single employee (thousand AMD)	391	381	301	301

Note 9: "Other Operational Expenses"

Thous. AMD

Other operational expenses	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Paid fines and penalties	-	141	290	439
Payments made for collection	86,250	258,750	86,250	258,750
Advertising and representative expenses	176,085	547,588	207,226	545,178
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	180,911	532,629	152,994	446,459
Losses from depreciation of assets	-	-	-	-
Allocations to the Fund of Recovery of Deposits	53,115	158,990	43,313	121,459
Other expenses	99,233	275,787	91,818	243,151
Total	595,594	1,773,885	581,891	1,615,436
In other Expenses line of other operational expenses, mainly quarterly fees for VISA admission and costs of acquisition of payment cards are included.				

Note 10: "Net Gain/Losses from Investments in Controlled Units"

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

Note 11: "Profit Tax Expenses (Reimbursement)"


Thous. AMD

Profit tax expenses	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Current tax expenses	302,872	585,000	132,488	203,576
Corrections of current taxes for the previous period recognized in the current period	-	(20,410)	(5,273)	(55,692)
Deferred tax expenses	(58,085)	(101,393)	30,361	12,940
Total	244,787	463,197	157,576	160,824

	01/07/2018-30/09/2018	Efficient rate (%)	01/01/2018-30/09/2018	Efficient rate(%)	01/07/2017-30/09/2017	Efficient rate (%)	01/01/2017-30/09/2017	Efficient rate (%)
Profit before taxation	910,220		2,082,252		971,551		1,140,362	
Profit tax with rate	182,044	20	416,450	20	194,310	20	228,072	20
Non-taxable income			(2,736)	(0.56)				
Non-deductible expenses	61,081	6.71	80,827	3.88	(20,052)	(2.06)	20,686	1.81
Foreign currency negative/positive difference	4,757	0.52	(2,057)	(8.31)	(5,298)	(0.55)	(23,023)	(2.02)
Profit from other revaluations								
Corrections of calculated tax expenses of the previous year			(20,410)	(0.98)	(5,273)	-	(55,692)	(4.88)
Other privileges	(3,095)	(0.34)	(8,877)	(0.43)	(6,111)		(9,219)	(0.81)
Profit tax expenses	244,787	26.89	463,197	22.25	157,576	16.22	160,824	14

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:	156,297	65,293	-	257,800
Fixed assets	4,221	1,451		5,672
Other liabilities	127,121	40,311		167,432
Loans and borrowings to customers	24,955	23,531		48,486
Securities			36,210	36,210
Deferred tax liabilities, including:	(1,252,303)	36,100	25,147	(1,191,056)
Securities rated at fair value through other comprehensives financial results	(382,820)		16,348	(366,472)
Revaluation of fixed assets	(789,441)	10,602	4,283	(774,556)
Other financial assets rated at amortized value	(194)	194		-
Contingent liabilities	(45,881)	29,269		(16,612)
Claims to banks and other financial institutions	(33,967)	551		(33,416)
Deferred tax adjustments arising from the application of IFRS 9	-	(4,516)	4,516	-
Net deferred tax asset/liability	(1,096,006)	101,393	25,147	(933,256)

Note 12: "Basic Profit Falling to a Single Share"

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Basic profit falling to a single share	01/07/2018-30/09/2018	01/01/2018-30/09/2018	01/07/2017-30/09/2017	01/01/2017-30/09/2017
Net profit of the accounting period after taxation	665,433	1,619,048	813,975	979,538
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	516,003	953,614	93,440	165,563
Net weighted average number of common shares in circulation during the given period	2,052,533	2,052,533	1,852,533	1,852,533
Basic profit falling to a single share	0.25	0.46	0.05	0.09

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

13-1."Cash,cash equivalents and balances with the CBA"

Thous. AMD

Cash, cash equivalents and balances with the CBA	30/09/2018	31/12/2017
Cash monetary funds	7,368,542	7,706,567
Other money placements	1,493,878	1,730,888
Correspondent accounts with the CBA*	19,596,520	25,017,857
Reserves with CBA from correspondent accounts	(3,559)	
Deposit accounts with the CBA		
Funds deposited with the CBA**	786,500	1,520,000
Other liabilities to the CBA		
Accrued interests		
Cash and balances with the CBA	29,241,881	35,975,312

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

** Funds deposited with the CBA is a guarantee deposit for mutual settlements made via the ArCa payment system.

13-2."Cash and Cash Equivalents" included in the Cash flow statement

Thous. AMD

Cash and Cash Equivalents	30/09/2018	31/12/2017
Cash and cash equivalent payment documents	8,862,420	9,437,455
Correspondent accounts with the CBA	19,596,520	25,017,857
Deposit accounts with the CBA		
Correspondent accounts with resident banks	13,230	9,633
Correspondent accounts with non- resident banks	1,738,716	1,359,884
Total cash and cash equivalents	30,210,886	35,824,829

Note 14."Due to Banks and other Financial Institutions

Thous. AMD

Current accounts	30/09/2018	31/12/2017
with RA banks	13,800	9,633
with banks having BBB(Baa3) and higher ratings	1,311,785	549,134
with banks having ratings lower than BBB (Baa3) or no rating at all	426,893	810,434
Accrued interest	38	318
Possible loss provision for amounts due from banks (note 7)	(192)	
Total	1,752,324	1,369,519
with RA banks		
Loans and deposits	1,013,691	6,343,868
REPO (re-purchase) agreements		
Other	165,161	255,982
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with banks having ratings lower than BBB (Baa3) or no rating at all		
Other	163,000	399,882
Accrued interest	535	2,763
Total	1,342,387	7,002,495
Possible loss provision for amounts due from banks (note 7)	(99)	
Net receivables to banks	3,094,612	8,372,014

Loans and deposits with Financial Institutions and other receivables	30/09/2018	31/12/2017
with RA Financial Institutions:		
Loans and deposits	4,091,816	3,851,953
REPO (re-purchase) agreements	5,308,465	4,290,108
Other	77,781	124,641
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	719,141	525,273
Accrued interest	26,488	18,760
Total	10,223,691	8,810,735
Possible loss provision for receivables due to Financial Institutions (Note 7)	(8,062)	(5,758)
Net receivables to Financial Institutions	10,215,629	8,804,977
Net receivables to banks and Financial Institutions	13,310,241	17,176,991

** As of 31.12.2017 and 31.09.2018 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 112.047 (AMD 53.869 thousand on 31.12.2017 and AMD 54.086 thousand on 30.09.2018), in Visa International, USD 147.014 (AMD 70.772 thousand on 31.12.17, AMD 77.781 thousand on 30.09.2018) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

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

thous. AMD

Other financial assets recalculated at fair value through profit/loss	30/09/2018	31/12/2017
Derivative Instruments		
Forward		
Swap	41,019	
Total	41,019	-

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

Note 16: “ Loans and advances to customers calculated at amortized value”

Thous. AMD

Loans and advances calculated at amortized value	30/09/2018	31/12/2017
Loans, including:	118,607,620	94,533,268
Mortgage loans	7,424,999	6,436,464
Credit cards	14,516,666	10,514,788
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	850,046	773,618
Total loans	133,974,332	105,821,674
Reserve for possible loss of customer loans and advances (note 7)	(1,656,648)	(1,605,120)
Total loans and advances at amortized value	132,317,684	104,216,554

Thous. AMD

Analyses of provided loans and advances per customers	30/09/2018	31/12/2017
State industries	320,328	601,881
Private industries, including:	66,182,461	51,729,388
major enterprises	35,722,465	25,887,334
small and medium enterprises	30,459,996	25,842,054
including business cards	153,535	62,710
Individuals, including:	58,886,721	48,605,916
consumer loans	35,992,992	29,409,643
mortgage loans	7,424,999	6,436,464
credit cards	14,326,775	10,452,078
Private entrepreneurs	7,734,776	4,110,871
Accrued interest	850,046	773,618
Total loans	133,974,332	105,821,674
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,656,648)	(1,605,120)
Total loans and advances at amortized value	132,317,684	104,216,554

Thous. AMD

Loan liabilities on 20 major borrowers and related parties /without reserve/	30/09/2018	31/12/2017
Customers' loans and advances calculated at amortized value	49,130,591	41,196,154
Balance of off-balance sheet contingent liabilities	4,568,440	17,023,207
Total	53,699,031	58,219,361

Loan Investments through International programs	30/09/2018	
	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	472,691	9
ADB/TFP/RCA/Asian Development Bank	108,989	5
BlueOrchard/MSE	1,669,557	58
DEG/SME/	2,878,258	100
EBRD/WiB/ European Bank for Reconstruction and Development	647,591	62
FINSCA/MSE	277,930	18
GAF/ KfW /ENERGY	52,895	5
GAF/KfW/SME	5,802,928	613
GAF/KfW/SME/ENERGY	435,128	40
GLS AI MFF/ME/GLS Alternative Investments – Mikrofinanzfonds	78,335	89
INCOFINCVBA/MSE	665,203	8
MSMEBondsSA/MSME	774,282	28
SICAV-SIF/ME1/ Symbiotics Global Financial Inclusion Fund	716,102	162
SICAV-SIF/ME2/Symbiotics -Seb Microfinance Fund IV	5,206	2
Total	14,585,095	1,199

Loan Investments	31/12/2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	4,263,713	407
GAF " Development of the Renewable Energies" program	66,442	1
EBRD micro, small and middle lending program EBRD/MSME	28,358	7
Atlantic Forfaitierungs AG Loan Program	34,456	1
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	292,012	8
BLUE ORCHARD SME loan program	2,056,537	69
MSMEBondsSA/MSME	917,051	30
Mortgage Loans, including:	13,904	6
GAF	13,904	6
Total	7,672,473	529

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	30/09/2018	Percentage	31/12/2017	Percentage
Industry	28,172,238	21.03	17,376,611	16.42
Agriculture	1,127,001	0.84	942,959	0.89
Construction	8,278,369	6.18	6,520,193	6.16
Transportation and communication	663,884	0.50	443,497	0.42
Commerce	21,563,634	16.10	16,555,614	15.64
Consumer	50,628,596	37.79	41,531,676	39.25

Mortgage loans	7,461,561	5.57	6,468,965	6.11
Service	11,162,528	8.33	11,372,761	10.75
Other	4,916,522	3.67	4,609,398	4.36
Total	133,974,333	100	105,821,674	100

Breakdown of loan portfolio per customer residency	30/09/2018	Percentage	31/12/2017	Percentage
RA residents	131,346,771	99.27	103,410,682	99
Residents of countries with Baa33 and higher ratings including	88,731	0.07	-	-
Italy	88,731		-	-
Residents of countries with Baa33and lower ratings or no rating at all	32,136	0.02	32,254	0.03
Russia	32,136		32,254	0.03
Accrued Interest	850,046	0.64	773,618	0.74
Total	132,317,684	100	104,216,554	100

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



The structure of customers' loans and borrowings calculated at amortized value per classification stages /IFRS 9/	Stage1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
Loans to individuals	66,276,966	800,984	27,579	14,156	708,256	270,682
including non-residents	89,173	9				
loans to individuals and private entrepreneurs	66,590,660	407,502	179,131	47,322	191,739	116,002
including non-residents	32,346	110				
Total	132,867,626	1,208,486	206,711	61,478	899,995	386,684

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per lending sectors	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
Agriculture	1,127,224	1,155	140,32	37		
Industry	32,340,201.85	978,681.54	31,724.43	16,284	722,197.16	271,672.64
Consumer	50,273,405.11	171,371.54	138,633.24	37,130.62	176,244.53	114,079.10
Mortgage loans	7,064,627.10	31,421.72	36,212.57	8,026.94	913.12	913.12
Other	42,062,168.54	25,856.41			640.01	19.20
Total	132,867,626.29	1,208,486.12	206,710.55	61,478.13	899,994.81	386,684.06

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



	Thous. AMD	
	30/09/2018	31/12/2017
Government securities		
RA Governmental T-bills	1,970,735	1,532,076
Reserve for RA Governmental T-bills		
Total	1,970,735	1,532,076

	Thous. AMD			
RA non-state securities	30/09/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	1,080,679		419,621	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	1,080,679	83,971	419,621	83,971
Investments in RA non-governmental securities (reserve for possible losses)				(4,691)
Net Investments in RA non-governmental securities	1,080,679	83,971	419,621	79,280

	Thous. AMD			
Non-governmental securities of other countries	30/09/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,798		5,114
Total non-state securities of other countries	-	5,798	-	5,114
Financial assets rated at fair value through other comprehensive financial assets	3,051,414	89,769	1,951,697	84,394

Investments in share capital of other entities as of 30.06.2018

	Thous. AMD				
Name	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	5,798	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	60,716	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58
Total				89,769	

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

Note 17.1 : " Securities pledged under repurchase agreement"

	Thous. AMD	
	30/09/2018	31/12/2017
Asset		
Total pledged securities	17,715,782	21,110,686
including:		
pledged securities	16,476,121	19,619,097
pledged securities under REPO agreement	1,239,661	1,491,589
Reserve for pledged securities		
Total	16,476,121	19,619,097
Resources attracted under REPO agreement	17,040,070	20,511,989

Note 18: "Financial assets calculated at amortized value"

	30/09/2018	31/12/2017
RA banks		49,618
Total	-	49,618

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 fixed assets at the end of the previous period 31/12/2017	7,126,524	2,396,989	714,558	1,937,762	397,652	262,074	12,835,559
Increase	270,101	133,425	73,371	280,442	479,379	110,528	1,347,246
Disposal	(337,855)		(69,258)				(407,113)
Reclassification	256,036			1,058	(257,094)		-
Revaluation *	(21,449)						(21,449)
Written-off**		(7,517)					(7,517)
Balance of fixed assets at the end of accounting period 30/09/2018	7,293,357	2,522,897	718,671	2,219,262	619,937	372,602	13,746,726
Balance of accumulated amortization at the end of the previous period 31/12/2017	290,587	1,672,351	218,791	1,275,674	-	73,459	3,530,862
Increase	134,654	163,526	64,968	120,161		13,218	496,527
Disposal	(3,022)		(28,025)				(31,047)
Written-off		(7,517)					(7,517)
Balance of accumulated amortization at the end of the accounting period 30/09/2018	422,219	1,828,360	255,734	1,395,835	-	86,677	3,988,825
Net balance sheet value							-
at the end of the accounting period	6,871,138	694,537	462,937	823,427	619,937	285,925	9,757,901
at the end of the previous accounting period	6,835,937	724,638	495,767	662,088	397,652	188,615	9,304,697

*Revaluation of fixed assets was executed by an independent appraiser based on the market price. The positive result of the revaluation made AMD 4,087,137 thousand, deferred tax liabilities amounted to AMD 817,427 thousand. AMD 3,269,710 thousand was registered in revaluation reserve of capital

Intangible Assets

Thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the end of the previous period 31/12/2017	189,208	314,114	50	51,661	-	555,033
Increase	49,679	65,373	130			115,182
Disposal						-
Written-off		(338)				(338)
Balance at the end of accounting period 30/09/2018	238,887	379,149	180	51,661	-	669,877
Balance of accumulated amortization at the end of previous period 31/12/2017	75,630	124,273	45	33,966	-	233,914
Increase	11,405	22,439	4	2,253		36,101
Disposal						-
Written-off		(338)				(338)
Balance of accumulated amortization at the end of accounting period 30/09/2018	87,035	146,374	49	36,219	-	269,677
Net balance sheet value						
At the end of the accounting period	151,852	232,775	131	15,442	-	400,200
At the end of the previous accounting period	113,578	189,841	5	17,695	-	321,119

As of 30.09.2018, AMD 245889 thousand total amount worth out-of-use assets were put into use

As of 30.09.2018, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

Note 21: "Other Assets"



Thous. AMD

Amounts receivable from bank operations	30/09/2018	31/12/2017
Amounts receivable from other operations	33,806	92,157
Total	33,806	92,157
Reserve for possible loss provision from bank operations (note 7)	(338)	(931)
Net amounts receivable from bank operations	33,468	91,226
Debtor liabilities and prepayments		
Debtor liabilities on the budget	53	123
Debtor liabilities to suppliers		
Prepayments to employees	49	114
Prepayments to suppliers	601,307	919,660
Prepayments on the budget and mandatory social insurance payments	3,591	1,033
Other debtor liabilities and prepayments	50,375	57,381
Total	655,375	978,311
Reserve for possible loss provision on other assets (note 7)	(8,175)	(9,786)
Total	647,200	968,525
Other assets		
Reserve	269,440	292,446
Sequestered pledge and available-for-sale assets	680,605	283,961
Future period expenses	433,903	245,128
Other assets	55,249	133,602
Reserve for possible loss provision on other assets (note 7)	(4,892)	(4,923)
Total	1,434,305	950,214
Total other assets	2,114,973	2,009,965

Note 22: "Liabilities to Banks and Other Financial Institutions"

Thous. AMD

Current accounts	30/09/2018	31/12/2017
RA Banks	18,618	16,931
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	2,590	2,036
Accrued interest		
Total	21,208	18,967
Interbank loans and deposits, other		
RA Central Bank		
Loans	5,960,416	4,384,002
REPO (re-purchase) agreements	11,699,999	
Other		
RA Banks		
Loans and deposits	6,505,619	3,143,835
REPO (re-purchase) agreements	5,325,822	19,504,356
Other	53,238	
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	381,039	2,063,894
Other	58,972	51,482
Accrued interest	147,024	53,855
Total	30,132,129	29,201,424
Financial Institutions		
Current accounts	840,103	589,927
Loans and deposits	33,311,450	28,614,348
REPO (re-purchase) agreements	-	
Other	19,219	51,504
Accrued interest	966,248	561,087
Total	35,137,020	29,816,866
Total liabilities to banks and financial institutions	65,290,357	59,037,257

In the chart below the amounts of financing realized under various projects International Financial Institutions, included in the loans received from the CBA and interest accrued on those amounts are given.

Project	30/09/2018		31/12/2017	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program			5,667	23
GAF /German Armenian Fund " Micro and small business development program"	5,698,190	117,296	4,123,694	10,999
GAF / "Renewable energy development" program	255,738	5,516	79,730	2,187
GAF / " Access to finance for SMEs " program	6,487	89	174,912	730
Total	5,960,415	122,901	4,384,003	13,939

Note 23: "Liabilities to Customers"

Thous. AMD		
RA Government and local authorities	30/09/2018	31/12/2017
Loan		
Other	16,192	13,686
Accrued interest		
Total	16,192	13,686
RA resident corporate entities and institutions	30/09/2018	31/12/2017
Current accounts	22,593,622	19,819,695
Term deposits	10,126,190	9,779,836
REPO (repurchase) agreements	-	991,303
Other	459,456	49,102
Accrued interest	249,875	87,663
Total	33,429,143	30,727,599
Non-resident corporate entities, institutions	30/09/2018	31/12/2017
Current accounts	1,412,517	1,776,082
Other	116	50,833
Accrued interest	34	199
Total	1,412,667	1,827,114
RA resident private entrepreneurs	30/09/2018	31/12/2017
Current accounts	457,056	390,186
Term deposits	-	-
Other	5,846	3,935
Accrued interest	-	-
Total	462,902	394,121
RA resident individuals	30/09/2018	31/12/2017
Current accounts	15,463,710	15,027,161
Term deposits	44,327,746	40,132,867
Other	762,065	607,271
Accrued interest	718,925	489,252
Total	61,272,446	56,256,551
non-resident private entrepreneurs	30/09/2018	31/12/2017
Current accounts	926,303	807,161
Term deposit	2,861,495	2,609,284
Other	31,977	54,773
Accrued interest	24,724	19,460
Total	3,844,499	3,490,678
Total liabilities to customers	100,437,849	92,709,749

As of 30.09.2018, the amount necessary to secure obligations was AMD 2.062.036 thousand.

As of 30.09.2018, the amount frozen by court order and tax authorities was AMD 360.962 thousand.

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 3.354.905 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital.

Note 24: "Securities issued by the Bank"

	30/09/2018	31/12/2017
Interest securities issued by the Bank	2,057,017	1,068,764
Total	2,057,017	1,068,764

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

Thous. AMD

Financial liability at fair value recalculated through profit/loss	30/09/2018	31/12/2017
Derivative instruments		
Swap	1,376	7,706
Forward		
Other	718	
Total	2,094	7,706

Note 26: "Amounts Payable"

Thous. AMD

Amounts payable	30/09/2018	31/12/2017
Dividends	238,221	104,911
For insurance of deposit	53,115	50,773
Total	291,336	155,684

Note 27: " Other Liabilities"

Thous. AMD

Other liabilities	30/09/2018	31/12/2017
On income tax of non-resident	37,061	27,685
On VAT	56,213	1,605
On other taxes and penalties	112,821	168,334
Salary liabilities to employees	761,297	558,840
Credit debts to suppliers	75,920	77,031
Other liabilities	77,839	82,690
Balance at the end of the period	1,121,151	916,185

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD16,708,745 thous., including 1,852,533 common shares with a nominal value of AMD 7400 per share and 200,000 preferential shares with a nominal value of AMD 15,000 per share. The emission income amounts to AMD 33,438.

The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

Thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	3,882,921	23.24	
Sukiasyan Khachatur Albert	3,733,187	22.35	
Sukiasyan Robert Albert	2,660,901	15.92	
Sukiasyan Eduard Albert	2,262,221	13.54	

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

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

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"



The Bank's legal liabilities: as of 30.09.2018 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.09.2018 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

	Thous. AMD	
	30/09/2018	31/12/2017
Unutilized credit lines	7,217,240	16,312,810
Provided guarantees	3,927,512	6,627,763
Provided letters of credit		
Reserve on the mentioned items (note 7)	(28,389)	

Liabilities on operational leases

	Thous. AMD	
Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		653,649
1-5 years		2,220,363
more than 5 years		15,827
Total		2,889,839

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	
Customers' loans and advances rated at amortized value	30/09/2018	31/12/2017
Initial balance	4,200,138	4,022,925
Loans and advances provided over the year	1,503,462	3,124,640
Bank shareholder	259,337	334,472
Shareholder related entity	208,051	1,502,151
Bank manager	910,032	1,135,177
Manager related entity	126,043	152,840
Loans and advances repaid over the year	1,689,395	2,947,427
Bank shareholder	269,508	279,251
Shareholder related entity	501,080	1,481,377
Bank manager	733,084	1,087,996
Manager related entity	185,723	98,802
Summary balance*	4,014,205	4,200,138

	Thous. AMD	
Item	30/09/2018	30/09/2017
Interest income	314,216	354,148

Thous. AMD		
Liabilities to Customers	On-demand	Term
Balance as of 31.12.2017	1,034,778	7,229,872
Amounts received over the accounting period (for 9 months of 2018), including,	23,195,933	430,300
Bank shareholder	7,049,152	1,023
Shareholder related entity	14,021,006	932
Bank manager	1,858,254	307,679
Bank manager related entity	267,521	120,665
Amounts paid over the accounting period (for 9 months of 2018) including:	23,406,229	3,397,701
Bank shareholder	7,430,967	3,000,000
Shareholder related entity	13,843,031	-
Bank manager	1,861,253	298,951
Bank manager related entity	270,978	98,750
Exchange rate difference (+/-)	(6,130)	(10,321)
Balance as of 30/09/2018	818,353	4,252,150
Interest expense as of 9 months of 2018	109	500,535

Thous. AMD		
Salary or Similar Payment to the Bank Management	30/09/2018	30/09/2017
Board	143,592	125,713
Salary	143,592	125,713
Awarding		
Executive body	218,511	162,262
Salary	218,511	162,262
Awarding		
Internal Audit	64,879	63,062
Salary	64,579	63,062
Awarding	300	
Total	426,982	351,037

Note 32 : "Minimum Revelations on Financial Risks"

1) The Bank's own definition of credit risk

The credit risk is the possible danger of delay or non-repayment of the loan, accrued interest or a part of it conditioned by the deterioration of the financial state of the borrower, pledge depreciation and other similar reasons, which can cause financial losses.

2) The methods of measurement and assessment of credit risk

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

3) Description of models (if available).

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

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

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

where the parameters of X,Y,Z,K scenes are (figures from 1-100)

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

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

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

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

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

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

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

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

30/09/2018

Thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
Assets					
Cash and balances with the CBA	29,241,882				29,241,882
Due from banks and other financial institutions	11,293,028	447,755	1,484,149	85,309	13,310,241
Standard bank precious metal bullions and coins	128,982				128,982
Financial assets at fair value recalculated through profit/loss	41,019				41,019
Customers' loans and advances rated at amortized value	132,196,284	32,236	89,164		132,317,684
Securities at fair value rated through other comprehensive financial results	3,135,386		5,798		3,141,184
Financial assets calculated at amortized value					-
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	16,476,120				16,476,120
Other assets	32,341		1,127		33,468
Total assets	192,545,042	479,991	1,580,238	85,309	194,690,580
Off-balance sheet items containing credit risks	11,144,752				11,144,752
Liabilities					
Liabilities to banks and other financial institutions	38,793,207	60,017	25,551,864	885,269	65,290,357
Liabilities to customers	95,180,681	730,514	546,456	3,980,198	100,437,849
Total liabilities	133,973,888	790,531	26,098,320	4,865,467	165,728,206
Net position	58,571,154	(310,540)	(24,518,082)	(4,780,158)	28,962,374

31.12.2017

Thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
Assets					
Cash and balances with the CBA	35,975,312				35,975,312
Due from banks and other financial institutions	15,151,002	1,067,036	866,862	92,091	17,176,991
Standard bank precious metal bullions and coins	18,356				18,356
Financial assets at fair value recalculated through profit/loss					-
Customers' loans and advances rated at amortized value	104,184,466	32,088			104,216,554
Securities at fair value rated through other comprehensive financial results	2,030,977		5,114		2,036,091
Other financial assets rated at amortized value	49,618				49,618
Securities pledged under repurchase agreement	19,619,097				19,619,097
Other assets	89,669		1,726		91,395
Total assets	177,118,497	1,099,124	873,702	92,091	179,183,414
Off-balance sheet items containing credit risks	22,940,572				22,940,572
Liabilities					
Liabilities to banks and other financial institutions	35,127,697	42,780	23,761,122	105,658	59,037,257
Liabilities to customers	87,391,958	1,142,813	3,793,782	381,196	92,709,749
Total liabilities	122,519,655	1,185,593	27,554,904	486,854	151,747,006
Net position	54,598,842	(86,469)	(26,681,202)	(394,763)	27,436,408

Loans allocated in the territory of RA per RA regions:

Thous. AMD

RA regions	30/09/2018	31/12/2017
Yerevan	99,419,166	80,386,839
Aragatsotn	1,441,922	1,468,600
Ararat	3,001,883	2,250,197
Armavir	3,236,773	2,333,453
Gegharqunik	3,616,426	2,234,862
Lori	5,778,598	4,635,412
Kotayk	6,988,375	4,407,069
Shirak	4,377,334	3,721,685
Syunik	2,029,318	1,164,788
Vayots Dzor	854,870	645,453
Tavush	812,222	665,049
Artsakh	760,797	303,147
Total	132,317,684	104,216,554

Credit Risk Analysis

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

2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.09.2018 did not exceed 15.13%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.09.2018 loan investments without reserves amounted to AMD 133,974,332 thousand. As of 30.09.2018 the volume of loans in the Stage 2, Stage 3 amounted to 448,162.

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

5) The volume of repo transactions (except extensions) affected in the 3rd quarter of 2018 was AMD 110,190,456 against AMD 42,188,239 of the same period of the previous year. Reverse repo transactions in the 3rd quarter of 2018, made AMD 18,074,505 against AMD 9,376,631 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

2. . Information on the changes in the Borrower's market position (competitors, price fluctuations, realization, etc.)
3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before the extension of the consecutive installment or the new loan.
4. Changes related to suppliers, consumer structure, and raw material prices.

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

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

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

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

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

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

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

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

As result of the above mentioned processes, the following data are discovered and assessed:

Borrower's competency, loan purpose, Borrower's creditworthiness and loan repayment sources, risks connected with the Borrower's related parties, Borrower's loan history, experience of entrepreneurial activities, market position, conformity of the pledge object.

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

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Հանախառն VAR
2018 II Q	316.92	178.10	156.15	173.10	22.12	1.89	548.81	208.37	4.29	812.57
2018 III Q	484.21	272.86	218.83	326.43	20.10	1.99	720.79	129.14	5.31	1,145.31
growth/decrease	167.29	94.75	62.68	153.33	-2.01	0.10	171.98	-79.23	1.02	332.74

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

30/09/2018

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	15,070,722	13,069,392	1,101,768	29,241,882
Bank standardized bullions of precious metals and coins	443	128,539	-	128,982
Receivables to banks and other financial institutions	6,032,078	6,979,435	298,728	13,310,241
Financial instruments rated at fair value through profit/loss	41,019			41,019
Loans and advances to customers calculated at amortized value	64,004,223	68,296,691	16,771	132,317,684
Financial assets at real value rated through other comprehensive financial results	2,482,741	658,443		3,141,184
Other financial assets calculated at amortized value	-			-
Securities pledged under repurchase agreements	16,476,120	-	-	16,476,120
Other assets	27,897	5,545	26	33,468
Total assets	104,135,243	89,138,045	1,417,293	194,690,581
Liabilities				
Liabilities to banks and other financial institutions	35,117,167	30,128,031	45,159	65,290,357
Liabilities to Customers	43,774,790	55,151,750	1,511,309	100,437,849
Subordinate borrowing	705,592	2,669,855		3,375,447
Securities issued by the Bank	103,063	1,953,954		2,057,017
Financial liabilities at fair value recalculated through profit/loss	2,094	-		2,094
Liabilities on current taxes	272,587			272,587
Amounts payable	291,336			291,336
Deferred tax liabilities	933,256			933,256
Other liabilities	1,049,801	70,298	1,052	1,121,151
Total liabilities	82,249,686	89,973,888	1,557,520	173,781,094
Net position	21,885,557	(835,843)	(140,227)	20,909,487

31/12/2017

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	17,018,221	18,123,695	833,396	35,975,312
Bank standardized bullions of precious metals and coins	443	17,913	-	18,356
Receivables to banks and other financial institutions	4,310,025	12,141,328	725,638	17,176,991
Financial instruments at fair value recalculated through profit/loss				-
Loans and advances to customers at amortized value	54,195,056	50,020,020	1,478	104,216,554
Financial assets at real value rated through other comprehensive financial results	1,937,530	98,561	-	2,036,091
Investments in the chartered capital of controlled entities		49,618		49,618
Securities pledged under repurchase agreements	19,619,097	-	-	19,619,097
Other assets	44,147	47,012	236	91,395
Total assets	97,124,519	80,498,147	1,560,748	179,183,414
Liabilities				
Liabilities to banks and other financial institutions	34,826,526	23,923,001	287,730	59,037,257
Liabilities to Customers	39,344,226	52,057,407	1,308,116	92,709,749
Subordinate borrowing	3,731,222	2,678,379		6,409,601
Securities issued by the Bank	100,100	968,664		1,068,764
Financial liabilities at fair value recalculated through profit/loss	7,706			7,706
Liabilities on current taxes	373,529			373,529
Amounts payable	155,684			155,684
Deferred tax liabilities	1,096,003			1,096,003
Other liabilities	814,964	71,140	30,081	916,185
Total liabilities	80,449,960	79,698,591	1,625,927	160,858,293
Net position	16,674,559	799,556	(65,179)	17,408,936

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 3rd quarter of 2018 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 21,737,793 thousand against AMD 13,764,469 thousand of the same period of the previous year by increasing in absolute value by AMD 7,973,324 or 57.9%, that is in average the Bank was sensitive to liabilities in the 13rd quarter of 2018. In the 3rd quarter of 2018, the average accumulated disbalance has increased in absolute value by AMD 2,296,131 thousand or by 11.8% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 3rd quarter of 2018 has increased by 3.8 percentage point, forming 116.0% against 112.2% average value of the 3rd quarter of 2017, that is in 3rd quarter of 2018 the assets sensitive to interest rate changes have formed 116.0% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 3rd quarter of 2018 was 1.411 year (against the 1.417 year as of the 3rd quarter of 2017) as it decreased by 0.006 year or by 0.4%, as compared with the end of the previous quarter (1.448 year) the mentioned indicator has increased by 0.037 year or 2.6%.

The duration of liabilities as of the end of the 3rd quarter of 2018 was 0.874 year (against 0.748 year of the 3rd quarter of 2017) increasing by 0.126 year or 16.9%. In correlation with the end of the previous quarter (0.869) the indicator has increased by 0.005 year or 0.6%.

The duration gap as of the end of the 3rd quarter of 2018 was 0.643 (against 0.754 of the 3rd quarter of 2017) decreasing by 0.111 or 14.7%. In correlation with the end of previous quarter (0.693) the indicator has decreased by 0.050 or 7.2%.

Assets and Liabilities with changing interest rates 30.09.2018թ

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances to customers at amortized value												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
#NAME?				5,991,427		7,644,121						
Total	-	-	-	5,991,427	-	7,644,121	-	-	-	-	-	-
Net position	-	-	-	(5,991,427)	-	(7,644,121)	-	0	-	-	-	-

31/12/2017

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers rated at amortized value												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
Loans				357,824		2,791,308						
Total	-	-	-	357,824	-	2,791,308	-	-	-	-	-	-
Net position	-	-	-	(357,824)	-	(2,791,308)	-	0	-	-	-	-

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

Item	Interest rates of accounting period: 30/09/2018		Interest rates of accounting period 31/12/2017	
	AMD	Foreign	AMD	Foreign currency
Assets				
Balance at CBA		-		-
Receivables to banks and other financial institutions, including:	7.4	1.4	7.79	2.01
Interbank Loans	0.0	1.8	0.00	2.07
Interbank REPO	6.8	0.0	6.96	0.00
Loans and advances provided to customers rated at amortized value	13.5	8.6	15.04	8.51
Available for sale securities at fair value recalculated through profit/loss	11.5	5.5	12.70	6.81
Liabilities				
Liabilities to banks and other financial institutions	7.8	5.0	9.45	3.47
Liabilities to Customers	5.1	3.7	5.85	4.11

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

Price Risk

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

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

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

Liquidity Risk

1) The Bank's definition of Liquidity Risk

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

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

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

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

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

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

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

5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities). The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such

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

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

Liquidity Risk Assessment



Over the 3rd quarter of 2018, the instant liquidity and and up to 90 days accumulative liquidity indicator has decreased by 11.8 and 32.8 percentage point respectively, and general (up to 1 year accumulative) liquidity indicators has increased by 7.3 percentage point.

Accounting period	30/09/2018									Thous. AMD
Item	Non-performing		Repayment date in						Termless	Total
	Term	Overdue	On -demand	up to 3 months	3 -6 months	6- 12 months	1 - 5 years	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA	-	-	28,455,382	-	-	-	-	-	786,500	29,241,882
Standardized precious metal bullions			128,982							128,982
Receivables to banks and other financial institutions	-	-	1,828,982	7,694,654	684,094	536,651	2,256,306	177,687	131,867	13,310,241
Loans and advances provided to customers rated at amortized value	411,654	129,697	-	15,624,265	16,977,727	21,308,656	56,062,877	21802808	-	132,317,684
Securities, including:				20,707	98,918	1,127,946	9,460,492	8,909,241	-	19,617,304
held for commercial purposes										-
Financial assets at real value rated through other comprehensive financial results				20,707	98,918	207,348	1,756,571	1,057,640		3,141,184
Other financial assets calculated at amortized value										-
Securities pledged under repurchase agreements						920,598	7,703,921	7,851,601		16,476,120
Other receivables	-	-		32,811			-	598		33,409
Total	411,654	129,697	30,413,346	23,413,456	17,760,739	22,973,253	67,779,675	30,890,334	918,367	194,690,521
including:										
I group foreign currency	402,634	150,369	14,905,456	8,714,407	11,602,657	12,748,024	27,999,200	12,483,431	131,867	89,138,045
II group foreign currency			1,208,427	192,890	646	1,345	13,985	-	-	1,417,293
including:										
By floating interest rate			635,571							635,571
By fixed interest rate	411,654	129,697		22,477,190	17,760,739	22,973,253	67,779,675	30,890,334	-	162,422,542
Non-interest			29,777,775	936,266					918,367	31,632,408
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	989,951	23,131,568	316,843	6,786,327	31,255,823	2,809,845	-	65,290,357
Liabilities to customers, including	-	-	42,136,327	18,581,241	9,035,296	17,710,765	11,011,628	1,962,592	-	100,437,849
- On-demand deposits	-	-	40,870,843	27,273						40,898,116
- Term deposits	-	-	6,045	18,553,968	9,035,296	17,710,765	11,011,628	1,962,592		58,280,294
- Other	-	-	1,259,439					-		1,259,439
Liabilities at fair value recalculated through profit/loss				2,094						2,094
Subordinate borrowings				20,704				3,354,743		3,375,447
Liability on current tax				272,587						272,587
Securities issued by the Bank				26,169			2,030,848			2,057,017
Amounts payable				291,336						291,336
Deferred tax liabilities				933,256						933,256
Other liabilities	-	-	826,666	280,024	11,919	2,542		-	-	1,121,151
Off-balance sheet contingent liabilities	-	-		1,868,211	2,183,475	968,757	5,454,102	670,207	-	11,144,752
Total	-	-	43,952,944	43,512,810	9,364,058	24,499,634	42,267,451	8,127,180	-	171,724,077
including:										
I group foreign currency	-	-	18,521,612	19624599	5,850,088	13,617,657	26,336,893	6,023,039		89,973,888
II group foreign currency	-	-	451,922	423,675	307,690	347,551	26,682		-	1,557,520
Major Liabilities				11,748,783	123,550	39,650	5,882,811			17,794,794
including:										
By floating interest rate				5,991,427	7,644,121					13,635,548
By fixed interest rate	-	-	12,445,749	37,214,086	1,708,018	24,497,092	42,267,451	8,127,180	-	126,259,576
Non-interest	-	-	31,507,195	307,297	11,919	2,542	-			31,828,953
Net liquidity gap	411,654	129,697	(13,539,598)	(20,099,354)	8,396,681	(1,526,381)	25,512,224	22,763,154	918,367	22,966,444
including:										
I group foreign currency	402,634	150,369	(3,616,156)	(10,910,192)	5,752,569	(869,633)	1,662,307	6,460,392	131,867	(835,843)
II group foreign currency	-	-	756,505	(230,785)	(307,044)	(346,206)	(12,697)		-	(140,227)
Floating interest rate	-	-	635,571	(5,991,427)	(7,644,121)	-	-	-	-	(12,999,977)
Fixed interest rate	411,654	129,697	(12,445,749)	(14,736,896)	16,052,721	(1,523,839)	25,512,224	22,763,154	-	36,162,966
Accumulative liquidity gap	411,654	541,351	(12,998,247)	(33,097,601)	(24,700,920)	(26,227,301)	(715,077)	22,048,077	22,966,444	(51,771,620)

Previous accounting period

31/12/2017

Thous. AMD

Item	Non-performing		Repayment date in						Termless	Total
	Term	Overdue	On -demand	up to 3 months	3- 6 months	6 -12 months	1- 5years	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			34,455,312		-	-	-	-	1,520,000	35,975,312
Standardized precious metal bullions			18,356							18,356
Receivables to banks and other financial institutions			1,435,905	10,629,560	1,647,844	677,740	2,662,547	123,395		17,176,991
Financial assets at fair value recalculated through profit/loss										-
Loans and advances provided to customers rated at amortized value	898,069	188,363		10,780,643	13,083,705	11,473,465	49,000,242	18792067	-	104,216,554
Securities, including:				1,462,083	1,194	49,618	5,547,014	14,140,881	504,016	21,704,806
- held for commercial purposes										-
- available for sale				364,623	1,194		617,160	549,098	504,016	2,036,091
other financial assets calculated at amortized value						49,618				49,618
- sold by repo agreements				1,097,460			4,929,854	13,591,783		19,619,097
Other receivables	-	-		5,167	86,228		-	-		91,395
Contractual receivables**										-
Total	898,069	188,363	35,909,573	22,877,453	14,818,971	12,200,823	57,209,803	33,056,343	2,024,016	179,183,414
including:										
I group foreign currency	505,836	128,805	19,164,002	8,643,068	9,523,169	5,472,114	26,582,709	10,355,049	123,395	80,498,147
II group foreign currency	1,174	283	1,260,549	298,742				-	-	1,560,748
including:										
Floating interest rate			369,500							369,500
Fixed interest rate	898,069	188,363	2,477,351	20,287,181	14,817,573	12,200,823	56,794,152	33,055,819	291,536	141,010,867
Non- interest			33,062,722	2,590,272	1,398	-	415,651	524	1,732,480	37,803,047
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	711,780	23,120,250	2644661	6,818,603	24,592,550	1,149,413		59,037,257
Liabilities to customers, including:	-	-	38,336,996	9,533,698	10,634,916	22,376,395	9,923,984	1,903,760	-	92,709,749
- On-demand deposits			37,457,203	277,951		236				37,735,390
- Term deposits	-	-	17,443	9,255,747	10,634,916	22,376,159	9,923,984	1,903,760		54,112,009
- Other	-	-	862,350					-		862,350
Liabilities at fair value recalculated through profit/loss				7,706						7,706
Subordinate borrowing				47,051				6,362,550		6,409,601
Liabilities on current taxes				373,529						373,529
Amounts payable				563			1,068,200			1,068,763
Deferred tax liabilities				155,684						155,684
Other liabilities				1,096,003						1,096,003
Off-balance sheet contingent liabilities	-	-	669,562	233,815	127	12,681				916,185
Contractual liabilities	-	-		2,354,494	8,628,407	4,517,715	7,050,245	389,711	-	22,940,572
Total										-
including:										
I group foreign currency	-	-	16,178,944	8,961,913	7,218,455	23,084,668	19,729,881	4,524,730		79,698,591
II group foreign currency	-	-	586,649	368,478	229,155	407,969	33,676		-	1,625,927
Major Liabilities										-
including:										
By floating interest rate				357,824	2,791,308					3,149,132
By fixed interest rate	-	-	(33,360,820)	(11,198,529)	(13,426,224)	(22,376,395)	(10,992,184)	(8,266,310)	-	(99,620,462)
Non-interest	-	-	33,360,820	10,840,705	10,634,916	22,376,395	10,992,184	8,266,310	-	96,471,330
Net liquidity gap	898,069	188,363	(3,808,765)	(11,690,283)	1,539,267	(17,006,856)	22,693,269	23,640,620	2,024,016	18,477,700
including:										
I group foreign currency	505,836	128,805	2,985,058	(318,845)	2,304,714	(17,612,554)	6,852,828	5,830,319	123,395	799,556
II group foreign currency	1,174	283	673,900	(69,736)	(229,155)	(407,969)	(33,676)		-	(65,179)
By floating interest rate	-	-	369,500	(357,824)	(2,791,308)	-	-	-	-	(2,779,632)
By fixed interest rate	898,069	188,363	(3,880,167)	(11,730,992)	4,329,304	(16,993,939)	22,277,618	30,002,646	291,536	25,382,438
Accumulative liquidity gap	898,069	1,086,432	(2,722,333)	(14,412,616)	(12,873,349)	(29,880,205)	(7,186,936)	16,453,684	18,477,700	(30,159,554)

Note 33: "Capital and Capital Adequacy Ratio"



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

We present the structure of balance sheet capital:

	30.09.2018	31.12.2017
Chartered capital	16,708,745	13,708,745
Emission income/loss	33,438	33,438
Reserves:	10,411,880	14,925,058
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,411,880	4,689,053
Undistributed profit/loss	5,674,329	4,236,005
Total capital	32,828,392	28,667,241

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.

Thous. AMD							
Involved in calculation standards							
2018	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	22,237,931	8,895,172	31,133,103	162,604,603	2,964,793	16.62	12
February	22,372,558	8,949,023	31,321,581	164,993,021	2,881,752	16.57	12
March	22,394,302	8,957,721	31,352,023	167,283,611	2,932,572	16.35	12
April	22,477,933	8,991,173	31,469,106	171,626,878	3,114,747	15.93	12
May	22,564,866	9,025,947	31,590,813	174,681,572	2,895,764	15.89	12
June	24,486,179	8,024,985	32,511,164	178,105,489	2,931,788	16.05	12
July	25,608,927	7,454,226	33,063,153	176,320,294	2,947,230	16.46	12
August	25,832,738	7,611,498	33,444,236	177,374,129	2,849,681	16.63	12
September	25,916,416	7,386,936	33,303,352	182,523,604	2,664,827	16.27	12
Involved in calculation standards							
2017	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	21,861,831	8,574,191	30,436,022	113,280,494	1,922,054	23.54	12
February	21,716,419	8,525,349	30,241,768	112,847,591	2,117,346	23.18	12
March	21,712,679	8,577,987	30,290,666	119,382,327	2,013,526	22.25	12
April	21,875,537	9,019,296	30,894,833	116,733,043	2,167,424	22.92	12
May	22,063,011	9,895,885	31,958,896	120,818,311	2,147,759	23.04	12
June	22,011,258	9,827,185	31,838,443	127,841,690	2,421,169	21.51	12
July	21,671,221	9,700,332	31,371,553	146,589,188	2,337,423	18.89	12
August	21,952,445	9,623,357	31,575,802	149,820,578	2,396,141	18.60	12
September	22,089,828	9,580,000	31,669,828	155,296,711	2,399,452	18.07	12
October	22,082,789	9,708,799	31,791,588	156,140,389	2,433,273	18.02	12
November	22,211,330	9,893,378	32,104,708	156,744,674	2,612,508	17.99	12
December	22,419,472	9,851,109	32,270,581	160,533,903	2,723,741	17.61	12

We hereby present the weight of risks of assets and off-balance sheet contingent liabilities, incomplete term operations as of the end of current and previous accounting periods, per the classes of risk weights under Charter 2 approved by the Board of CBA.

Thous. AMD				
As of 30.09.2018				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	51,214,656	350,210		-
10%	5,253,487			525,349
20%	783,233			156,647
30%	176,933			53,080
35%	2,419,354			846,774
50%	1,409,605			704,803
75%	1,258,423			943,817
100%	89,525,065	4,563,221		94,088,286
110%				-
150%	54,860,788	2,313,535	113,070	85,931,090
Total	206,901,544	7,226,966	113,070	183,249,844
As of 31/12/2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	66,153,836	273,320		-
10%	4,262,528			426,253
20%	1,577,452			315,490
30%	260,072			78,022
35%	1,933,595			676,758
50%	517,727			258,864
75%	757,276			567,957
100%	70,756,794	4,901,348		75,658,142
110%				-
150%	45,924,058	7,844,858	43,575	80,718,737
Total	192,143,338	13,019,526	43,575	158,700,222

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



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

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

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

As of 30.09.18 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

Cash and Balances with the CBA

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

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

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

Resources attracted from banks and other financial institutions

The balance sheet value is close to the fair value.

Customer deposits and bank accounts

The balance sheet value is close to the fair value.

As of 30.09.18 the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.09.18 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.09.2018 there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

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

Thous. AMD

Collateral type	30/09/2018		31/12/2017	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	46,853,046	193,313,539	41,318,815	164,093,759
Car	1,076,660	5,090,650	1,383,903	7,104,370
Equipment	1,055,505	6,123,381	657,784	4,394,184
Ready made products	1,475,845	4,883,208	613,011	2,041,778
Guarantee	41,353,131	188,419,158	30,914,066	140,550,946
Monetary funds	541,719	2,029,789	1,097,010	2,249,478
Gold items	9,592,695	11,608,263	8,302,797	10,425,868
Standard golds	7,567	29,436		
State securities		-		
Securities issued by the CBA	-	-		
Other securities	69,346	311,026	104,632	418,211
Other pledge	11,673,580	18,730,221	8,612,831	12,289,630
No collateral available	20,275,238		12,816,825	
Total	133,974,332	430,538,671	105,821,674	343,568,224

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