

**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 2<sup>nd</sup> QUARTER OF 2020  
“ARMECONOMBANK” OJSC 23/1 AMIRYAN STR., YEREVAN**

**ARMECONOMBANK**

## **Note 1. “Legal Field and Corporate Governance”**

### **Legal Field**

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

The Head office of the Bank and 29 branches are located in Yerevan, another 22 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

### **Main Activities**

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

### **Business Environment**

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

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

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

### **Corporate Governance**

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

### **Chairman of the Board**

S. Sukiasyan

### **Members of the Board**

R. Hayrapetyan

A. Melikyan

L. Petrosyan

V. Khachatryan

H. Suvaryan

Per Fischer

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

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V. Jhangiryan

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

As of 30.06.2020, the Chartered capital amounts to AMD 25,955,663. It includes 1,883,333 common shares each with AMD 10,400 and 424,600 preferred shares with AMD 15,000 nominal value per share.

**Main Participants**

Sukiasyan Saribek Albert	27.86%
Sukiasyan Khachatur Albert	16.02%
Sukiasyan Eduard Albert	10.67%
Sukiasyan Robert Albert	17.07%

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

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

### **Payments to Statutory Auditors**

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

## **Note 2. “Accounting Policy”**

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

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

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

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

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

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

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

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

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

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

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day.

After adjusting the effective interest rate of the given loan, fees charged for the loans provision (along with the correspondent expenses) are charged back

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

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

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

### **Foreign Exchange Operations Accounting**

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

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances, etc.). When establishing the exchange rates, the rates operative in foreign exchange International market at that moment and those reflected in other systems are also taken into account, besides the aforementioned factors.

### **Tax Accounting**

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

The income tax of the accounting period comprises current and deferred taxes.

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

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts are recorded on the last working day of each quarter.

Income tax assets and liabilities are offset when the Bank:

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

### **Cash and Cash Equivalents**

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

The statement on cash flows is made by indirect method.

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

## Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Profit and loss occurred from the further measurement:

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

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

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

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

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

### **Repurchase Agreements**

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

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

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

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

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

### **Leases**

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

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

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

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

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

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

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

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

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

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

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

### **Financial Assets' Possible Loss Provision**

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

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

Pursuant to IFRS 9 :

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

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

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

Where:

BALANCE- balance amount of the given loan sub-portfolio

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

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

LGD – (loss-given-default) loss-given value based on the effective interest rate, when the loan becomes default  
EAD30 and EAD90 indicators are calculated for the loans included in Stage 1 and Stage 2 classes respectively.

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

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

### **Intangible Assets**

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

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Terms of useful services

Annual

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

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

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

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

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

Depreciation is not calculated for land.

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

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

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

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

The results of revaluation are reflected in the Bank’s balance sheet and Income statement in the manner prescribed by IFRS. The growth occurred in the outcome of revaluation is charged to the undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is

determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

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

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

### **Inventory**

The Bank’s inventory includes:

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

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

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

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

### **Settlements between the Bank and Branches**

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

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

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

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

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

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

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

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

### **Attracted Funds**

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

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

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

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

### **Consolidated Financial Statements**

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

### **Segment Statements**

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

### **Issued Corporate Bonds**

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

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

### **Comparable Information**

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

### **After Balance Sheet Date Events**

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

If the Bank reveals errors on its own,

Fundamental errors are revealed by an audit organization,

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

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

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

Interim Report  
On Financial Results  
30 June 2020  
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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	Item	Note	As of the end of the current interim period (unaudited)	As of the end of the previous financial year (unaudited)
<b>1</b>	<b>Assets</b>			
1.1	Cash and their equivalents	13	36,876,503	44,050,205
1.2	Standard bank precious metal bullions and coins		11,433	51,728
1.3	Due from banks and other financial institutions	14	10,531,547	14,189,783
1.4	Reverse repurchase agreement	14.1	7,338,373	6,222,111
1.5	Financial assets rated at actual value through profit or loss	15	3,758	7,522
1.5.1	Other financial assets rated at amortized value		482,166	479,397
1.6	Loans and advances provided to customers at amortized value	16	183,149,536	176,106,613
1.7	Financial assets at fair value rated through other comprehensive financial results	17	7,242,045	4,846,699
1.7.1	Securities pledged under repurchase agreement	17.1	28,481,409	20,180,825
1.9	Non-current assets held for sale		2,258,486	590,116
1.10	Fixed assets	20	11,048,920	10,902,317
1.10.1	Intangible assets	20	625,970	525,828
1.10.1	Right-of-use assets	20.1	1,263,382	1,359,929
1.12	Other assets	21	1,055,666	1,169,453
	<b>Total assets</b>		<b>290,369,194</b>	<b>280,682,526</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	36,856,079	45,909,492
2.2	Loans and deposits received from the international financial institutions	22.1	47,596,793	36,707,938
2.3	Loans received from the CBA and from the RA government	22.2	11,078,926	9,306,047
2.4	Repurchase agreement	22.3	27,404,623	25,623,028
2.5	Liabilities to Customers	23	113,741,167	113,366,878
2.6	Subordinate borrowing	23.1	726,072	719,787
2.7	Liabilities on current taxes		684,927	390,244
2.8	Securities issued by the Bank	24	4,471,812	4,452,356
2.9	Financial liabilities at fair value through profit or loss	25	5,079	9,313
2.10	Amounts payable	26	806,613	433,668
2.11	Deferred tax liabilities	11	1,073,824	922,445
2.12	Reserves	30	38,190	100,560
2.13	Lease liabilities	40	1,333,178	1,422,777
2.14	Other liabilities	27	1,573,072	1,860,284
	<b>Total liabilities</b>		<b>247,390,355</b>	<b>241,224,817</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	25,955,663	25,635,343
3.2	Emission income		180,180	
3.3	Reserves			
3.3.1	Main reserve		3,275,000	3,105,000
3.3.2	Revaluation reserve		5,582,811	5,241,704
3.4	Undistributed profit(loss)		7,985,185	5,475,662
	<b>Total capital</b>		<b>42,978,839</b>	<b>39,457,709</b>
	<b>Total liabilities and capital</b>		<b>290,369,194</b>	<b>280,682,526</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 July 2020

Interim Report  
On Financial Results  
"30" June 2020  
ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period	Accounting period (unaudited)	Comparable current interim previous period	Previous period (unaudited)
Interest and similar income	3	6,287,119	12,697,354	5,107,490	9,876,575
Interest and similar expenses	3	(3,167,041)	(6,159,914)	(2,623,484)	(5,132,029)
<b>Net interest and similar income</b>		<b>3,120,078</b>	<b>6,537,440</b>	<b>2,484,006</b>	<b>4,744,547</b>
Income as commissions and other fees	4	528,764	1,093,013	599,163	1,128,094
Expenses as commissions and other fees	4	(163,056)	(342,538)	(154,171)	(275,612)
<b>Net commission and other fees</b>		<b>365,708</b>	<b>750,475</b>	<b>444,992</b>	<b>852,482</b>
Net commercial income	5	1,238,437	1,782,914	537,802	1,005,340
Other operational income	6	65,211	149,640	57,239	113,405
<b>Operational income</b>		<b>4,789,434</b>	<b>9,220,469</b>	<b>3,524,039</b>	<b>6,715,773</b>
Net allocations to possible asset loss provisions	7	189,160	145,372	100,361	(93,451)
Total administrative expenses	8	(1,926,765)	(3,637,742)	(1,810,320)	(3,548,268)
Other operational income	9	(669,744)	(1,373,232)	(648,266)	(1,225,469)
<b>Operational profit</b>		<b>2,382,085</b>	<b>4,354,867</b>	<b>1,165,814</b>	<b>1,848,585</b>
<b>Profit/loss before taxation</b>		<b>2,382,085</b>	<b>4,354,867</b>	<b>1,165,814</b>	<b>1,848,585</b>
Profit tax expenses(compensation)	11	(639,289)	(902,798)	(285,924)	(421,747)
<b>Profit for period</b>		<b>1,742,796</b>	<b>3,452,069</b>	<b>879,890</b>	<b>1,426,838</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 July 2020

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

Thous. AMD

Name	Note	Current interim period	Accounting period (unaudited)	Comparable current interim previous period	Previous period (unaudited)
<b>Other comprehensive financial results</b>					
Revaluation of financial assets at fair value rated through other comprehensive financial results		591,916	441,301	23,631	(305,479)
Devaluation of financial assets at fair value rated through other comprehensive financial results after taxation		12,017	20,245	764	40,578
Profit from revaluation of non-current assets after taxation		(83,644)	7,725		394,415
Profit tax on the revaluation of financial assets at fair value rated through other comprehensive financial results		(150,185)	(79,434)	(4,726)	61,096
Other comprehensive financial result after taxation		370,104	389,836	19,669	190,610
<b>Comprehensive financial result</b>		<b>2,112,900</b>	<b>3,841,906</b>	<b>899,559</b>	<b>1,617,448</b>

Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 15 July 2020

Interim Report  
On Equity Changes  
30 June 2020

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Equity elements	Chartered capital		Emission income/loss	Main reserve	Revaluations of financial assets at fair value rated through other comprehensive financial results	Profit from revaluation of non-current assets	Undistributed profit(loss)	Total	Total capital
	Chartered capital	Net amount							
Articles	1	3	4	5	7	9	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)									
<i>Balance as of the beginning of the financial year as of 01 January 2019 (audited)</i>	22,266,343	22,266,343		3,000,000	1,501,220	3,055,334	3,190,420	33,013,317	33,013,317
Reserves amount from changes in IFRS	-	-	-	-	-	-	-	-	-
<b>Recalculated balance</b>	22,266,343	22,266,343	-	3,000,000	1,501,220	3,055,334	3,190,420	33,013,317	33,013,317
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	3,369,000	3,369,000						3,369,000	3,369,000
Investments in chartered capital and other increase of chartered capital	3,369,000	3,369,000						3,369,000	3,369,000
<b>Comprehensive income</b>		-	-	-	(203,803)	394,415	1,426,836	1,617,448	1,617,448
<b>Dividends</b>		-	-	-		-	(610,206)	(610,206)	(610,206)
<b>Deductions to main reserve</b>		-	-	105,000		-	(105,000)	-	-
Decrease of value from the revaluation of fixed and intangible assets		-				(76,360)	76,360	-	-
<i>Balance as of the end of the interim accounting period 30.06.2019(unaudited)</i>	25,635,343	25,635,343	-	3,105,000	1,297,417	3,373,389	3,978,410	37,389,559	37,389,559

Interim period of the current year (ascending from the beginning of the year) (II table)									
<i>Balance as of the beginning of the financial year as of 01 January 2020 (unaudited)</i>	25,635,343	25,635,343		3,105,000	1,832,155	3,409,549	5,475,662	39,457,709	39,457,709
Recalculated balance	25,635,343	25,635,343	-	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709	39,457,709
<b>Transactions with shareholders (owners) regarding to shares, including:</b>	320,320	320,320	180,180	-	-	-	-	500,500	500,500
Investments in chartered capital and other increase of chartered capital	320,320	320,320	180,180	-	-	-	-	500,500	500,500
<b>Comprehensive income</b>		-	-	-	382,112	7,725	3,452,069	3,841,906	3,841,906
<b>Dividends</b>		-	-	-		-	(821,276)	(821,276)	(821,276)
<b>Internal movements including:</b>	-	-	-	170,000		(48,729)	(121,271)	-	-
Decrease of value from the revaluation of fixed and intangible assets		-				(48,729)	48,729	-	-
Deductions to main reserve		-	-	170,000		-	(170,000)	-	-
<i>Balance as of the end of the interim accounting period 31.03.2020(unaudited)</i>	25,955,663	25,955,663	180,180	3,275,000	2,214,267	3,368,545	7,985,184	42,978,839	42,978,839

Chairman of the Executive Board (CEO)

A.Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 15 July 2020

Interim Report  
On the Cash Flows  
"30" June 2020

ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (audited)
<b>1. Cash flows from operations</b>			
<b>Profit for the year</b>		3,452,069	1,426,838
<i>Adjustments</i>			
Expenses on profit tax		902,798	421,747
Loss from depreciation of interest-bearing assets		(145,372)	93,451
Depreciation and amortisation		743,046	398,044
Gain/loss from disposal of fixed assets and intangible assets		(1,043)	(11,888)
Net pgain from foreign exchange		51,379	35,830
Net gain from financial assets available for sale		(1,521,452)	(317,533)
Other income		9,719	(16,933)
<b>Cash flows from operations before changes in operational assets and liabilities</b>		<b>3,491,144</b>	<b>2,029,556</b>
<b>Changes in operational assets or liabilities</b>			
<b>Increase/ decrease in operational assets</b>			
Due from financial institutions		3,606,465	866,499
Reverse repurchase agreements		(1,118,840)	(1,632,196)
Loans to customers		(8,143,619)	(13,375,919)
Other assets		183,863	487,033
Liabilities to financial institutions		(9,046,512)	(2,318,545)
Repurchase agreements		1,782,660	1,751,638
Liabilities to customers		479,398	3,975,539
Other liabilities		(303,109)	26,813
<b>Cash used in operations before taxation</b>		<b>(9,068,550.34)</b>	<b>(8,189,580.84)</b>
Paid profit tax		(528,421)	(622,190)
<b>Net cash used in operations</b>		<b>(9,596,971)</b>	<b>(8,811,771)</b>
<b>Cash flows from investments</b>			
Decrease(increase) of securities at fair value rated though profit/loss and available for sale		(9,174,478)	(2,744,779)
Decrease(increase)of other financial assets at amortized value			(470,537)
Acquisition of fixed assets		(554,871)	(558,298)
Proceeds from sale of fixed assets		1,212	66,197
Acquisition of intangible assets		(139,882)	(49,709)
<b>Net cash flows from investments (used)/(gained from)</b>		<b>(9,868,019)</b>	<b>(3,757,125)</b>
<b>Cash flows from financial operations</b>			
Loans from RA CB and RA Government		1,772,879	235,408
Proceeds/repayment of loans received from international financial institutions		11,122,115	7,434,117
Subordinated loan ( repayments)/proceeds			(3,367,904)
Increase (decrease) of securities issued by the Bank			2,198,017
Lease liabilities		(352,509)	
Issue of shares		500,500	
Dividends paid		(454,678)	(225,205)
<b>Net cash from financial operations</b>		<b>12,588,307</b>	<b>9,643,433</b>
Impact of foreign exchange on cash balances		(297,018)	(210,918)
<b>Net increase of cash and equivalents thereof</b>		<b>(7,173,702)</b>	<b>(3,136,381)</b>
<b>Cash and equivalents thereof as of the beginning of the period</b>	13_2	<b>44,050,205</b>	<b>38,194,407</b>
<b>Cash and equivalents thereof as of the end of the period</b>	13_2	<b>36,876,503</b>	<b>35,058,026</b>

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 15 July 2020

Note 3: "Net Interest and Similar Income"



THOUS. AMD				
Interest and similar income	01/10/2019-31/12/2019	01/01/2020-31/03/2020	01/10/2018-31/12/2018	01/01/2019-31/03/2019
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	158,070	353,889	171,153	297,347
Interest income from loans and advances to customers	5,343,461	10,857,208	4,294,343	8,356,915
Interest income from debt securities	666,319	1,252,532	543,575	1,038,632
Interest income from REPO agreements	102,228	207,390	89,157	165,701
Other interest income	21,733	26,335	9,262	17,980
<b>Total</b>	<b>6,291,811</b>	<b>12,697,354</b>	<b>5,107,490</b>	<b>9,876,575</b>
<b>Interest and Similar Expenses</b>				
Interest expenses from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	1,534,615	2,991,694	1,168,654	2,269,111
Interest expenses on terms deposits and current accounts of customers	1,199,479	2,412,902	1,076,746	2,107,388
Interest expenses under REPO agreements	294,091	527,013	324,521	576,022
Interest expenses on subordinated borrowings	10,866	21,679	-	84,558
Interest expenses against the interest securities issued by the Bank	71,156	142,363	53,563	90,841
Interest expenses on lease agreements	61,504	64,241	-	-
Other interest income	22	22	-	4,109
<b>Total</b>	<b>3,171,733</b>	<b>6,159,914</b>	<b>2,623,484</b>	<b>5,132,029</b>
<b>Net interest and similar income</b>	<b>3,120,078</b>	<b>6,537,440</b>	<b>2,484,006</b>	<b>4,744,546</b>

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



THOUS. AMD				
Commission and Other Fee Income	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
Cashier's operations	53,636	96,870	45,249	103,106
Settlement services	373,750	777,057	435,611	823,891
Guarantees, warranties, letters of credit operations, trust management operations	32,992	61,472	24,217	44,267
Foreign currency and security operations	2,126	2,463	945	1,020
Payment card servicing	33,829	68,849	35,141	62,479
Other commission fees	32,431	86,302	58,000	93,331
<b>Total</b>	<b>528,764</b>	<b>1,093,013</b>	<b>599,163</b>	<b>1,128,094</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	2,540	4,552	1,223	2,530
Expenses on payment card operations	88,309	186,748	67,440	127,674
Guarantees, warranties, letters of credit operations, trust management operations	14,656	28,921	6,671	13,364
Foreign currency and security operations	23,366	39,138	12,945	20,430
Other commission fees	34,185	83,179	65,892	111,614
<b>Total</b>	<b>163,056</b>	<b>342,538</b>	<b>154,171</b>	<b>275,612</b>
<b>Net commission and other fees received</b>	<b>365,708</b>	<b>750,475</b>	<b>444,992</b>	<b>852,482</b>

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



THOUS. AMD				
Financial assets rated at fair value through profit or loss	01/10/2019-31/12/2019	01/01/2020-31/03/2020	01/10/2018-31/12/2018	01/01/2019-31/03/2019
<b>Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including</b>	<b>24,276</b>	<b>79,401</b>	<b>128,647</b>	<b>222,816</b>
Shares	-	-	-	-
Debt Securities	-	-	-	-
Derivatives	24,276	79,401	128,647	222,816
<b>Net income from changes in real value of financial assets rated at fair value through profit or loss</b>	<b>18,693</b>	<b>(15,070)</b>	<b>(274,104)</b>	<b>7,839</b>
<b>Total</b>	<b>42,969</b>	<b>64,331</b>	<b>(145,457)</b>	<b>230,655</b>
<b>Investments at fair value rated through other comprehensive financial assets</b>				
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	946,823	1,136,543	233,937	379,317
Debt securities	946,823	1,136,543	233,937	379,317
Derivatives	-	-	-	-
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results	(45,803)	(55,408)	(52,055)	(61,784)
<b>Total</b>	<b>901,020</b>	<b>1,081,135</b>	<b>181,882</b>	<b>317,533</b>
<b>Foreign currency operations</b>				
Net income from foreign currency sale/purchase	341,459	679,696	255,748	481,617
Net income from the revaluation of foreign currency	(49,210)	(61,378)	238,591	(35,827)
Net income from the sale/purchase of precious standardized bullions and coins	1,759	3,779	1,129	2,268
Net income from the revaluation of precious standardized bullions and coins	440	5,351	5,909	9,094
<b>Total</b>	<b>294,448</b>	<b>637,448</b>	<b>501,377</b>	<b>457,152</b>
<b>Net income from commercial operations</b>	<b>1,238,437</b>	<b>1,782,914</b>	<b>537,802</b>	<b>1,005,340</b>

**Note 6 : "Other Operatioanl Income"**


THOUS. AMD

	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020	01/04/2019- 30/06/2019	01/01/2019- 30/06/2019
<b>Other operational expenses</b>				
Income from penalties and fines	51,336	111,823	37,451	78,181
Net income from disposal of fixed and intangible assets	434	1,043	6,961	11,888
Other income *	13,441	36,774	12,827	23,336
<b>Total</b>	<b>65,211</b>	<b>149,640</b>	<b>57,239</b>	<b>113,405</b>

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

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


THOUS. AMD

	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020	01/04/2019- 30/06/2019	01/01/2019- 30/06/2019
<b>Cash and cash equivalents (Note 13 )</b>				
Initial balance	3,069	28,031	13,414	7,729
Net deductions to reserve	(853)	(25,815)	(111)	5,574
Return of amounts previously charged to off balance item			-	
Usage of reserve				
<b>Summary balance</b>	<b>2,216</b>	<b>2,216</b>	<b>13,303</b>	<b>13,303</b>
<b>"Due to Banks and other Financial institutions" (Note 14)</b>				
Initial balance	78,095	48,815	13,414	157,780
Net deductions to reserve	(7,782)	21,498	141,744	(2,822)
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>70,313</b>	<b>70,313</b>	<b>155,158</b>	<b>155,158</b>
<b>From loans and advances to customers (Note 16)</b>				
Initial balance	2,245,002	2,086,927	2,031,019	1,508,428
Net deductions to reserve	(199,466)	(177,115)	(498,906)	36,701
Return of amounts previously charged to off balance item	34,462	71,096	52,082	107,517
Usage of reserve	(372,398)	(273,308)	(77,972)	(144,423)
<b>Summary balance</b>	<b>1,707,600</b>	<b>1,707,600</b>	<b>1,508,223</b>	<b>1,508,223</b>
<b>Financial assets rated at fair value through other comprehensive financial assets (Note 17)</b>				
Initial balance	61,342	53,599	42,257	227,486
Net deductions to reserve	15,638	23,381	235,986	50,757
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>76,980</b>	<b>76,980</b>	<b>278,243</b>	<b>278,243</b>
<b>On other assets (Note 21)</b>				
Initial balance	11,122	12,860	13,217	9,468
Net deductions to reserve	2,170	292	1,629	5,378
Return of amounts previously charged to off balance item	480	480	1,427	1,427
Usage of reserve	(651)	(651)	(78)	(78)
<b>Summary balance</b>	<b>12,858</b>	<b>13,632</b>	<b>9,468</b>	<b>16,273</b>
<b>Other financial assets rated at amortized value</b>				
Initial balance	2,189	2,195		
Net deductions to reserve		3		
Return of amounts previously charged to off balance item				
Usage of reserve				
<b>Summary balance</b>	<b>2,189</b>	<b>2,198</b>	<b>-</b>	<b>-</b>
<b>Post-balance sheet items containing loan exposures (note 30)</b>				
Initial balance	37,057	25,806	42,257	61,891
Net deductions to reserve	1,133	12,384	17,297	(2,337)
Usage of reserve				
<b>Summary balance</b>	<b>100,560</b>	<b>38,190</b>	<b>61,891</b>	<b>59,554</b>
<b>Total net deductions to reserve</b>	<b>(189,160)</b>	<b>(145,372)</b>	<b>(100,361)</b>	<b>93,451</b>

**Note 8 : "Total administrative expenses"**



Thous. AMD

	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020	01/04/2019- 30/06/2019	01/01/2019- 30/06/2019
<b>"Total administrative expenses"</b>				
Salary and similar payments	1,422,530	2,619,945	1,147,615	2,220,481
Training and tutorship expenses	2,790	3,705	75	623
Business trip expenses	1,014	8,982	11,858	18,125
Operational leases expenses	2,362	5,705	160,989	321,065
Insurance costs	34,685	71,080	35,879	68,130
Servicing and maintenance of the Bank's equipment	62,819	116,781	52,101	151,501
Maintenance and safekeeping of Bank buildings	196,293	377,933	167,382	337,490
Audit and consulting services	600	13,000	12,275	22,700
Communication and transmission costs	27,739	53,224	27,265	53,947
Transportation costs	27,047	60,921	37,889	71,750
Taxes (except income tax) penalties and other mandatory payments	65,034	126,267	97,142	171,173
Office and organizational expenses	40,589	68,106	39,769	66,099
Other administrative expenses	43,272	112,092	20,071	45,184
<b>Total</b>	<b>1,926,765</b>	<b>3,637,742</b>	<b>1,810,320</b>	<b>3,548,268</b>

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



	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020	01/04/2019- 30/06/2019	01/01/2019- 30/06/2019
Average number of Bank employees	844	842	823	817
Monthly average salary falling to a single employee (thousand AMD)	432	433	417	413

**Note 9 : "Other Operational Expenses"**



Thous. AMD

	01/04/2020- 30/06/2020	01/01/2020- 30/06/2020	01/04/2019- 30/06/2019	01/01/2019- 30/06/2019
<b>Other operational expenses</b>				
Paid fines and penalties	-	-	1,230	-
Payments made for collection	86,250	172,500	86,754	173,004
Advertising and representative expenses	87,137	205,683	162,862	329,211
Amortization costs of fixed assets and intangible assets	374,505	743,044	206,324	398,044
Allocations to the Fund of Recovery of Deposits	54,323	102,812	68,185	114,596
Other expenses	67,529	149,193	124,141	210,614
<b>Total</b>	<b>669,744</b>	<b>1,373,232</b>	<b>649,496</b>	<b>1,225,469</b>

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

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



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

**Note 11 : "Profit tax Expenses (Reimbursement)"**


Thous. AMD

Expenses on profit tax	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
Current tax expenses	819,444	823,105	249,704	450,373
Corrections of current taxes for the previous period recognized in the current period	-		35,100	42,477
Deferred tax expenses	(180,155)	79,693	1,120	(71,103)
<b>Total</b>	<b>639,289</b>	<b>902,798</b>	<b>285,924</b>	<b>421,747</b>

	01/04/2020-30/06/2020	Efficient rate (%)	01/01/2020-30/06/2020	Efficient rate (%)	01/04/2019-30/06/2019	Efficient rate (%)	01/01/2019-30/06/2019	Efficient rate (%)
Profit before taxation	2,382,085		4,354,867		1,165,814		1,848,585	
Profit tax with rate	428,775	18.00	783,876	18.00	233,163	20	369,717	20
Non-taxable income	-	-	(1,548)	(0.04)		0		0
Non-deductible expenses	203,526	0.09	114,882	0.03	66,279	5.69	5,987	0.32
Foreign currency negative/positive difference	8,858	0.00	9,248	0.00	(47,718)	-4.09	7,166	0.39
Adjustments of calculated tax expenses of the previous year	-				35,100	3.01	42,477	2.30
Other privileges	(1,870)	(0.00)	(3,660)	(0.00)	(900)	-0.08	(3,600)	-0.19
<b>Profit tax expenses</b>	<b>639,289</b>	<b>26.84</b>	<b>902,798</b>	<b>20.73</b>	<b>285,924</b>	<b>24.53</b>	<b>421,747</b>	<b>22.81</b>

**Calculation of deferred tax on temporary differences**


Thous. AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
<b>Deferred tax assets, including:</b>	<b>182,358</b>	<b>(66,219)</b>	<b>-</b>	<b>116,139</b>
Accrued expenses and other liabilities	77,324	38,815		116,139
Loans and borrowings to customers	99,971	(99,971)		-
Cash and their equivalents	5,063	(5,063)		-
<b>Deferred tax liabilities, including:</b>	<b>(1,104,803)</b>	<b>(13,474)</b>	<b>(71,686)</b>	<b>(1,189,963)</b>
Investment securities	(390,339)	(3,769)	(79,434)	(473,542)
Cash and their equivalents	-	(1,945)		(1,945)
Fixed assets	(653,914)	76,330	7,748	(569,836)
Loans and borrowings to customers	-	(108,163)		(108,163)
Contingent liabilities	(17,085)	(217)		(17,302)
Claims to banks and other financial institutions	(43,465)	24,290		(19,175)
<b>Net deferred tax asset/liability</b>	<b>(922,445)</b>	<b>(79,693)</b>	<b>(71,686)</b>	<b>(1,073,824)</b>

Thous. AMD

Basic profit falling to a single share	01/04/2020-30/06/2020	01/01/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2019-30/06/2019
Net profit of the accounting period after taxation	1,742,796	3,452,069	879,890	1,426,838
Dividends on preferential shares calculated for the current accounting period	222,304	444,609	222,304	332,327
Net gains(losses) of given period referring to owners of common shares	1,520,492	3,007,460	657,586	1,094,511
Net weighted average number of common shares in circulation during the given period	1,883,333	1,883,333	1,852,533	1,852,533
Basic profit falling to a single share	<b>0.81</b>	<b>1.60</b>	<b>0.35</b>	<b>0.59</b>

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

## Note 13 : Cash and cash equivalents



Thous. AMD

	30/06/2020	31/12/2019
<b>Cash and cash equivalents</b>		
Cash and cash equivalent payment documents	10,446,720	11,919,061
Correspondent accounts with the CBA	25,129,512	17,359,028
Deposit accounts with the CBA		9,999,999
Correspondent accounts with the the resident banks	69,441	358,021
Correspondent accounts with the the non-resident banks	1,233,022	4,439,926
Accrued interests	24	2,201
Reserves/IFRS/	(2,216)	(28,031)
<b>Cash and balances with the CBA</b>	<b>36,876,503</b>	<b>44,050,205</b>

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

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



Thous. AMD

	30/06/2020	31/12/2019
<b>Current accounts</b>		
Deposited funds with CBA	292,500	1,289,500
Accrued interest		
<b>Total</b>	<b>292,500</b>	<b>1,289,500</b>
<b>With RA banks</b>		
Loans and deposits	1,012,953	1,007,370
Other	80,120	152,380
<b>With banks having BBB(Baa3) and higher ratings</b>		
Other		
Loans and deposits		
<b>With banks having ratings lower than BBB (Baa3) or no rating at all</b>		
Loans and deposits		
Other	99,556	217,787
Accrued interest	3,342	435
<b>Total</b>	<b>1,195,971</b>	<b>1,377,972</b>
Possible loss provision for amounts due from banks (note 7)	(7,383)	(2,681)
<b>Net receivables to banks</b>	<b>1,481,088</b>	<b>2,664,791</b>

	30/06/2020	31/12/2019
<b>Loans and deposits with Financial Institutions, other receivables</b>		
<b>With RA Financial Institutions:</b>		
Loans and deposits	8,191,831	10,233,168
Other	539,184	882,716
<b>With Financial Institutions having BBB(Baa3) and higher ratings</b>		
Other		
<b>With Financial Institutions having a rating lower than BB(Baa3) or no rating at all</b>		
Other	358,374	424,138
Accrued interest	24,000	31,103
<b>Total</b>	<b>9,113,389</b>	<b>11,571,125</b>
Possible loss provision for receivables due to Financial Institutions	(62,930)	(46,133)
<b>Net receivables to Financial Institutions</b>	<b>9,050,459</b>	<b>11,524,992</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>10,531,547</b>	<b>14,189,783</b>

\*\* As of 31.12.2019 and 30.06.2020 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 115.715 (AMD 55272 thousand on 31.12.2019 and AMD 55816 thousand on 30.06.2020 ) in Visa International, USD 165.862 ( AMD 79.161 thousand on 31.12.2019, AMD 80.005 thousand on 30.06.2020) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

## Note 14.1 Reverse Repurchase Agreements



	30/06/2020	31/12/2019
<b>Reverse Repurchase Agreements</b>		
Reverse Repurchase Agreements with Financial Institutions	7,338,373	6,222,111
<b>Total</b>	<b>7,338,373</b>	<b>6,222,111</b>

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



Thous. AMD

	30/06/2020	31/12/2019
<b>Other financial assets recalculated at fair value through profit/loss</b>		
<b>Derivative Instruments</b>		
Forward		
Swap	3,758	7,522
<b>Total</b>	<b>3,758</b>	<b>7,522</b>

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

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



THOUS. AMD		
Loans and advances calculated at amortized value	30/06/2020	31/12/2019
Loans, including:	160,546,604	155,486,945
Mortgage loans	16,443,661	14,458,958
Credit cards	23,272,523	21,691,581
Accrued interest on the mentioned items	1,038,009	1,015,014
<b>Total loans</b>	<b>184,857,136</b>	<b>178,193,540</b>
Reserve for possible loss of customer loans and advances (note 7)	(1,707,600)	(2,086,927)
<b>Total loans and advances at amortized value</b>	<b>183,149,536</b>	<b>176,106,613</b>

THOUS. AMD		
Analyses of provided loans and advances per customers	30/06/2020	31/12/2019
<b>State industries</b>	<b>20,971</b>	<b>43,881</b>
Including business cards	67,708	98,616
<b>Individuals, including:</b>	<b>91,631,350</b>	<b>91,981,577</b>
Consumer loans	49,949,248	51,866,540
Mortgage loans	16,443,661	14,458,958
Credit cards	23,272,523	21,576,916
<b>Private entrepreneurs</b>	<b>13,849,820</b>	<b>13,688,777</b>
<b>Accrued interest</b>	<b>1,038,009</b>	<b>1,015,014</b>
<b>Total loans</b>	<b>184,857,136</b>	<b>178,193,539</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,707,600)	(2,086,927)
<b>Total loans and advances at amortized value</b>	<b>183,149,536</b>	<b>176,106,612</b>

Analyses of loans and advances provided to the customers per the groups of businesses (segments)	30/06/2020	31/12/2019
State and major enterprises	42,896,961	36,335,235
SME * sector, including	50,869,479	50,651,320
Agriculture	1,578,663	1,247,560
Housekeeping	90,052,687	90,191,970
Accrued interests	1,038,009	1,015,014
<b>Total loans and advances calculated at amortized value</b>	<b>184,857,136</b>	<b>178,193,539</b>
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,707,600)	(2,086,927)
<b>Total loans and advances calculated at amortized value</b>	<b>183,149,536</b>	<b>176,106,612</b>

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

THOUS. AMD		
Loan liabilities on 20 major borrowers and related parties /without reserve/	30/06/2020	31/12/2019
Customers' loans and advances calculated at amortized value	46,352,250	42,123,407
Balance of off-balance sheet contingent liabilities	6,245,279	5,444,472
<b>Total</b>	<b>52,597,529</b>	<b>47,567,879</b>
Loan investments	184,857,136	178,193,539
Ratio in portfolio	28.45%	26.69%
Total normative capital	41,285,156	32,270,581
Percentage ratio to capital	127.40%	147.40%
<b>Total</b>	<b>52,597,529</b>	<b>47,567,879</b>

	30/06/2020	
Loan Investments through International programs	Balance thousand AMD	Quantity
ADB/TFP/IBA/Asian Development Bank	192,225	7
ADB/TFP/RCA/Asian Development Bank	27,566	4
ADB/WESSD/Asian Development Bank	2,257,700	134
BlueOrchard/MSE/	3,568	1
BlueOrchard/MSME/	1,228,885	15
DEG/SME/	2,684,647	100
EBRD/WiB/European Bank for Reconstruction and Development RCA	2,642,231	3
EBRD/WiB/European Bank for Reconstruction and Development	3,411,539	253
FINSCA/MSE/Finethic SCA	103,576	9
GAF/ KfW /ENERGY	189,482	154
FMO/MSME/Retail/	2,727,496	63
GAF/KfW/SME	6,178,083	823
GAF/KfW/SME/ENERGY	201,725	27
GLS AI MFF/ME/ GLS Alternative Investments – Mikrofinanzfonds	2,271	2
INCOFINCVBA/MSE/	3,185,495	111
MSMEBondsSA/MSME/		
SICAV-SIF/ME1/Symbiotics Global Financial Inclusion Fund	358,545	86
EIB/APEX	569,042	14
SICAV-SIF/ME2/Symbiotics-Seb Microfinance Fund IV	5,257	2
BS/SME1	5,257	1
BS/SME3	1,632,943	57
EFA FIDF/SME	431,624	3
GLI/ME	29,503	2
<b>Total</b>	<b>28,068,660</b>	<b>1,871</b>

31/12/2019

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

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	30/06/2020	Percentage	31/12/2019
Industry	20,962,113	11.34	19,272,905
Agriculture	2,167,772	1.17	1,689,151
Construction	11,246,904	6.08	8,818,464
Transportation and communication	662,739	0.36	760,809
Commerce	36,851,665	19.94	35,642,628
Consumer	73,977,534	40.02	74,325,304
Mortgage loans	16,509,532	8.93	14,515,515
Service	10,413,333	5.63	11,377,898
Other	12,065,544	6.53	11,790,863
<b>Total</b>	<b>184,857,136</b>	<b>100</b>	<b>178,193,539</b>

Breakdown of loan portfolio per customer residency	30/06/2020	Percentage	31/12/2019
RA residents	182,111,527	99.43	175,031,705
Residents of countries with Baa33 and higher ratings including		-	27,397
Italy		-	27,397
Residents of countries with Baa33and lower ratings or no rating at all		-	32,496
Ukraine		-	597
-Russia		-	31,899
Accrued interest	1,038,009	0.57	1,015,014
<b>Total</b>	<b>183,149,536</b>	<b>100</b>	<b>176,106,612</b>

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

The structure of customers' loans and borrowings calculated at amortized value per classification stages /IFRS 9/	Stage1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
	Corporate loans	78,542,331	543,105	936	113	332,086
Loans to individuals and private entrepreneurs	105,548,808	695,135	41,723	9,564	391,252	201,502
<b>Total</b>	<b>184,091,139</b>	<b>1,238,240</b>	<b>42,659</b>	<b>9,677</b>	<b>723,338</b>	<b>459,683</b>

Depreciation reserve gaps of loans and advances to customers calculated at amortized value per	Stage 1 /non-depreciated and overdue up to 30 days /		Stage 2 /31-90 days overdue/		Stage 3 /overdue more than 90 days/	
	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve	Gross loans	Depreciation reserve
	Corporate loans	70,475,703	825,211			1,542,259.00
Loans to individuals and private entrepreneurs	105,730,671.00	762,672.00	136,515.00	47,488	308,391.00	276,429.00
<b>Total</b>	<b>176,206,374.00</b>	<b>1,587,883.00</b>	<b>136,515.00</b>	<b>47,488.00</b>	<b>1,850,650.00</b>	<b>451,556.00</b>

	30/06/2020			
	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	73,574,157	548,618	73,025,539	0.75%
Overdue			0	
1-30 days	7,965	117	7,848	1.47%
31- 60 days	9,709	3,080	6,629	31.72%
61- 90 days	26,273	6,416	19,857	24.42%
91-180 days	245,756	120,785	124,971	49.15%
180 and more	113674	62,627	51,047	55.09%
<b>Total</b>	<b>73,977,534</b>	<b>741,643</b>	<b>73,235,891</b>	<b>1.00%</b>
<b>Trade</b>				
Non-overdue	36,848,455	376,411	36,472,044	1.02%
Overdue			0	
1-30 days			0	#DIV/0!
31- 60 days			0	#DIV/0!
61- 90 days			0	
91-180 days	1,241	965	276	77.76%
180 and more	1,969	1,531	438	77.76%
<b>Total</b>	<b>36,851,665</b>	<b>378,907</b>	<b>36,472,758</b>	<b>1.03%</b>
<b>Production</b>				
Non-overdue	20,962,113	90,687	20,871,426	0.43%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
<b>Total</b>	<b>20,962,113</b>	<b>90,687</b>	<b>20,871,426</b>	<b>0.43%</b>
<b>Construction</b>				
Non-overdue	11,246,904	61,589	11,185,315	0.55%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>11,246,904</b>	<b>61,589</b>	<b>11,185,315</b>	<b>0.55%</b>
<b>Mortgage</b>				
Non-overdue	16,489,246	34,233	16,455,013	0.21%
Overdue				
1-30 days			0	
31- 60 days	6,249	327	5,922	5.23%
61- 90 days			0	#DIV/0!
91-180 days	14,038	9,419		
180 and more				
<b>Total</b>	<b>16,509,533</b>	<b>43,979</b>	<b>16,460,935</b>	<b>0.27%</b>
<b>Agriculture</b>				
Non-overdue	2,167,772	1,529	2,166,243	0.07%
Overdue				
1-30 days			0	
31- 60 days			0	#DIV/0!
61- 90 days			0	#DIV/0!
91-180 days			0	#DIV/0!
180 and more				
<b>Total</b>	<b>2,167,772</b>	<b>1,529</b>	<b>2,166,243</b>	<b>0.07%</b>
<b>Other fields</b>				
Non-overdue	22,809,895	131,962	22,677,933	0.58%
Overdue				
1-30 days			0	#DIV/0!
31- 60 days	936	113	823	12.07%
61- 90 days			0	
91-180 days	330,784	257,191	73,593	
180 and more			0	#DIV/0!
<b>Total</b>	<b>23,141,615</b>	<b>389,266</b>	<b>22,752,349</b>	<b>1.68%</b>
<b>TOTAL</b>	<b>184,857,136</b>	<b>1,707,600</b>	<b>183,144,917</b>	<b>0.92%</b>

31/12/2019

	Gross loans	Depreciation reserve	Net loans	Depreciation reserve on gross loans
<b>Consumer</b>				
Non-overdue	73,780,247	456,026	73,324,221	0.62%
Overdue				
1-30 days	146,478	2,534	143,944	1.73%
31- 60 days	69,150	26,009	43,141	37.61%
61- 90 days	69,335	24,961	44,374	36.00%
91-180 days	152,618	136,793	15,825	89.63%
180 and more	107476	96,332	247,284	89.63%
<b>Total</b>	<b>74,325,304</b>	<b>742,655</b>	<b>73,582,649</b>	<b>1.00%</b>
<b>Trade</b>				
Non-overdue	35,637,766	503,455	35,134,311	1.41%
Overdue			0	
1-30 days	2,945	41	2,904	1.39%
31- 60 days	1,294	485	809	
61- 90 days	623	234	389	37.56%
91-180 days				
180 and more			0	
<b>Total</b>	<b>35,642,628</b>	<b>504,215</b>	<b>35,138,413</b>	<b>1.41%</b>
<b>Production</b>				
Non-overdue	19,272,905	156,238	19,116,667	0.81%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more			0	
<b>Total</b>	<b>19,272,905</b>	<b>156,238</b>	<b>19,116,667</b>	<b>0.81%</b>
<b>Construction</b>				
Non-overdue	8,818,464	72,310	8,746,154	0.82%
Overdue				
1-30 days				
31- 60 days				
61- 90 days				
91-180 days				
180 and more				
<b>Total</b>	<b>8,818,464</b>	<b>72,310</b>	<b>8,746,154</b>	<b>0.82%</b>
<b>Mortgage</b>				
Non-overdue	14,504,931	41,547	14,463,384	0.29%
Overdue				
1-30 days	6,425	17		
31- 60 days	3,882	2,925	957	75.35%
61- 90 days	277	39	238	14.08%
91-180 days				
180 and more				
<b>Total</b>	<b>14,515,515</b>	<b>44,528</b>	<b>14,464,579</b>	<b>0.31%</b>
<b>Agriculture</b>				
Non-overdue	1,689,151	4,658	1,684,493	0.28%
Overdue				
1-30 days			0	
31- 60 days				
61- 90 days				
91-180 days				
<b>Total</b>	<b>1,689,151</b>	<b>4,658</b>	<b>1,684,493</b>	<b>0.28%</b>
<b>Other fields</b>				
Non-overdue	22,392,141	391,831	22,000,310	1.75%
Overdue				
1-30 days			0	
31- 60 days				
61- 90 days			0	
91-180 days	1,536,100	169,213	1,366,887	11.02%
180 and more	1,331	1,278	53	96.02%
<b>Total</b>	<b>23,929,572</b>	<b>562,322</b>	<b>23,367,250</b>	<b>2.35%</b>
<b>TOTAL</b>	<b>178,193,539</b>	<b>2,086,926</b>	<b>176,100,205</b>	<b>1.17%</b>

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


	Thous. AMD	
	30/06/2020	31/12/2019
<b>Government securities</b>		
RA Governmental T-bills	6,547,014	4,156,781
Reserve for RA Governmental T-bills		
<b>Total</b>	<b>6,547,014</b>	<b>4,156,781</b>

	30/06/2020		31/12/2019	
	listed	unlisted	listed	unlisted
<b>RA non-state securities</b>				
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Long term debt instruments	604,894		600,091	
Short term debt instruments				
Capital instruments		83,971		83,971
<b>Total non-state securities of RA</b>	<b>604,894</b>	<b>83,971</b>	<b>600,091</b>	<b>83,971</b>
Investments in RA non-governmental securities (reserve for possible losses)				
<b>Net Investments in RA non-governmental securities</b>	<b>604,894</b>	<b>83,971</b>	<b>600,091</b>	<b>83,971</b>

	30/06/2020		31/12/2019	
	listed	unlisted	listed	unlisted
<b>Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all</b>				
Capital instruments		6,166		5,856
<b>Total non-state securities of RA</b>	<b>-</b>	<b>6,166</b>	<b>-</b>	<b>5,856</b>
<b>Financial assets rated at fair value through other comprehensive financial assets</b>	<b>7,151,908</b>	<b>90,137</b>	<b>4,756,872</b>	<b>89,827</b>

**Investments in share capital of other entities as of 30.06.2020**

	Thous. AMD				
Name of entity	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	6,166	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	60,716	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58
<b>Total</b>				<b>90,137</b>	

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

**Note 17.1 : " Securities pledged under repurchase agreement"**

	Thous. AMD	
	30/06/2020	31/12/2019
<b>Assets</b>		
<b>Total pledged securities</b>	<b>28,481,409</b>	<b>26,984,273</b>
including:		
Pledged securities	28,481,409	20,180,825
Securities under REPO agreement		6,803,448
Reserve for pledged securities		
<b>Total</b>	<b>28,481,409</b>	<b>20,180,825</b>
Resources attracted under REPO agreement	27,404,623	25,623,028

**Note18. "Other financial assets calculated at amortized value"**


	30/06/2020	31/12/2019
Other financial assets calculated at amortized value	482,166	479,397
<b>Total</b>	<b>482,166</b>	<b>479,397</b>

**Note 19. "Investment in the chartered capital of the controlled entities"**


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

Note 20. "Fixed assets and intangible assets"

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets.	Right-of-use assets	Total
<b>Balance of the fixed assets as of the end of previous period 31/12/2019</b>	<b>8,061,614</b>	<b>3,592,885</b>	<b>754,974</b>	<b>2,108,298</b>	<b>11,611</b>	<b>446,416</b>	<b>1,944,243</b>	<b>16,920,041</b>
Increase		180,970	26,776	126,278	171,767	49,080	239,261	794,132
Disposal			(13,078)					(13,078)
Written-off						(3,150)	(217,490)	(220,640)
Reclassification	175,879	600			(176,479)			-
<b>Balance of fixed assets at the end of accounting period 31/03/2020</b>	<b>8,237,493</b>	<b>3,774,455</b>	<b>768,672</b>	<b>2,234,576</b>	<b>6,899</b>	<b>492,346</b>	<b>1,966,014</b>	<b>17,480,455</b>
<b>Balance of accumulated amortization at the end of the previous period 31/12/2019</b>	<b>208,842</b>	<b>2,149,756</b>	<b>337,256</b>	<b>1,264,039</b>	<b>-</b>	<b>113,588</b>	<b>584,314</b>	<b>4,657,795</b>
Increase	112,101	151,456	44,750	83,842		13,079	298,079	703,307
Disposal			(13,008)					(13,008)
Written-off of amortization						(182)	(179,761)	(179,943)
<b>Balance of accumulated amortization at the end of the accounting period 30/06/2020</b>	<b>320,943</b>	<b>2,301,212</b>	<b>368,998</b>	<b>1,347,881</b>	<b>-</b>	<b>126,485</b>	<b>702,632</b>	<b>5,168,151</b>
<b>Net balance sheet value</b>								<b>-</b>
<b>At the end of the accounting period</b>	<b>7,916,550</b>	<b>1,473,243</b>	<b>399,674</b>	<b>886,695</b>	<b>6,899</b>	<b>365,861</b>	<b>1,263,382</b>	<b>12,312,304</b>
<b>At the end of the previous accounting period</b>	<b>7,852,772</b>	<b>1,443,129</b>	<b>417,718</b>	<b>844,259</b>	<b>11,611</b>	<b>332,828</b>	<b>1,359,929</b>	<b>12,262,246</b>

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

**Intangible Assets**

Thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
<b>Balance of intangible assets at the end of the previous period 31/12/2019</b>	<b>301,286</b>	<b>416,953</b>	<b>206</b>	<b>30,606</b>	<b>60,000</b>	<b>809,051</b>
Increase		25,882			114,000	139,882
Reclassification	174,000				(174,000)	-
<b>Balance of intangible assets at the end of the accounting period 31/03/2020</b>	<b>475,286</b>	<b>442,835</b>	<b>206</b>	<b>30,606</b>	<b>-</b>	<b>948,933</b>
<b>Intangible balance of accumulated amortization at the end of previous period 31/12/2019</b>	<b>79,822</b>	<b>185,124</b>	<b>69</b>	<b>18,208</b>	<b>-</b>	<b>283,223</b>
Increase	13,615	24,558	7	1,560		39,740
Disposal						-
Reclassification						-
<b>Balance of accumulated amortization at the end of accounting period 31/12/2019</b>	<b>93,437</b>	<b>209,682</b>	<b>76</b>	<b>19,768</b>	<b>-</b>	<b>322,963</b>
<b>Net balance sheet value</b>						
<b>At the end of the accounting period</b>	<b>381,849</b>	<b>233,153</b>	<b>130</b>	<b>10,838</b>	<b>-</b>	<b>625,970</b>
<b>At the end of the previous accounting period</b>	<b>221,464</b>	<b>231,829</b>	<b>137</b>	<b>12,398</b>	<b>60,000</b>	<b>525,828</b>

As of 30.06.2020, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

## Note 21: "Other Assets"



Thous. AMD

	30/06/2020	31/12/2019
<b>Amounts receivable from bank operations</b>		
Amounts receivable from other operations	71,551	31,912
<b>Total</b>	<b>71,551</b>	<b>31,912</b>
Reserve for possible loss provision from bank operations (note 7)	(937)	(1,425)
<b>Net amounts receivable from bank operations</b>	<b>70,614</b>	<b>30,487</b>
<b>Debtor liabilities and prepayments</b>		
Debtor liabilities on the budget	35,182	59
Debtor liabilities to suppliers		
Prepayments to employees	5	89
Prepayments to suppliers	403,217	500,678
Prepayments on the budget and mandatory social insurance payments	18,042	6,304
Other debtor liabilities and prepayments	62,634	51,235
<b>Total</b>	<b>519,080</b>	<b>558,365</b>
Reserve for possible loss provision on other assets (note 7)	(5,190)	(5,584)
<b>Total</b>	<b>513,890</b>	<b>552,781</b>
Reserve	162,937	302,344
Sequestered pledge and available-for-sale assets		
Future period expenses	225,927	226,773
Other assets	89,152	62,917
Reserve for possible loss provision on other assets (note 7)	(6,854)	(5,849)
<b>Total</b>	<b>471,162</b>	<b>586,185</b>
<b>Total other assets</b>	<b>1,055,666</b>	<b>1,169,453</b>

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



Thous. AMD

	30/06/2020	31/12/2019
<b>Current accounts</b>		
RA Banks	1,744	1,735
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	20,790	20,793
Accrued interest		
<b>Total</b>	<b>22,534</b>	<b>22,528</b>
<b>Interbank loans and deposits, other</b>		
Other		
<b>RA banks</b>		
Loans and deposits	4,824,147	11,513,391
Other	352	406
<b>Banks having BBB(Baa3) and higher rating</b>		
Loans and deposits		
Other		
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>		
Loans and deposits	1,874,108	2,132,224
Other	61,713	114,405
Accrued interest	19,496	22,427
<b>Total</b>	<b>6,779,816</b>	<b>13,782,853</b>
<b>Financial Institutions</b>		
Current accounts	1,654,287	1,224,818
Loans and deposits	27,503,992	30,175,038
Other	38,590	75,567
Accrued interest	856,860	628,688
<b>Total</b>	<b>30,053,729</b>	<b>32,104,111</b>
<b>Total liabilities to banks and financial institutions</b>	<b>36,856,079</b>	<b>45,909,492</b>

Note 22.1 Loans and advances from international financial institutions



Loans attracted from financial institutions	Project	Currency	Term	30/06/2020	Currency	Term	31/12/2019
BlueOrchard	BlueOrchard/MSME	USD	1-4 years	4,821,931			
DEG	DEG/SME	USD	1-7 years	4,947,614	USD	1-7 years	4,926,242
European Bank for Reconstruction and Development	EBRD/WB	AMD	1-4 years	4,890,379			
European Bank for Reconstruction and Development	EBRD/WB	AMD	1-5 years	835,139	AMD	1-5 years	5,809,609
European Bank for Reconstruction and Development	EBRD/TFP/PCA	EUR	1-3 years	504,272			
European Bank for Reconstruction and Development	EBRD/TFP/PCA	EUR	1 less than a year	964,444	EUR	1 less than a year	1,266,267
EFA Financial Institution debt fund	EFA FIDE/SME	USD	1-3 years	1,204,105	USD	1-3 years	1,195,435
Global Impact Investments	GLI/ME	USD	1-4 years	1,466,966	USD	1-4 years	1,456,627
GLS ALTERNATIVE INVESTMENTS - MFF	GLS AI MFF/ME				USD	1-3 years	488,332
Incofin Investment Management	INCOFINCVBA/MSME	USD	1-4 years	3,220,141	USD	1-4 years	3,195,115
Incofin Investment Management	Incofin CVSO CVBA-SO/MSME	USD	1-4 years	1,495,986	USD	1-4 years	1,489,381
Dutch Development Bank	FMO/MSME/Green	EUR	1-5 years	2,713,261			
Dutch Development Bank	FMO/MSME/RETAIL	USD	1-5 years	9,533,439	USD	1-5 years	9,545,039
Symbiotics-SEB IV Microfinance Fund	SICAV-SIF/ME1	AMD	1-4 years	2,027,308	AMD	1-4 years	2,039,581
Symbiotics-Globe Financial Inclusion Fund	SICAV-SIF/ME2	AMD	1-4 years	506,827	AMD	1-4 years	509,895
Symbiotics Sicav (Lux)- Hortensia Impact Investing Fund	HIF/MSME	AMD	1-4 years	241,536	AMD	1-4 years	239,197
Symbiotics Sicav (Lux)- Global Financial Inclusion Fund	GFI/MSME	AMD	1-4 years	241,536	AMD	1-4 years	239,197
Symbiotics Sicav (Lux)-SEBMF Microfinance Fund VII	SEBMFV/MSME	AMD	1-4 years	1,932,289	AMD	1-4 years	1,913,576
Black Sea Trade and Development Bank (BSTDB)	BS/ME3	USD	1-5 years	4,904,535	USD	1-5 years	2,394,445
Asian Development Bank	ADB/TFP/PCA	USD	1 less than a year	1,145,084			
<b>Total</b>				<b>47,596,793</b>			<b>36,707,938</b>

Օւնթագրութիւն 22.2 ՀՀ Գնեստրոնական Բանկից և ՀՀ կառավարութիւնից ստացված վարկեր



Program	30/06/2020		31/12/2019	
	Loan amount	Accrued interest	Loan amount	Accrued interest
"Women Entrepreneurship Support and Development" loan	2,030,098	81,674	2,030,043	6,421
GAF/ RA SME lending project of European Investment Ba	574,500	7,039	304,970	4,004
GAF /Micro and Small Business Development Project of C	6,196,573	261,322	6,059,242	16,166
GAF "Renewable Energy Development" project	1,139,227	25,872	683,215	9,498
GAF "Access to finance for SMEs" project	107,396	4,168	144,374	609
<b>Total</b>	<b>10,047,793</b>	<b>380,076</b>	<b>9,221,844</b>	<b>36,698</b>

Note 22.3 REPO (repurchase) agreements



REPO (repurchase) agreements	30/06/2020	31/12/2019
REPO (repurchase) agreements with financial institutions	27,404,623	25,623,028
REPO (repurchase) agreements with financial institutions		
<b>Total</b>	<b>27,404,623</b>	<b>25,623,028</b>

**Note 23: "Liabilities to Customers"**

<b>RA resident corporate entities and institutions</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Current accounts	19,557,488	19,477,883
Term deposits	8,661,961	8,714,057
Other	805,105	817,179
Accrued interest	342,174	308,993
<b>Total</b>	<b>29,366,728</b>	<b>29,318,112</b>

<b>Non-resident corporate entities, institutions</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Current accounts	792,592	325,192
Deposits		26,376
Other	2	2
Accrued interest		651
<b>Total</b>	<b>792,594</b>	<b>352,221</b>

<b>RA resident private entrepreneurs</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Current accounts	836,582	980,188
Term deposit	-	-
Other	13,650	11,229
Accrued interest	66	-
<b>Total</b>	<b>850,298</b>	<b>991,417</b>

<b>RA resident individuals</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Current accounts	18,958,960	19,431,671
Term deposits	55,904,379	55,895,793
Other	900,345	628,773
Accrued interest	1,133,375	1,011,140
<b>Total</b>	<b>76,897,059</b>	<b>76,967,377</b>

<b>Non- resident individuals</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Current accounts	990,086	956,715
Term deposits	3,004,650	2,997,375
Other	1,787,082	1,724,391
Accrued interest	52,670	59,270
<b>Total</b>	<b>5,834,488</b>	<b>5,737,751</b>
<b>Total liabilities to customers</b>	<b>113,741,167</b>	<b>113,366,878</b>

As of 30.06.2020, the amount necessary to secure obligations was AMD 5.120.183 thousand.

As of 30.06.2020, the amount frozen by court order and tax authorities was AMD 3.067.538 thousand.

**Note 23.1 : "Subordinate Borrowing"**

As of 31.03.2020, the Bank attract subordiante borrowing` AMD 723.581

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

	<b>30/06/2020</b>	<b>31/12/2019</b>
Interest securities issued by the Bank	4,471,812	4,452,356
<b>Total</b>	<b>4,471,812</b>	<b>4,452,356</b>

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

Thous.AMD

Financial liability at fair value recalculated through profit/loss	30/06/2020	31/12/2019
<b>Derivative instruments</b>		
Swap	5,079	9,313
Forward		
Other		
<b>Total</b>	<b>5,079</b>	<b>9,313</b>

**Note 26: "Amounts Payable"**

Thous.AMD

Amounts payable	30/06/2020	31/12/2019
Dividends	752,290	385,694
For insurance of deposit	54,323	47,974
<b>Total</b>	<b>806,613</b>	<b>433,668</b>

**Note 27: " Other Liabilities"**

Thous.AMD

Other Liabilities	30/06/2020	31/12/2019
On income tax of non-resident	64,521	57,332
On VAT	2,275	5,503
On other taxes and penalties	114,616	225,596
Salary liabilities to employees	1,244,014	817,804
Credit debts to suppliers	82,543	115,909
Other liabilities	65,103	638,140
<b>Balance at the end of the period</b>	<b>1,573,072</b>	<b>1,860,284</b>

**Note 28: "Chartered capital"**

The Bank's registered and fully paid share capital totals AMD 25,955,663 thous., including 1,883,333 common shares with a nominal value of AMD 10,400 per share and 424,600 preference shares with a nominal value of AMD 15,000 per share. The chart below shows

Name of the major shareholder	Participation amount	The size of participation in
Sukiasyan Saribek Albert	5,457,078	27.86%
Sukiasyan Khachatur Albert	3,138,533	16.02%
Sukiasyan Eduard Albert	2,089,558	10.67%
Sukiasyan Robert Albert	3,343,174	17.07%

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

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

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

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



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

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

	30/06/2020	31/12/2019
Unutilized credit lines	5,659,520	6,092,716
Provided guarantees	7,771,904	5,979,486
Provided letters of credit		
Reserve on the mentioned items (note 7)	(38,190)	(100,560)

### Liabilities on operational leases

Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		593,880
1-5 years		2,114,165
more than 5 years		118,389
<b>Total</b>	<b>0</b>	<b>2,826,434</b>

## Note 31 : "Transactions with Related Parties"



In the context of the present note the Bank's related parties are the Bank management, shareholders, entities related to them in the prescribed order set forth by RA law on the "Banks and Banking".

The Bank management comprises the Chairman of the Bank's Board, Deputy Chairman of the Board and the members of the Board, the Chief Executive Officer, the Deputy Chief Executive Officer, Chief Accountant, Deputy Chief Accountant, Head of Internal Audit Department, employees of Internal Audit Department, members of the Bank administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank's subdivisions, heads of the Bank's administration, departments and divisions

The transactions with the Bank related parties have been made on the basis of the current market conditions and interest rates.

Thous.AMD

Loans and advances at amortized value to the Bank related parties	30/06/2020	31/12/2019
Bank shareholder	3,350,182	2,958,344
Bank management	107,390	127,519
Financial institutions	372,884	50,145
<b>Total</b>	<b>3,830,456</b>	<b>3,136,008</b>
<b>Interest income</b>	<b>187,449</b>	<b>301,095</b>

Facilities attracted from Bank related entities	30/06/2020	31/12/2018
Bank shareholder	775,676	662,997
Bank management	90,615	85,719
Financial institutions	195,704	190,942
<b>Total</b>	<b>1,061,995</b>	<b>939,658</b>
<b>Interest expense</b>	<b>17,716</b>	<b>27,045</b>
Salary or Similar Payment to the Bank Management	30/06/2020	31/12/2018
<b>Board</b>	<b>112,545</b>	<b>283,966</b>
Salary	112,545	268,066
Awarding		15,900
<b>Executive body</b>	<b>188,022</b>	<b>375,836</b>
Salary	188,022	346,950
Awarding		28,886
<b>Internal Audit</b>	<b>45,937</b>	<b>95,988</b>
Salary	45,937	88,286
Awarding		7,702
<b>Total</b>	<b>346,504</b>	<b>755,790</b>

*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*

## **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

## **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

#### **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.

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Item	RA	CIS countries	OECD* countries*	Non-OECD* countries	Total
<b>Assets</b>					
Cash and balances with the CBA	35,656,040	495,691	623,558	101,214	36,876,503
Standard bank precious metal bullions and coins	11,433				11,433
Due from banks and other financial institutions	10,027,849	70,720	418,421	14,557	10,531,547
Reverse repurchase agreements	7,338,373				7,338,373
Financial assets at fair value recalculated through profit/loss		3,758			3,758
Customers' loans and advances rated at amortized value	183,149,536				183,149,536
Securities at fair value rated through other comprehensive financial results	7,235,879		6,166		7,242,045
Securities pledged under repurchase agreement	28,481,409				28,481,409
Other financial assets carried at amortized cost	482,166				482,166
Other assets	69,520		1,094		70,614
<b>Total assets</b>	<b>272,452,205</b>	<b>570,169</b>	<b>1,049,239</b>	<b>115,771</b>	<b>274,187,384</b>

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Item	RA	CIS countries	OECD* countries*	Non-OECD* countries»	Total
<b>Assets</b>					
Cash and balances with the CBA	39,712,575	3,303,175	928,587	105,868	44,050,205
Standard bank precious metal bullions and coins	51,728				51,728
Due from banks and other financial institutions	13,656,692	171,087	357,267	4,737	14,189,783
Reverse repurchase agreements	6,222,111				6,222,111
Financial assets at fair value recalculated through profit/loss	18	7,504			7,522
Customers' loans and advances rated at amortized value	176,073,905	5,373	27,335		176,106,613
Securities pledged under repurchase agreement	20,180,825				20,180,825
Securities at fair value rated through other comprehensive financial results	4,840,843		5,856		4,846,699
Other financial assets carried at amortized cost	479,397				479,397
Other assets	137,366		1,095		138,461
<b>Total assets</b>	<b>261,355,460</b>	<b>3,487,139</b>	<b>1,320,139</b>	<b>110,605</b>	<b>266,273,344</b>

## Loans allocated in the territory of RA per RA regions:

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RA regions	30/06/2020	31/12/2019
Yerevan	126,547,688	120,477,596
Kotayk	14,973,555	2,109,613
Lori	7,863,434	8,163,889
Gegharkunik	6,609,382	5,231,239
Shirak	6,025,948	5,861,768
Armavir	5,548,771	7,707,320
Ararat	4,971,260	11,816,476
Syunik	4,235,136	5,753,548
Artsakh	1,977,187	4,138,718
Aragatsotn	1,936,067	1,332,659
Vayots Dzor	1,329,052	1,193,252
Tavush	1,132,056	2,320,534
<b>Total</b>	<b>183,149,536</b>	<b>176,106,613</b>

## Credit Risk Analysis

- 1) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.
- 2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.06.2020 did not exceed 9.49%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.
- 3) As of 30.06.2020, loan investments without reserves amounted to AMD 184.857.136. As of 30.06.2020, the volume of loans in the Stage 2, Stage 3 amounted to AMD 765.997 thousand.
- 4) The provisioning of loan portfolio corresponds to the requirements of IFRS.
- 5) The volume of repo transactions (except extensions) affected in the 2 nd quarter of 2020 was AMD 292,473,843 against AMD 205,843,703 of the same period of the previous year. Reverse repo transactions in the 2 nd quarter of 2020, made AMD 18,827,754 against AMD 14,947,486 of the same period of the previous year.
- 6) The lending procedure at "ARMECONOMBANK" OJSC is performed by a dedicated team of employees with excellent professional qualification and work experience. The engagement of employees is made via competitive examination held by a special competition committee. The announcements of competitions are placed in mass media and in the Bank's Website.

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

The balance sheet compiled by the Bank specialist reflects the situation at the time when the analysis is made liquid assets/cash in the pay desk, bank accounts, savings/ accounts receivables/receivable amounts, goods on transit, prepayments made/ ,good supplies/raw materials, half ready goods, goods, fixed assets/equipments related to customers business activity, cars, real estate and other property/. The statement of income /expenses is compiled, taking into account the average indicators of customers disposal/average data/, value of goods and services/cost of raw materials, prime cost of goods/, surplus costs/salary, rental fee, transportation expenses, communal expenses, taxes, etc., other income expenses, repayments of extendable loan principal and interest.

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

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

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

Two types of monitoring are performed:

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

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.

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Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2020 I Q	1,523.89	64.55	80.32	218.99	30.42	1.51	536.51	330.85	17.04	1,700.08
2020 II Q	1,588.95	82.60	137.13	100.58	22.07	3.36	912.39	590.88	10.87	2,086.11
increase/decrease	65.07	18.05	56.80	-118.41	-8.35	1.85	375.88	260.02	-6.17	386.02

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

	30/06/2020					Thous.AMD	
	AMD	USD	EUR	RUB	Other currency	Total	
Cash and their equivalents	19,840,276	12,658,045	3,260,253	1,043,055	74,874	36,876,503	
Bank standardized bullions of precious metals and coins	443				10,990	11,433	
Receivables to banks and other financial institutions	936,220	4,064,922	5,438,519	91,886		10,531,547	
Reverse Repurchase Agreements	6,929,408	408,965				7,338,373	
Financial instruments at fair value through profit or loss	3,758					3,758	
Loans and advances to customers calculated at amortized value	108,338,917	58,031,502	16,725,991	53,126		183,149,536	
Financial instruments at fair value recalculated through profit/loss	7,242,045					7,242,045	
Securities pledged under repurchase agreements	28,481,409					28,481,409	
Other financial assets calculated at amortized value		482,166				482,166	
Other assets	60,434	7,388	2,150	95	547	70,614	
<b>Total assets</b>	<b>171,832,910</b>	<b>75,652,988</b>	<b>25,426,913</b>	<b>1,188,162</b>	<b>86,411</b>	<b>274,187,383</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	25,241,862	5,644,233	5,951,541	18,394	49	36,856,079	
Loans and deposits from international financial institutions	10,336,361	32,990,059	4,270,372		1	47,596,793	
Loans from the CBA and RA	11,078,926					11,078,926	
REPO agreements	27,211,559	193,064				27,404,623	
Liabilities to Customers	63,683,621	42,844,655	5,109,296	2,081,303	22,292	113,741,167	
Subordinate borrowing		726,072				726,072	
Liabilities on current taxes	684,927					684,927	
Securities issued by the Bank	1,017,370	3,454,442				4,471,812	
Financial liabilities at fair value recalculated through profit/loss	5,079					5,079	
Amount payable	806,613					806,613	
Deferred tax liabilities	1,073,824					1,073,824	
Other liabilities	1,502,019	59,014	11,110	834	95	1,573,072	
<b>Total liabilities</b>	<b>142,642,161</b>	<b>85,911,539</b>	<b>15,342,319</b>	<b>2,100,531</b>	<b>22,437</b>	<b>246,018,987</b>	
<b>Balance-sheet open position</b>	<b>29,190,749</b>	<b>(10,258,552)</b>	<b>10,084,594</b>	<b>(912,369)</b>	<b>63,974</b>	<b>28,168,396</b>	
Financial liabilities at fair value recalculated through profit/loss							
<b>Aggregately payable currency derivatives</b>	<b>2,008,876</b>	<b>8,739,230</b>	<b>(11,622,450)</b>	<b>868,984</b>	<b>(34,288)</b>	<b>(39,649)</b>	
<b>Net position</b>	<b>31,199,625</b>	<b>(1,519,322)</b>	<b>(1,537,856)</b>	<b>(43,385)</b>	<b>29,686</b>	<b>28,128,747</b>	

	31/12/2019					Thous.AMD	
	AMD	USD	EUR	RUB	Other currency	Total	
<b>Assets</b>							
Cash and their equivalents	26,162,041	10,367,416	5,941,477	1,493,478	85,793	44,050,205	
Bank standardized bullions of precious metals and coins	443				51,285	51,728	
Receivables to banks and other financial institutions	2,283,747	5,395,461	6,241,301	269,274		14,189,783	
Reverse Repurchase Agreements	5,775,586	446,525				6,222,111	
Loans and advances to customers calculated at amortized value	100,762,124	59,253,818	16,035,097	55,574		176,106,613	
Financial instruments measured at fair value through profit or loss	4,351,769	440,819	54,111			4,846,699	
Securities at fair value rated through other comprehensive financial						-	
Securities pledged under repurchase agreement	20,180,825					20,180,825	
Other financial assets calculated at amortized value		480,260				480,260	
Other assets	130,747	4,754	2,135	49	776	138,461	
<b>Other assets</b>	<b>159,647,282</b>	<b>76,389,053</b>	<b>28,274,120</b>	<b>1,818,375</b>	<b>137,854</b>	<b>266,266,685</b>	
<b>Liabilities</b>							
Liabilities to the banks and other financial institutions	20,645,443	10,476,588	14,732,825	53,603	1,033	45,909,492	
Loans and deposits from international financial institutions	10,544,794	24,896,877	1,266,267			36,707,938	
Loans from the CBA and RA	9,306,047					9,306,047	
REPO agreements	25,431,006	192,022				25,623,028	
Liabilities to Customers	61,821,829	44,292,833	5,663,840	1,571,026	17,350	113,366,878	
Subordinated borrowing	719,787					719,787	
Liabilities on current taxes	390,243					390,243	
Securities issued by the Bank	1,016,771	3,435,585				4,452,356	
Amount payable	433,668					433,668	
Deferred tax liabilities	922,445					922,445	
Other liabilities	1,760,681	57,889	6,775	810	49	1,826,204	
<b>Other liabilities</b>	<b>132,992,714</b>	<b>83,351,794</b>	<b>21,669,707</b>	<b>1,625,439</b>	<b>18,432</b>	<b>239,658,086</b>	
<b>Balance-sheet open position</b>	<b>26,654,568</b>	<b>(6,962,741)</b>	<b>6,604,414</b>	<b>192,936</b>	<b>119,422</b>	<b>26,608,599</b>	
Financial liabilities at fair value recalculated through profit/loss							
<b>Aggregately payable currency derivatives</b>	<b>62,379</b>	<b>6,836,724</b>	<b>(6,850,065)</b>	<b>1,377</b>	<b>(52,205)</b>	<b>(1,790)</b>	
<b>Open position</b>	<b>26,716,947</b>	<b>(126,017)</b>	<b>(245,651)</b>	<b>194,313</b>	<b>67,217</b>	<b>26,606,809</b>	

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

\*\*II group foreign currency\*\* comprises: RUB, 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 2 nd quarter of 2020 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 22,865,609 thousand against AMD 17,855,840 thousand of the same period of the previous year by decreasing in absolute value by AMD 5,009,769 or 28.1%, that is in average the Bank was sensitive to liabilities in the 2 nd quarter of 2020. In the 2 nd quarter of 2020, the average accumulated disbalance has increased in absolute value by AMD 5,482,979 thousand or by 31.5% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2 nd quarter of 2020 has decreased by 0.4 percentage point, forming 111.3% against 110.9% average value of the 2 nd quarter of 2019, that is in 2 nd quarter of 2020 the assets sensitive to interest rate changes have formed 111.3% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 2 nd quarter of 2020 was 1.727 year (against the 1.5279 year as of the 2 nd quarter of 2019) as it increased by 0.148 year or by 9.4% , as compared with the end of the previous quarter (1.688 year) the mentioned indicator has increased by 0.038 year or 2.3%.

The duration of liabilities as of the end of the 2 nd quarter of 2020 was 0.971 year (against 0.902 year of the 2 nd quarter of 2019) increasing by 0.069 year or 7.7%. In correlation with the end of the previous quarter (1.063) the indicator has increased by -0.092 year or 8.6%.

The duration gap as of the end of the 2 nd quarter of 2020 was 0.877 (against 0.783 of the 2 nd quarter of 2019) increasing by 0.094 or 12.1%. In correlation with the end of previous quarter (0.762) the indicator has increased by 0.116 or 15.2%.

### Assets and Liabilities with changing interest rates

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												
Cash and their equivalents		186279										
<b>Total</b>	-	<b>186279</b>	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- Loans			137,426	482,360	137,426	135,110	1,102,826	1,645,417	4,413,461	13,915,272		
<b>Total</b>	-	-	<b>137,426</b>	<b>482,360</b>	<b>137,426</b>	<b>135,110</b>	-	<b>1,645,417</b>	-	<b>13,915,272</b>	-	-
<b>Net position</b>	-	<b>186,279</b>	<b>(137,426)</b>	<b>(482,360)</b>	<b>(137,426)</b>	<b>(135,110)</b>	-	<b>(1,645,417)</b>	-	<b>(13,915,272)</b>	-	-

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Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers rated at amortized value												
<b>Total</b>												
Resources attracted												
Liabilities to banks and other financial												
-Loans	4,797,000		4,797,000			6,732,107				2,440,350		
<b>Total</b>	<b>4,797,000</b>	-	<b>4,797,000</b>	-	-	<b>6,732,107</b>	-	-	-	<b>2,440,350</b>	-	-
<b>Net position</b>	<b>(4,797,000)</b>	-	<b>(4,797,000)</b>	-	-	<b>(6,732,107)</b>	-	-	-	<b>(2,440,350)</b>	-	-

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

Item	Interest rates of accounting period: 31/03/2020		Interest rates of accounting period: 31/12/2019	
	AMD	Foreign currency	AMD	Foreign currency
<b>Assets</b>				
Balance at CBA			4.08	-
Receivables to banks and other financial institutions, including:	6.39	1.23	6.62	1.22
- Interbank Loans		1.76		1.76
-Interbank REPO	5.97		6.17	
Loans and advances provided to customers rated at amortized value	13.89	8.42	13.06	8.46
Financial instruments at fair value through profit or loss	9.11	6.95	10.36	6.95
<b>Liabilities</b>				
Liabilities to banks and other financial	7.06	4.34	7.39	3.47
Liabilities to Customers	5.56	3.56	5.33	3.46

### 3)Description of models

#### Foreign Currency Risk

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

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

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

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

#### Interest Rate Risk

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

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

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

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

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

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

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

On the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk.

Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of

#### Price Risk

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

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

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

## **Liquidity Risk**

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

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

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

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

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

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

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

1. Preterm withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities).

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of the breaches of the standards gives an opportunity to get accurate assessments of the Bank's liquidity risk through the analysis of the impact of call in of Individuals term deposits and on-demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

**3) Determination of the allowable level of liquidity risk - quantitative analysis and assessment of risk**  
**Liquidity Risk Assessment**



Over the 2 nd quarter of 2020, instant liquidity, up to 90 days accumulative and general (up to one year accumulative) liquidity indicators have decreased by 5.2, 40.5 and 35.39 percentage point respectively.

Accounting period		30/06/2020								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	-	-	36,876,480	24	-	-	-	-	-	36,876,480	
Standardized precious metal bullions and coins	-	-	11,433	-	-	-	-	-	-	11,433	
Receivables to banks and other financial institutions	-	-	59,081	4,006,865	4,801,744	502,347	733,187	-	428,322	10,631,647	
Reverse Repurchase Agreements	-	-	-	7,338,373	-	-	-	-	-	7,338,373	
Financial assets at fair value recalculated through profit/loss	-	-	-	3,758	-	-	-	-	-	3,758	
Other financial assets calculated at amortized value	-	-	-	-	-	482,168	-	-	-	482,168	
Loans and advances provided to customers rated at amortized value	341,673	313,489	-	18,281,004	13,445,888	21,393,606	94,327,562	35,046,314	-	183,149,636	
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	2,919	4,478	604,703	3,806,008	2,733,801	90,137	7,242,048	
Securities pledged under repurchase agreements	-	-	-	28,481,409	-	-	-	-	-	28,481,409	
Other receivables	479	-	2,683	67,453	-	-	-	-	-	70,615	
<b>Total</b>	<b>342,152</b>	<b>313,489</b>	<b>36,949,677</b>	<b>58,181,805</b>	<b>18,282,111</b>	<b>22,082,822</b>	<b>98,886,757</b>	<b>37,780,115</b>	<b>518,459</b>	<b>274,187,387</b>	
including:											
I group foreign currency	59,034	173,216	16,043,778	9,703,021	8,197,016	6,987,201	43,730,023	16,642,122	135,822	101,671,233	
II group foreign currency	-	-	1,075,721	95,182	2,966	5,996	40,989	-	-	1,220,854	
including:											
By floating interest rate	-	-	186,279	-	-	-	-	-	-	186,279	
By fixed interest rate	341,673	313,489	342,610	57,336,038	18,149,458	22,982,822	98,866,757	37,780,115	90,137	236,208,100	
Non-interest	1,940	-	36,420,788	933,880	66	-	-	-	428,322	37,784,996	
On maturity of liabilities repayment											
Liabilities to banks and other financial institutions	-	-	1,759,660	3,447,022	9,878,851	3,496,852	12,561,522	5,714,173	-	38,866,078	
Loans and deposits from international financial institutions	-	-	-	1,709,120	2,533,956	7,322,449	36,031,268	-	-	47,596,793	
Loans from the RA Government and CBA	-	-	277,103	303,706	1,281,422	600,676	8,105,323	510,695	-	11,078,629	
Repurchase Agreements	-	-	-	27,404,623	-	-	-	-	-	27,404,623	
Liabilities to customers	-	-	44,632,418	17,783,926	11,895,951	22,060,507	16,774,527	593,840	0	113,741,186	
Subordinate borrowings	-	-	-	2,491	-	-	-	723,581	-	728,072	
Securities issued by the Bank	-	-	-	1,010,933	-	-	3,460,879	-	-	4,471,812	
Liabilities on current taxes	-	-	-	-	-	684,928	-	-	-	684,928	
Financial liabilities at fair value rated through profit/loss	-	-	-	5,079	-	-	-	-	-	5,079	
Amounts payable	-	-	529,086	276,827	-	-	-	-	-	805,913	
Other liabilities	-	-	1,373,985	178,678	679	1,518	18,211	-	-	1,873,072	
Off-balance sheet contingent liabilities	-	-	-	1,245,260	2,162,933	3,661,610	6,361,621	-	-	13,431,424	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>48,673,183</b>	<b>53,387,468</b>	<b>27,761,791</b>	<b>37,828,640</b>	<b>83,313,351</b>	<b>7,642,288</b>	<b>0</b>	<b>288,376,689</b>	
including:											
I group foreign currency	-	-	14,413,440	13,081,385	12,817,820	15,091,028	44,427,859	1,284,179	-	101,785,612	
II group foreign currency	-	-	734,669	606,763	318,643	303,773	200,188	-	-	2,186,026	
including:											
Major Liabilities	-	-	-	25,245,659	1,175,798	1,147,488	12,054,179	7,897,198	-	47,620,213	
By floating interest rate	-	-	-	42,992,049	4,939,819	4,827,000	-	-	-	22,968,682	
By fixed interest rate	-	-	13,954,961	40,813,818	22,811,299	30,882,698	83,295,010	7,842,288	-	199,000,031	
Net liquidity gap	342,152	313,489	(11,823,478)	4,814,339	(9,499,881)	(14,845,717)	15,853,408	30,237,827	518,459	15,810,798	
including:											
I group foreign currency	59,034	173,216	1,830,337	(3,378,364)	(4,720,904)	(8,703,827)	(897,638)	15,407,943	135,822	(94,379)	
II group foreign currency	-	-	341,062	(619,581)	(315,677)	(297,777)	(159,199)	-	-	(845,172)	
Floating interest rate	-	-	186,279	(12,282,949)	(4,839,819)	(4,827,000)	-	-	-	(21,872,588)	
Fixed interest rate	341,673	313,489	(13,812,341)	15,822,222	(4,981,841)	(7,899,846)	15,671,747	30,237,827	90,137	37,203,689	
<b>Accumulative liquidity gap</b>	<b>342,152</b>	<b>655,641</b>	<b>(10,987,835)</b>	<b>(6,183,496)</b>	<b>(15,853,178)</b>	<b>(30,498,894)</b>	<b>(14,945,487)</b>	<b>15,292,340</b>	<b>15,810,798</b>		

Previous accounting period		31/12/2019								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	-	-	34,048,005	10,002,200	-	-	-	-	-	44,050,205	
Standardized precious metal bullions and coins	-	-	51,728	-	-	-	-	-	-	51,728	
Receivables to banks and other financial institutions	-	-	60,713	5,419,768	1,620,638	4,701,051	963,680	-	1,423,933	14,189,783	
Reverse Repurchase Agreements	-	-	-	6,222,111	-	-	-	-	-	6,222,111	
Financial assets at fair value recalculated through profit/loss	-	-	-	7,522	-	-	-	-	-	7,522	
Other financial assets calculated at amortized value	-	-	-	-	684	-	478,713	-	-	479,397	
Loans and advances provided to customers rated at amortized value	1,609,614	508,182	-	20,288,151	14,164,531	18,589,940	90,526,444	30,419,751	-	176,106,613	
Financial assets at fair value calculated through other comprehensive financial result	-	-	-	2,822	4,522	-	1,582,933	3,166,485	89,826	4,846,698	
Securities pledged under repurchase agreements	-	-	-	20,180,825	-	-	-	-	-	20,180,825	
Other receivables	15,520	-	-	120,997	1,944	-	-	-	-	138,461	
<b>Total</b>	<b>1,625,134</b>	<b>508,182</b>	<b>34,160,446</b>	<b>62,244,566</b>	<b>15,792,319</b>	<b>23,290,991</b>	<b>93,551,770</b>	<b>33,586,236</b>	<b>1,513,759</b>	<b>266,273,343</b>	
including:											
I group foreign currency	1,252,385	383,509	16,319,375	11,457,176	5,478,966	10,282,262	43,498,892	15,123,173	134,433	103,930,171	
II group foreign currency	-	-	1,579,271	191,842	3,230	6,568	42,860	-	-	1,823,871	
including:											
By floating interest rate	-	-	1,308,814	293,540	626	1,337	14,141	-	3,021	1,621,479	
By fixed interest rate	1,561,540	363,983	623,614	56,367,848	14,644,940	21,287,756	89,364,163	33,550,495	-	217,120,725	
Non-interest	63,594	144,199	33,367,927	5,677,674	1,147,379	2,023,235	4,188,470	36,741	1,513,759	48,461,978	
On maturity of liabilities repayment											
Liabilities to banks and other financial institutions	-	-	1,441,799	8,661,640	4,251,039	8,239,116	18,334,256	4,981,642	-	45,969,492	
Loans and deposits from international financial institutions	-	-	-	1,644,751	718,999	2,216,126	31,648,412	479,650	-	36,707,938	
Loans from the RA Government and CBA	-	-	47,504	35,623	273,350	1,026,265	7,581,015	322,289	-	9,306,046	
REPPO agreement	-	-	-	25,623,028	-	-	-	-	-	25,623,028	
Liabilities to customers	-	-	44,366,067	15,728,395	12,502,046	24,162,338	16,041,238	566,794	-	113,366,878	
Subordinate borrowings	-	-	-	236	-	-	-	719,550	-	719,786	
Liabilities on current taxes	-	-	-	390,244	-	-	-	-	-	390,244	
Securities issued by the Bank	-	-	-	47,199	-	959,036	3,446,120	-	-	4,452,355	
Financial liabilities at fair value recalculated through profit/loss	-	-	-	9,313	-	-	-	-	-	9,313	
Amounts payable	-	-	1,479,212	375,750	115	433,668	63	-	-	433,668	
Other liabilities	-	-	4,719,212	375,750	115	5,144	83	-	-	1,860,284	
Off-balance sheet contingent liabilities	-	-	-	724,603	724,603	2,094,727	8,599,535	12,455	-	12,477,503	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>47,334,582</b>	<b>52,787,118</b>	<b>18,860,396</b>	<b>39,136,420</b>	<b>85,659,639</b>	<b>7,083,380</b>	<b>-</b>	<b>250,851,535</b>	
I group foreign currency	-	-	15,637,517	17,140,843	10,618,988	20,422,396	40,416,691	974,464	-	105,210,899	
II group foreign currency	-	-	473,593	389,640	199,848	373,848	279,169	-	-	1,712,098	
including:											
Major Liabilities	-	-	-	20,808,456	1,733,450	4,787,078	12,701,567	-	-	39,830,551	
By floating interest rate	-	-	-	59,604,000	6,732,107	-	2,440,350	-	-	18,766,457	
By fixed interest rate	-	-	171,861,889	50,490,129	16,850,309	35,251,374	59,870,197	5,870,340	-	189,418,538	
Non-interest	-	-	35,205,183	(17,334,205)	(4,785,961)	3,885,046	23,340,092	1,213,040	-	51,222,195	
Net liquidity gap	1,625,134	508,182	(13,174,136)	9,457,388	(3,068,077)	(15,845,429)	7,901,131	26,503,856	1,513,759	15,421,808	
including:											
I group foreign currency	1,252,385	383,509	681,388	(5,683,687)	(5,140,822)	(10,148,134)	3,082,201	14,148,709	134,433	(1,280,720)	
II group foreign currency	-	-	1,165,678	(193,698)	(196,618)	(367,280)	(236,309)	-	-	111,773	
By floating interest rate	-	-	623,614	(9,549,388)	(6,732,107)	-	(2,440,350)	-	-	(18,098,231)	
By fixed interest rate	1,561,540	363,983	(12,186,189)	5,877,719	(2,205,369)	(13,983,618)	29,493,966	27,680,155	-	36,602,187	
<b>Accumulative liquidity gap</b>	<b>1,625,134</b>	<b>2,133,316</b>	<b>(11,040,820)</b>	<b>(1,583,432)</b>	<b>(4,651,509)</b>	<b>(20,496,938)</b>	<b>(12,495,807)</b>	<b>13,908,049</b>	<b>15,421,808</b>		

### Note 33: "Capital and Capital Adequacy Ratio"

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

We present the structure of balance sheet capital:

	Thous. AMD	
	30/06/2020	31/12/2019
Chartered capital	25,955,663	25,635,343
Emission income/loss	180,180	
Reserves:	8,794,687	8,176,540
Main reserve	3,275,000	3,105,000
Revaluation reserve	5,519,687	5,071,540
Undistributed profit/loss	7,765,343	5,595,244
<b>Total capital</b>	<b>42,695,873</b>	<b>39,407,127</b>

We hereby present the core and general capitals applied for calculation of the main prudential standards defined by the CBA and the capital adequacy indicators per months during the accounting period, with their comparison with the standard requirements.

	Involved in calculation standards							
<b>2020</b>	<b>Main capital</b>	<b>Additional capital</b>	<b>Total capital</b>	<b>Credit risk</b>	<b>Market and operational risk</b>	<b>Equivalent effective %</b>	<b>CBA limit %</b>	
	<b>1</b>	<b>2</b>	<b>3 (1+2)</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	
January	31,321,393	6,264,279	37,585,672	233,879,724	3,791,710	14.16	12	
February	31,588,434	6,317,687	37,906,121	229,506,140	4,006,775	14.42	12	
March	32,382,296	6,325,083	38,707,379	235,813,689	4,241,738	14.27	12	
April	33,001,732	6,483,617	39,485,349	234,587,896	4,268,010	14.62	12	
May	34,141,025	6,858,335	40,999,360	237,690,754	4,618,789	14.85	12	
June	34,557,742	6,727,414	41,285,156	239,876,328	4,689,338	14.80	12	
			Involved in calculation standards					
<b>2019</b>	<b>Main capital</b>	<b>Additional capital</b>	<b>Total capital</b>	<b>Credit risk</b>	<b>Market and operational risk</b>	<b>Equivalent effective %</b>	<b>CBA limit %</b>	
	<b>1</b>	<b>2</b>	<b>3 (1+2)</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	
January	26,906,529	6,490,827	33,397,356	200,970,617	2,619,987	14.99	12	
February	27,000,876	6,639,226	33,640,102	205,658,127	2,607,664	14.79	12	
March	27,492,103	6,412,428	33,904,531	198,991,611	2,842,016	15.23	12	
April	29,302,537	5,485,391	34,787,928	204,535,057	3,161,462	15.07	12	
May	29,498,890	5,544,102	35,042,992	209,511,352	3,006,944	14.94	12	
June	29,440,126	5,232,053	34,672,179	214,690,443	3,068,754	14.43	12	
July	29,762,699	5,240,248	35,002,947	218,686,263	3,202,317	14.27	12	
August	29,945,421	5,207,962	35,153,383	217,533,085	3,245,905	14.37	12	
September	29,939,704	5,210,441	35,150,145	220,551,631	3,538,605	14.06	12	
October	30,301,115	5,399,116	35,700,231	223,043,306	3,555,438	14.13	12	
November	30,583,690	5,613,799	36,197,489	225,486,114	3,510,113	14.21	12	
December	30,883,065	6,025,603	36,908,668	230,406,499	3,543,771	14.20	12	

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

Thous.AMD

As of 30/06/2020				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	75,385,210	392,155		-
10%	7,041,760			704,176
20%	945,565			189,113
30%	120,365			36,110
35%	4,638,247			1,623,386
50%	1,286,036	3,190		644,613
75%	33,587,204	310,455		25,423,244
100%	98,103,477	4,229,122	167,196	102,499,795
110%	339,340	66,850		446,809
150%	64,006,006	5,646,578		104,478,876
200%	2,312,881			4,625,762
<b>Total</b>	<b>287,766,091</b>	<b>10,648,350</b>	<b>167,196</b>	<b>240,671,884</b>

As of 31/12/2019				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	78,415,645	168,025		-
10%	6,354,723			635,472
20%	1,485,381			297,076
30%	173,384			52,015
35%	4,453,563			1,558,747
50%	1,052,767			526,384
75%	34,778,809	392,985		26,378,846
100%	91,217,941	2,656,117	120,295	93,994,353
110%	366,876	83,192		495,075
150%	66,543,588	5,937,176	19,953	108,751,076
200%	2,515,838			5,031,676
<b>Total</b>	<b>287,358,515</b>	<b>9,237,495</b>	<b>140,248</b>	<b>237,720,719</b>

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



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

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

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

As of 30.06.20 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

### **Cash and Balances with the CBA**

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

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

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

### **Resources attracted from banks and other financial institutions**

The balance sheet value is close to the fair value.

### **Customer deposits and bank accounts**

Customer deposits and bank accounts.

As of 30.06.20 the Bank had no financial assets accounted for by the amount exceeding their fair values.

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



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

## Note 36. "De-recognition"



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

## Note 37. "Pledged assets"



As of 30.06.20, the Bank has no pledged assets.

## Note 38. "Accepted Pledge"

As of 30.06.2020, there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

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

Collateral type	30/06/2020		31/12/2019	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	66,090,180	279,442,617	64,325,869	255,489,504
Car	2,802,220	7,336,810	1,973,902	6,729,810
Equipment	3,853,858	13,605,870	2,610,794	14,473,114
Ready made products	4,965,453	11,075,000	3,853,768	9,832,500
Guarantee	63,294,900	313,955,766	64,398,317	282,953,283
Monetary funds	1,860,087	4,968,603	1,928,527	4,656,327
Gold items	14,029,169	16,891,325	12,532,032	15,177,389
Other securities	253,820	629,552	267,710	637,362
Other pledge	12,156,283	28,096,214	11,503,009	23,857,258
No collateral available	15,551,166		14,799,611	
<b>Total</b>	<b>184,857,136</b>	<b>676,001,757</b>	<b>178,193,539</b>	<b>613,806,547</b>

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

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

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan