



**Ameriabank cjsc**

**Financial Statements**

**For the second quarter of 2018**

## **Contents**

Statement of profit or loss and other comprehensive income .....	3
Statement of financial position .....	4
Statement of cash flows .....	5
Statement of changes in equity .....	6
Notes to the financial statements .....	7

**Statement of comprehensive income**  
30-Jun-2018

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

(thous. drams)

Item	Note	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
Interest income	5	12,839,823	25,301,045	12,753,888	25,533,870
Interest expenses	5	(6,415,420)	(12,972,994)	(8,212,478)	(16,762,251)
<b>Net interest income</b>		<b>6,424,403</b>	<b>12,328,051</b>	<b>4,541,410</b>	<b>8,771,619</b>
Fee and commission income	6	1,068,959	2,086,000	798,748	1,554,329
Fee and commission expense	7	(277,772)	(487,678)	(85,161)	(344,911)
<b>Net fee and commission income</b>		<b>791,187</b>	<b>1,598,322</b>	<b>513,587</b>	<b>1,209,418</b>
Net profit/loss on financial instruments at fair value through profit or loss	8	1,198,370	828,396	(1,555,040)	(971,055)
Net foreign exchange income	9	(93,663)	1,120,396	1,975,432	2,205,176
Net gain on financial assets at fair value through other comprehensive		4,206	105,715	107,514	161,386
Other operating income	10	1,512,771	1,756,427	494,633	780,059
Other operating expense	10	(576,424)	(1,066,724)	(510,327)	(926,279)
<b>Operating income</b>		<b>9,260,850</b>	<b>16,670,583</b>	<b>5,567,210</b>	<b>11,230,325</b>
Impairment reversals (losses)	11	(1,380,636)	(2,355,732)	(1,37,816)	(2,158,698)
Personnel expenses		(2,192,835)	(4,045,452)	(1,422,540)	(2,898,543)
Other general administrative expenses	12	(1,401,943)	(2,825,588)	(1,032,224)	(1,961,555)
<b>Profit before income tax</b>		<b>4,285,436</b>	<b>7,443,811</b>	<b>2,074,630</b>	<b>4,211,529</b>
Income tax expense	13	(921,361)	(1,516,242)	(378,189)	(870,427)
<b>Profit for the period</b>		<b>3,364,075</b>	<b>5,927,569</b>	<b>1,596,441</b>	<b>3,341,101</b>
<b>Other comprehensive income, net of income tax</b>					
Increase/decrease in revaluation reserve of financial assets		(61,126)	(122,608)	50,239	45,713
<b>Other comprehensive income for the period, net of income tax</b>		<b>(61,126)</b>	<b>(122,608)</b>	<b>50,239</b>	<b>45,713</b>
<b>Total comprehensive income for the period</b>		<b>3,302,949</b>	<b>5,804,961</b>	<b>1,746,680</b>	<b>3,386,814</b>

Validation date 13.07.18

General Director-Chairman of the Management Board

Chief Accountant



*(Handwritten signature)*

Artak Hanesyan

Gohar Khachatryan

**Statement of Financial Position**  
30-Jun-2018

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

(thous. drams)

Item	Note	30/06/18	31/12/17
<b>Assets</b>			
Cash and cash equivalents	14	123,290,619	107,616,368
Banking standardized bullions of precious metals		638,990	532,675
Financial instruments at fair value through profit or loss			
- Held by the Bank	15	4,765,529	3,968,064
Financial assets at fair value through other comprehensive income			
- Held by the Bank	16	9,643,357	-
- Pledged under sale and repurchase agreements	16	-	-
Available-for-sale financial assets			
- Held by the Bank	16	-	9,888,078
- Pledged under sale and repurchase agreements	16	-	-
Loans and advances to banks	17	3,274,755	10,842,890
Amounts receivable under reverse repurchase agreements	18	8,938,298	8,675,394
Loans and advances to customers at amortized cost	19	492,314,628	479,640,980
Financial assets at amortized cost			
- Held by the Bank	20	32,853,487	-
- Pledged under sale and repurchase agreements	20	1,023,821	-
Held-to-maturity investments			
- Held by the Bank	20	-	37,337,539
- Pledged under sale and repurchase agreements	20	-	5,968,305
Property, equipment and intangible assets	21	9,485,566	7,126,916
Current tax asset	13	62,518	-
Other assets	22	7,200,058	6,124,888
<b>Total assets</b>		<b>693,491,627</b>	<b>677,722,097</b>
<b>Liabilities</b>			
Financial instruments at fair value through profit or loss	15	21,195	686,306
Amounts payable under repurchase agreements		1,019,142	6,121,693
Deposits and balances from banks	23	48,670,074	40,004,001
Current accounts and deposits from customers	24	351,473,589	375,170,779
Debt securities issue	25	47,995,016	40,932,595
Subordinated borrowings	26	40,839,049	40,919,768
Other borrowed funds	26	111,260,504	98,128,094
Current tax liabilities	13	-	990,256
Deferred tax liabilities	13	653,485	1,025,103
Provision on contingent liabilities	29	72,153	-
Other liabilities	27	6,194,578	3,841,631
<b>Total liabilities</b>		<b>608,198,785</b>	<b>607,820,226</b>
<b>Equity</b>			
Share capital	28	37,300,480	32,087,360
Share premium		16,968,724	7,755,179
Revaluation reserve		287,371	338,214
Retained earnings	4	30,736,267	29,721,118
<b>Total equity</b>		<b>85,292,842</b>	<b>69,901,871</b>
<b>Total liabilities and equity</b>		<b>693,491,627</b>	<b>677,722,097</b>

Validation date 13.07.2018

General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant

Gohar Khachatryan





**Statement of changes in equity**  
30-Jun-2018

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
<b>Appropriate interim period of previous financial year (cumulative)</b>					
<b>Balance as of 01 January 2017</b>	32,087,360	7,755,179	307,897	24,247,332	64,397,768
Increase/decrease in fair value of financial assets, net of income tax	-	-	45,713	-	45,713
Net profit/ loss for the period	-	-	-	3,341,101	3,341,101
Dividends				-	-
<b>Balance as of 30 June 2017</b>	32,087,360	7,755,179	353,610	27,588,433	67,784,582

<b>Interim period of current financial year (cumulative)</b>					
<b>Balance as of 01 January 2018</b>	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)
<b>Balance after recalculation</b>	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	-	-	(122,608)	-	(122,608)
Net profit/ loss for the period	-	-	-	5,927,569	5,927,569
Dividends				(1,148,000)	(1,148,000)
<b>Balance as of 30 June 2018</b>	37,300,480	16,968,724	287,371	30,736,267	85,292,842

Validation date 13.07.18

General Director-Chairman of the Management Board

Artak Hanesyan

Chief Accountant

Gohar Khachatryan



## **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 30 June 2018 are Ameria Group (CY) 56.60%, EBRD 17.80%, ESPS Holding Limited 11.62% and ADB 13.98%.

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 second quarter of 2018 was 773 (2017: 695).

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 30 June 2018 and 31 December 2017 were 482.2 AMD and 484.1 AMD to 1 USD, and 561.8 AMD and 580.1 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.
- 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.
- 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 Impact of adoption of IFRS 9

In the table below is presented detailed impact of transition from IAS 39 to IFRS 9 as at 01 January 2018 which has been reflected in the Statement of changes in equity.

IAS 39			IFRS 9				
Item	Category	Amount	Remeasurement	Provision	Item	Amount	Category
Cash and cash equivalents	Loans and other receivables	107,616,368		(26,171)	Cash and cash equivalents	107,590,197	Amortized cost
Banking standardized bullions of precious metals	Loans and other receivables	532,675		-	Banking standardized bullions of precious metals	532,675	Amortized cost
Financial instruments at fair value through profit or loss	Financial instruments at fair value through profit or loss	3,968,064		-	Financial instruments at fair value through profit or loss	3,968,064	Financial instruments at fair value through profit or loss
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	9,888,078		(71,765)	Financial assets at fair value through other comprehensive income	9,816,313	Financial assets at fair value through other comprehensive income
Loans and advances to banks	Loans and other receivables	10,842,890		(10,990)	Loans and advances to banks	10,831,900	Amortized cost
Amounts receivable under reverse repurchase agreements	Loans and other receivables	8,675,394		(3)	Amounts receivable under reverse repurchase agreements	8,675,391	Amortized cost
Loans and advances to customers at amortized cost	Loans and other receivables	479,640,980		(4,057,632)	Loans and advances to customers at amortized cost	475,583,348	Amortized cost
Held-to-maturity investments	Amortized cost	43,305,844		(353,112)	Financial assets at amortized cost	42,952,732	Amortized cost
Other receivable amounts	Loans and other receivables			(52,720)	Financial assets at amortized cost	(52,720)	Amortized cost
Contingent liabilities	X			(133,132)	Provision on contingent liabilities	(133,132)	X
Deferred tax				941,105		X	
<b>Total</b>							
				<b>(3,764,420)</b>			

As at 01 January 2018 bank had no re-measurement of assets and the main impact of transition from IAS 39 to IFRS 9 was due to implementation of new impairment approach.

## 5 Net interest income

	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
	AMD'000	AMD'000	AMD'000	AMD'000
<b>Interest income</b>				
Loans to customers	11,272,931	21,951,385	11,222,247	22,561,705
Income from factoring	131,073	295,529	154,135	250,525
Financial assets at fair value through OCI	257,866	465,237	284,369	529,563
Receivables from finance leases	47,232	93,456	37,268	77,361
Financial assets at amortized cost	738,616	1,607,831	680,076	1,400,140
Loans and advances to banks	97,628	244,798	22,810	71,759
Amounts receivable under reverse repurchase agreements	173,195	351,653	156,541	281,685
Receivables from letters of credit	110,217	202,824	159,663	316,616
Other	11,065	88,332	36,779	44,516
	<b>12,839,823</b>	<b>25,301,045</b>	<b>12,753,888</b>	<b>25,533,870</b>
<b>Interest expense</b>				
Current accounts and deposits from customers	2,557,143	5,535,708	3,742,418	7,745,446
Other borrowed funds and subordinated borrowing	2,718,767	5,273,985	2,477,148	5,099,290
Deposits and balances from banks	310,447	622,933	1,456,234	2,933,688
Amounts payable under repurchase agreements	12,007	28,589	5,032	8,803
Letters of credit and guarantee	144,353	257,463	118,007	219,359
Debt securities issued	671,184	1,252,299	413,523	733,052
Other	1,519	2,017	116	22,613
	<b>6,415,420</b>	<b>12,972,994</b>	<b>8,212,478</b>	<b>16,762,251</b>
<b>Net interest income</b>	<b>6,424,403</b>	<b>12,328,051</b>	<b>4,541,410</b>	<b>8,771,619</b>

## 6 Fee and commission income

	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
	AMD'000	AMD'000	AMD'000	AMD'000
Credit card maintenance	474,012	903,504	392,245	718,506
Money transfers	232,072	448,772	173,289	319,817
Guarantee and letter of credit issuance	74,719	140,972	71,162	134,274
Cash withdrawal, account service and distance system services	210,104	393,573	107,137	232,712
Settlement operations	12,995	23,149	17,205	32,280
Brokerage services	23,774	74,103	30,910	58,963
Other	41283	101,927	6,800	57,777

<b>1,068,959</b>	<b>2,086,000</b>	<b>798,749</b>	<b>1,554,329</b>
------------------	------------------	----------------	------------------

## 7 Fee and commission expense

	<b>01/04/2018- 30/06/2018</b>	<b>01/01/2018- 30/06/2018</b>	<b>01/04/2017- 30/06/2017</b>	<b>01/01/2017- 30/06/2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Guarantee and letter of credit issuance	21,022	31,968	5,680	24,764
Credit card maintenance	197,334	349,465	142,421	251,040
Money transfers	41,621	75,317	26,542	54,344
Other	17,795	30,928	10,518	14,763
	<b>277,772</b>	<b>487,678</b>	<b>185,161</b>	<b>344,911</b>

## 8 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.

## 9 Net foreign exchange income

	<b>01/04/2018- 30/06/2018</b>	<b>01/01/2018- 30/06/2018</b>	<b>01/04/2017- 30/06/2017</b>	<b>01/01/2017- 30/06/2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Net gain on spot transactions	904,193	1,735,204	735,322	1,362,943
Net gain from revaluation of financial assets and liabilities	(997,856)	(614,808)	1,240,110	842,233
	<b>(93,663)</b>	<b>1,120,396</b>	<b>1,975,432</b>	<b>2,205,176</b>

## 10 Other operating income/(expenses)

	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
	AMD'000	AMD'000	AMD'000	AMD'000
<b>Other operating income</b>				
Income from fines and penalties	290,726	454,194	445,864	663,187
Other income	1,222,045	1,302,233	48,769	116,872
	<b>1,512,771</b>	<b>1,756,427</b>	<b>494,633</b>	<b>780,059</b>
<b>Other operating expenses</b>				
Expenses on fines and penalties	(1,026)	(3,526)	-	-
Expenses from disposal of fixed assets	-	-	(58)	(58)
Encashment	(15,807)	(30,419)	(13,893)	(26,259)
Trading and brokerage activities	(31,206)	(60,579)	(20,395)	(44,564)
Guarantee payments to Armenian Deposit Guarantee Fund	(111,747)	(222,866)	(107,093)	(189,678)
Software maintenance	(83,218)	(169,207)	(69,640)	(136,888)
Payment system expenses	(178,674)	(287,883)	(117,736)	(219,957)
Other expenses	(154,746)	(292,244)	(181,512)	(308,875)
	<b>(576,424)</b>	<b>(1,066,724)</b>	<b>(510,327)</b>	<b>(926,279)</b>

Other income includes income from advisory services provided by Investment Banking wing amounting to AMD 1,163,953 thousand for the period ending 30 June 2018.

## 11 Impairment (losses) reversals

	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
	AMD'000	AMD'000	AMD'000	AMD'000
Loans to customers	1,346,141	2,296,743	1,079,027	2,106,721
Other assets	34,494	58,988	58,789	51,977
	<b>1,380,635</b>	<b>2,355,731</b>	<b>1,137,816</b>	<b>2,158,698</b>

## 12 Other general administrative expenses

	01/04/2018- 30/06/2018	01/01/2018- 30/06/2018	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017
--	---------------------------	---------------------------	---------------------------	---------------------------

	AMD'000	AMD'000	AMD'000	AMD'000
Operating lease expense	535,489	1,156,079	254,640	523,290
Advertising and marketing	142,168	292,780	180,609	334,797
Depreciation and amortization	297,431	515,624	220,675	423,810
Repairs and maintenance	66,984	148,335	84,656	161,984
Communications and information services	32,915	63,604	26,082	54,676
Travel expenses	42,932	56,295	53,570	67,956
Security	41,194	85,729	31,909	62,534
Professional services	17,692	80,237	18,382	23,932
Electricity and utilities	136,054	162,810	19,882	48,399
Insurance	5,580	12,272	7,615	15,321
Charity and sponsorship	17,048	17,777	6,891	11,675
Representation expenses	580	1,802	4,180	9,654
Office supplies	15,581	23,144	6,756	14,741
Taxes other than on payroll and income	6,877	11,750	2,287	8,681
Other	43,418	197,350	114,090	200,105
	<b>1,401,943</b>	<b>2,825,588</b>	<b>1,032,224</b>	<b>1,961,555</b>

### 13 Income tax expense

	01/04/2018- 30/06/2018 AMD'000	01/01/2018- 30/06/2018 AMD'000	01/04/2017- 30/06/2017 AMD'000	01/01/2017- 30/06/2017 AMD'000
<b>Current tax expense</b>				
Current year	533,909	931,703	383,000	383,000
<b>Deferred tax expense</b>				
Deferred taxation movement due to origination and reversal of temporary differences	387,451	584,539	(4,811)	487,427
<b>Total income tax expense</b>	<b>921,360</b>	<b>1,516,242</b>	<b>378,189</b>	<b>870,427</b>

In 2018 the applicable tax rate for current and deferred tax is 20% (2017: 20%).

#### Reconciliation of effective tax rate:

	01/01/2018- 30/06/2018 AMD'000	%	01/01/2017- 30/06/2017 AMD'000	%
Profit before tax	7,443,811		4,211,529	
Income tax at the applicable tax rate	1,488,762	20.00%	842,306	20.00%
Non-deductible costs	27,480	0.37%	28,121	0.67%

**1,516,242      20.37%      870,427      20.67%**

**(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 30 June 2018 and as at 31 December 2017.

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

Movements in temporary differences during the periods ended 30 June 2018 and 31 December 2017 are presented as follows:

<b>2018</b>	<b>Balance 1 January 2018</b>	<b>Impact of IFRS 9</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Balance 30 June 2017</b>
	<b>AMD'000</b>		<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Financial instruments at fair value through profit or loss	(30,281)	-	(4,197)	-	(34,478)
Available-for-sale financial assets	(84,557)	14,353	3,573	31,102	(35,528)
Allowance for other receivables and other provisions	(197,755)	147,744	(141,640)	-	(191,651)
Loans to customers	(1,075,288)	779,008	(330,047)	-	(626,327)
Property and equipment	(68,334)	-	-	-	(68,334)
Other assets	25,243	-	(25,243)	-	-
Other liabilities	448,558	-	(93,461)	-	355,097
Other borrowed funds	(42,690)	-	6,476	-	(36,215)
	<b>(1,025,104)</b>	<b>941,105</b>	<b>(584,539)</b>	<b>31,102</b>	<b>(637,435)</b>

<b>2017</b>	<b>Balance 1 January 2017</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Balance 30 June 2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
Financial instruments at fair value through profit or loss	(102,874)	79,262	-	(23,612)
Available-for-sale financial assets	(76,977)	-	(11,429)	(88,406)
Allowance for other receivables and other provisions	(197,664)	(43,789)	-	(241,453)
Loans to customers	(1,336,197)	(343,404)	-	(1,679,601)
Property and equipment	(45,152)	(6,201)	-	(51,353)

Other assets	10,500	2,604	-	13,104
Other liabilities	362,234	(157,736)	-	204,498
Other borrowed funds	(56,742)	(18,164)	-	(74,906)
	<b>(1,442,872)</b>	<b>(487,428)</b>	<b>(11,429)</b>	<b>(1,941,729)</b>

## 14 Cash and cash equivalents

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
<b>Cash on hand</b>	15,281,685	18,139,767
<b>Nostro accounts with the CBA</b>	64,236,107	76,917,450
<b>Nostro accounts with other banks</b>		
- rated AA- to AA+	30,714	12,922
- rated A- to A+	16,926,362	7,406,733
- rated from B- to BBB+	23,783,893	5,095,603
- not rated	3072933.384	43893.5874
<b>Total nostro accounts with other banks</b>	<b>43,813,902</b>	<b>12,559,151</b>
<b>Impairment allowance</b>	<b>(41,075)</b>	-
<b>Total cash and cash equivalents</b>	<b>123,290,619</b>	<b>107,616,368</b>

Movements in the impairment allowance of Cash and cash equivalents for second quarter 2018 are as follows:

	<b>AMD'000</b>
<b>Balance at the beginning of the year</b>	-
<b>Balance at the beginning of the year recalculated per IFRS 9</b>	26,171
Net charge	76,380
Write-offs	(61,476)
<b>Balance at the end of the period</b>	<b>41,075</b>

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 30 June 2018 the Bank has two banks (2017: one), whose balances exceed 10% of equity. As at 30 June 2018 the balances of bank was 29,608,635 AMD'000 (as at 31 December 2017 the balances of bank was 7,406,733 AMD'000).

As at 30 June 2018 and 31 December 2017 the balances with the Central Bank of Armenia exceed 10% of equity.

## 15 Financial instruments at fair value through profit or loss

	30/06/18	31/12/17
	AMD'000	AMD'000
<b>Assets</b>		
<b>Debt and other fixed-income instruments</b>		
Government securities of the Republic of Armenia	3,041,225	1,443,746
Eurobonds of the Republic of Armenia	498,650	521,780
Corporate bonds of the Republic of Armenia	1,091,817	1,049,673
<b>Derivative financial instruments</b>		
Interest rate swaps	117,393	62,835
Foreign currency contracts	16,444	890,030
	<b>4,765,529</b>	<b>3,968,064</b>
<b>Liabilities</b>		
<b>Derivative financial instruments</b>		
Foreign currency contracts	21,195	686,306
	<b>21,195</b>	<b>686,306</b>

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 30 June 2018 and 31 December 2017 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 unmatured contracts are recognized in profit or loss, as appropriate.

	Fair value		Notional amount	
	2018	2017	2018	2017
	AMD'000	AMD'000	AMD'000	AMD'000
Pay fixed in USD, receive floating in USD	117,393	62,835	4,548,400	6,931,431

As at 30 June 2018 the Bank has two interest rate swap contracts, one with USD 15,000,000 initial notional amount and one with USD 10,000,000 initial notional amount (2017: three interest rate swap contracts with USD 15,000,000 notional amount and one with USD 10,000,000 initial notional amount). Under these contracts the Bank pays 0.9450% and 1.5850% fixed rates, and receives 6-month USD-LIBOR-ICE floating rates for each contract, respectively. The contractual maturity of outstanding interest rate swap contracts is 2022.

## 16 Financial assets at fair value through other comprehensive income

	30/06/18	31/12/17
	AMD'000	AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
- <b>Government bonds</b>		
Government securities of the Republic of Armenia	5,908,246	-
Eurobonds of the Republic of Armenia	1,421,990	-
Eurobonds of other countries	757,408	-
- <b>Corporate bonds</b>		
Corporate bonds of the Republic of Armenia	1,416,568	-
<b>Equity investments</b>		
- Unquoted equity securities at cost	139,145	-
	<b>9,643,357</b>	<b>-</b>

## 16 Available-for-sale Financial assets

	30/06/18	31/12/17
	AMD'000	AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
- <b>Government bonds</b>		
Government securities of the Republic of Armenia	-	4,712,578
Eurobonds of the Republic of Armenia	-	1,083,830
Eurobonds of other countries	-	2,942,639

<b>- Corporate bonds</b>		
Corporate bonds of the Republic of Armenia	-	1,042,572
<b>Equity investments</b>		
- Unquoted equity securities at cost	-	106,458
	<b>-</b>	<b>9,888,078</b>

As at 30 June 2018 impairment allowance of financial assets at fair value through other comprehensive income was 89,618 AMD'000, which is included in fair value. As at 01 January 2018 allowance was 71,765 AMD'000.

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		2018	2017
			2018	2017	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	1.06%	1.06%	69,250	69,250
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	779
					<b>139,145</b>	<b>106,458</b>

**(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.

## 17 Loans and advances to banks

	30/06/18 AMD'000	31/12/17 AMD'000
<b>Due from the CBA</b>		
Credit card settlement deposit with the CBA	1,273,000	1,423,500
Time deposit with CBA	-	-
<b>Debt instruments with local banks and credit organizations</b>		
Bonds of local banks and credit organizations	-	628,936
<b>Loans and deposits with other banks</b>		
Armenian banks	2,001,000	8,726,923
OECD banks	918	63,531
Foreign other banks	-	-
<b>Total loans and deposits with other banks</b>	<b>2,001,918</b>	<b>8,790,454</b>
<b>Total placement with banks</b>	<b>3,274,918</b>	<b>10,842,890</b>

<b>Impairment allowance</b>	<b>(162)</b>	
<b>Total net placement with banks</b>	<b>3,274,755</b>	<b>10,842,890</b>

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

Included in loans and deposits with OECD banks and other foreign banks in 2017 AMD 62,933 thousand represents deposits pledged for letters of credit, guarantees and credit cards.

### **Concentration of loans and advances to banks**

As at 30 June 2018 the Bank has no bank (2017: one bank), whose balances exceed 10% of equity. As at 31 December 2017 the balances of bank was 8,726,923 AMD'000.

## **18 Amounts receivable under reverse repurchase agreements**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Amounts receivable from medium and small Armenian financial institutions	8,938,299	8,675,394
<b>Total amounts receivable under reverse repurchase agreements</b>	<b>8,938,299</b>	<b>8,675,394</b>
Impairment allowance	(1)	-
<b>Total net amounts receivable under reverse repurchase agreements</b>	<b>8,938,298</b>	<b>8,675,394</b>

### **Collateral**

As at 30 June 2018 and 31 December 2017 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 9,385,511 thousand (2017: 9,112,667 thousand).

## **19 Loans and advances to customers**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Loans to legal entities	415,471,004	416,715,125
Loans to individuals	77,781,989	61,889,809
Receivables from finance lease	1,956,072	1,759,470
Receivables from factoring	6,538,529	6,752,241
Receivables from letter of credit	5,455,365	4,129,748
<b>Gross loans and advances to customers</b>	<b>507,202,959</b>	<b>491,246,393</b>
Impairment allowance	(14,888,330)	(11,605,412)
<b>Net loans and advances to customers</b>	<b>492,314,629</b>	<b>479,640,981</b>

**(a) Loans to legal entities and individuals**

	30/06/18 AMD'000	31/12/17 AMD'000
<b>Loans to legal entities</b>		
Loans to large companies	330,399,764	333,102,167
Loans to small and medium size companies	85,071,240	83,612,957
<b>Total loans to legal entities</b>	<b>415,471,004</b>	<b>416,715,125</b>
<b>Loans to individuals</b>		
Mortgage loans	33,162,449	28,601,855
Other loans to individuals	44,619,540	33,287,954
<b>Total loans to individuals</b>	<b>77,781,989</b>	<b>61,889,809</b>
<b>Gross loans to legal entities and individuals</b>	<b>493,252,993</b>	<b>478,604,934</b>
Impairment allowance	(14,568,884)	(11,294,202)
<b>Net loans to legal entities and individuals</b>	<b>478,684,109</b>	<b>467,310,731</b>

Movements in the loan impairment allowance by classes of loans to legal entities and individuals for the years 2018 and 2017 are as follows:

2018	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the year	10,776,289	517,913	11,294,202
Balance at the beginning of the year recalculated per IFRS 9	14,021,973	1,167,269	15,189,242
Net charge	1,893,582	403,160	2,296,742
Recovery of loans previously written off	87,219	280,997	368,216
Write-offs	(3,007,757)	(277,559)	(3,285,316)
<b>Balance at the end of the year</b>	<b>12,995,017</b>	<b>1,573,867</b>	<b>14,568,884</b>

2017	Loans to corporate customers	Loans to retail customers	Total
	AMD'000	AMD'000	AMD'000
Balance at the beginning of the year	8,490,328	496,044	8,986,372
Net charge	5,209,942	247,855	5,457,797
Recovery of loans previously written off	(99,076)	472,373	373,297
Write-offs	(2,824,905)	(698,359)	(3,523,264)
<b>Balance at the end of the year</b>	<b>10,776,289</b>	<b>517,913</b>	<b>11,294,202</b>

### 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 30 June 2018. 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
<b>Loans to corporate customers</b>						
<b>Loans to large corporates</b>						
Not impaired	305,080,486	2,425,849	20,531,059	3,725,305	-	-
Impaired	-	-	-	-	4,788,218	2,921,642
Individually impaired	-	-	-	-	4,788,218	2,921,642
<b>Total Loans to large corporates</b>	<b>305,080,486</b>	<b>2,425,849</b>	<b>20,531,059</b>	<b>3,725,305</b>	<b>4,788,218</b>	<b>2,921,642</b>
<b>Loans to SME</b>						
Not impaired	76,588,216	617,431	1,138,677	206,610	-	-
Impaired	-	-	-	-	7,344,347	3,098,179
Collectively impaired	-	-	-	-	32,447	26,662
Individually impaired	-	-	-	-	7,311,899	3,071,517
<b>Total Loans to SME</b>	<b>76,588,216</b>	<b>617,431</b>	<b>1,138,677</b>	<b>206,610</b>	<b>7,344,347</b>	<b>3,098,179</b>
<b>Total Loans to corporate customers</b>						

	<b>381,668,702</b>	<b>3,043,280</b>	<b>21,669,736</b>	<b>3,931,915</b>	<b>12,132,565</b>	<b>6,019,822</b>
--	--------------------	------------------	-------------------	------------------	-------------------	------------------

	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
<b>Loans to Individuals</b>						
<b>Mortgage</b>						
Not impaired	<b>32,384,139</b>	<b>183,334</b>	<b>168,711</b>	<b>30,575</b>	-	-
Impaired	-	-	-	-	<b>609,231</b>	<b>296,796</b>
Collectively impaired	-	-	-	-	71,488	47,215
Individually impaired	-	-	-	-	537,743	249,581
<b>Total Mortgage</b>	<b>32,384,507</b>	<b>183,334</b>	<b>168,711</b>	<b>30,575</b>	<b>609,231</b>	<b>296,796</b>
<b>Other loans to Individuals</b>						
Not impaired	<b>41,531,266</b>	<b>255,489</b>	<b>577,757</b>	<b>116,491</b>	-	-
Impaired	-	-	-	-	<b>2,510,517</b>	<b>691,183</b>
Collectively impaired	-	-	-	-	143,473	114,203
Individually impaired	-	-	-	-	2,367,044	576,980
<b>Total Other loans to Individuals</b>	<b>41,531,266</b>	<b>255,489</b>	<b>577,757</b>	<b>116,491</b>	<b>2,510,517</b>	<b>691,183</b>
<b>Total Loans to Individuals</b>	<b>73,915,773</b>	<b>438,823</b>	<b>746,468</b>	<b>147,066</b>	<b>3,119,748</b>	<b>987,979</b>

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2017 recalculated per IFRS 9.

	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
<b>Loans to corporate customers</b>						
<b>Loans to large corporates</b>						
Not Impaired	306,387,785	2,194,898	19,299,812	3,501,899	-	-
Impaired	-	-	-	-	7,414,570	4,590,908
Individually impaired	-	-	-	-	7,414,570	4,590,908
<b>Total Loans to large corporates</b>	<b>306,387,785</b>	<b>2,194,898</b>	<b>19,299,812</b>	<b>3,501,899</b>	<b>7,414,570</b>	<b>4,590,908</b>
<b>Loans to SME</b>						
Not Impaired	73,411,181	575,401	3,122,161	566,508	-	-
Impaired	-	-	-	-	7,079,616	2,592,359
Collectively impaired	-	-	-	-	168,591	106,627
Individually impaired	-	-	-	-	6,911,025	2,485,732
<b>Total Loans to SME</b>	<b>73,411,181</b>	<b>575,401</b>	<b>3,122,161</b>	<b>566,508</b>	<b>7,079,616</b>	<b>2,592,359</b>
<b>Total Loans to corporate customers</b>	<b>379,798,966</b>	<b>2,770,299</b>	<b>22,421,973</b>	<b>4,068,407</b>	<b>14,494,186</b>	<b>7,183,267</b>

	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
<b>Loans to Individuals</b>						
<b>Mortgage</b>						
Not Impaired	27,804,694	149,847	45,904	8,319	-	-
Impaired	-	-	-	-	751,530	239,754
Collectively impaired	-	-	-	-	58,588	38,695
Individually impaired	-	-	-	-	692,942	201,058
<b>Total Mortgage</b>	<b>27,804,694</b>	<b>149,847</b>	<b>45,904</b>	<b>8,319</b>	<b>751,530</b>	<b>239,754</b>
<b>Other loans to Individuals</b>						
Not Impaired	30,741,792	165,589	225,501	45,467	-	-

<b>Impaired</b>	-	-	-	-	<b>2,320,387</b>	<b>558,293</b>
<b>Collectively impaired</b>	-	-	-	-	99,518	79,216
<b>Individually impaired</b>	-	-	-	-	2,220,869	479,077
<b>Total Other loans to Individuals</b>	<b>30,741,792</b>	<b>165,589</b>	<b>225,501</b>	<b>45,467</b>	<b>2,320,387</b>	<b>558,293</b>
<b>Total Loans to Individuals</b>	<b>58,546,486</b>	<b>315,437</b>	<b>271,405</b>	<b>53,786</b>	<b>3,071,918</b>	<b>798,047</b>

## **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 December 2017 consumer loans are secured by real estate, movable property, salary, cash and guarantees

### ***Repossessed collateral***

During 2018, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers amounting AMD 614,284 thousand (2017: AMD 617,777 thousand). As at 30 June 2018 the repossessed collateral comprise real estate and is classified as other assets.

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:

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Wholesale trade	81,368,415	77,660,198
Finance and investment	51,760,198	74,110,288
Mining/Metallurgy	59,777,685	51,048,122
Hotel service	37,351,045	32,463,343
Construction	30,487,769	30,072,853
Agriculture, forestry and timber	26,369,260	27,180,750
Food and beverage	21,855,390	21,641,394
Retail trade	24,513,571	21,081,805
Power generation	22,193,959	17,184,852
Real estate	13,670,734	13,297,236
Communication services	12,369,011	13,161,817

Manufacturing	8,786,228	9,459,381
Transportation	11,343,158	7,827,878
Other	13,625,544	20,525,208
Loans to retail customers	77,781,025	61,889,809
	<b>493,252,992</b>	<b>478,604,934</b>
Impairment allowance	(14,568,884)	(11,294,202)
	<b>478,684,108</b>	<b>467,310,731</b>

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

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Armenia	326,831,634	312,607,979
OECD and EU	19,513,122	46,222,319
Other foreign countries	56,131,231	47,108,538
	<b>402,475,987</b>	<b>405,938,835</b>

### **Significant credit exposures**

As at 30 June 2018 the Bank has fourteen borrowers or groups of connected borrowers (2016: seventeen), whose loan balances exceed 10% of equity. The gross value of these loans as at 30 June 2018 is AMD 164,438,704 thousand (31 December 2017: AMD 163,847,088 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**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Receivables from letters of credit, gross amount	5,455,365	4,129,748
Impairment allowance	(62,831)	(8,259)
	<b>5,392,534</b>	<b>4,121,489</b>

As at 30 June 2018 the Bank has no customer (2017: none), whose balances exceed 10% of equity.

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

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Balance at the beginning of the year	8,259	15,445
Balance at the beginning of the year recalculated per IFRS 9	127,521	-
Net charge	(64,690)	(7,186)
Write-offs	-	-
<b>Balance at the end of the year</b>	<b>62,831</b>	<b>8,259</b>

**(c) Receivables from finance leases**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
<b>Gross investment in finance leases receivable:</b>		
Less than one year	1,095,507	491,429
Between one and five years	837,336	947,298
More than five years	634,690	908,848
	<b>2,567,533</b>	<b>2,347,575</b>
Unearned finance income	(611,461)	(588,105)
Impairment allowance	(241,714)	(289,446)
<b>Net investment in finance leases</b>	<b>1,714,358</b>	<b>1,470,024</b>

**The net investment in finance leases comprises:**

Less than one year	835,598	423,387
Between one and five years	499,868	634,289
More than five years	378,893	412,348
	<u>1,714,358</u>	<u>1,470,024</u>

**Quality analysis of finance leases**

The following table provides information on the quality analysis of finance leases as at 30 June 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
<b>Leasing</b>						
Neither past due nor impaired	1,436,200	11,517	-	-	-	-
Individually impaired					520,280	230,196
<b>Total Leasing</b>	<b>1,436,200</b>	<b>11,517</b>	-	-	<b>520,280</b>	<b>230,196</b>

The following table provides information on the quality analysis of finance leases as at 31 December 2017:

	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
<b>Leasing</b>						
Neither past due nor impaired	1,059,161	8,479	92,975	15,466	-	-
Individually impaired					607,659	313,220
<b>Total Leasing</b>	<b>1,059,161</b>	<b>8,479</b>	<b>92,975</b>	<b>15,466</b>	<b>607,659</b>	<b>313,220</b>

**Concentration of receivables from finance leases**

As at 30 June 2018 the Bank has no customers whose balances exceed 10% of equity (2017: nil).

### **Movement in impairment allowance**

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

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Balance at the beginning of the year	289,446	61,694
Balance at the beginning of the year recalculated per IFRS 9	337,165	-
Net charge	77,617	232,973
Write-offs	(173,068)	(5,221)
<b>Balance at the end of the year</b>	<b>241,714</b>	<b>289,446</b>

### **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**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Receivables from factoring	6,538,529	6,752,241
Impairment allowance	(14,901)	(13,504)
	<b>6,523,628</b>	<b>6,738,737</b>

As at 30 June 2018 the Bank has no customers whose balances exceed 10% of equity (2017: nil).

As at 30 June 2018 the Bank has no impaired or overdue receivables from factoring.

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

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Balance at the beginning of the year	13,504	8,382
Balance at the beginning of the year recalculated per IFRS 9	9,116	-
Net charge	1,612	5,122
Write-offs/Recovery	-	-
<b>Balance at the end of the year</b>	<b>14,901</b>	<b>13,504</b>

## 20 Financial assets at amortized cost

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Government securities of the Republic of Armenia	22,859,264	-
Eurobonds of the Republic of Armenia	9,486,075	-
Government securities of other countries	-	-
<b>- Corporate bonds</b>	-	-
Corporate bonds of foreign companies	-	-
Other	828,118	-
	<b>33,173,457</b>	<b>-</b>
<b>Pledged under sale and repurchase agreements</b>		
Government securities of the Republic of Armenia	1,023,821	-
Eurobonds of the Republic of Armenia	-	-
	<b>1,023,821</b>	<b>-</b>
Total gross financial assets at amortized cost	<b>34,197,278</b>	<b>-</b>
Impairment allowance	(319,971)	-
Total net financial assets at amortized cost	<b>33,877,307</b>	<b>-</b>

## 20 Held-to-maturity investments

	30/06/18 AMD'000	31/12/17 AMD'000
<b>Held by the Bank</b>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Government securities of the Republic of Armenia	-	30,734,671
Eurobonds of the Republic of Armenia	-	2,520,028
Government securities of other countries	-	3,881,887
<b>- Corporate bonds</b>	-	-
Corporate bonds of foreign companies	-	-
Other	-	200,953
	<b>-</b>	<b>37,337,539</b>
<b>Pledged under sale and repurchase agreements</b>		
Government securities of the Republic of Armenia	-	-
Eurobonds of the Republic of Armenia	-	5,968,305
	<b>-</b>	<b>5,968,305</b>

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

	AMD'000
<b>Balance at the beginning of the year</b>	-
<b>Balance at the beginning of the year recalculated per IFRS 9</b>	353,112
Net charge	(33,141)
Write-offs	-
<b>Balance at the end of the period</b>	<b>319,971</b>

## 21 Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
<b>Cost/Revalued amount</b>						
Balance at 1 January 2018	3,382,399	4,507,730	1,538,154	205,511	2,478,033	12,111,827
Additions	1,056,142	1,017,648	707,368	12	93,145	2,874,315
Disposals/write-offs	(69,070)	(748)	-	(0)	(60,240)	(130,058)
<b>Balance at 30 June 2018</b>	<b>4,369,471</b>	<b>5,524,630</b>	<b>2,245,522</b>	<b>205,523</b>	<b>2,510,938</b>	<b>14,856,084</b>
<b>Depreciation and amortization</b>						
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	106,620	215,842	34,717	12,073	146,372	515,624
Disposals/write-offs	(69,070)	(707)	-	-	(60,240)	(130,017)
<b>Balance at 30 June 2018</b>	<b>1,172,482</b>	<b>2,566,966</b>	<b>432,011</b>	<b>86,517</b>	<b>1,112,542</b>	<b>5,370,518</b>
<b>Carrying amount</b>						
<b>At 30 June 2018</b>	<b>3,196,989</b>	<b>2,957,664</b>	<b>1,813,510</b>	<b>119,006</b>	<b>1,398,396</b>	<b>9,485,566</b>

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
<b>Cost/Revalued amount</b>						
Balance at 1 January 2017	1,676,965	3,300,113	609,279	256,026	2,068,706	7,911,089
Additions	1,705,434	1,252,164	978,598	39	409,327	4,345,562
Disposals/write-offs	-	(44,547)	(49,723)	(50,554)	-	(144,824)
<b>At 31 December 2017</b>	<b>3,382,399</b>	<b>4,507,730</b>	<b>1,538,154</b>	<b>205,511</b>	<b>2,478,033</b>	<b>12,111,827</b>
<b>Depreciation and amortization</b>						
Balance at 1 January 2017	917,206	2,076,344	404,947	100,100	761,254	4,259,851
Depreciation and amortization for the year	217,725	319,512	40,589	24,861	265,156	867,843
Disposals/write-offs	-	(44,025)	(48,241)	(50,517)	-	(142,783)
<b>Balance at 31 December 2017</b>	<b>1,134,931</b>	<b>2,351,831</b>	<b>397,295</b>	<b>74,444</b>	<b>1,026,410</b>	<b>4,984,911</b>
<b>Carrying amount</b>						
<b>At 31 December 2017</b>	<b>2,247,468</b>	<b>2,155,899</b>	<b>1,140,859</b>	<b>131,067</b>	<b>1,451,623</b>	<b>7,126,916</b>

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during 2018 (2017: nil).

## 22 Other assets

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Brokerage accounts	362,889	56,458
Receivables from banking services	1,406,036	1,100,692
Restricted accounts with clearing houses	438,725	351,161
<b>Total other financial assets</b>	<b>2,207,650</b>	<b>1,508,311</b>
Prepayments to suppliers	2,738,219	2,162,958
Repossessed assets	2,180,258	1,479,534
Small value assets	160,821	126,681
Other tax assets	1,655	448,724
Other	91,428	524,894
<b>Total other non-financial assets</b>	<b>5,172,381</b>	<b>4,742,791</b>
<b>Total other assets</b>	<b>7,380,031</b>	<b>6,251,102</b>
Impairment allowance	(179,973)	(126,215)
<b>Total net other assets</b>	<b>7,200,058</b>	<b>6,124,887</b>

Movements in the impairment allowance for other assets for 2018 and for the year of 2017 are as follows:

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Balance at the beginning of the year	126,214	89,162
Balance at the beginning of the year recalculated per IFRS 9	184,667	-
Net charge	45,262	122,937
Write-offs	(49,956)	(85,884)
<b>Balance at the end of the year</b>	<b>179,973</b>	<b>126,215</b>

## 23 Deposits and balances from banks

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Short term loans and term deposits from commercial banks	27,421,656	24,360,593
Long term loans and term deposits from commercial banks	7,424,337	1,924,673
Borrowings from CBA (through international programs)	6,784,051	7,389,309
Liabilities for letters of credit	6,723,640	6,012,307
Vostro accounts	316,390	317,119
	<b>48,670,074</b>	<b>40,004,001</b>

As at 30 June 2018 the Bank has five banks (2017: no bank), whose balances exceed 10% of equity. The gross value of the balance as at 30 June 2018 is AMD 88,631,646 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**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Current accounts and demand deposits		
- Retail	57,585,763	47,010,214
- Corporate	114,943,290	113,246,453
Term deposits		
- Retail	130,639,329	133,849,820
- Corporate	48,305,207	81,064,292
	<b>351,473,589</b>	<b>375,170,779</b>

As at 30 June 2018, the Bank has three customer (31 December 2017: two customers) whose balances exceed 10% of equity. The gross value of these balances as 30 June 2018 is AMD 49,100,851 thousand (As at 31 December 2017 is AMD 44,219,735 thousand).

## **25 Debt securities issue**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Promissory notes	9,677,246	9,711,295
Domestic bonds issued	38,317,770	31,221,300
	<b>47,995,016</b>	<b>40,932,595</b>

**Promissory notes:** In 2016 Bank placed USD denominated promissory notes with four Luxembourg-based funds via its investment manager responsibility Investments AG in amount of USD 20,000,000 with maturity in 2021. As at 30 June 2018 carrying value of the promissory notes is AMD 9,677,245 thousand.

**Domestic bonds issued:** As at December 2017 the Bank has issued and placed debt securities denominated in AMD, USD and EUR, which nominal amount is AMD 2,5 billion, USD 70 million and EUR 3 million accordingly. As at 30 June 2018 carrying value of the bonds is AMD 2,580,156, AMD 34,039,687 and AMD 1,697,925 accordingly.

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

## **26 Other borrowed funds and subordinated borrowings**

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Borrowings from international and other financial institutions	111,260,504	98,128,094
	<b>111,260,504</b>	<b>98,128,094</b>
Subordinated borrowings	<b>40,839,049</b>	<b>40,919,768</b>

### **a. Concentration of borrowings from international financial institutions**

As at 30 June 2018, the Bank has seven financial institutions (31 December 2017: eight), whose balances exceed 10% of equity. These balances as at 30 June 2018 are AMD 110,465,573 thousand (31 December 2017: AMD 116,032,654 thousand).

### **b. Subordinated borrowing**

As at 30 June 2017 subordinated borrowing represents:

- Borrowing received from a related party (AMD 5,903,889 thousand) maturing on 11 January 2021. The lender has right to demand to transform the loan or any part of it, including accrued interest, into the share capital of the Bank through issuance of additional shares.
- Borrowing received from other financial institution (AMD 9,897,135 thousand) maturing on 23 September 2020.
- Borrowing received from international financial institutions (AMD 25,038,024 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

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Payables to staff	1,752,511	2,173,129
Accrued expenses	675,301	682,810
Other financial liabilities	2,393,124	974,958
<b>Total other financial liabilities</b>	<b>4,820,936</b>	<b>3,830,897</b>
Deferred income	6,216	10,470
Other taxes payable	219,424	264
Payable dividend	1,148,000	-
<b>Total other non-financial liabilities</b>	<b>1,373,640</b>	<b>10,734</b>
<b>Total other liabilities</b>	<b>6,194,576</b>	<b>3,841,631</b>

## 28 Share capital and treasury shares

### (a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 116,564 ordinary shares (2017: 100,273). 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 second quarter of 2018 the Bank has no paid dividends, but accrued amounting to AMD 1,148,000 thousand (Second quarter of 2017: AMD has no paid dividends).

## 29 Impairment allowance on contingent liabilities

	30/06/18 AMD'000	30/06/18 AMD'000
	Amount	Allowance
<b>Contracted amount</b>		
Guarantees	7,831,897	31,142
Letters of credit	4,347,533	15,244
Credit line and overdraft facilities	31,672,319	25,767
	<b>43,851,749</b>	<b>72,153</b>

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

	Guarantees	Letters of credit	Credit lines and overdrafts	Total
<b>Balance at the beginning of the year recalculated per IFRS 9</b>	103,555	1,311	28,266	133,132
Net charge	(72,413)	13,934	(2,499)	(60,978)
Write-offs	-	-	-	-
<b>Balance at the end of the period</b>	<b>31,142</b>	<b>15,244</b>	<b>25,767</b>	<b>72,153</b>

## 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>
<b>30-Jun-18</b>							
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	123,290,619	123,290,619
Financial assets at fair value through other comprehensive income	89,389	290,685	174,693	3,577,728	5,371,716	139,145	9,643,357
Loans and advances to banks	2,001,755	-	-	-	-	1,273,000	3,274,755
Amounts receivable under reverse repurchase agreements	8,938,298	-	-	-	-	-	8,938,298
Loans to customers	43,988,364	66,191,392	41,628,319	247,235,095	71,900,842	7,740,097	478,684,108
Receivables from letters of credit	62,109	4,475,775	55,139	799,510	-	-	5,392,534
Receivables from finance leases	82,011	74,886	142,182	668,198	456,998	290,084	1,714,358
Receivables from factoring	2,522,739	3,723,981	-	276,908	-	-	6,523,628
Financial assets at amortized cost	85,983	643,656	7,159,102	22,751,261	3,237,307	-	33,877,308
	<b>57,770,649</b>	<b>75,400,375</b>	<b>49,159,434</b>	<b>275,308,700</b>	<b>80,966,863</b>	<b>132,732,945</b>	<b>671,338,966</b>
<b>Liabilities</b>							
Deposits and balances from banks	(8,475,673)	(22,117,227)	(10,113,385)	(6,934,505)	(1,029,284)	-	(48,670,074)
Amounts payable under repurchase agreements	(1,019,142)	-	-	-	-	-	(1,019,142)
Current accounts and deposits from customers	(43,433,762)	(44,130,854)	(60,651,884)	(30,656,155)	(71,881)	(172,529,053)	(351,473,589)
Debt securities issue	(18,825,520)	(998,660)	(9,631,878)	(18,538,958)	-	-	(47,995,016)
Subordinated borrowings	(35,052,168)	-	-	(5,786,881)	-	-	(40,839,049)
Other borrowed funds	(51,803,606)	(59,396,681)	(2,423)	(34,451)	(23,343)	-	(111,260,504)
	<b>(158,609,872)</b>	<b>(126,643,422)</b>	<b>(80,399,570)</b>	<b>(61,950,949)</b>	<b>(1,124,508)</b>	<b>(172,529,053)</b>	<b>(601,257,374)</b>
Effect of derivatives	3,507,200	-	(438,400)	(3,068,800)	-	-	-
<b>Net position</b>	<b>(97,332,023)</b>	<b>(51,243,047)</b>	<b>(31,678,536)</b>	<b>210,288,951</b>	<b>79,842,354</b>	<b>(39,796,108)</b>	<b>70,081,592</b>

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>
<b>31-Dec-17</b>							
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	107,616,368	107,616,368
Available-for-sale financial assets	71,032	11,148	227,212	5,553,955	3,918,271	106,460	9,888,078
Loans and advances to banks	8,739,698	3,003	194,200	419,556	-	1,486,433	10,842,890
Amounts receivable under reverse repurchase agreements	8,675,394	-	-	-	-	-	8,675,394
Loans to customers	45,210,195	26,637,844	42,751,699	269,762,881	73,670,449	9,277,663	467,310,731
Receivables from letters of credit	538,877	2,677,960	54,827	849,825	-	-	4,121,489
Receivables from finance leases	80,569	82,547	148,088	363,572	499,991	295,257	1,470,024
Receivables from factoring	5,112,354	1,626,383	-	-	-	-	6,738,737
Held-to-maturity investments	3,976,655	6,283,038	-	30,779,169	2,266,982	-	43,305,844
	<b>72,404,774</b>	<b>37,321,923</b>	<b>43,376,026</b>	<b>307,728,958</b>	<b>80,355,693</b>	<b>118,782,181</b>	<b>659,969,555</b>
<b>Liabilities</b>							
Deposits and balances from banks	(11,315,455)	(10,279,331)	(9,743,119)	(7,566,112)	(1,099,985)	-	(40,004,002)
Amounts payable under reverse repurchase agreements	(6,121,693)	-	-	-	-	-	(6,121,693)
Current accounts and deposits from customers	(49,540,771)	(33,847,623)	(72,872,974)	(58,579,433)	(73,308)	(160,256,670)	(375,170,779)
Debt securities issue	(10,044,318)	-	(9,768,608)	(21,119,668)	-	-	(40,932,594)
Subordinated borrowings	(34,991,181)	-	-	(5,928,587)	-	-	(40,919,768)
Other borrowed funds	(51,515,318)	(46,549,396)	(2,719)	(29,592)	(31,069)	-	(98,128,094)
	<b>(163,528,735)</b>	<b>(90,676,350)</b>	<b>(92,387,420)</b>	<b>(93,223,392)</b>	<b>(1,204,362)</b>	<b>(160,256,670)</b>	<b>(601,276,929)</b>
Effect of derivatives	4,565,943	-	(1,045,216)	(3,520,727)	-	-	-
<b>Net position</b>	<b>(86,558,018)</b>	<b>(53,354,427)</b>	<b>(50,056,610)</b>	<b>210,984,839</b>	<b>79,151,331</b>	<b>(41,474,489)</b>	<b>58,692,626</b>

***Average effective interest rates***

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 June 2018 and 31 December 2017.

	<b>2018</b>			<b>2017</b>		
	<b>Average effective interest rate, %</b>			<b>Average effective interest rate, %</b>		
	<b>AMD</b>	<b>USD</b>	<b>Other currencies</b>	<b>AMD</b>	<b>USD</b>	<b>Other currencies</b>
<b>Interest bearing assets</b>						
Financial assets at fair value through other comprehensive income	10.8%	5.1%	-	11.7%	3.8%	-
Loans and advances to banks	6.0%	-	-	-	2.8%	-
Amounts receivable under reverse repurchase agreements	6.4%	-	-	6.4%	2.8%	-
Loans to customers	12.7%	8.7%	7.4%	13.6%	9.0%	8.9%
Receivables from finance leases	14.3%	7.0%	9.5%	14.5%	8.1%	12.0%
Receivables from factoring	13.9%	9.4%	14.0%	14.4%	9.3%	14.0%
Financial assets at amortized cost	9.3%	5.9%	-	9.7%	4.1%	-
<b>Interest bearing liabilities</b>						
Deposits and balances from banks	7.2%	2.9%	0.5%	6.2%	2.5%	1.0%
Debt securities issue	9.7%	5.8%	3.3%	10.0%	5.8%	3.3%
Term deposits	9.5%	4.2%	2.8%	11.3%	4.6%	3.1%
Subordinated borrowings	-	8.9%	-	-	8.5%	-
Other borrowed funds	8.7%	6.8%	-	8.9%	5.9%	-

**(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 30 June 2018:

	USD	EUR	Other currencies	Total
2018	AMD'000	AMD'000	AMD'000	AMD'000
<b>ASSETS</b>				
Cash and cash equivalents	27,824,768	26,067,763	4,217,906	58,110,437
Banking standardized bullions of precious metals	-	-	638,990	638,990
Financial instruments at fair value through profit or loss	1,194,938	93,166	-	1,288,104
Available-for-sale financial assets	3,152,525	-	-	3,152,525
Loans and advances to banks	148,970	585,716	58,105	792,791
Amounts receivable under reverse repurchase agreements	-	-	-	-
Loans to customers	376,238,703	41,787,415	2,722,607	420,748,725
Receivables from letters of credit	4,480,425	912,109	-	5,392,534
Receivables from finance leases	1,096,690	170,449	-	1,267,139
Receivables from factoring	5,336,732	-	291,148	5,627,880
Financial assets at amortized cost	9,679,873	-	-	9,679,873
Other financial assets	1,539,006	439,717	166,719	2,145,442
<b>Total assets</b>	<b>430,692,630</b>	<b>70,056,335</b>	<b>8,095,475</b>	<b>508,844,440</b>
<b>LIABILITIES</b>				
Deposits and balances from banks	23,288,095	19,181,502	22,996	42,492,593
Amounts payable under reverse repurchase agreements	0	-	-	0
Current accounts and deposits from customers	224,332,441	32,626,654	9,650,620	266,609,715
Subordinated borrowings	40,839,049	-	-	40,839,049
Other borrowed funds	88,064,116	14,101,762.00	-	102,165,878
Debt securities issue	43,716,934	1,697,925.00	-	45,414,859
Other financial liabilities	1,791,401	208,309	150,394	2,150,104
<b>Total liabilities</b>	<b>422,032,036</b>	<b>67,816,152</b>	<b>9,824,010</b>	<b>499,672,198</b>
<b>Net position</b>	<b>8,660,594</b>	<b>2,240,183</b>	<b>(1,728,535)</b>	<b>9,172,242</b>
Effect of derivatives	3,449,818	(2,247,240)	1,773,670	2,976,248
<b>Net position</b>	<b>12,110,412</b>	<b>(7,057)</b>	<b>45,135</b>	<b>12,148,490</b>

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2017:

<b>2017</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>	<b>AMD'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	25,075,556	5,331,961	4,107,302	34,514,819
Banking standardized bullions of precious metals	-	-	532,675	532,675
Financial assets at fair value through profit and loss	1,155,334	176,446	-	1,331,780
Available-for-sale financial assets	4,525,746	-	-	4,525,746
Loans and advances to banks	8,954,329	174,030	11,240	9,139,599
Amounts receivable under reverse repurchase agreements	852,065	-	-	852,065
Loans to customers	350,982,331	36,265,542	3,921,191	391,169,064
Receivables from letters of credit	3,126,451	1,003,297	-	4,129,748
Receivables from finance leases	1,366,918	183,331	-	1,550,249
Receivables from factoring	5,403,801	-	707,154	6,110,955
Held-to-maturity investments	12,565,111	-	-	12,565,111
Other financial assets	1,530,736	198,305	56,153	1,785,194
<b>Total assets</b>	<b>415,538,378</b>	<b>43,332,912</b>	<b>9,335,715</b>	<b>468,207,005</b>
<b>LIABILITIES</b>				
Deposits and balances from banks	24,179,459	5,976,771	53,642	30,209,872
Amounts payable under reverse repurchase agreements	6,121,693	-	-	6,121,693
Current accounts and deposits from customers	226,317,577	26,725,025	6,629,080	259,671,682
Subordinated borrowings	40,919,768	-	-	40,919,768
Other borrowed funds	88,171,140	-	-	88,171,140
Debt securities issue	36,597,654	1,753,359	-	38,351,013
Other financial liabilities	573,228	145,807	76,951	795,986
<b>Total liabilities</b>	<b>422,880,519</b>	<b>34,600,962</b>	<b>6,759,673</b>	<b>464,241,154</b>
<b>Net position</b>	<b>(7,342,141)</b>	<b>8,731,950</b>	<b>2,576,042</b>	<b>3,965,851</b>
Effect of derivatives	11,962,384	(8,701,500)	(2,043,075)	1,217,809
<b>Net position</b>	<b>4,620,243</b>	<b>30,450</b>	<b>532,967</b>	<b>5,183,660</b>

A strengthening of the AMD, as indicated below, against the following currencies as at 30 June 2018 and 31 December 2017 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.

	<i>2018</i>		<i>2017</i>	
	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>	<i>Appreciation</i>	<i>Profit or loss AMD'000</i>
AMD against USD	6.00%	(726,625)	6.00%	(277,215)
AMD against EUR	11.00%	776	11.00%	(3,350)

A weakening of the AMD against the above currencies at 30 June 2018 and 31 December 2017 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.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 30 June 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	<i>Ameriabank cjsc</i> Total 2018
<b>ASSETS</b>								
Cash and cash equivalents	123,290,619	-	-	-	-	-	-	123,290,619
Banking standardized bullions of precious metals	-	-	-	-	-	638,990	-	638,990
Financial instruments at fair value through profit or loss	159,253	11,578	155,276	2,911,049	1,528,373	-	-	4,765,529
Financial assets at fair value through other comprehensive income	34,674	54,715	465,378	3,577,728	5,371,716	139,145	-	9,643,357
Loans and advances to banks	2,001,755	-	-	-	-	1,273,000	-	3,274,755
Amounts receivable under reverse repurchase agreements	8,938,298	-	-	-	-	-	-	8,938,298
Loans to customers	22,042,967	12,831,947	103,850,071	231,782,557	100,436,469	-	7,740,097	478,684,108
Receivables from letters of credit	34,540	27,569	4,530,914	799,510	-	-	-	5,392,534
Receivables from finance leases	31,910	50,101	217,067	668,198	456,998	-	290,084	1,714,358
Receivables from factoring	2,034,462	488,277	3,723,981	276,908	-	-	-	6,523,628
Financial assets at amortized cost	-	85,983	7,802,757	22,751,261	3,237,307	-	-	33,877,308
Property, equipment and intangible assets	-	-	-	-	-	9,485,566	-	9,485,566
Current tax asset	-	-	62,518	-	-	-	-	62,518
Other assets	1,814,369	2,262,703	2,680,331	-	-	442,655	-	7,200,058
<b>Total assets</b>	<b>160,382,847</b>	<b>15,812,874</b>	<b>123,488,294</b>	<b>262,767,211</b>	<b>111,030,863</b>	<b>11,979,356</b>	<b>8,030,181</b>	<b>693,491,627</b>
<b>LIABILITIES</b>								
Financial instruments at fair value through profit or loss	21,195	-	-	-	-	-	-	21,195
Amounts payable under repurchase agreements	1,019,142	-	-	-	-	-	-	1,019,142
Deposits and balances from banks	5,787,520	2,688,154	32,230,612	6,934,505	1,029,284	-	-	48,670,074
Current accounts and deposits from customers	77,006,217	55,280,007	137,563,258	81,552,226	71,881	-	-	351,473,589
Debt securities issue	8,956,357	185,474	10,644,733	28,208,452	-	-	-	47,995,016
Subordinated borrowings	1,093,632	408,431	-	39,336,986	-	-	-	40,839,049
Other borrowed funds	3,331,540	6,588,980	27,102,109	69,417,210	4,820,664	-	-	111,260,504
Deferred tax liability	-	-	653,485	-	-	-	-	653,485
Other liabilities	3,515,845	435,452	2,315,434	-	-	-	-	6,266,731
<b>Total liabilities</b>	<b>100,731,448</b>	<b>65,586,498</b>	<b>210,509,631</b>	<b>225,449,378</b>	<b>5,921,830</b>	<b>-</b>	<b>-</b>	<b>608,198,785</b>
<b>Net position</b>	<b>59,651,399</b>	<b>(49,773,623)</b>	<b>(87,021,337)</b>	<b>37,317,833</b>	<b>105,109,033</b>	<b>11,979,356</b>	<b>8,030,181</b>	<b>85,292,842</b>

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2017:

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 cjsc</i>								
<i>Notes to, and forming part of, the financial statements for the second quarter 2018</i>								
<b>Assets</b>								
Cash and cash equivalents	107,616,368	-	-	-	-	-	-	<b>107,616,368</b>
Banking standardized bullions of precious metals	-	-	-	-	-	532,675	-	<b>532,675</b>
Financial instruments at fair value through profit or loss	116,092	836,773	5,190	2,598,278	411,731	-	-	<b>3,968,064</b>
Available-for-sale financial assets	-	-	228,028	5,626,045	3,927,545	106,461	-	<b>9,888,078</b>
Loans and advances to banks	9,356,457	-	-	-	-	1,486,434	-	<b>10,842,890</b>
Amounts receivable under reverse repurchase agreements	8,675,394	-	-	-	-	-	-	<b>8,675,394</b>
Loans to customers	16,472,285	24,890,862	61,554,619	253,415,202	101,700,101	-	9,277,662	<b>467,310,731</b>
Receivables from letters of credit	87,826	472,145	2,716,696	844,822	-	-	-	<b>4,121,489</b>
Receivables from finance leases	33,729	46,840	230,635	363,572	499,991	-	295,257	<b>1,470,024</b>
Receivables from factoring	1,605,775	3,506,579	1,626,383	-	-	-	-	<b>6,738,737</b>
Held-to-maturity investments	250,184	3,726,470	6,283,038	30,779,169	2,266,983	-	-	<b>43,305,844</b>
Property, equipment and intangible assets	-	-	-	-	-	7,126,916	-	<b>7,126,916</b>
<b>Other assets</b>	<b>1,649,866</b>	<b>677,401</b>	<b>3,442,530</b>	<b>-</b>	<b>-</b>	<b>355,091</b>	<b>-</b>	<b>6,124,888</b>
<b>Total assets</b>	<b>145,863,976</b>	<b>34,157,070</b>	<b>76,087,119</b>	<b>293,627,088</b>	<b>108,806,351</b>	<b>9,607,577</b>	<b>9,572,919</b>	<b>677,722,098</b>
<b>Liabilities</b>								
Financial instruments at fair value through profit or loss	74,877	611,429	-	-	-	-	-	<b>686,306</b>
Amounts payable under repurchase agreements	6,121,693	-	-	-	-	-	-	<b>6,121,693</b>
Deposits and balances from banks	10,813,773	501,682	20,022,450	7,566,112	1,099,984	-	-	<b>40,004,001</b>
Current accounts and deposits from customers	75,395,507	55,390,566	139,347,562	104,963,837	73,307	-	-	<b>375,170,779</b>
Debt securities issued	197,081	158,512	9,768,530	30,808,472	-	-	-	<b>40,932,595</b>
Subordinated borrowings	1,061,822	395,743	-	39,462,203	-	-	-	<b>40,919,768</b>
Other borrowed funds	1,176,595	8,990,221	24,365,684	57,684,363	5,911,231	-	-	<b>98,128,094</b>
Current tax liability	-	-	990,256	-	-	-	-	<b>990,256</b>
Deferred tax liability	-	-	-	1,025,103	-	-	-	<b>1,025,103</b>
Other liabilities	967,739	111,902	2,761,990	-	-	-	-	<b>3,841,631</b>
<b>Total liabilities</b>	<b>95,809,087</b>	<b>66,160,055</b>	<b>197,256,472</b>	<b>241,510,090</b>	<b>7,084,522</b>	<b>-</b>	<b>-</b>	<b>607,820,226</b>
<b>Net position</b>	<b>50,054,889</b>	<b>(32,002,985)</b>	<b>(121,169,353)</b>	<b>52,116,998</b>	<b>101,721,829</b>	<b>9,607,577</b>	<b>9,572,919</b>	<b>69,901,872</b>

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 30 June 2018 and during the reporting period are as follows:

	<b>2018</b>	<b>2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>
At 30 June (unaudited)	103%	123%
Average for June (unaudited)	99%	126%

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 30 June 2018 and 31 December 2017, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 30 June 2018 and 31 December 2017.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Central Bank of Armenia, as at 30 June 2018 and 31 December 2017:

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Tier 1 capital</b>		
Share capital	37,300,480	32,087,360
Share premium	16,968,726	7,755,180

General reserve	4,809,146	4,424,146
Retained earnings	23,054,589	20,510,460
Deductions	(6,715,266)	(4,342,458)
<b>Total tier 1 capital</b>	<b>75,417,675</b>	<b>60,434,688</b>
<b>Tier 2 capital</b>		
Revaluation reserve for financial assets	197,754	338,214
Subordinated borrowing (not greater than 50% of tier 1 capital)	17,553,536	25,560,480
<b>Total tier 2 capital</b>	<b>17,751,290</b>	<b>25,898,694</b>
<b>Total capital</b>	<b>93,168,965</b>	<b>86,333,382</b>
<b>Total risk weighted assets</b>	<b>702,754,647</b>	<b>660,088,644</b>
<b>Total capital expressed as a percentage of risk-weighted assets (total capital ratio)</b>	<b>13.26%</b>	<b>13.08%</b>

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.

	<b>30/06/18</b>	<b>31/12/17</b>
	<b>AMD'000</b>	<b>AMD'000</b>
<b>Contracted amount</b>		
Guarantees	7,831,897	7,864,530
Letters of credit	4,347,533	319,128
Credit card commitments	10,590,735	9,245,979
Loan and credit line commitments	17,994,495	19,807,875
Undrawn overdraft facilities	3,087,089	5,661,585
	<b>43,851,749</b>	<b>42,899,097</b>

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 Operating leases

#### (a) Leases as lessee

Non-cancelable operating lease rentals as at 30 June 2018 and 31 December 2017 are payable as follows:

	<b>2018</b>	<b>2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Less than 1 year	1,254,829	1,419,525
Between 1 and 5 years	1,135,029	1,285,131
More than 5 years	275,026	361,451
	<b>2,664,884</b>	<b>3,066,107</b>

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. As at 30 June 2018 operating leases include non-cancellable rentals to a related party amounting to AMD 783,733 thousand (2017: AMD 757,215 thousand).

### 34 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.

## **35 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 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Short-term employee benefits	<u>1,528,658</u>	<u>1,374,047</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 30 June 2018 and 31 December 2017 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2018 AMD'000	Average interest rate, %	2017 AMD'000	Average interest rate, %
<b>Statement of financial position</b>				
Loans issued	1,154,311	8.07%	1,253,917	8.02%
Other asset	1,247	0.00%	1,893	0.00%
Deposits received	816,399	5.34%	674,074	5.70%
Subordinated borrowing	5,903,890	6.00%	5,928,587	6.00%
Other liabilities	1,414,902	8.07%	1,077,633	0.00%
Guarantees	-	-	16,944	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 30 June 2018 and 31 December 2017 are as follows:

	2018 AMD'000	2017 AMD'000
<b>Profit or loss</b>		
Interest income	48,561	34,211
Interest expense	(180,376)	(11,219)

**(c) Transactions with other related parties**

The outstanding balances and the related average effective interest rates as at 30 June 2018 and related profit or loss amounts of transactions as at 30 June 2018 with other related parties are as follows:

	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
<b>Statement of financial position</b>									
<b>ASSETS</b>									
Financial instruments at fair value through profit or loss									-
Loans to customers	-		-		-		4,061,577	6.67%	4,061,577
Other asset			6,776		786,110	-	-		792,887
<b>LIABILITIES</b>									
Financial instruments at fair value through profit or loss									-
Current accounts and deposits from customers									
- Current accounts and demand deposits	43,566	0.0%	287,789	0.0%	1,024,148	0.0%	1,662,316	0.0%	3,017,819

- Term deposits	-		-		506,191	4.10%	66,897	6.83%	<b>573,088</b>
Other borrowing			14,474,707	6.74%					<b>14,474,707</b>
Other liabilities	649,785	0.0%	518,294	0.0%	-		-		<b>1,168,080</b>
<b>Items not recognised in the statement of financial position</b>									
Guarantees given							-		-
<b>Profit (loss)</b>									
Interest income	-		-		-		438,898		<b>438,898</b>
Interest expense	-		(681,781)		(8,281)		(335,299)		<b>(1,025,361)</b>
Other expense			(19,634)		(818,370)				<b>(838,004)</b>

The outstanding balances and the related average effective interest rates as at 31 December 2017 and related profit or loss amounts of transactions for the quarter ended 30 June 2017 with other related parties are as follows:

	Parent company		Shareholder with significant influence		Subsidiaries of the parent company		Entities under common control and other related parties		Total
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
<b>Statement of financial position</b>									
<b>ASSETS</b>									
Financial instruments at fair value through profit or loss							645,001		<b>645,001</b>
Loans to customers							34,916,760	13.27%	<b>34,916,760</b>
Other asset					795,016		3,596		<b>798,612</b>
<b>LIABILITIES</b>									
Financial instruments at fair value through profit or loss							611,430		<b>611,430</b>
Current accounts and deposits from customers									
- Current accounts and demand deposits	666,258	0.00%	1,172,117	0.00%	200,264	0.00%	1,980,570	0.00%	<b>4,019,209</b>
- Term deposits					513,431	4.66%	32,590,571	12.87%	<b>33,104,002</b>
Other borrowing			9,890,487	8.90%					<b>9,890,487</b>
Other liabilities			10,316	0.00%					<b>10,316</b>
<b>Items not recognised in the statement of financial position</b>									
Guarantees given							20,304	0.00%	<b>20,304</b>
<b>Profit (loss)</b>									
Interest income			1,371				2,315,058		<b>2,316,429</b>
Interest expense			(610,085)		(11,460)		(1,935,961)		<b>(2,557,506)</b>
Other expense			(35,706)						<b>(35,706)</b>