



Ameriabank cjsc

Financial Statements

For the first quarter of 2019

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Statement of comprehensive income
31-Mar-2019

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Note	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
Interest income	4	14,363,849	12,461,221
Interest expenses	4	(7,130,127)	(6,557,574)
Net interest income		7,233,722	5,903,647
Fee and commission income	5	1,090,749	1,017,041
Fee and commission expense	6	(300,847)	(209,906)
Net fee and commission income		789,902	807,135
Net profit/loss on financial instruments at fair value through profit or loss	7	372,568	(369,974)
Net foreign exchange income	8	609,329	1,214,059
Net gain on financial assets at fair value through other comprehensive income		213	101,509
Other operating income	9	674,822	243,657
Other operating expense	9	(397,529)	(490,300)
Operating income		9,283,027	7,409,733
Impairment reversals (losses)	10	(1,503,341)	(975,096)
Personnel expenses		(2,428,951)	(1,852,617)
Other general administrative expenses	11	(1,462,901)	(1,423,645)
Profit before income tax		3,887,834	3,158,375
Income tax expense	12	(788,461)	(594,882)
Profit for the period		3,099,373	2,563,493
Other comprehensive income, net of income tax			
Increase/decrease in revaluation reserve of financial assets		117,286	(61,482)
Other comprehensive income for the period, net of income tax		117,286	(61,482)
Total comprehensive income for the period		3,216,659	2,502,011

Validation date 12.04.19

seal

General Director-Chairman of the Management Board

Deputy Chief Accountant



Artak Harysyan

Mher Kandalyan

Statement of changes in equity
31-Mar-2019

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Share capital	Share premium/loss	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of previous financial year (cumulative)					
Balance as of 01 January 2018	32,087,360	7,755,179	338,214	29,721,118	69,901,871
Impact of adopting IFRS 9 (Note 4)	-	-	71,765	(3,764,420)	(3,692,655)
Balance after recalculation	32,087,360	7,755,179	409,979	25,956,698	66,209,216
Issue of share capital	5,213,120	9,213,545			14,426,665
Increase/decrease in fair value of financial assets, net of income tax	-	-	(61,482)	-	(61,482)
Net profit/ loss for the period	-	-	-	2,563,493	2,563,493
Dividends					-
Balance as of 31 March 2018	37,300,480	16,968,724	348,497	28,520,191	83,137,892

Interim period of current financial year (cumulative)					
Balance as of 01 January 2019	37,300,480	16,968,725	347,646	35,155,307	89,772,158
Balance after recalculation	37,300,480	16,968,725	347,646	35,155,307	89,772,158
Issue of share capital	46,720	40,834			87,554
Increase/decrease in fair value of financial assets, net of income tax	-	-	117,286	-	117,286
Net profit/ loss for the period	-	-	-	3,099,373	3,099,373
Dividends					-
Balance as of 31 March 2019	37,347,200	17,009,559	464,932	38,254,680	93,076,371

Validation date 12.04.19

General Director-Chairman of the Management Board

Artak Hanesyan

Deputy Chief Accountant

Mher Kandalyan



1 Background

(a) Organisation and operations

Ameriabank cjsc (formerly Armimpexbank cjsc) (the Bank) was established on 8 December 1992 under the laws of the Republic of Armenia. In 2007 the Bank was acquired by TDA Holdings Limited, which purchased a shareholding of 96.15%. TDA Holdings Limited was renamed to Ameria Group (CY) during 2011. In 2013 Ameria Group (CY) Limited increased its share in the Bank to 100%. On December 23, 2015 European Bank for Reconstruction and Development purchased in full additionally issued shares of the Bank for AMD 14,366,288 thousand.

On December 21, 2016 ESPS Holding Limited purchased 13.5% of Bank shares as a result of which Ameria Group (CY) holds 65.8% of Bank shares.

On February 14, 2018 Asian Development Bank purchased additionally issued all 16.291 shares of the Bank for AMD 14,426,665 thousand.

The shareholders of the Bank as at 31 March 2019 are Ameria Group (CY) 56.53%, EBRD 17.77%, ESPS Holding Limited 11.73% and ADB 13.97%.

The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has 16 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia. The average number of the Bank's employees for the first quarter of 2019 was 933 (2018: 706).

Related party transactions are detailed in note 35.

(b) Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The financial statements are presented in Armenian Drams (AMD), which is the Bank's functional and presentation currency. Financial information presented in AMD is rounded to the nearest thousand. The official CBA exchange rates at 31 March 2019 and 31 December 2018 were 486.44 AMD and 483.75 AMD to 1 USD, and 545.3 AMD and 553.65 AMD to 1 EUR, respectively.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 19 "Loans to customers".

(e) Changes in accounting policies and presentation

Changes in accounting policies

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Bank has provided the information for both the current and the comparative period in Note 39.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Application of the amendments has no effect on the Bank's financial position and performance as the Bank has no deductible temporary differences or assets that are in the scope of the amendments.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognized in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include Notes and coins on hand, balances held with the CBA, including obligatory reserves, unrestricted balances (nostro accounts) held with other banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but restating comparative information is not compulsory.

The Bank adopted the new standard by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018 and not restated comparative information.

Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a “basic lending arrangement”, such as instruments containing embedded conversion options or “non-recourse” loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- ▶ Instruments that are managed on a “hold to collect” basis are measured at amortized cost;
- ▶ Instruments that are managed on a “hold to collect and for sale” basis are measured at fair value through other comprehensive income (FVOCI);
- ▶ Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realized and unrealized gains and losses, except for dividend income, are recognized in other comprehensive income with no subsequent reclassification to profit and loss. The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL.

The Bank will continue measuring at fair value all financial assets currently held at fair value. Trading debt securities will continue to be classified as FVPL. Debt and equity securities currently classified as available-for-sale are will be measured at FVOCI under IFRS 9 as the Bank expects not only to hold these assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. HTM debt securities will be measured at amortized costs. As all loans as at 31.12.17 satisfied the SPPI criterion and will continue to be measured at amortized cost.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the trade date.

Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- ▶ A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss. Interest in relation to an debt financial asset at fair value through profit or loss is recognized in profit or loss as interest income using the effective interest method;
- ▶ A gain or loss on Financial instruments at fair value through profit or loss is recognized as other comprehensive income in equity (except for foreign exchange gains and losses on debt financial instruments at fair value through profit or loss) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to Financial instruments at fair value through profit or loss is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to

changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized immediately in profit or loss.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment

losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Leasehold improvements	20 years
Computers and communication equipment	5 to 10 years
Fixtures and fittings	10 to 20 years
Motor vehicles	7 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

(e) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(f) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(g) Impairment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortized cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. In this stage are grouped all those assets which have less than or equal to 30 overdue days at the Bank or less than or equal to 60 overdue days in other financial institutions of RA.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. In this stage are grouped all those assets which have more than 30 overdue days but less than or equal to 90 overdue days at the Bank or more than 60 overdue days but less than or equal to 120 overdue days in other financial institutions of RA, unless there is no management decision to move the loan to other stage.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECL. In this stage are grouped all those assets which have more than 90 overdue days at the Bank or more than 120 overdue days in other financial institutions of RA unless there is no management decision to move the loan to other stage.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The Bank's Management can reclassify the asset to more strict stage despite of overdue days if there is enough evidence that credit risk of the asset has increased materially.

For estimation of ECLs, the Bank considers three scenarios: base, optimistic and pessimistic scenarios. Final ECL is probability weighted average of these scenarios discounted by a weighted average EIR. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

In calculation of PD the Bank considers those macroeconomic parameters that had material impact on the probability of default. For calculation of PD and LGD of loans and advances in the Banks, reserve repo agreements, securities measured at amortized cost or FVTOCI the Bank uses information published by international rating agencies such as Moody's, Fitch and S&P.

For stages 1 and 2 the Bank is doing collective impairment, while for the assets included in stage 3 and for POCI assets the Bank is doing both and Collective and Individual impairment. For some assets, taking into account specific features of those assets, the Bank do also individual impairment for stages 1 and 2.

(h) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognised and the new loan is recognised;
- If the loan restructuring is not caused by the financial difficulties of the borrower the Bank uses the same approach as for financial liabilities described above;
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Bank recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the allowance charges for the period. In case loan is not impaired after restructuring the Bank recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(i) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(j) Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(k) Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

(l) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognized, except for the followings:

- ▶ Loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- ▶ If the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- ▶ Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- ▶ Commitments to provide a loan at a below-market interest rate.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) *Share premium*

Any amount paid in excess of par value of shares issued is recognized as a share premium.

(ii) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) *Dividends*

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared and such decision is effective according to legislation of the Republic of Armenia.

(n) Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Trading and Investment Banking (IB).

(o) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(p) Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(q) Leases

Finance – Bank as lessee

The Bank recognizes finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased

property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognized as an asset under the lease.

Finance – Bank as lessor

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating – Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

4 Net interest income

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Interest income		
Loans to customers	12,709,322	10,678,453
Income from factoring	235,247	164,456
Available-for-sale financial assets	357,739	207,371
Receivables from finance leases	49,626	46,224
Held-to-maturity investments	744,380	869,215
Loans and advances to banks	46,451	147,170
Amounts receivable under reverse repurchase agreements	70,366	178,458
Receivables from letters of credit	113,392	92,607
Other	37,326	77,267
	14,363,849	12,461,221
Interest expense		
Current accounts and deposits from customers	2,699,657	2,978,565
Other borrowed funds and subordinated borrowing	2,535,789	2,555,218
Deposits and balances from banks	447,415	312,486
Amounts payable under repurchase agreements	240,695	16,582
Letters of credit and guarantee	137,031	113,110
Debt securities issued	750,291	581,115
Lease payables	306,254	-
Other	12,995	498
	7,130,127	6,557,574

5 Fee and commission income

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Credit card maintenance	514,846	429,492
Money transfers	208,501	216,700
Guarantee and letter of credit issuance	59,927	66,253
Cash withdrawal, account service and distance system services	225,777	183,469
Settlement operations	27,445	10,154

Brokerage services	42,946	50,329
Other	11,307	60,645
	1,090,749	1,017,041

6 Fee and commission expense

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Guarantee and letter of credit issuance	15,778	10,946
Credit card maintenance	211,970	152,132
Money transfers	56,783	33,696
Other	16,316	13,132
	300,847	209,906

7 Net gain/(loss) on financial instruments at fair value through profit or loss

Net gain/(loss) on financial instruments at fair value through profit or loss includes revaluation of currency and interest rate derivative instruments, which are used for hedging open currency positions.

8 Net foreign exchange income

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Net gain on spot transactions	860,039	831,011
Net gain from revaluation of financial assets and liabilities	-250,710	383,048
	609,329	1,214,059

9 Other operating income/(expenses)

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Other operating income		
Income from fines and penalties	155,609	163,469
Financial consulting	395,959	-
Other income	123,254	80,188
	674,822	243,657
Other operating expenses		
Expenses on fines and penalties	(778)	(2,500)
Expenses from disposal of fixed assets	-	-
Encashment	(18,827)	(14,612)
Trading and brokerage activities	(27,659)	(29,373)
Guarantee payments to Armenian Deposit Guarantee Fund	(95,454)	(111,119)
Software maintenance	(96,304)	(85,989)
Payment system expenses	(131,530)	(109,209)
Other expenses	(26,977)	(137,498)
	(397,529)	(490,300)

10 Impairment (losses) reversals

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Loans to customers	1,446,562	950,602
Other assets	56,779	24,494
	1,503,341	975,096

11 Other general administrative expenses

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Operating lease expense	95,669	620,590
Advertising and marketing	157,760	150,612
Depreciation and amortization	713,265	218,193
Repairs and maintenance	77,480	81,351
Communications and information services	43,575	30,689
Travel expenses	18,600	13,363
Security	42,979	44,535
Professional services	28,120	62,545
Electricity and utilities	31,481	26,756
Insurance	11,127	6,692
Charity and sponsorship	32,375	729
Representation expenses	3,379	1,222
Office supplies	15,169	7,563
Taxes other than on payroll and income	6,236	4,873
Other	185,687	153,932
	1,462,901	1,423,645

12 Income tax expense

	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018
	AMD'000	AMD'000
Current tax expense		
Current year	529,159	397,794
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	259,302	197,088
Total income tax expense	788,461	594,882

In 2019 the applicable tax rate for current and deferred tax is 20% (2017: 20%).

Reconciliation of effective tax rate:

	01/01/2019- 31/03/2019 AMD'000		01/01/2018- 31/03/2018 AMD'000	
Profit before tax	3,887,833		3,158,375	
Income tax at the applicable tax rate	777,567	20.00%	631,675	20.0%
Non-deductible costs	10,895	0.28%	(36,793)	-1.16%
	788,461	20.28%	594,882	18.8%

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 March 2019 and as at 31 December 2018.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the periods ended 31 March 2019 and 31 December 2018 are presented as follows:

2019	Balance 1 January 2019 AMD'000	Recognized in profit or loss AMD'000	Recognized in other comprehensive income AMD'000	Balance 31 March 2019 AMD'000
Financial instruments at fair value through profit or loss	(36,011)	6,577	-	(36,011)
Available-for-sale financial assets	(21,904)	369	(25,288)	(21,904)
Allowance for other receivables and other provisions	(18,769)	(27,387)	-	(46,156)
Loans to customers	(182,934)	(293,613)	-	(476,547)
Property and equipment	(51,740)	-	-	(51,740)
Other assets	29,793	(2,760)	-	27,033
Other liabilities	594,242	17,511	-	611,753
Other borrowed funds	(112,570)	-	-	(112,570)
	200,107	(299,302)	(25,288)	(124,483)

2018	Balance 1 January 2018 AMD'000	Impact of IFRS 9	Recognized in profit or loss AMD'000	Recognized in other comprehensive income AMD'000	Balance 31 December 2018 AMD'000
Financial instruments at fair value through profit or loss	(30,281)	-	(1,545)	-	(36,011)
Available-for-sale financial assets	(84,557)	14,353	(251)	15,053	(55,402)
Allowance for other receivables and other provisions	(197,755)	147,744	(71,781)	-	(121,792)
Loans to customers	(1,075,288)	779,008	(117,323)	-	(413,603)
Property and equipment	(68,334)	-	-	-	(68,334)
Other assets	25,243	-	(25,243)	-	-
Other liabilities	448,558	-	12,580	-	461,138
Other borrowed funds	(42,690)	-	6,476	-	(36,214)
	(1,025,104)	941,105	(197,087)	15,053	(266,033)

13 Cash and cash equivalents

	31/03/19 AMD'000	31/12/18 AMD'000
Cash on hand	18,689,301	23,812,923
Nostro accounts with the CBA	93,249,009	108,760,743
Nostro accounts with other banks		
- rated AA- to AA+	0	0
- rated A- to A+	5,055,626	2,055,194
- rated from B- to BBB+	14,701,537	9,023,253
- not rated	184213.2881	805643
Total nostro accounts with other banks	19,941,376	11,884,090
Impairment		

	(39,140)	(103,844)
Total cash and cash equivalents	131,840,546	144,353,912

Movements in the impairment allowance of Cash and cash equivalents for first quarter 2019 are as follows:

	AMD'000
Balance at the beginning of the year	103,844
Net charge	(4,851)
Write-offs	(59,853)
Balance at the end of the period	39,140

The nostro accounts with the CBA represent balances for settlement activities and also obligatory reserves allocated with CBA. There are no withdrawal restrictions on them and these amounts can be used by the Bank for settlement purposes.

No cash and cash equivalents are impaired or past due and are included in Stage 1, low credit risk assets. The above ratings are per Fitch rating agency.

As at 31 March 2019 the Bank has one bank (2018: 0), whose balances exceed 10% of equity. As at 31 March 2019 the balance of bank was 12,208,594 AMD'000.

As at 31 March 2019 and 31 December 2018 the balances with the Central Bank of Armenia exceed 10% of equity.

14 Financial instruments at fair value through profit or loss

	31/03/19 AMD'000	31/12/18 AMD'000
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	5,827,853	3,896,848
Eurobonds of the Republic of Armenia	512,181	495,621
Corporate bonds of the Republic of Armenia	1,620,810	1,773,153
Derivative financial instruments		
Interest rate swaps	51,352	84,237
Foreign currency contracts	165,169	40,982
	8,177,365	6,290,841
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	-	526,169
	-	526,169
Liabilities		
Derivative financial instruments		
Foreign currency contracts	7,948	20,621
	7,948	20,621

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are past due or impaired.

Interest rate swaps

The table below summarizes the contractual amounts of interest rate swap contracts outstanding as at 31 March 2019 and 31 December 2018 with details of the fair values and notional amounts. Foreign currency amounts presented below are translated at rates effective at the reporting date. The resultant unrealized gains and losses on these immature contracts are recognized in profit or loss, as appropriate.

	Fair value		Notional amount	
	2019	2018	2019	2018
	AMD'000	AMD'000	AMD'000	AMD'000
Pay fixed in USD, receive floating in USD	51,352	84,237	3,095,527	3,518,182

As at 31 March 2019 the Bank has one interest rate swap contract, with USD 10,000,000 initial notional amount (2018: one interest rate swap contracts with USD 10,000,000 notional amount). Under this contract the Bank pays 1.5850% fixed rate, and receives 6-month USD-LIBOR-ICE floating rate. The contractual maturity of outstanding interest rate swap contracts is 2022.

15 Financial assets at fair value through other comprehensive income

	31/03/19	31/12/18
	AMD'000	AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	4,991,005	4,645,203.00
Eurobonds of the Republic of Armenia	3,152,675	3,019,309.00
Eurobonds of other countries	1,297,847	1,273,589.00
- Corporate bonds		
Corporate bonds of the Republic of Armenia	2,442,395	2,524,882.00
Equity investments		
- Unquoted equity securities at cost	139,145	139,145.00
	12,023,067	11,602,128

As at 31 March 2019 impairment allowance of financial assets at fair value through other comprehensive income was .

Included in financial assets at fair value through other comprehensive income are non-quoted equity securities as follows:

Name	Country of incorporation	Main activity	% Controlled		2019	2018
			2019	2018	AMD'000	AMD'000
ArCa	Republic of Armenia	Payment system	3.76%	3.76%	36,429	36,429
Artsakh bank cjsc	Republic of Armenia	Banking	0.3%	1.06%	69,250	69,250
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	779
					139,145	106,458

(a) Investments without a determinable fair value

Available-for-sale equity investments stated at cost comprise unquoted equity securities in the money transfer industry. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

16 Loans and advances to banks

	31/03/19 AMD'000	31/12/18 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	1,283,500	1,691,000
Debt instruments with local banks and credit organizations		
Bonds of local banks and credit organizations	-	-
Loans and deposits with other banks		
Armenian banks	818,846	1,838,147
OECD banks	1,417,187	1,422,885
Foreign other banks	8,181,771	-
Total loans and deposits with other banks	10,417,804	3,261,032
Impairment	(7,044)	(4,900)
Total loans and advances to banks	11,694,260	4,947,132

No loans and advances to banks are impaired or past due.

Concentration of loans and advances to banks

As at 31 March 2019 the Bank has no bank (2018: no bank), whose balances exceed 10% of equity.

17 Amounts receivable under reverse repurchase agreements

	31/03/19	31/12/18
	AMD'000	AMD'000
Amounts receivable from medium and small Armenian financial institutions	4,368,121	6,746,424
Total amounts receivable under reverse repurchase agreements	4,368,121	6,746,424
Impairment allowance	-	(10)
Total net amounts receivable under reverse repurchase agreements	4,368,121	6,746,414

Collateral

As at 31 March 2019 and 31 December 2018 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 4,630,078 thousand (2018: 7,148,759 thousand).

18 Loans and advances to customers

	31/03/19	31/12/18
	AMD'000	AMD'000
Loans to legal entities	425,827,839	440,285,372
Loans to individuals	108,147,529	102,282,025
Receivables from finance lease	2,653,077	2,301,830
Receivables from factoring	11,657,033	10,720,377
Receivables from letter of credit	3,749,352	8,305,930
Gross loans and advances to customers	552,034,830	563,895,534
Impairment allowance	(14,887,526)	(15,952,352)
Net loans and advances to customers	537,147,304	547,943,183

(a) Loans to legal entities and individuals

	31/03/19	31/12/18
	AMD'000	AMD'000
Loans to legal entities		
Loans to large companies	327,268,204	346,631,927
Loans to small and medium size companies	98,559,635	93,653,445
Total loans to legal entities	425,827,839	440,285,372
Loans to individuals		
Mortgage loans	49,438,453	44,827,381
Other loans to individuals	58,709,076	57,454,643
Total loans to individuals	108,147,529	102,282,025
Gross loans to legal entities and individuals	533,975,368	542,567,397
Impairment allowance	(14,549,393)	(15,603,207)
Net loans to legal entities and individuals	519,425,976	526,964,190

Movements in the loan impairment allowance by classes of loans to legal entities and individuals for the first quarter of 2019:

2019	Loans to corporate customers	Loans to retail customers	Total
	AMD'000	AMD'000	AMD'000
Balance at the beginning of the period	13,098,774	2,504,433	15,603,207
Net charge	402,951	1,013,720.08	1,416,671
Recovery of loans previously written off	54,483	79,134	133,617
Write-offs	(1,972,199)	(795,948)	(2,768,147)
Transfer to Interest income	199,176	(35,132)	164,045
Balance at the end of the period	11,783,185	2,766,207	14,549,393

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 March 2019. In the table below loans to corporate customers of high grade are those having a minimal level of credit risk, normally very well collateralized (cash collateral or state guarantee). Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. Description of stages is presented in Note 3, impairment paragraph.

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to corporate customers						
Loans to large corporates						
Not impaired	308,323,402	2,911,231	10,211,019	1,495,492	-	-
Impaired	-	-	-	-	8,733,784	4,524,343
Individually impaired	-	-	-	-	8,674,115	4,515,604
Total Loans to large corporates	308,323,402	2,911,231	10,211,019	1,495,492	8,733,784	4,524,343
Loans to SME						
Not impaired	90,583,336	575,107	1,802,047	263,925	-	-
Impaired	-	-	-	-	6,174,252	2,013,087
Individually impaired	-	-	-	-	5,759,621	1,922,526
Collectively impaired	-	-	-	-	414,632	90,560
Total Loans to SME	90,583,336	575,107	1,802,047	263,925	6,174,252	2,013,087
Total Loans to corporate customers	398,906,738	3,486,338	12,013,065	1,759,418	14,908,036	6,537,429

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to Individuals						
Mortgage						
Not impaired	49,002,751	101,372	48,014	3,954	-	-
Impaired	-	-	-	-	387,688	142,821
Individually impaired	-	-	-	-	359,554	125,912

Collectively impaired	-	-	-	-	28,134	16,910
Total Mortgage	49,002,751	101,372	48,014	3,954	387,688	142,821
Other loans to Individuals						
Not impaired	54,665,833	1,119,783	1,606,112	385,245	-	-
Impaired	-	-	-	-	2,434,878	1,013,033
Individually impaired	-	-	-	-	1,187,444	205,815
Collectively impaired	-	-	-	-	1,247,433	807,218
Total Other loans to Individuals	54,665,833	1,119,783	1,606,112	385,245	2,434,878	1,013,033
Total Loans to Individuals	103,668,584	1,221,155	1,654,126	389,198	2,822,566	1,155,854

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2018.

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to corporate customers						
Loans to large corporates						
Not Impaired	322,257,991	3,226,121	15,295,351	2,220,152	-	-
Impaired	-	-	-	-	9,078,586	4,524,892
Individually impaired	-	-	-	-	9,078,586	4,524,892
Total Loans to large corporates	322,257,991	3,226,121	15,295,351	2,220,152	9,078,586	4,524,892
Loans to SME						
Not Impaired	84,646,282	606,514	3,645,490	529,150	-	-
Impaired	-	-	-	-	5,361,673	1,991,944
Collectively impaired	-	-	-	-	5,264,176	1,934,858
Individually impaired	-	-	-	-	97,497	57,086
Total Loans to SME	84,646,282	606,514	3,645,490	529,150	5,361,673	1,991,944
Total Loans to corporate customers	406,904,273	3,832,635	18,940,841	2,749,302	14,440,258	6,516,836

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Loans to Individuals						
Mortgage						
Not Impaired	44,348,062	120,745	2,824	219	-	-
Impaired	-	-	-	-	476,495	170,623
Collectively impaired	-	-	-	-	394,297	129,303
Individually impaired	-	-	-	-	82,199	41,320
Total Mortgage	44,348,062	120,745	2,824	219	476,495	170,623
Other loans to Individuals						
Not Impaired	53,513,408	917,878	474,129	126,425	-	-
Impaired	-	-	-	-	3,467,106	1,168,543
Collectively impaired	-	-	-	-	2,072,538	284,397
Individually impaired	-	-	-	-	1,394,568	884,146
Total Other loans to Individuals	53,513,408	917,878	474,129	126,425	3,467,106	1,168,543
Total Loans to Individuals	97,861,469	1,038,623	476,953	126,644	3,943,602	1,339,166

Key assumptions and judgments for estimating the loan impairment

Loans to customers

The Bank records loan allowances based on expected credit losses (ECL) principle.

The ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL. For ECL calculation the Bank takes into account following criteria:

- ▶ Overdue days of the loan agreement at the Bank or in banking system of RA,
- ▶ Significant increase in credit risk of the loan
- ▶ Deterioration of macroeconomic indicators and their possible effect on the borrower financial performance.

For stages 1 and 2 the Bank is doing collective impairment, while for the loans included in stage 3 and for POCI loans the Bank is doing both and collective and individual impairment.

For evaluation of individual impairment the Bank's management takes into account following considerations:

- The Bank discounts from 10% to 20% liquidation value of the pledge,
- Expected period of cash inflows from the realization of the pledge is assumed to be 18

months.

Analysis of collateral

Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be important indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The main types of collateral obtained are as follows:

For securities lending and reverse repurchase transactions, cash or securities;

For commercial lending, charges over real estate properties, inventory and trade receivables; cash collateral

For retail lending, mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 70%.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. As of 31 March 2019 consumer loans are secured by real estate, movable property, salary, cash and guarantees

Repossessed collateral

During first quarter of 2019, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers amounting AMD 792,518 (2018: AMD 2,032,546 thousand). The Bank's intention is to sell these assets as soon as it is practicable.

Industry and geographical analysis of the loan portfolio

Loans to customers were issued to customers who operate in the following economic sectors:

	<u>31/03/19</u> <u>AMD'000</u>	<u>31/12/18</u> <u>AMD'000</u>
Wholesale trade	79,479,321	97,911,992

Finance and investment	36,381,522	43,073,908
Mining/Metallurgy	67,248,840	61,847,784
Hotel service	36,886,752	37,495,210
Construction	21,429,931	23,371,992
Agriculture, forestry and timber	19,053,578	18,570,577
Food and beverage	28,463,258	23,692,826
Retail trade	28,099,823	28,884,100
Power generation	31,980,909	21,980,801
Real estate	10,327,577	12,375,233
Communication services	20,487,552	20,615,886
Manufacturing	8,000,422	7,483,763
Transportation	29,142,132	28,449,596
Other	8,846,223	14,531,704
Loans to retail customers	108,145,276	102,282,025
	533,973,115	542,567,397
Impairment allowance	(14,549,393)	(15,603,207)
	519,423,723	526,964,190

The geographical concentration of Bank's loans to corporate customers (net loans) is set out below:

	31/03/19	31/12/18
	AMD'000	AMD'000
Armenia	360,505,229	351,974,114
OECD and EU	22,179,002	35,463,833
Other foreign countries	31,360,423	39,748,652
	414,044,654	427,186,599

Significant credit exposures

As at 31 March 2019 the Bank has fourteen borrowers or groups of connected borrowers (2018: eleven), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 March 2019 is AMD 155,670,676 thousand (31 December 2018: AMD 124,491,863 thousand).

Loan maturities

The maturity of the loan portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(b) Receivables from letters of credit

	31/03/19	31/12/18
	AMD'000	AMD'000
Receivables from letters of credit, gross amount	3,749,352	8,305,930
Impairment allowance	(21,650)	(37,391)
	3,727,702	8,268,539

As at 31 March 2019 the Bank has no customer (2018: none), whose balances exceed 10% of equity.

Movements in impairment allowance for the first quarter of 2019 and for the year of 2018 are as follows:

	31/03/19	31/12/18
	AMD'000	AMD'000
Balance at the beginning of the year	37,391	128,433
Net charge	(15,741)	(91,042)
Write-offs	-	-
Balance at the end of the year	21,650	37,391

(c) Receivables from finance leases

	31/03/19	31/12/18
	AMD'000	AMD'000
Gross investment in finance leases receivable:		
Less than one year	639,048	1,030,383
Between one and five years	1,900,063	1,094,116
More than five years	756,715	769,321
	3,295,826	2,893,820
Unearned finance income	(642,749)	(591,990)
Impairment allowance	(284,798)	(277,625)
Net investment in finance leases	2,368,279	2,024,205
The net investment in finance leases comprises:		
Less than one year	459,200	422,445
Between one and five years	1,365,327	992,485
More than five years	543,752	609,275
	2,368,279	2,024,205

Quality analysis of finance leases

The following table provides information on the quality analysis of finance leases as at 31 March 2019:

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Leasing						
Neither past due nor impaired	2,205,318	13,290	-	-	-	-
Individually impaired	-	-	-	-	447,759	271,508
Total Leasing	2,205,318	13,290	-	-	447,759	271,508

The following table provides information on the quality analysis of finance leases as at 31 December 2018:

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000	Gross amount AMD 000	ECL AMD 000
Leasing						
Neither past due nor impaired	1,863,354	12,064	-	-	-	-
Individually impaired	-	-	-	-	438,476	265,561
Total Leasing	1,863,354	12,064	-	-	438,476	265,561

Concentration of receivables from finance leases

As at 31 March 2019 the Bank has no customers whose balances exceed 10% of equity (2018: nil).

Movement in impairment allowance

Movements in impairment allowance for the first quarter of 2019 and for the year of 2018 are as follows:

	31/03/19 AMD'000	31/12/18 AMD'000
Balance at the beginning of the year	277,625	334,115
Net charge	(3,509)	214,168
Write-offs	10,682	(270,658)

Balance at the end of the period	284,798	277,625
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Finance lease maturities

The maturity of the Bank's finance lease portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the receivables from finance leases.

Geographical analysis of the finance lease portfolio

The majority of finance leases are with customers located within the Republic of Armenia.

(d) Receivables from factoring

	31/03/19	31/12/18
	AMD'000	AMD'000
Receivables from factoring	11,657,033	10,720,377
Impairment allowance	(31,686)	(34,128)
	11,625,347	10,686,249

As at 31 March 2019 the Bank has one customers whose balances exceed 10% of equity (2018: one). The gross value of the customer as at 31 March 2019 is AMD 9,728,069 thousand (2018: AMD 9,642,384 thousand).

As at 31 March 2019 the Bank has no impaired or overdue receivables from factoring.

Movements in impairment allowance of 2018 and 2017 are as follows:

	31/03/19	31/12/18
	AMD'000	AMD'000
Balance at the beginning of the year	34,128	9,116
Net charge	(2,442)	24,452
Write-offs/Recovery	-	-
Balance at the end of the period	31,686	34,128

19 Financial assets at amortized cost

	31/03/19	31/12/18
	AMD'000	AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	16,823,817	13,480,810
Eurobonds of the Republic of Armenia	16,219,360	-
Eurobonds of the Republic of Armenia	16,219,360	
- Corporate bonds		
Corporate bonds of foreign companies	539,081	200,684
	<u>33,582,258</u>	<u>21,928,878</u>
Pledged under sale and repurchase agreements		
Eurobonds of the Republic of Armenia	8,726,920	-
	<u>8,726,920</u>	<u>21,928,878</u>
Total financial asset at amortized cost	<u>42,309,178</u>	<u>21,928,878</u>
Impairment	<u>(465,108)</u>	<u>(438,707)</u>
Total net financial asset at amortized cost	<u>41,844,070</u>	<u>21,490,171</u>

Movements in impairment allowance of financial assets at amortized cost for 2018 are as follows:

	AMD'000
Balance at the beginning of the year	438,707
Net charge	26,401
Write-offs	-
Balance at the end of the period	465,108

20 Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2018	4,531,055	6,267,277	2,321,987	298,130	2,570,230	15,988,679
Additions	69,814	286,170	89,273	6,300	85,270	536,827
Disposals/write-offs	(51,169)	(53,421)	(36,275)	(0)	-	(140,865)
Balance at 31 March 2019	4,549,699	6,500,026	2,374,984	304,430	2,655,500	16,384,640
Depreciation and amortization						
Balance at 1 January 2018	1,278,411	2,847,926	458,661	98,710	1,064,634	5,748,342
Depreciation and amortization for the year	84,442	185,828	43,891	9,229	103,225	426,615
Disposals/write-offs	(51,169)	(31,279)	(36,275)	-	-	(118,723)
Balance at 31 March 2019	1,311,683	3,002,475	466,277	107,939	1,167,859	6,056,233
Carrying amount At 31 March 2019	3,238,016	3,497,552	1,908,708	196,491	1,487,641	10,328,407
AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2018	3,382,399	4,507,730	1,538,154	205,511	2,478,033	12,111,827
Additions	1,261,184	1,785,997	835,103	92,619	373,423	4,348,326
Disposals/write-offs	(112,528)	(26,450)	(51,270)	-	(281,226)	(471,474)
At 31 December 2018	4,531,055	6,267,277	2,321,987	298,130	2,570,230	15,988,679
Depreciation and amortization						
Balance at 1 January 2018	1,134,931	2,351,831	397,295	74,444	1,026,410	4,984,911
Depreciation and amortization for the year	256,008	519,857	397,295	24,266	319,450	1,229,353
Disposals/write-offs	(112,528)	(23,762)	(48,406)	-	(281,226)	(465,922)
Balance at 31 December 2018	1,278,411	2,847,926	458,661	98,710	1,064,634	5,748,342
Carrying amount At 31 December 2018	3,252,644	3,419,351	1,863,326	199,419	1,505,597	10,240,337

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during 2019 (2018: nil).

21 Right of use asset

	31/03/19	31/12/18
	AMD'000	AMD'000
Asset		
Right of use asset		
Cost	11,320,845	-
Depreciation	(571,660)	-
Carrying amount	10,749,185	-
Liabilities		
Lease payables	10,447,781	-

22 Other assets

	31/03/19	31/12/18
	AMD'000	AMD'000
Brokerage accounts	185,745	244,954
Receivables from banking services	2,096,375	2,119,304
Restricted accounts with clearing houses	450,160	447,384
Total other financial assets	2,732,280	2,811,642
Prepayments to suppliers	1,697,671	1,880,690
Repossessed assets	2,731,423	2,777,623
Small value assets	153,504	145,357
Other	20,198	10,243
Total other non-financial assets	4,741,157	4,968,389
Total other assets	7,473,437	7,780,031
Impairment	(164,098)	(167,981)
Total other assets	7,309,339	7,612,050

Movements in the impairment allowance for other assets for 2019 and 2018 are as follows:

	31/03/19	31/12/18
	AMD'000	AMD'000

Balance at the beginning of the year	167,981	184,246
Net charge	31,886	137,705
Write-offs	(35,769)	(153,970)
Balance at the end of the year	164,098	167,981

23 Deposits and balances from banks

	<u>31/03/19</u>	<u>31/12/18</u>
	<u>AMD'000</u>	<u>AMD'000</u>
Short term loans and term deposits from commercial banks	18,371,197	23,530,588
Long term loans and term deposits from commercial banks	3,372,720	3,421,295
Borrowings from CBA (through international programs)	10,352,353	7,078,390
Liabilities for letters of credit	8,457,147	8,625,734
Vostro accounts	487,428	420,762
	<u>41,040,845</u>	<u>43,076,769</u>

As at 31 March 2019 the Bank has two banks (2018: one bank), whose balance exceeds 10% of equity. The gross value of the balance as at 31 March 2019 is AMD 29,086,932 thousand. (2018: AMD 20,643,011 thousand).

Borrowings from CBA

According to the agreement the CBA provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the “Directing Office of the “German Armenian Foundation” program”.

24 Current accounts and deposits from customers

	<u>31/03/19</u>	<u>31/12/18</u>
	<u>AMD'000</u>	<u>AMD'000</u>
Current accounts and demand deposits		
- Retail	63,219,131	61,904,034
- Corporate	132,769,327	145,889,262
Term deposits		
- Retail	134,264,873	133,060,914

- Corporate	63,618,977	58,231,922
	<u>393,872,308</u>	<u>399,086,132</u>

As at March 2019, the Bank has five customers (31 December 2018: four customers) whose balances exceed 10% of equity. The gross value of these balances as 31 March 2019 is AMD 61,343,385 thousand (As at 31 December 2018 is AMD 44,068,684 thousand).

25 Debt securities issue

	31/03/19 AMD'000	31/12/18 AMD'000
Promissory notes	4,638,311	4,612,688
Domestic bonds issued	50,122,022	46,233,668
	<u>54,760,333</u>	<u>50,846,356</u>

Promissory notes: In 2016 Bank placed USD denominated promissory notes with four Luxembourg-based funds via its investment manager ResponsAbility Investments AG in amount of USD 20,000,000 with maturity in 2021. As at 31 March 2019 carrying value of the promissory notes is AMD 4,638,311 thousand.

Domestic bonds issued: As at 31 March 2019 the Bank has issued debt securities denominated in AMD, USD and EUR, which nominal amount is AMD 6.7 billion, USD 85.7 million and EUR 3 million accordingly. As at 31 March 2019 carrying value of the bonds is AMD'000 6,760,885, AMD'000 41,713,255 and AMD'000 1,647,880 accordingly.

Bonds issued by the Bank are listed in Nasdaq OMX Armenia stock exchange.

26 Other borrowed funds and subordinated borrowings

	31/03/19 AMD'000	31/12/18 AMD'000
Borrowings from international and other financial institutions	121,717,406	120,913,209
	<u>121,717,406</u>	<u>120,913,209</u>
Subordinated borrowings	<u>43,838,848</u>	<u>50,414,125</u>

a. Concentration of borrowings from international financial institutions

As at 31 March 2019, the Bank has seven financial institutions (31 December 2018: seven), whose balances exceed 10% of equity. These balances as at 31 March 2019 are AMD 130,820,395 thousand (31 December 2018: AMD 127,166,023 thousand).

b. Subordinated borrowing

As at 31 March 2019 subordinated borrowing represents:

- Borrowing received from other financial institution
 9,806,425 AMD'000 maturing on 23 September 2020,
 4,442,172 AMD'000 maturing on 15 January 2026,
 4,859,641 AMD'000 maturing on 15 January 2027
- Borrowing received from international financial institutions (AMD 24,730,610 thousand) maturing on 11 January 2022.

In case of bankruptcy, the repayment of the subordinated borrowing will be made after repayment in full of all other liabilities of the Bank.

c. Covenants

The Bank is required to meet certain covenants in connection with borrowing agreements.

27 Other liabilities

	31/03/19	31/12/18
	AMD'000	AMD'000
Payables to staff	3,030,717	2,944,207
Accrued expenses	666,110	758,473
Other financial liabilities	2,893,281	3,387,171
Total other financial liabilities	6,590,108	7,089,851
Deferred income	3,337	2,385
Other taxes payable	480,292	301,576
Total other non-financial liabilities	483,629	303,961
Total other liabilities	7,073,737	7,393,812

28 Share capital and treasury shares

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 116,710 ordinary shares (2018: 116,564). All shares have a nominal value of AMD 320 thousand.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Nature and purpose of reserves

Revaluation reserve for financial assets

The revaluation reserve for financial assets comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia.

During the first quarter of 2019 the Bank has no dividends paid (During first quarter of 2018 the Bank has no dividends paid).

29 Impairment allowance on contingent liabilities

	31/03/19	31/12/18
	AMD'000	AMD'000
	Amount	Provision
Contracted amount		
Guarantees	6,976,360	14,283
Letters of credit	2,392,722	6,876
Loan and credit line commitments	41,134,829	126,259
	50,503,911	147,418

Movements in the impairment allowance for contingent liabilities for 2018 are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year recalculated per IFRS 9	18,423	382	121,358	140,163
Net charge	(4,140)	6,494	4,901	7,255
Write-offs	-	-	-	-
Balance at the end of the period	14,283	6,876	126,259	147,418

30 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Asset and Liabilities Department in its day-to-day monitoring activities. A summary of the interest gap position for major financial instruments is as follows:

AMD'000

	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
31-Mar-19							
Assets							
Cash and cash equivalents	-	-	-	-	-	131,840,546	131,840,546
Available-for-sale financial assets	276,453	101,020	160,026	5,558,144	5,788,279	139,145	12,023,067
Loans and advances to banks	10,410,759	-	-	-	-	1,283,500	11,694,259

Amounts receivable under reverse repurchase agreements	4,368,121	-	-	-	-	-	4,368,121
Loans to customers	21,420,840	39,217,793	65,784,890	263,466,795	124,415,749	5,119,909	519,425,976
Receivables from letters of credit	226,681	929,155	365,858	2,206,008	-	-	3,727,702
Receivables from finance leases	121,348	117,083	44,518	1,365,327	543,752	176,251	2,368,279
Receivables from factoring	9,588,446	2,036,901	-	-	-	-	11,625,347
Held-to-maturity investments	1,693,837	163,243	8,471	28,671,546	11,306,974	-	41,844,070
	48,106,484	42,565,195	66,363,763	301,267,820	142,054,754	138,559,351	738,917,367
Liabilities							
Deposits and balances from banks	(7,547,641)	(14,713,704)	(5,943,496)	(10,153,795)	(2,682,209)	-	(41,040,845)
Amounts payable under reverse repurchase agreements	(8,688,762)	-	-	-	-	-	(8,688,762)
Current accounts and deposits from customers	(43,045,451)	(143,471,132)	(31,312,320)	(114,364,723)	(90,839)	(61,587,843)	(393,872,308)
Debt securities issue	(7,666,912)	(4,868,786)	(6,501,224)	(28,511,001)	(7,212,410)	-	(54,760,333)
Subordinated borrowings	(162,608)	(661,433)	-	(33,908,701)	(9,106,105)	-	(43,838,848)
Other borrowed funds	(13,449,547)	(4,740,079)	(7,093,098)	(96,424,237)	(10,445)	-	(121,717,406)
	(80,560,921)	(168,455,134)	(50,850,137)	(283,362,457)	(19,102,009)	(61,587,843)	(663,918,502)
Effect of derivatives	-	-	-	-	-	-	-
Net position	(32,454,437)	(125,889,939)	15,513,626	17,905,363	122,952,745	76,971,508	74,998,865

AMD'000	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing or overdue</i>	<i>Carrying amount</i>
31-Dec-18							
Assets							
Cash and cash equivalents	-	-	-	-	-	144,353,912	144,353,912
Available-for-sale financial assets	159,140	88,469	172,792	5,346,073	5,696,510	139,145	11,602,128
Loans and advances to banks	3,256,132	-	-	-	-	1,691,000	4,947,132
Amounts receivable under reverse repurchase agreements	6,746,414	-	-	-	-	-	6,746,414
Loans to customers	48,373,191	65,997,365	53,629,319	243,848,641	108,214,381	6,901,292	526,964,190
Receivables from letters of credit	230,664	4,524,030	1,123,306	2,390,538	-	-	8,268,539
Receivables from finance leases	112,142	108,058	202,245	992,485	436,361	172,915	2,024,205
Receivables from factoring	3,264,453	7,137,091	284,705	-	-	-	10,686,249
Held-to-maturity investments	938,553	5,512,164	68,119	29,109,282	3,197,346	-	38,825,463

	63,080,689	83,367,176	55,480,487	281,687,018	117,544,597	153,258,264	754,418,231
Liabilities							
Deposits and balances from banks	(19,665,003)	(6,905,009)	(6,537,512)	(8,564,467)	(1,404,778)	-	(43,076,769)
Amounts payable under reverse repurchase agreements	(17,011,404)	-	-	-	-	-	(17,011,404)
Current accounts and deposits from customers	(47,304,726)	(33,337,518)	(74,496,960)	(36,083,613)	(70,019)	(207,793,296)	(399,086,132)
Debt securities issue	(10,718,023)	(6,599,784)	(5,910,541)	(20,738,442)	(6,879,567)	-	(50,846,356)
Subordinated borrowings	(35,016,680)	(16,790)	-	(5,917,092)	(9,463,564)	-	(50,414,125)
Other borrowed funds	(75,778,457)	(24,763,722)	(2,736)	(20,354,631)	(13,663)	-	(120,913,209)
	(205,494,293)	(71,622,822)	(86,947,750)	(91,658,245)	(17,831,590)	(207,793,296)	(681,347,995)
Effect of derivatives	3,078,409	-	(439,773)	(2,638,636)	-	-	-
Net position	(139,335,195)	11,744,354	(31,907,036)	187,390,138	99,713,007	(54,535,032)	73,070,236

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 March 2019 and 31 December 2018.

	2019			2018		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Available-for-sale financial assets	10.7%	5.3%	0.05	10.9%	5.0%	0.05
Loans and advances to banks	0.0%	0.0%	0.01	7.3%	0.0%	0.01
Amounts receivable under reverse repurchase agreements	6.3%	3.3%	0.00%	6.6%	3.0%	0.01
Loans to customers	12.1%	8.7%	6.5%	13.6%	8.6%	7.1%
Receivables from finance leases	13.7%	7.5%	8.1%	13.7%	7.3%	8.4%
Receivables from factoring	14.0%	8.6%	5.9%	14.8%	8.6%	5%
Held-to-maturity investments	9.1%	5.5%	-	9.0%	5.7%	-
Interest bearing liabilities						
Deposits and balances from banks	6.6%	3.5%	3.5%	6.7%	3.3%	0.6%
Debt securities issue	9.7%	5.3%	3.3%	9.7%	5.4%	3%
Term deposits	9.1%	4.1%	2.4%	9.0%	4.1%	3.0%
Subordinated borrowings	-	10.3%	0.1	-	9.4%	0.06
Other borrowed funds	8.7%	6.0%	3%	7.9%	6.1%	0.03

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 March 2019:

	USD	EUR	Other currencies	Total
2019	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	16,611,999	46,975,595	2,771,411	66,359,005
Banking standardized bullions of precious metals	-	-	414,425	414,425
Financial instruments at fair value through profit or loss	1,496,154	76,190	-	1,572,344
Available-for-sale financial assets	5,118,435	1,337,343	-	6,455,778
Loans and advances to banks	1,751,064	10,184,020	206,096	12,141,180
Loans to customers	353,847,085	65,601,669	55,634	419,504,388
Receivables from letters of credit	2,013,325	1,714,377	-	3,727,702
Receivables from finance leases	2,031,552	268,463	-	2,300,015
Receivables from factoring	7,070,299	3,069,775	270,663	10,410,737
Held-to-maturity investments	16,219,359	-	-	16,219,359
Other financial assets	2,175,246	607,329	525,455	3,308,030
Total assets	408,383,223	129,834,761	4,243,684	542,461,668
LIABILITIES				
Deposits and balances from banks	23,524,643	5,370,667	3,333,025	32,228,335
Current accounts and deposits from customers	236,658,443	43,567,598	7,127,838	287,353,879
Subordinated borrowings	34,537,035	9,301,813.00	-	43,838,848
Other borrowed funds	75,642,916	37,174,092.00	-	112,817,008
Debt securities issue	46,351,566	1,647,880.00	-	47,999,446
Other financial liabilities	1,300,859	534,771	121,336	1,956,966
Total liabilities	418,015,462	97,596,821	10,582,199	526,194,482
Net position	(9,632,239)	32,237,940	(6,338,515)	16,267,186
Effect of derivatives	22,888,224	(31,643,759)	5,360,647	(3,394,888)
Net position	13,255,985	594,181	(977,868)	12,872,298

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018:

2018	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	12,701,409	46,349,316	5,225,918	64,276,643
Financial assets at fair value through profit and loss	1,750,450	80,331	-	1,830,781
Available-for-sale financial assets	5,031,472	1,355,683	-	6,387,155
Loans and advances to banks	1,328,545	1,273,907	104,764	2,707,216
Amounts receivable under reverse repurchase agreements	914,220	2,769,206	-	3,683,426
Loans to customers	380,471,956	49,326,693	1,887,584	431,686,233
Receivables from letters of credit	6,393,795	1,874,744	-	8,268,539
Receivables from finance leases	1,805,094	155,594	-	1,960,688
Receivables from factoring	6,954,432	3,098,930	1,656	10,055,018
Held-to-maturity investments	13,480,810	-	-	13,480,810
Other financial assets	2,073,597	302,581	825,200	2,727,677
Total assets	432,905,780	106,586,985	8,045,122	547,537,887
LIABILITIES				
Deposits and balances from banks	14,904,074	17,877,791	352,463	33,134,328
Current accounts and deposits from customers	239,398,240	42,178,044	13,640,743	295,217,026
Debt securities issue	44,082,273	1,673,414	-	45,755,687
Subordinated borrowings	41,113,611	9,300,514	-	50,414,125
Other borrowed funds	71,682,222	37,904,405	-	109,586,627
Other financial liabilities	1,523,212	555,423	23,638	2,102,274
Total liabilities	412,703,632	109,489,591	14,016,844	536,210,067
Net position	20,202,148	(2,902,606)	(5,971,722)	11,327,820
Effect of derivatives	(9,717,582)	3,321,900	6,028,089	(367,593)
Net position	10,484,566	419,294	56,367	10,960,227

A strengthening of the AMD, as indicated below, against the following currencies as at 31 March 2019 and 31 December 2018 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2019		2018p.	
	Appreciation	Profit or loss AMD'000	Appreciation	Profit or loss AMD'000
AMD against USD	6.00%	(795,359)	3.50%	(366,960)
AMD against EUR	11.00%	(65,360)	8.00%	(33,544)

A weakening of the AMD against the above currencies at 31 March 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee and Risk Management Center, which actively monitor credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing control and monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Subdivisions.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 19.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 32.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Bank receives and accepts collateral in the form of marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(d) Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the liquidity risk.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and international financial organisations, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Assets and Liabilities Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

(e) The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 March 2019:

AMD*000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
	<i>Ameriabank OJSC</i>							
	<i>Notes to, and forming part of, the financial statements for the first quarter 2019</i>							
ASSETS								
Cash and cash equivalents	131,840,546	-	-	-	-	-	-	131,840,546
Banking standardized bullions of precious metals	-	-	-	-	-	414,425	-	414,425
Financial instruments at fair value through profit or loss	338,836	85,219	399,389	3,382,463	3,971,458	-	-	8,177,365
Financial assets at fair value through other comprehensive income	261,797	14,656	261,046	5,558,144	5,788,279	139,145	-	12,023,067
Loans and advances to banks	10,410,759	-	-	-	-	1,283,500	-	11,694,259
Amounts receivable under reverse repurchase agreements	4,368,121	-	-	-	-	-	-	4,368,121
Loans to customers	11,074,844	40,645,739	102,143,753	256,970,117	103,471,615	-	5,119,909	519,425,976
Receivables from letters of credit	78,996	147,685	1,295,013	2,206,008	-	-	-	3,727,702
Receivables from finance leases	45,519	75,829	161,602	1,365,327	543,752	-	176,251	2,368,279
Receivables from factoring	4,082,108	5,506,338	2,036,901	-	-	-	-	11,625,347
Financial assets at amortized cost	1,287,645	406,192	171,714	28,671,546	11,306,974	-	-	41,844,070
Property, equipment and intangible assets	-	-	-	-	-	10,328,407	-	10,328,407
Right of use asset	-	-	-	-	-	10,749,185	-	10,749,185
Other assets	2,307,079	2,750,392	1,797,779	-	-	454,089	-	7,309,339
Total assets	166,096,249	49,632,050	108,267,197	298,153,604	125,082,077	23,368,751	5,296,160	775,896,088
LIABILITIES								
Financial instruments at fair value through profit or loss	7,948	-	-	-	-	-	-	7,948
Amounts payable under repurchase agreements	8,688,762	-	-	-	-	-	-	8,688,762
Deposits and balances from banks	7,209,121	338,520	20,657,199	10,153,795	2,682,209	-	-	41,040,845
Current accounts and deposits from customers	111,075,013	75,441,570	170,433,075	36,854,765	67,886	-	-	393,872,308
Debt securities issue	103,461	7,563,451	11,370,010	35,723,411	-	-	-	54,760,333
Subordinated borrowings	-	162,608	661,433	33,908,701	9,106,105	-	-	43,838,848
Other borrowed funds	3,623,719	9,825,828	11,911,879	96,345,465	10,515	-	-	121,717,406
Deferred tax liability	-	-	1,099,848	-	-	-	-	1,099,848
Current tax liability	-	-	124,483	-	-	-	-	124,483
Lease liability	-	-	-	-	-	10,447,781	-	10,447,781
Other liabilities	148,392	3,608,477	3,316,868	-	-	-	-	7,073,737
Total liabilities	130,856,416	96,940,454	219,574,796	212,986,137	11,866,715	10,447,781	-	682,672,300
Net position	35,239,832	(47,308,404)	(111,307,599)	85,167,468	113,215,362	12,920,970	5,296,160	93,223,788

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2018:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets								
Cash and cash equivalents	144,353,912	-	-	-	-	473,701	-	144,353,912
Financial instruments at fair value through profit or loss	323,197	139,695	328,036	3,058,640	2,967,442	-	-	6,817,010
Financial assets at fair value through other comprehensive income	72,704	86,435	261,261	5,346,073	5,696,510	139,145	-	11,602,128
Loans and advances to banks	3,256,132	-	-	-	-	1,691,000	-	4,947,132
Amounts receivable under reverse repurchase agreements	6,746,414	-	-	-	-	-	-	6,746,414
Loans to customers	26,971,795	23,059,924	121,233,307	242,571,649	106,226,222	-	6,901,292	526,964,190
Receivables from letters of credit	43,322	187,342	5,647,337	2,390,538	-	-	-	8,268,539
Receivables from finance leases	41,031	71,111	310,303	992,485	436,361	-	172,915	2,024,205
Receivables from factoring	430,846	2,833,607	7,421,796	-	-	-	-	10,686,249
Financial assets at amortized cost	349,559	588,993	5,580,283	29,109,282	3,197,346	-	-	38,825,463
Property, equipment and intangible assets	-	-	-	-	-	10,240,337	-	10,240,337
Deferred tax asset	-	-	200,108	-	-	-	-	200,108
Other assets	2,375,271	2,777,413	2,008,052	-	-	925,015	-	8,085,751
Total assets	184,964,184	29,744,521	142,990,482	283,468,667	118,523,880	12,995,497	7,074,207	779,761,438
Liabilities								
Financial instruments at fair value through profit or loss	20,621	-	-	-	-	-	-	20,621
Amounts payable under repurchase agreements	17,011,404	-	-	-	-	-	-	17,011,404
Deposits and balances from banks	12,771,786	6,893,217	13,442,521	8,564,467	1,404,778	-	-	43,076,769
Current accounts and deposits from customers	233,271,578	21,826,444	107,834,478	36,083,613	70,019	-	-	399,086,132
Debt securities issued	111,329	2,696,535	13,759,546	34,278,947	-	-	-	50,846,356
Subordinated borrowings	1,190,128	435,488	-	48,788,508	-	-	-	50,414,125
Other borrowed funds	3,307,081	4,583,899	18,548,970	94,459,121	14,139	-	-	120,913,209
Current tax liability	-	-	1,086,689	-	-	-	-	1,086,689
Other liabilities	463,125	3,502,688	3,568,162	-	-	-	-	7,533,975
Total liabilities	268,147,051	39,938,271	158,240,365	222,174,657	1,488,935	-	-	689,989,280
Net position	(83,182,868)	(10,193,750)	(15,249,883)	61,294,010	117,034,945	12,995,497	7,074,207	89,772,157

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 March 2019 and during the reporting period are as follows:

	2019 AMD'000	2018 AMD'000
At 31 March (unaudited)	93.4%	89%
Average for March (unaudited)	90.9%	79%

The above ratio is also used to measure compliance with the liquidity limit established by the CBA (not less than 60%).

31 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2019 and 31 December 2018, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 March 2019 and 31 December 2018.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Central Bank of Armenia, as at 31 March 2019 and 31 December 2018:

	31/03/19 AMD'000 Unaudited	31/12/18 AMD'000 Unaudited
Tier 1 capital		
Share capital	37,347,200	37,300,480
Share premium	17,009,560	16,968,726
General reserve	4,809,146	4,809,146

Retained earnings	32,498,210	30,376,714
Deductions	(7,290,574)	(6,655,675)
Total tier 1 capital	84,373,542	82,799,391
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	310,917	184,477
Subordinated borrowing (not greater than 50% of tier 1 capital)	18,873,065	26,892,789
Total tier 2 capital	19,183,982	27,077,266
Total capital	103,557,524	109,876,657
Total risk weighted assets	739,372,461	713,735,277
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	14.01%	15.39%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

32 Commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31/03/19	31/12/18
	AMD'000	AMD'000
Contracted amount		
Guarantees	6,976,360	7,736,599
Letters of credit	2,392,722	167,851
Credit card commitments	13,233,399	13,602,109
Loan and credit line commitments	20,666,500	18,237,090
Undrawn overdraft facilities	7,234,930	3,773,503
	50,503,911	43,517,152

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

33 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 7,021,000 thousand coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of accidents on the Bank's property or related to operations.

(b) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Taxation contingencies

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in the Republic of Armenia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax

liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

34 Related party transactions

(a) Control relationships

The Bank's parent company is Ameria Group (CY) Limited, which owns 56.6% of the share capital.

The ultimate controller and final beneficiary owner of the Bank is Ruben Vardanyan

No publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the first quarter of 2019 and 2018 are as follows:

	2019 AMD'000	2018 AMD'000
Short-term employee benefits	<u>306,654</u>	<u>224,199</u>

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as at 31 March 2019 and 31 December 2018 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2019 AMD'000	Average interest rate, %	2018 AMD'000	Average interest rate, %
Statement of financial position				
Loans issued	1,346,452	7.75%	1,273,721	7.79%
Other asset	3,753	0.00%	1,832	0.00%
Deposits received	267,354	5.74%	460,725	5.74%
Subordinated borrowing	-	0.00%	5,924,274	6.00%
Other liabilities	1,486,316	0.00%	1,478,022	0.00%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the periods ending 31 March 2019 and 31 December 2018 are as follows:

	2019 AMD'000	2018 AMD'000
Profit or loss		
Interest income	24,904	24,789
Interest expense	(24,376)	(90,771)

The outstanding balances and the related average effective interest rates as at 31 March 2019 and related profit or loss amounts of transactions as at 31 March 2019 with other related parties are as follows:

(c) Transactions with other related parties

	Parent company		Shareholder with significant influence		Other subsidiaries of the parent company		Other		Total
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
Statement of financial position									
ASSETS									
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-	1,400,909	7.97%	1,400,909
Other asset	-	-	9,373		457,763	-	-	-	467,136
LIABILITIES									
Financial instruments at fair value through profit or loss									
Current accounts and deposits from customers									
- Current accounts and demand deposits	19,964	0.0%	56,591	0.0%	318,916	0.0%	499,682	0.0%	895,153
- Term deposits	-		-		937,688	3.68%	78,419	6.50%	1,016,107
Other borrowing			24,413,146	5.97%					24,413,146
Other liabilities	-		20,046	0.0%	-		-		20,046
Items not recognised in the statement of financial position									
Guarantees given			14,937,434	0.98%					14,937,434
Profit (loss)									
Interest income	-		-		-		40,694		40,694
Interest expense	-		(366,908)		(7,164)		(1,252)		(375,324)
Other expense			-		(432,115)				(432,115)

The outstanding balances and the related average effective interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the first quarter ended 31 March 2018 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Subsidiaries of the parent company		Entities under control and other parties
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
Statement of financial position							
ASSETS							
Financial instruments at fair value through profit or loss							
Loans to customers							4,061,715
Other asset			62,619	0.0%	879,324	0.0%	
LIABILITIES							
Financial instruments at fair value through profit or loss							
Current accounts and deposits from customers							
- Current accounts and demand deposits	20,562	0.0%	62,690	0.0%	1,085,613	0.0%	1,376,258
- Term deposits					659,326	4.00%	77,155
Other borrowing			21,215,696	6.04%			
Other liabilities			13,209	0.0%			
Items not recognised in the statement of financial position							
Guarantees given			13,323,384	1.05%			
Profit (loss)							
Interest income							394,952
Interest expense			(310,656)	0.0%	(3,917)	0.0%	(333,460)
Other expense			(19,634)	0.0%	(400,516)	0.0%	