

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



**NOTES TO THE INTERIM REPORTS PUBLISHED IN THE 1st QUARTER OF
2019
“ARMECONOMBANK” OJSC 23/1 AMIRYAN STR., YEREVAN
ARMECONOMBANK**

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 27 branches are located in Yerevan, another 22 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryanyan Str., Yerevan.

Main Activities

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

Business Environment

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

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

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

Corporate Governance

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

Structure and Members of the Board

Chairman of the Board

S. Sukiasyan

Members of the Board

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

Per Fischer

Structure and Members of the Bank’s Management

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V. Jhangiryan

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

As of 31.03.2019, the Chartered capital amounts to AMD 25,635,343. It includes 1,852,533 common shares each with AMD 10,400 and 424,600 preferred shares with AMD 15,000 nominal value per share.

Main Participants

Sukiasyan Saribek Albert	28.32%
Sukiasyan Khachatur Albert	16.29%
Sukiasyan Eduard Albert	10.66%
Sukiasyan Robert Albert	16.86%

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

Financial Instruments

IFRS 9 “Financial Instruments” entered into force on 01 January 2018 and is applicable for the accounting periods beginning after that date. The Bank has applied the new standard recognizing cumulative impact of transition on the non-distributed profit at the beginning of the accounting year and without recalculating the comparative information.

The Bank recognizes financial assets and liabilities on its balance sheet, when and only when it becomes the counterparty of that Instrument. Financial assets' regular sales or purchases are accounted as of the date of the transaction.

According to IFRS 9, all financial debts, which do not comply solely with the principle and interest payment standards, during the initial recognition are classified as financial assets calculated at fair value through profit or loss.

For financial debts corresponding solely to the Principle and interest payment standards, the classification during the initial recognition is determined based on the business model pursuant to which these models are managed by:

- instruments held to receive contractual cash flows calculated at amortized value
- instruments available for sale and held for receiving contractual cash flows rated at fair value through other comprehensive income
- instruments held for other purposes, including commercial financial assets –calculated at fair value through profit or loss.

During the initial recognition equity financial assets shall be classified as assets calculated at real value through profit or loss, except when a decision is made, without the right of further review, to classify them into assets calculated at fair value through other comprehensive income.

All the realized and unrealized gains and losses, except dividends, from the equity instruments at fair value amounted through other comprehensive income are recognized on the other comprehensive financial results without further reclassification in the profit or loss.

The financial liabilities are classified as subsequently accounted at amortized value using effective interest rate method, except financial liabilities classified as accounted at fair value through profit or loss. The assets that were previously measured at fair value, after the adoption of the standard have continued to be accounted at fair value. :

Debt securities which as of 31.12.2017 were classified as available- for- sale, by IFRS 9 will be classified as accounted at fair value through other comprehensive income, as the Bank expects not only to keep that assets to collect contractual cash flows but also to carry out relatively frequent sales with significant amounts.

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

Profit and loss occurred from the further measurement:

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

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

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

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

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

Repurchase Agreements

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

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

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

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

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

Leases

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

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

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

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

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

IFRS 16 Leases and service rendering contracts are differentiated depending on whether the specified asset is controlled by the customer or not. The distinction between operational leases (off-balance sheet) and financial leases (balance) are eliminated for lessees, and it is replaced by such a model, where the right-of-use asset and the appropriate liability shall be recognized by the lessees for all leases, except short-time leases and leases of low-value assets. :

The right-of-use asset is initially measured at prime cost less accumulated depreciation and impairment losses, which shall be adjusted for any revaluation of lease liabilities. The lease liability is initially measured at the present value of the lease fees outstanding on that date. Accordingly, the lease liability is adjusted based on interest and lease payments, as well as the impact of lease changes. Furthermore, there will be an impact on the classification of cash flows as well, since pursuant to IAS 17 standard operational lease payments are presented as operational cash flows, whereas according to IFRS 16 model lease payments will be allocated to the principal and interest bearing units, which will be presented respectively as financing and operating cash flows.

Financial Assets' Possible Loss Provision

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

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

Pursuant to IFRS 9 :

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

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

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

Where:

BALANCE- balance amount of the given loan sub-portfolio

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

Fixed Assets

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

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

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

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

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

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

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

The depreciation of fixed assets which 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.



Interim Report
On Financial Results
31 March 2019
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 cash equivalents	13	40,030,887	38,187,014
1.2	Standard bank precious metal bullions and coins		105,771	116,058
1.3	Due from banks and other financial institutions	14	13,926,766	13,936,353
1.4	Reverse repurchase agreement	14.1	5,252,638	3,882,703
1.5	Financial assets rated at actual value through profit or loss	15	70,843	18,870
1.6	Loans and advances provided to customers at amortized value	16	133,310,909	133,439,957
1.7	Financial assets at fair value rated through other comprehensive financial results	17	2,839,391	2,298,018
1.7.1	Securities pledged under repurchase agreement	17.1	19,658,563	17,454,208
1.9	Non-current assets held for sale		757,551	802,163
1.10	Fixed assets	20	10,692,664	10,330,854
1.10.1	Intangible assets	20	495,543	506,593
1.12	Other assets	21	1,117,538	1,325,537
	Total assets		228,259,064	222,298,328
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	30,311,772	34,085,791
2.2	Loans and deposits received from the international financial institutions	22.1	28,036,110	24,059,690
2.3	Loans received from the CBA and from the RA government	22.2	6,085,012	6,030,003
2.4	Repurchase agreement	22.3	23,081,584	20,519,048
2.5	Liabilities to Customers	23	97,575,006	95,854,082
2.6	Subordinate borrowing	23.1		3,382,149
2.7	Liabilities on current taxes		378,088	273,836
2.8	Securities issued by the Bank	24	3,084,767	2,060,960
2.9	Financial liabilities at fair value through profit or loss	25		1,402
2.10	Amounts payable	26	282,884	280,380
2.11	Deferred tax liabilities	11	878,546	925,401
2.12	Reserves	30	42,257	61,891
2.13	Other liabilities	27	988,744	1,226,268
	Total liabilities		190,744,770	188,760,901
3	Capital			
3.1	Chartered capital	28	25,635,343	22,266,343
3.2	Emission income			
3.3	Reserves			
3.3.1	Main reserve		3,000,000	3,000,000
3.3.2	Revaluation reserve		4,720,378	4,602,026
3.4	Undistributed profit(loss)		4,158,573	3,669,058
	Total capital		37,514,294	33,537,427
	Total liabilities and capital		228,259,064	222,298,328

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date:12 April 2019

Interim Report
On Financial Results
31-Mar-19
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Accounting period	Previous period
Interest and similar income	3	4,769,085	3,932,400
Interest and similar expenses	3	(2,508,544)	(2,159,478)
Net interest and similar income		2,260,541	1,772,922
Income as commissions and other fees	4	528,931	666,027
Expenses as commissions and other fees	4	(121,442)	(127,535)
Net commission and other fees		407,489	538,492
Net commercial income	5	467,538	312,307
Other operational income	6	56,166	68,614
Operational income		3,191,734	2,692,335
Net allocations to possible asset loss provisions	7	(193,812)	(73,095)
Total administrative expenses	8	(1,737,948)	(1,578,101)
Other operational income	9	(577,203)	(552,261)
Operational profit		682,771	488,878
Profit/loss before taxation		682,771	488,878
Profit tax expenses(compensation)	11	(135,823)	(51,267)
Profit for period		546,948	437,611

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date:12 April 2019

Interim Report
 On Other Comprehensive Financial Results
 43555
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period	Previous period
Other comprehensive financial results			
Revaluation of financial assets at fair value rated through other comprehensive financial results		(329,110)	317,539
Devaluation of financial assets at fair value rated through other comprehensive financial results		39,814	
Profit from revaluation of non- current assets		394,415	(18,936)
Profit tax on other comprehensive income		65,822	(59,721)
Other comprehensive financial result after taxation		170,941	238,882
Comprehensive financial result		717,889	676,493

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date:12 April 2019

Interim Report
On Equity Changes

43555

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 2018 (audited)</i>	13,708,744	13,708,744	33,438	6,000,000	1,531,277	3,157,776	4,597,371	29,028,606	29,028,606
Reserves amount from changes in IFRS							(32,151)	(32,151)	(32,151)
Recalculated balance	13,708,744	13,708,744	33,438	6,000,000	1,531,277	3,157,776	4,565,220	28,996,455	28,996,455
Investments in chartered capital and other increase of chartered capital									
Decrease in chartered capital on the account of repurchased and out of circulation shares (share, stock) inclusive									
Comprehensive income		-	-	-	254,031	(15,149)	437,612	676,494	676,494
Dividends		-	-	-				-	-
Internal movements including:	-	-	-	-	-	(23,612)	23,612		-
Cover of emission damage		-		-	-	-		-	
Decrease of value from the revaluation of fixed and intangible assets						(23,612)	23,612	-	-
<i>Balance as of the end of the interim accounting period 31/03/2018 (unaudited)</i>	13,708,744	13,708,745	33,438	6,000,000	1,785,308	3,119,015	5,026,444	29,672,950	29,672,950
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 2019 (unaudited)</i>	22,266,343	22,266,343		3,000,000	1,546,717	3,055,310	3,669,058	33,537,428	33,537,428
Reserve amount from changes in IFRS	-	-	-	-	-	-	-	-	-
Recalculated balance	22,266,343	22,266,343	-	3,000,000	1,546,717	3,055,310	3,669,058	33,537,428	33,537,428
Transactions with shareholders (owners) regarding to shares, including:	3,369,000	3,369,000	-	-	-	-	-	3,369,000	3,369,000
Investments in chartered capital and other increase of chartered capital	3,369,000	3,369,000		-	-	-		3,369,000	3,369,000
Comprehensive income		-	-	-	(223,474)	394,415	546,948	717,889	717,889
Dividends		-	-	-				(110,023)	(110,023)
Internal movements including:	-	-	-	-	-	(52,590)	52,590		
Decrease of value from revaluation of fixed assets and intangible assets		-				(52,590)	52,590	-	-
Internal Movements of Other Equity Elements		-							
<i>Balance as of the end of the interim accounting period (unaudited) 31.03.2018</i>	25,635,343	25,635,343	-	3,000,000	1,323,243	3,397,135	4,158,573	37,514,294	37,514,294

Chairman of the Executive Board(CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date:12 April 2019

Interim Report
On the Cash Flows
31-Mar-19
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		1,473,914	839,576
Interest received		3,877,870	3,426,833
Interest paid		(1,946,141)	(1,634,948)
Fees earned		1,034,285	767,225
Fees paid		(145,102)	(147,892)
Gain/ loss from financial assets held for commercial purposes		10,407	(1,716)
Gain/ loss from foreign exchange		225,867	176,521
Recovery of previously written-off assets		56,075	78,280
Paid salaries and similar payments		(1,007,059)	(884,316)
Other income received from operations and other expenses paid		(632,288)	(940,411)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(2,854,187)	(10,912,753)
Due from financial institutions		(1,218,555)	4,000,564
Loans and advances to customers at amortized value		(413,866)	(15,564,854)
Securities at fair value available for sale recalculated through profit/loss		(2,617,381)	(860,975)
Other operational assets		1,395,615	1,512,512
Increase/ decrease in operational assets		3,245,168	(2,125,119)
Liabilities to financial institutions		2,662,067	1,519,137
Liabilities to customers		53,085	(4,010,707)
Decrease in other operational liabilities		530,016	366,451
Net cash flows from operations before profit tax		1,864,895	(12,198,296)
Paid profit tax		(103,793)	(41,220)
Net cash flows from operations		1,761,102	(12,239,516)
2. Cash flows from investments increase(decrease)			
Decrease(increase)of other financial assets at amortized value			
Capital investments in fixed assets and intangible assets		(267,721)	(343,934)
Acquisition of fixed assets and intangible assets		(105,114)	(123,570)
Disposal of fixed assets and intangible assets		291,291	78,423
Net cash flows from investments		(81,544)	(389,081)
3. Cash flows from financial operations			
Dividends paid		(109,048)	(690)
Borrowings received from the Central Bank Of Armenia		(60,504)	729,945
Increase (decrease) of borrowings from banks		(5,376,550)	479,182
Increase (decrease) of other borrowings		1,395,250	4,880,696
Increase (decrease) of securities issued by the Bank		1,017,988	
Shareholders' investments in chartered capital		3,369,000	
Net cash flows from financial operations		236,136	6,089,133
Impact of foreign exchange on cash and equivalents		(65,959)	(18,833)
Net increase (decrease) of cash and equivalents thereof		1,915,694	(6,539,464)
Cash and equivalents thereof as of the beginning of the period	13.2	38,194,409	35,824,830
Cash and equivalents thereof as of the end of the period	13.2	40,044,148	29,266,535

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date:12 April 2019

Note 3: "Net Interest and Similar Income"



Thous. AMD

Interest and similar income	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	126,194	113,270
Interest income form loans and advances to customers	4,062,572	3,162,978
Interest income from debt securities	495,057	583,301
Interest income from REPO agreements	76,544	67,537
Other interest income	8,718	5,313
Total	4,769,085	3,932,399
Interest and Similar Expenses		
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	1,076,790	759,363
Interest expenses on terms deposits and current accounts of customers	1,054,308	930,518
Interest expenses under REPO agreements	251,501	244,396
Interest expenses on subordinate borrowings	84,558	191,958
Interest expenses against the interest securities issued by the Bank.	37,278	16,832
Other interest income	4,109	16,410
Total	2,508,544	2,159,477
Net interest and similar income	2,260,541	1,772,922

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



Thous. AMD

Commission and Other Fee Income	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Cashier's operations	57,857	39,245
Settlement services	388,280	303,440
Guarantees, warranties, letters of credit operations, trust management operations	20,050	39,899
Foreign currency and security operations	75	385
Payment card servicing	27,338	23,299
Loan operations		
Other commission fees	35,331	259,758
Total	528,931	666,026
Commission and Other Fee Expenses:		
Commission fee from correspondent and other accounts	1,307	1,196
Expenses on payment card operations	60,234	42,413
Guarantees, warranties, letters of credit operations, trust management operations	6,693	32,699
Foreign currency and security operations	7,485	11,053
Other commission fees*	45,723	40,173
Total	121,442	127,534
Net commission and other fees received	407,489	538,492

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



Thous. AMD

Financial assets rated at fair value through profit or loss	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including	94,169	24,194
Shares		
Debt Securities		
Derivatives	94,169	24,194
Net income from changes in real value of financial assets rated at fair value through profit or loss	281,943	(208,139)
Total	376,112	(183,945)
Investments at fair value rated through other comprehensive financial assets		
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	145,380	113,935
Debt securities	145,380	
Derivatives		
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	(9,729)	(6,390)
Total	135,651	107,545
Foreign currency operations		
Net income from foreign currency sale/purchase	225,867	176,522
Net income from the revaluation of foreign currency	(274,418)	203,217
Net income from the sale/purchase of precious standardized bullions and coins	1,139	9,500
Net income from the revaluation of precious standardized bullions and coins	3,185	(532)
Total	(44,227)	388,707
Net income from commercial operations	467,536	312,307

Note 6 : "Other Operatioanl Income"



Thous. AMD

Other operational expenses	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Income from penalties and fines	40,730	50,539
Income from factoring		
Net income from disposal of fixed and intangible assets	4,927	(6,810)
Net income from revaluation of intangible assets and reversal of depreciation		
Other income *	10,509	24,885
Total	56,166	68,614

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)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Initial balance	7,729	-
Net deductions to reserve	5,685	4,571
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	13,414	4,571
Due from financial institutions(Note 14)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Intitial balance	12,031	5,758
Net deductions to reserve	(4,582)	(93)
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	7,449	5,665
From loans and advances to customers (Note 16)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Intitial balance	1,792,875	1,302,780
Net deductions to reserve	170,530	60,361
Return of amounts previously charged to off balance item	55,435	77,675
Usage of reserve	(66,451)	(57,179)
Summary balance	1,952,389	1,383,637

Financial assets rated at fair value through other comprehensive financial assets (Note 17)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Intitial balance	227,486	213,366
Net deductions to reserve	39,814	10,066
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	267,300	223,432
On other assets (Note 21)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Intitial balance	11,218	15,640
Net deductions to reserve	1,999	380
Return of amounts previously charged to off balance item		605
Usage of reserve		(14)
Summary balance	13,217	16,611
Post-balance sheet items containing loan exposures (note 30)	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Intitial balance	61,891	103,411
Net deductions to reserve	(19,634)	(2,190)
Usage of reserve		
Summary balance	42,257	101,221
Total net deductions to reserve	193,812	73,095

Note 8 : "Total administrative expenses"

Thous. AMD

"Total administrative expenses"	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Salary and similar payments	1,072,866	919,608
Allocations to social insurance state fund		
Training and tutorship expenses	548	2,876
Business trip expenses	6,267	6,438
Operational leases expenses	160,076	160,475
Insurance costs	32,251	31,872
Servicing and maintenance of the Bank's equipment	99,400	112,459
Maintenance and safekeeping of Bank buildings	170,108	177,298
Audit and consulting services	10,425	16,497
Communication and transmission costs	26,682	24,690
Transportation costs	33,851	35,306
Taxes (except income tax) penalties and other mandatory payments	74,031	60,940
Office and organizational expenses	26,330	21,785
Other administrative expenses	25,113	7,857
Total	1,737,948	1,578,101

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

	01/01/2019- 31/03/2019	01/01/2018-31/03/2018

Average number of Bank employees	812	782
Monthly average salary falling to a single employee (thousand AMD)	410	370

Note 9 : "Other Operational Expenses"

Thous. AMD

Other operational expenses	01/01/2019- 31/03/2019	01/01/2018-31/03/2018
Paid fines and penalties		-
Payments made for collection	86,250	86,250
Advertising and representative expenses	166,349	160,439
Expenses from factoring		-
Amortization costs of fixed assets and intangible assets	191,720	174,560
Losses from depreciation of assets		-
Allocations to the Fund of Recovery of Deposits	46,411	48,314
Other expenses	86,473	82,698
Total	577,203	552,261

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	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
Current tax expenses	200,682	104,628
Corrections of current taxes for the previous period recognized in the current period	7,377	(20,410)
Deferred tax expenses	(72,236)	(32,951)
Total	135,823	51,267

	01/01/2018- 31/03/2018	Efficient rate (%)	01/01/2019- 31/03/2019	Efficient rate (%)
Profit before taxation	682,771		488,878.00	
Profit tax with rate	136,554	20.00	97,776.00	20.00
Corrections of income and expenses on temporary differences for tax purposes				
Non-taxable income			(2,736.00)	(0.56)
Non-deductible expenses	(60,292.00)	(8.83)	20,396.00	4.17
Non-evaluated tax loss			-	-
Foreign currency negative/positive difference	54,884.00	8.04	(40,644.00)	(8.31)
Profit from other revaluations			-	-
Corrections of calculated tax expenses of the previous year	7,377	1.08	(20,410.00)	(4.17)
Other privileges	(2,700.00)	(0.40)	(3,115.00)	(0.64)
Profit tax expenses	135,823.00	19.89	51,267.00	10.49

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:	246,480	45,060	-	291,540
Fixed assets	6,351	377		6,728
Other liabilities	146,060	18,371		164,431
Loans and borrowings to customers	48,572	2,085		50,657
Reserve of customer's loans and advances		16,264		16,264
Securities reserve	45,497	7,963		53,460
Deferred tax liabilities, including:	(1,171,882)	27,176	(25,380)	(1,170,086)
Securities rated at fair value through other comprehensives financial results	(329,808)		65,822	(263,986)
Revaluation of fixed assets	(763,785)	5,771	(91,202)	(849,216)
Fixed assets				-
Reserve of customer's loans and advances	(1,751)	1,751		
Other financial assets rated at amortized value				-
Contingent liabilities	(30,621)	10,316		(20,305)
Claims to banks and other financial institutions	(45,917)	9,338		(36,579)
Net deferred tax asset/liability	(925,402)	72,236	(25,380)	(878,546)

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

Thous. AMD

Basic profit falling to a single share	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
Net profit of the accounting period after taxation	546,948	437,611
Dividends on preferential shares calculated for the current accounting period	110,023	-
Net gains(losses) of given period referring to owners of common shares	436,925	437,611
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533
Basic profit falling to a single share	0.24	0.24

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

Note 13 : Cash and cash equivalents



	Thous. AMD	
	31/03/2019	31/12/2018
Cash and cash equivalents		
Cash and cash equivalent payment documents	9,338,116	9,304,956
Correspondent accounts with the CBA*	28,846,018	24,178,654
Deposit accounts with the CBA		2,000,000
Correspondent accounts with the the resident banks*	131,458	35,701
Correspondent accounts with the the non-resident banks*	1,728,497	2,674,110
Accrued interests	59	986
Reserves/IFRS/	(13,261)	(7,393)
Cash and balances with the CBA	40,030,887	38,187,014

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

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



	Thous. AMD	
	31/03/2019	31/12/2018
Current accounts		
Deposited funds with CBA	789,500	1,786,500
Accrued interest		
Total	789,500	1,786,500
With RA banks		
Loans and deposits	1,566,824	3,434,625
Other	59,577	303,698
With banks having BBB(Baa3) and higher ratings		
Other	981,540	
Loans and deposits		
With banks having ratings lower than BBB (Baa3) or no rating at all		
Loans and deposits		1,935,000
Other	104,011	92,870
Accrued interest	811	2,185
Total	2,712,763	5,768,378
Possible loss provision for amounts due from banks (note 7)	(1,493)	(336)
Net receivables to banks	3,500,770	7,554,542

	31/03/2019	31/12/2018
Loans and deposits with Financial Institutions and other receivables		
With RA Financial Institutions:		
Loans and deposits	9,624,737	5,278,666
Other	320,849	
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	458,513	1,098,516
Accrued interest	28,006	16,660
Total	10,432,105	6,393,842
Possible loss provision for receivables due to Financial Institutions (Note 7)	(6,109)	(12,031)
Net receivables to Financial Institutions	10,425,996	6,381,811
Net receivables to banks and Financial Institutions	13,926,766	13,936,353

** As of 31.03.2019 and 31.12.2018 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 113.160 (AMD55.046 thousand on 31.03.2019 and AMD 54.522 thousand on 31.12.2018), in Visa International, USD 162.314 (AMD 78.956 thousand on 31.03.19, AMD 77.948 thousand on 31.12.2018) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

system.

Note 14.1 Reverse Repurchase Agreements

	31/03/2019	31/12/2018
Reverse Repurchase Agreements		
Reverse Repurchase Agreements with Financial Institutions	5,252,638	3,882,703
Total	5,252,638	3,882,703

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

	Thous. AMD	
	31/03/2019	31/12/2018
Other financial assets recalculated at fair value through profit/loss		
Derivative Instruments		
Forward		
Swap	70,843	18,870
Total	70,843	18,870

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

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



Thous. AMD

Loans and advances calculated at amortized value	31/03/2019	31/12/2018
Loans, including:	119,291,629	119,544,611
Mortgage loans	9,488,845	9,135,362
Credit cards	15,055,666	14,809,006
Factoring		
With re-purchase agreements		
Accrued interest on the mentioned items	916,003	879,215
Total loans	135,263,298	135,232,832
Reserve for possible loss of customer loans and advances (note 7)	(1,952,389)	(1,792,875)
Total loans and advances at amortized value	133,310,909	133,439,957

Thous. AMD

Analyses of provided loans and advances per customers	31/03/2019	31/12/2018
State industries	67,000	121,744
Private industries, including:	56,307,132	58,350,541
Major enterprises	21,891,016	24,995,713
Small and medium enterprises	34,416,116	33,354,828
Including business cards	164,177	89,972
Individuals, including:	67,793,250	66,898,016
Consumer loans	41,656,756	40,191,917
Mortgage loans	9,488,845	9,135,362
Credit cards	14,865,147	14,689,881
Private entrepreneurs	10,179,913	8,983,316
Accrued interest	916,003	879,215
Total loans	135,263,298	135,232,832
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,952,389)	(1,792,875)
Total loans and advances at amortized value	133,310,909	133,439,957

Thous. AMD

Loan liabilities on 20 major borrowers and related parties /without reserve/	31/03/2019	31/12/2018
Customers' loans and advances calculated at amortized value	35,105,147	41,196,154
Balance of off-balance sheet contingent liabilities	5,264,400	17,023,207
Total	40,369,547	58,219,361
Loan investments	135,263,298	135,232,832
Ratio in portfolio	29.85%	43.05%
Total normative capital	33,904,531	32,270,581
Percentage ratio to capital	119.07%	180.41%
Total	40,369,547	58,219,361

Loans provided to financial institutions are not included in the line of loan liabilities on 20 major borrowers mentioned above

Loan Investments through International programs	31/03/2019	
	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	606,280	13
ADB/TFP/RCA/Asian Development Bank	92,174	7
BlueOrchard/MSE/	1,512,483	49
DEG/SME/	4,810,113	173
EBRD/TFP/IBA European Bank for Reconstruction and Development	368,645	1
EBRD/WiB/European Bank for Reconstruction and Development	2,448,538	152
FINSCA/MSE/	213,197	16
GAF/ KfW /ENERGY	62,407	11
GAF/KfW/SME	6,387,642	716
GAF/KfW/SME/ENERGY	394,176	37
GLS AI MFF/ME/Alternative Investments – Mikrofinanzfonds	141,703	119
INCOFINCVBA/MSE/	1,597,480	38
MSMEBondsSA/MSME/	614,533	22
SICAV-SIF/ME1/Symbiotics Global Financial Inclusion Fund	484,420	135
SICAV-SIF/ME2/Symbiotics -Seb Microfinance Fund IV	2,387	1
Total	19,736,178	1,490

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

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	31/03/2019	Percentage	31/12/2018	Percentage
Industry	10,299,790	7.61	19,388,879	14.34
Agriculture	1,689,391	1.25	1,132,017	0.84
Construction	7,871,386	5.82	7,738,895	5.72
Transportation and communication	565,319	0.42	503,186	0.37
Commerce	30,604,392	22.63	24,720,365	18.28
Consumer	57,424,746	42.45	56,919,932	42.09
Mortgage loans	9,534,725	7.05	9,175,875	6.79
Service	11,324,817	8.37	10,556,635	7.81
Other	5,948,732	4.40	5,097,048	3.77
Total	135,263,298	100	135,232,832	100

Breakdown of loan portfolio per customer residency	31/03/2019	Percentage	31/12/2018	Percentage
RA residents	132,297,250	99.24	132,451,296	99
Residents of countries with Baa33 and higher ratings including	65,306	0.05	77,242	-
Italy	65,306		77,242	-
Residents of countries with Baa33and lower ratings or no rating at all	32,350	0.02	32,204	0.02
Russia	32,350		32,204	0.03
Accrued Interest	916,003	0.69	879,215	0.74

Total	133,310,909	100	133,439,957	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	56,142,561	1,049,296			713,129
Including non-residents	65,701	6				
Loans to individuals and private entrepreneurs	78,076,443	460,443	165,377	43,560	165,788	111,073
including non-residents	32,895	112				
Total	134,219,004	1,509,739	165,377	43,560	878,916	399,090

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per stages of regression model	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
	Agriculture	1,201,779	1,231			
Industry	41,151,705.70	1,246,829.44	3,503.15	1,798	713,128.75	288,017.40
Consumer	57,515,274.48	200,007.28	155,720.54	40,398.07	163,731.14	109,016.44
Mortgage loans	9,333,494.29	4,607.21	6,153.68	1,364.03	2,056.49	2,056.49
Other	25,016,750.49	57,063.78				
Total	134,219,004.00	1,509,739.00	165,377.37	43,560.22	878,916.38	399,090.33

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

	Thous. AMD	
	31/03/2019	31/12/2018
Government securities		
RA Governmental T-bills	1,797,293	1,173,720
Reserve for RA Governmental T-bills		
Total	1,797,293	1,173,720

	31/03/2019		31/12/2018	
	listed	unlisted	listed	unlisted
RA non-state securities				
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	952,329		1,034,529	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	952,329	83,971	1,034,529	83,971
Investments in RA non-governmental securities (reserve for possible losses)				
Net Investments in RA non-governmental securities	952,329	83,971	1,034,529	83,971

	31/03/2019		31/12/2018	
	listed	unlisted	listed	unlisted
Non-governmental securities of other countries				
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,798		5,798
Total non-state securities of other countries		5,798		5,798
Financial assets rated at fair value through other comprehensive financial assets	2,749,622	89,769	2,208,249	89,769

Investments in share capital of other entities as of 31.03.2019

Name of entity	Main activity	Country of registration	Investment date	Thous. AMD	
				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	
	31/03/2019	31/12/2018
Assets		
Total pledged securities	23,991,435	21,400,762
including:		
pledged securities	19,658,563	17,454,208
pledged securities under REPO agreement	4,332,872	3,946,554
Reserve for pledged securities		
Total	19,658,563	17,454,208
Resources attracted under REPO agreement	23,081,585	20,519,048

Note 18. "Financial assets calculated at amortized value"

	31/03/2019	31/12/2018
RA banks		
Total	-	-

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 31/12/2018	7,385,454	2,983,737	711,497	2,348,849	676,494	377,404	14,483,435
Increase	81	46,356	9,293	44,243	202,976	64,745	367,694
Disposal	(299,185)	(1,049)		(5,511)			(305,745)
Reclassification	218,761	40,672		(40,672)	(218,761)		-
Revaluation *	485,617						485,617
Disposal (revaluation*)	(31,014)						(31,014)
Written-off of amortization	(151,505)						(151,505)
Written-off of amortization (from revaluation)	(300,847)						(300,847)
Balance of fixed assets at the end of accounting period 31/03/2019	7,307,362	3,069,716	720,790	2,346,909	660,709	442,149	14,547,635
Balance of accumulated amortization at the end of the previous period 31/12/2018	468,452	1,881,818	271,682	1,438,875		91,754	4,152,581
Increase	44,831	56,946	21,852	46,538		5,362	175,529
Disposal	(13,340)	(1,049)		(4,992)			(19,381)
Disposal (revaluation*)	(1,407)						(1,407)
Written-off of amortization	(151,504)						(151,504)
Written-off of amortization (from revaluation)	(300,847)						(300,847)
Balance of accumulated amortization at the end of the accounting period 31/03/2019	46,185	1,937,715	293,534	1,480,421	-	97,116	3,854,971
Net balance sheet value							-
at the end of the accounting period	7,261,177	1,132,001	427,256	866,488	660,709	345,033	10,692,664
at the end of the previous accounting period	6,917,002	1,101,919	439,815	909,974	676,494	285,650	10,330,854

The revaluation of fixed assets was carried out by an independent appraiser based on market value. The positive result of the revaluation amounted to AMD 4,087,137 , deferred tax liability - AMD 817,427 . AMD 3,269,710 thousand was accounted in the revaluation reserve unit of the 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 of intangible assets at the end of the previous period 31/12/2018	331,915	406,695	180	51,661	-	790,451
Increase	3,684	650	26	781		5,141
Written-off						-
Intangible balance at the end of accounting period 31/03/2019	335,599	407,345	206	52,442	-	795,592
Intangible balance of accumulated amortization at the end of previous period 31/03/2019	91,806	155,026	53	36,973	-	283,858
Increase	6,405	9,026	4	756		16,191
Disposal						-
Written-off						-
Balance of accumulated amortization at the end of accounting period 31/12/2018	98,211	164,052	57	37,729	-	300,049
Net balance sheet value						
At the end of the accounting period	237,388	243,293	149	14,713	-	495,543
At the end of the previous accounting period	240,109	251,669	127	14,688	-	506,593

As of 31.03.2019, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

Note 21: "Other Assets"

Thous. AMD

Amounts receivable from bank operations	31/03/2019	31/12/2018
Amounts receivable from other operations	117,469	78,470
Total	117,469	78,470
Reserve for possible loss provision from bank operations (note 7)	(4,050)	(805)
Net amounts receivable from bank operations	113,419	77,665
Debtor liabilities and prepayments		
Debtor liabilities on the budget	46	65
Debtor liabilities to suppliers		
Prepayments to employees	189	37
Prepayments to suppliers	418,504	626,051
Prepayments on the budget and mandatory social insurance payments	4,552	1,600
Other debtor liabilities and prepayments	45,215	60,341
Total	468,506	688,094
Reserve for possible loss provision on other assets (note 7)	(4,712)	(6,881)
Total	463,794	681,213
Other assets		
Reserve	297,660	373,018
Sequestered pledge and available-for-sale assets		
Future period expenses	204,778	133,223
Other assets	42,342	63,950
Reserve for possible loss provision on other assets (note 7)	(4,455)	(3,532)
Total	540,325	566,659
Total other assets	1,117,538	1,325,537

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

Thous. AMD

Current accounts	31/03/2019	31/12/2018
RA Banks	1,759	1,749
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	6,665	6,944
Accrued interest		
Total	8,424	8,693
Interbank loans and deposits, other		
Other		
RA banks		
Loans and deposits	7,295,823	12,875,437
Other	652	1,742
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	1,510,402	1,235,563
Other	30,645	67,268
Accrued interest	38,734	44,626
Total	8,876,256	14,224,636
Financial Institutions		
Current accounts	628,104	1,076,850
Loans and deposits	19,848,825	18,060,114
Other	40,839	47,876
Accrued interest	909,324	667,622
Total	21,427,092	19,852,462
Total liabilities to banks and financial institutions	30,311,772	34,085,791

Note 22.1 Loans and advances received from international financial institutions



Loans from financial institutions	Project	Currency	Term	31/03/2019	Currency	Term	31/12/2018
Asian Development Bank	ADB/TFP/RCA	USD	Less than 1 year	1,445,770	USD	Less than 1 year	1,462,058
Finethic SCA	ADB/TFP/RCA				USD	1-3 years	
ADB	ADB/TFP/RCA				USD	1 year	
BlueOrchard	BlueOrchard/MSE	USD	1-3 years	835,592	USD	1-3 years	812,081
DEG	DEG/SME	USD	1-7 years	4,904,837			4,966,974
EBRD	EBRD/WiB	AMD	1-5 years	3,388,692			962,371
EFA Financial Institution debt fund	EFA_FIDE/SME	USD	1-3 years	1,208,398			1,201,566
Finethic SCA	FINSCA/MSE	USD	1-3 years	492,476			483,327
Global Impact Investments	GLI/IME	USD	1-3 years	3,910,706	USD	1-3 years	2,406,903
Global Impact Investments	GLI/IME	USD	1-4 years		USD	1-4 years	1,470,077
GLS ALTERNATIVE INVESTMENTS - MFF	GLS_AI_MFF/ME	USD	1-3 years	486,207	USD	1-3 years	491,100
Incofin Investment Management	INCOFINCVBA/MSE	USD	1-4 years	6,411,418	USD	1-4 years	4,841,134
Incofin Investment Management	INCOFINCVBA/MSE				USD	1-2 years	
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME	USD	1-3 years	2,482,340	USD	1-3 years	1,523,831
Micro, small and medium Enterprise Bonds SA	MSMEBondsSA/MSME	USD	1-4 years				899,136
Symbiotocs-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years	1,975,739	AMD	1-4 years	2,031,307
Symbiotocs-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years	493,935	AMD	1-4 years	507,826
Total				28,036,110			24,059,690

Note 22.2 Loans from the CBA and RA

Project	31/03/2019		31/12/2018	
	Loan amount	Accrued interest	Loan amount	Accrued interest
GAF/German-Armenian Fund "Mortgage lending" project				
GAF /Micro and Small Business Development Project of German-Armenian Fund	5,684,295	127,503	5,684,752	15,325
GAF "RED" project	267,726	5,488	295,655	1,252
GAF "Access to finance for SMEs" project			32,548	470
Other				
Total	5,952,021	132,991	6,012,955	17,047

Note 22.3 REPO (repurchase) agreements

REPO (repurchase) agreements	31/03/2019	31/12/2018
REPO (repurchase) agreements with financial institutions	23,081,584	20,166,042
REPO (repurchase) agreements with customers		353,006
Total	23,081,584	20,519,048

Note 23: "Liabilities to Customers"

Thous. AMD

	31/03/2019	31/12/2018
RA Government and local authorities		
Loan		
Other	28,181	25,314
Accrued interest		
Total	28,181	25,314
RA resident corporate entities and institutions		
Current accounts	15,568,788	18,345,584
Term deposits	6,132,868	4,375,585
Other	633,723	305,499
Accrued interest	179,033	148,719
Total	22,514,412	23,175,387
Non-resident corporate entities, institutions		
Current accounts	265,985	470,687
Other	40	222
Accrued interest		20
Total	266,025	470,929
RA resident private entrepreneurs		
Current accounts	639,089	564,501
Term deposit	-	-
Other	9,016	7,487
Accrued interest		19
Total	648,105	572,007
RA resident individuals		
Current accounts	16,400,940	18,123,242
Term deposits	51,755,920	47,735,780
Other	565,748	512,359
Accrued interest	823,122	710,712
Total	69,545,730	67,082,093
Non- resident individuals		
Current accounts	777,437	830,005
Term deposits	3,716,800	3,630,299
Other	34,195	37,166
Accrued interest	44,121	30,882
Total	4,572,553	4,528,352
Total liabilities to customers	97,575,006	95,854,082

As of 31.03.2019, the amount necessary to secure obligations was AMD 1.777.371 thousand.

As of 31.03.2019, the amount frozen by court order and tax authorities was AMD 280.223 thousand.

Note 23.1 : "Subordinate Borrowing"

As of 31.03.2019, the Bank did not attract any subordinate borrowing.

Note 24: "Securities issued by the Bank"

	31/03/2019	31/12/2018
Interest securities issued by the Bank	3,084,767	2,060,960
Total	3,084,767	2,060,960

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

Thous. AMD

Financial liability at fair value recalculated through profit/loss	31/03/2019	31/12/2018
Derivative instruments		
Swap		1,402
Forward		
Other		
Total	-	1,402

Note 26: "Amounts Payable"

Thous. AMD

Amounts payable	31/03/2019	31/12/2018
Dividends	236,472	235,498
For insurance of deposit	46,411	44,882
Total	282,883	280,380

Note 27: " Other Liabilities"

Thous. AMD

Other liabilities	31/03/2019	31/12/2018
On income tax of non-resident	29,879	51,610
On VAT	1,672	1,740
On other taxes and penalties	119,102	198,582
Salary liabilities to employees	738,662	669,236
Credit debts to suppliers	83,493	61,540
Other liabilities	15,936	243,560
Balance at the end of the period	988,744	1,226,268

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD 25,635,343 thous., including 1,852,533 common shares with a nominal value of AMD 10,400 per share and 424,600 preferential shares with a nominal value of AMD 15,000 per share. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

Thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	5,457,078	28.32%	
Sukiasyan Khachatur Albert	3,138,533	16.29%	
Sukiasyan Eduard Albert	2,053,158	10.66%	
Sukiasyan Robert Albert	3,138,533	16.86%	

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 31.03.2019 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 31.03.2019 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

	Thous. AMD	
	31/03/2019	31/12/2018
Unutilized credit lines	9,207,305	17,900,458
Provided guarantees	5,170,807	3,599,016
Provided letters of credit		
Reserve on the mentioned items (note 7)	(42,257)	(61,891)

Liabilities on operational leases

	Thous. AMD	
Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year	683,588	663,159
1-5 years	2,360,229	2,177,613
more than 5 years	145,386	33,179
Total	3,189,203	2,873,951

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	31/03/2019	31/12/2018
Initial balance	1,364,261	1,288,910
Loans and advances provided over the year	364,974	1,056,029
Bank shareholder	42,328	349,064
Shareholder related entity	180,290	423,128
Bank manager	142,224	279,409
Manager related entity	132	4,428
Loans and advances repaid over the year	342,308	980,678
Bank shareholder	10,282	369,431
Shareholder related entity	183,937	314,500
Bank manager	147,941	292,616
Manager related entity	148	4,131
Summary balance *	1,386,927	1,364,261

	Thous. AMD	
Item	31/03/2019	31/03/2018
Interest income	68,522	108,091

	Thous. AMD	
Liabilities to Customers	On-demand	Term
Balance as of 31.03.2019	898,202	4,229,896
Amounts received over the accounting period (or 3 months of 2018), including:		
	14,642,716	135,420
Bank shareholder	8,809,553	356
Shareholder related entity	4,827,928	848
Bank manager	899,921	39,203
Bank manager related entity	105,314	95,013
Amounts paid over the accounting period (for 3 months of 2018), including:	13,751,164	3,461,222
Bank shareholder	8,006,179	3,374,705
Shareholder related entity	4,762,813	
Bank manager	876,852	45,783
Bank manager related entity	105,320	40,734
Exchange rate difference (+/-)		17,660
Balance as of 31/03/2019	1,789,754	904,094
Interest expense as of 3 months of 2019	86	98,673

	Thous. AMD	
Salary or Similar Payment to the Bank Management	31/03/2019	31/12/2018
Board	49,971	42,309
Salary	49,971	42,309
Awarding		
Executive body	86,045	68,342
Salary	86,045	68,342
Awarding		
Internal Audit	22,629	19,357
Salary	22,629	19,057
Awarding		300
Total	158,645	130,008

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

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

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

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

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

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

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

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

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

Item	31/03/2019				Thous. AMD
	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
Assets					
Cash and balances with the CBA	40,030,887				40,030,887
Standard bank precious metal bullions and coins	105,771				105,771
Due from banks and other financial institutions	10,694,218	648,579	2,450,234	133,735	13,926,766
Reverse repurchase agreements	5,252,638				5,252,638
Financial assets at fair value recalculated through profit/loss	70,843				70,843
Customers' loans and advances rated at amortized value	133,212,681	32,533	65,695		133,310,909
Securities at fair value rated through other comprehensive financial results	2,833,593		5,798		2,839,391
Securities pledged under repurchase agreement	19,658,563				19,658,563
Other assets	116,292		1,181		117,473
Total assets	211,975,486	681,112	2,522,908	133,735	215,313,241
Off-balance sheet items containing credit risks	12,962,113		1,416,000		14,378,113
Liabilities					
Liabilities to banks and other financial institutions	33,335,160	37,212	28,374,683	2,685,839	64,432,894
Liabilities to customers	92,736,428	1,364,214	624,350	2,850,014	97,575,006
Total liabilities	126,071,588	1,401,426	28,999,033	5,535,853	162,007,900
Net position	85,903,898	(720,314)	(26,476,125)	(5,402,118)	53,305,341

Item	31.12.2018				Thous. AMD
	RA	CIS countries	OECD* countries*	Non-OECD* countries»	Total
Assets					
Cash and balances with the CBA	38,187,014				38,187,014
Standard bank precious metal bullions and coins	116,058				116,058
Due from banks and other financial institutions	9,089,105	2,606,592	2,085,896	154,760	13,936,353
Reverse repurchase agreements	3,882,703				3,882,703
Financial assets at fair value recalculated through profit/loss	18,870				18,870
Customers' loans and advances rated at amortized value	133,330,938	32,141	76,878		133,439,957
Securities at fair value rated through other comprehensive financial results	2,292,220		5,798		2,298,018
Securities pledged under repurchase agreement	17,454,208				17,454,208
Other assets	76,492		1,173		77,665
Total assets	204,447,608	2,638,733	2,169,745	154,760	209,410,846
Off-balance sheet items containing credit risks	21,460,887	38,586			21,499,473
Liabilities					
Liabilities to banks and other financial institutions	37,184,602	74,857	24,190,570	2,725,455	64,175,484
Liabilities to customers	90,854,799	1,406,890	590,631	3,001,762	95,854,082
Total liabilities	128,039,401	1,481,747	24,781,201	5,727,217	160,029,566
Net position	76,408,207	1,156,986	(22,611,456)	(5,572,457)	49,381,280

Loans allocated in the territory of RA per RA regions:

RA regions	Thous. AMD	
	31/03/2019	31/12/2018
Yerevan	92,631,321	96,510,913
Kotayk	9,458,095	7,759,921
Lori	6,385,155	6,261,967
Shirak	4,908,283	4,658,632
Gegharkunik	4,485,367	4,127,286
Ararat	3,983,031	3,589,993
Armavir	3,811,445	3,349,154
Syunik	2,743,596	2,427,589
Artsakh	1,653,698	1,658,197
Aragatsotn	1,455,133	1,294,250
Tavush	946,975	956,980
Vayots Dzor	848,810	845,075
Total	133,310,909	133,439,957

Credit Risk Analysis

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

2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 31.03.2019 did not exceed 2.17%. 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) 3) As of 31.03.2019, loan investments without reserves amounted to AMD 135,263,298 As of 31.03.2019, the volume of loans in the Stage 2, Stage 3 amounted to 1,044,294 thousand.

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

5) The volume of repo transactions (except extensions) affected in the 1st quarter of 2019 was AMD 148,294,708 against AMD 68,108,048 of the same period of the previous year. Reverse repo transactions in the 1st quarter of 2019, made AMD 14,997,643 against AMD 8,647,505 of the same period of the previous year

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

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

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

4. Changes related to suppliers, consumer structure, and raw material prices.

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

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

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

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

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

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

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

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

As result of the above mentioned processes, the following data are discovered and assessed: Borrower's competency, loan purpose, Borrower's creditworthiness and loan repayment sources, risks connected with the Borrower's related parties, Borrower's loan history, experience of entrepreneurial activities, market position, conformity of the pledge object.

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

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

Thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2018 IV Q	988.04	499.74	170.16	94.35	23.39	2.08	755.68	143.71	34.61	1,508.69
2019 I Q	1,340.36	95.29	180.75	112.37	28.04	1.97	873.82	173.90	53.84	1,719.71
increase/decrease	352.32	-404.45	10.59	18.02	4.65	-0.11	118.14	30.19	19.23	211.02

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

31/03/2019

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Cash and their equivalents	20,207,918	18,504,432	1,318,537	40,030,887
Bank standardized bullions of precious metals and coins	443	105,328		105,771
Receivables to banks and other financial institutions	1,126,410	12,735,193	65,163	13,926,766
Reverse Repurchase Agreements	4,913,300	339,338		5,252,638
Financial instruments rated at fair value through profit/loss	70,843			70,843
Loans and advances to customers calculated at amortized value	74,592,060	58,686,131	32,718	133,310,909
Financial assets at real value rated through other comprehensive financial results	2,304,138	535,253		2,839,391
Securities pledged under repurchase agreements	19,658,563			19,658,563
Other assets	73,833	43,636	4	117,473
Total assets	122,947,508	90,949,311	1,416,422	215,313,241
Liabilities				
Liabilities to the banks and other financial institutions	14,151,150	16,095,913	64,709	30,311,772
Loans and deposits from international financial institutions	5,747,097	22,289,013		28,036,110
Loans from the CBA and RA	6,085,012			6,085,012
REPO agreements	22,765,091	316,493		23,081,584
Liabilities to Customers	46,976,766	49,064,464	1,533,776	97,575,006
Liabilities on current taxes	378,088			378,088
Securities issued by the Bank	99,841	2,984,926		3,084,767
Amount payable	282,884			282,884
Deferred tax liabilities	878,546			878,546
Reserves	42,257			42,257
Other liabilities	947,205	41,063	476	988,744
Total liabilities	98,353,937	90,791,872	1,598,961	190,744,770
Net position	24,593,571	157,439	(182,539)	24,568,471

31/12/2018

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

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 1st quarter of 2019 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 14,771,973 thousand against AMD 16,834,671 thousand of the same period of the previous year by decreasing in absolute value by AMD 2,062,698 or 12.3%, that is in average the Bank was sensitive to liabilities in the 1st quarter of 2019. In the 1st quarter of 2019, the average accumulated disbalance has decreased in absolute value by AMD 4,764,348 thousand or by 24.4% against the previous quarter.

: The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 1st quarter of 2019 has decreased by 3.5 percentage point, forming 109.3% against 112.8% average value of the 1st quarter of 2018, that is in 1st quarter of 2019 the assets sensitive to interest rate changes have formed 109.3% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 1st quarter of 2019 was 1.525 year (against the 1.451 year as of the 1st quarter of 2018) as it increased by 0.074 year or by 5.1%, as compared with the end of the previous quarter (1.411 year) the mentioned indicator has increased by 0.058 year or 4.0%.

The duration of liabilities as of the end of the 1st quarter of 2019 was 0.847 year (against 0.873 year of the 1st quarter of 2018) decreasing by 0.026 year or 3.0%. In correlation with the end of the previous quarter (0.825) the indicator has increased by 0.022 year or 2.7%.

The duration gap as of the end of the 1st quarter of 2019 was 0.774 (against 0.665 of the 1st quarter of 2018) increasing by 0.109 or 16.4%. In correlation with the end of previous quarter (0.712) the indicator has increased by 0.062 or 8.7%.

Assets and Liabilities with changing interest rates 31.03.2019

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances to customers at amortized value												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- Loans				6,653,735		7,711,109		20,917		2,440,350		
Total	-	-	-	6,653,735	-	7,711,109	-	20,917	-	2,440,350	-	-
Net position	-	-	-	(6,653,735)	-	(7,711,109)	-	0	-	0	-	-

31/12/2018

Thous. AMD

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

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

Item	Interest rates of accounting period: 31/03/2019		Interest rates of accounting period 31/12/2018	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Balance at CBA			4.60	-
Receivables to banks and other financial institutions, including:	7.2	1.2	7.70	2.60
- Interbank Loans		1.4	0.00	2.60
-Interbank REPO	6.5		6.70	0.00
Loans and advances provided to customers rated at amortized value	10.9	5.2	12.05	6.24
Available for sale securities at fair value recalculated through profit/loss	12.8	8.7	11.50	5.60
Liabilities				
Liabilities to banks and other financial institutions	7.5	5.3	7.90	4.80
Liabilities to Customers	5.4	3.6	5.09	3.80

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

Price Risk

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

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

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

Liquidity Risk

1) The Bank's definition of Liquidity Risk

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

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

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

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

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

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

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

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

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

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

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



Liquidity Risk Assessment

Over the 1st quarter of 2019, the instant liquidity and and general (up to 1 year accumulative) liquidity indicators increased by 16.0 and 12.4 percentage point respectively, and up to 90 days accumulative liquidity indicator has decreased by 5.8 percentage point.

--	--	--	--

Accounting period	31/03/2019									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		
Cash and cash equivalents, balances with the CBA			40,030,828	58						40,030,886
Standardized precious metal bullions	-	-	105,771	-	-	-	-	-		105,771
Receivables to banks and other financial institutions			76,004	3,668,682	437,791	5,999,429	2,822,698		922,162	13,926,766
Reverse Repurchase Agreements	-	-		5,252,638						5,252,638
Financial assets at fair value recalculated through profit/loss				70,843						70,843
Loans and advances provided to customers rated at amortized value	1,303,789	367,246		12,427,780	13,233,695	16,948,493	64,873,290	24,156,616		133,310,909
Financial assets at fair value calculated through other comprehensive financial result				224,279	811	182,699	1,513,712	828,121	89,768	2,839,390
Securities pledged under repurchase agreements				19,658,563						19,658,563
Other receivables	43,702		1,091	72,680						117,473
Total	1,347,491	367,246	40,213,694	41,375,523	13,672,297	23,130,621	69,209,700	24,984,737	1,011,930	215,313,239
including:										
I group foreign currency	299,947	269,224	18,663,425	6,866,093	6,022,904	13,163,890	32,502,455	13,021,108	140,265	90,949,311
II group foreign currency	-	-	1,318,486	67,106	1,583	3,266	25,982	-	-	1,416,423
including:										
By floating interest rate			438,007							438,007
By fixed interest rate	1,272,329	247,670	276,267	37,833,121	12,931,314	21,755,906	66,894,879	24,937,229	-	166,148,715
Non-interest	75,162	119,576	39,499,420	3,542,402	740,983	1,374,715	2,314,821	47,508	1,011,930	48,726,517
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	710,514	4,471,229	1,879,909	11,991,128	8,424,986	2,834,006		30,311,772
Loans and deposits from international financial institutions	-	-		3,388,406	397,176	6,323,536	16,955,207	971,787		28,036,112
Loans from the RA and CBA	-	-		179,018	3,622	49,649	5,852,723			6,085,012
Repurchase Agreements	-	-		23,081,584						23,081,584
Liabilities to customers	-	-	34,899,933	14,075,990	11,479,959	20,873,408	14,008,768	2,236,948		97,575,006
Subordinate borrowings										-
Liabilities on current taxes				378,088						378,088
Securities issued by the Bank				18,708		1,072,128	1,993,930			3,084,766
Amounts payable				236,472	46,411					282,883
Deferred tax liabilities				878,546						878,546
Reserves	-	-		42,257						42,257
Other liabilities	-	-	782,044	202,221	253	4,203	24	-	-	988,745
Off-balance sheet contingent liabilities				1,072,878	1,183,157	2,858,965	9,263,113			14,378,113
Total	-	-	36,392,491	48,025,397	14,990,487	43,173,017	56,498,751	6,042,741	-	205,122,884
including:										
I group foreign currency	-	-	12,648,511	13,498,278	6,836,567	28,200,327	26,461,400	3,146,789	-	90,791,872
II group foreign currency	-	-	427,470	306,545	423,141	350,497	91,308	-	-	1,598,961
Major Liabilities					21,579,421	136,246	49,649	5,854,463		27,619,779
including:										
By floating interest rate				6,653,735	7,711,109	20,917	2,440,350			16,826,111
By fixed interest rate	-	-	9,972,509	35,174,232	6,770,035	41,377,167	53,884,383	6,042,360	-	153,220,686
Non-interest	-	-	26,419,982	6,197,430	509,343	1,774,933	174,018	381		35,076,087
Net liquidity gap	1,347,491	367,246	3,821,203	(6,649,874)	(1,318,190)	(20,042,396)	12,710,949	18,941,996	1,011,930	10,190,355
including:										
I group foreign currency	299,947	269,224	6,014,914	(6,632,185)	(813,663)	(15,036,437)	6,041,055	9,874,319	140,265	157,439
II group foreign currency	-	-	891,016	(239,439)	(421,558)	(347,231)	(65,326)	-	-	(182,538)
Floating interest rate	-	-	438,007	(6,653,735)	(7,711,109)	(20,917)	(2,440,350)	-	-	(16,388,104)
Fixed interest rate	1,272,329	247,670	(9,696,242)	2,658,889	6,161,279	(19,621,261)	13,010,496	18,894,869	-	12,928,029
Accumulative liquidity gap	1,347,491	1,714,737	5,535,940	(1,113,934)	(2,432,124)	(22,474,520)	(9,763,571)	9,178,425	10,190,355	

Previous accounting period

31/12/2018

Thous. AMD

Item	Repayment date in									Termless	Total
	Non-performing	Overdue	On -demand	up to 3 months	3 -6 months	6-12 months	1-5 years	more than 5 years			
Cash and cash equivalents			36,186,028	2,000,986							38,187,014
Standardized precious metal bullions	-	-	116,058	-	-	-	-	-	-	-	116,058
Receivables to banks and other financial institutions				6,891,967	1,607,049	183,134	3,095,137	161,083	1,997,983		13,936,353
Reverse Repurchase Agreements	-	-		3,882,703							3,882,703
Financial assets at fair value recalculated through profit/loss				18,870							18,870
Loans and advances provided to customers rated at amortized value	647,982	237,497		15,017,474	16,255,327	16,216,225	61,031,891	24,033,561			133,439,957
Financial assets at fair value calculated through other comprehensive financial result				100,252	211,678	182,010	1,173,276	541,034	89,768		2,298,018
Securities pledged under repurchase agreements				17,454,208							17,454,208
Other receivables	13	-		73,657	3,295		217	483			77,665
Total											-
including:	647,995	237,497	36,302,086	45,440,117	18,077,349	16,581,369	65,300,521	24,736,161	2,087,751		209,410,846
I group foreign currency											
II group foreign currency	261,867	161,993	17,457,903	11,910,661	9,700,299	6,416,475	31,518,834	13,988,182	208,462		91,624,676
including:	-	-	1,308,814	293,540	626	1,337	14,141	-	3,021		1,621,479
By floating interest rate											
By fixed interest rate			540,056								540,056
Non-interest	647,982	237,497	220,981	44,047,140	18,054,565	16,539,184	65,033,664	24,599,946	1,994,962		171,375,921
On maturity of liabilities repayment	13	-	35,541,049	1,392,977	22,784	42,185	266,857	136,215	92,789		37,494,869
Liabilities to banks and other financial institutions	-	-									-
Loans and deposits from international financial institutions	-	-	1,197,680	5,851,180	4,309,846	12,386,214	8,232,128	2,108,747			34,085,795
Loans from the RA and CBA	-	-		349,797	3,177,574	6,068,147	13,013,362	1,450,809			24,059,689
REPO agreement	-	-		5,275	70,255	58,484	5,895,988				6,030,002
Liabilities to customers	-	-		20,519,048							20,519,048
Subordinate borrowings	-	-	39,186,370	12,396,868	9,848,257	20,463,896	11,830,458	2,128,232			95,854,081
Liabilities on current taxes				21,725				3,360,424			3,382,149
Securities issued by the Bank			273,836								273,836
Financial liabilities at fair value recalculated through profit/loss			26,421				2,034,539				2,060,960
Amounts payable			1,402								1,402
Deferred tax liabilities			280,380								280,380
Reserves			925,401								925,401
Other liabilities	-	-	61,891								61,891
Off-balance sheet contingent liabilities	-	-	961,140	258,870	518	5,740	-	-	-		1,226,268
Total				5,508,107	700,529	6,721,642	8,569,195	-	-		21,499,473
including:	-	-	42,914,521	44,910,870	18,106,979	45,704,123	49,575,670	9,048,212	-		210,260,375
I group foreign currency											-
II group foreign currency	-	-	15,004,087	12,446,325	10,060,828	26,980,803	23,221,052	6,195,894	-		93,908,989
Major Liabilities	-	-	503,572	424,683	248,615	436,718	81,313	-	-		1,694,901
including:			13812688		72,275	5,955,780					19,840,743
By floating interest rate											-
By fixed interest rate			10101728	4,231,924	101,104						14,434,756
Non-interest	-	-	10,764,668	37,412,330	20,193,520	45,916,216	29,443,922	7,597,403	-		162,672,422
Net liquidity gap	-	-	32,818,160	327,416	1,881	5,740	-	-	-		33,153,197
including:	647,995	237,497	(6,612,435)	529,247	(29,630)	(29,122,754)	15,724,851	15,687,949	2,087,751		(849,529)
I group foreign currency											-
II group foreign currency	261,867	161,993	2,453,816	(535,664)	(360,529)	(20,564,328)	8,297,782	7,792,288	208,462		(2,284,313)
By floating interest rate	-	-	805,242	(131,143)	(247,989)	(435,381)	(67,172)	-	3,021		(73,422)
By fixed interest rate	-	-	(9,561,672)	(4,231,924)	(101,104)	-	-	-	-		(13,894,700)
Accumulative liquidity gap	647,982	237,497	(10,543,687)	6,634,810	(2,138,955)	(29,377,032)	35,589,742	17,002,543	1,994,962		20,047,862
	647,995	885,492	(5,726,943)	(5,197,696)	(5,227,326)	(34,350,080)	(18,625,229)	(2,937,280)	(849,529)		

Note 33: "Capital and Capital Adequacy Ratio"



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

We present the structure of balance sheet capital:

	thous. AMD	
	31.03.2019	31.12.2018
Chartered capital	25,635,343	22,266,343
Emission income/loss		
Reserves:	7,453,077	7,374,540
Main reserve	3,000,000	3,000,000
Revaluation reserve	4,453,077	4,374,540
Undistributed profit/loss	4,223,013	3,550,947
Total capital	37,311,433	33,191,830

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

2019	Involved in calculation standards							
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %	
	1	2	3 (1+2)	4	5	6	7	
January	26,906,529	6,490,827	33,397,356	200,970,617	2,619,987	14.99	12	
February	27,000,876	6,639,226	33,640,102	205,658,127	2,607,664	14.79	12	
March	27,492,103	6,412,428	33,904,531	198,991,611	2,842,016	15.23	12	
2018	Involved in calculation standards							
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %	
	1	2	3 (1+2)	4	5	6	7	
	January	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	1,775,993,409	2,895,764	1.75	12
	June	24,486,179	8,024,985	32,511,164	178,105,489	2,931,788	16.05	12
	July	25,608,927	7,454,226	33,063,153	176,320,294	2,947,230	16.46	12
	August	25,832,738	7,611,498	33,444,236	177,374,129	2,849,681	16.63	12
	September	25,916,416	7,386,936	33,303,352	182,523,604	2,664,827	16.27	12
	October	25,965,103	7,455,384	33,420,487	187,015,180	2,647,373	15.98	12
November	26,177,739	7,361,071	33,538,810	190,171,448	2,537,621	15.87	12	
December	26,735,335	6,758,956	33,494,291	196,080,641	2,554,422	15.41	12	

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

Thous. AMD

As of 31.03.2019				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	68,189,726			-
10%	5,032,720			503,272
20%	868,587			173,717
30%	76,674			23,002
35%	3,655,241			1,279,334
50%	2,102,339			1,051,170
75%	1,428,502			1,071,377
100%	82,024,622	4,888,170		86,912,792
110%				-
150%	68,281,829	4,463,921	279,587	109,538,006
Total	231,660,240	9,352,091	279,587	200,552,669

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

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

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

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

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

As of 31.03.18 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

Customer deposits and bank accounts.

As of 31.03.19 the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35. "Hedging of Envisaged Future Transactions"

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

Note 36. "De-recognition"

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

Note 37. "Pledged assets"

As of 31.03.19, the Bank has no pledged assets.

Note 38. "Accepted Pledge"

As of 31.03.2019, there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

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

Thous. AMD

Collateral type	31/03/2019		31/12/2018	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	54,280,745	217,481,709	52,497,463	210,104,952
Car	1,224,861	6,149,310	1,306,453	6,192,910
Equipment	1,317,846	6,308,655	1,181,078	5,967,455
Ready made products	2,372,328	8,262,298	1,663,811	5,188,986
Guarantee	47,235,158	218,211,525	40,330,800	197,344,316
Monetary funds	1,005,588	1,428,029	556,889	964,047
Gold items	10,201,049	12,423,708	9,417,962	11,398,065
Other securities	92,899	391,551	287,512	773,543
Other pledge	14,597,058	23,521,076	13,896,413	22,179,624
No collateral available	2,935,766		14,094,449	
Total	135,263,298	494,177,861	135,232,830	460,113,898

Note 39: "Non-performance/Breach of Liabilities"

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

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan