Ameriabank cjsc

Financial Statements

For the second quarter of 2019

Contents

Statement of comprehensive income

30-Jun-2019

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	Note	01/04/2019-30/06/2019	01/01/2019-30/06/2019	01/04/2018-30/06/2018	01/01/2018-30/06/2018
Interest income	4	15,078,863	29,442,712	12,839,823	25,301,045
Interest expenses	4	(7,468,095)	(14,598,222)	(6,415,420)	(12,972,994)
Net interest income		**7,610,767**	**14,844,489**	**6,424,403**	**12,328,051**
Fee and commission income	5	1,210,156	2,300,905	1,068,959	2,086,000
Fee and commission expense	6	(364,884)	(665,731)	(277,772)	(487,678)
Net fee and commission income		**845,272**	**1,635,174**	**791,187**	**1,598,322**
Net profit/loss on financial instruments at fair value through profit or loss	7	276,101	648,669	1,198,370	828,396
Net foreign exchange gain/(loss)	8	775,191	1,384,520	(93,663)	1,120,396
Net gain on financial assets at fair value through other comprehensive income		265,954	266,167	4,206	105,715
Other operating income	9	337,842	1,012,664	1,512,771	1,756,427
Other operating expense	9	(1,038,702)	(1,436,231)	(576,424)	(1,066,724)
Operating income		**9,072,425**	**18,355,452**	**9,260,850**	**16,670,583**
Impairment losses	10	(1,849,550)	(3,352,891)	(1,380,636)	(2,355,732)
Personnel expenses		(2,382,094)	(4,811,045)	(2,192,835)	(4,045,452)
Other general administrative expenses	11	(1,698,912)	(3,161,813)	(1,401,943)	(2,825,588)
Profit before income tax		**3,141,869**	**7,029,703**	**4,285,436**	**7,443,811**
Income tax expense	12	(659,696)	(1,460,063)	(921,361)	(1,516,242)
Profit for the period		**2,482,173**	**5,569,639**	**3,364,075**	**5,927,569**
Other comprehensive income, net of income tax					
Net gain/(losses) from revaluation of financial instruments at fair value through other comprehensive income		(133,252)	(15,966)	(61,126)	(122,608)
Other comprehensive income/(loss) for the period, net of income tax		**(133,252)**	**(15,966)**	**(61,126)**	**(122,608)**
Total comprehensive income for the period		**2,348,922**	**5,553,674**	**3,302,949**	**5,804,961**

Validation date 12.07.19

(seal)

Chief Financial Officer-Deputy General Director Gevorg Tarumyan

Chief Accountant Gohar Khachatryan

Statement of Financial Position
30-Jun-2019

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

(thous. drams)

Item	Note	30/06/19	31/12/18
Assets			
Cash and cash equivalents	13	144,078,024	144,353,912
Banking standardized bullions of precious metals		736,194	473,701
Financial instruments at fair value through profit or loss			
- Held by the Bank	14	5,761,836	6,290,841
- Pledged under sale and repurchase agreements	14	2,125,988	526,169
Financial assets at fair value through other comprehensive income			
- Held by the Bank	15	10,546,092	11,602,128
- Pledged under sale and repurchase agreements	15	705,258	-
Loans and advances to banks	16	2,610,350	4,946,612
Amounts receivable under reverse repurchase agreements	17	3,943,533	6,746,414
Loans and advances to customers at amortized cost	18	560,507,734	547,943,183
Debt securities at amortized cost			
- Held by the Bank	19	31,921,300	22,269,117
- Pledged under sale and repurchase agreements	19	11,282,833	16,556,346
Property, equipment and intangible assets	20	21,294,921	10,240,337
Current tax asset	12	237,220	-
Deferred tax asset	12	-	185,898
Other assets	21	7,586,948	7,612,570
Total assets		**803,338,231**	**779,747,227**
Liabilities			
Financial instruments at fair value through profit or loss	14	2,929	20,621
Amounts payable under repurchase agreements		14,011,179	17,011,404
Deposits and balances from banks	22	52,639,318	43,076,769
Current accounts and deposits from customers	23	419,517,398	399,086,132
Debt securities issued	24	54,887,095	50,846,356
Subordinated borrowings	25	43,877,801	50,414,125
Other borrowed funds	25	107,805,867	120,913,209
Current tax liabilities	12	-	1,086,688
Deferred tax liabilities	12	266,389	-
Provision on contingent liabilities	28	92,590	140,163
Lease liabilities	20	9,998,299	-
Other liabilities	26	6,940,189	7,393,812
Total liabilities		**710,039,054**	**689,989,279**
Equity			
Share capital	27	37,347,200	37,300,480
Share premium		17,009,560	16,968,725
Revaluation reserve		317,469	333,435
Retained earnings		38,624,947	35,155,308
Total equity		**93,299,176**	**89,757,948**
Total liabilities and equity		**803,338,231**	**779,747,227**

Validation date 12.07.19

seal

Chief Financial Officer-Deputy General Director Gevorg Tarumyan

Chief Accountant Gohar Khachatryan

Statement of cash flows

30-Jun-2019

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0010, V. Sargsyan 2, tel. 56 11 11

(thous. drams)

Item	01/01/2019-30/06/2019	01/01/2018-30/06/2018
Cash flows from operational activities	x	x
Interests receipts	27,056,592	30,074,728
Interests payments	(13,520,970)	(17,428,146)
Fee and commissions receipts	2,300,905	2,086,002
Fee and commissions payments	(665,731)	(487,678)
Net receipts from financial assets at fair value through profit and loss	532,724	250,269
Net receipts from foreign exchange	1,837,066	1,735,204
Other income/(expenses)	(423,567)	690,123
Salaries and other payments to employees	(6,168,746)	(4,466,069)
Other general administrative expense payments	(2,644,444)	(2,309,964)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	(1,089,696)	(803,363)
Loans and advances to banks	2,006,846	7,141,086
Amounts receivable under reverse repurchase agreements	2,820,624	(272,787)
Loans and advances to customers at amortized cost	(20,881,240)	(26,922,356)
Other assets	(407,497)	(1,341,381)
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	364,420	18,731
Deposits and balances from banks	9,979,596	9,605,977
Amounts payable under repurchase agreements	(2,999,994)	(5,067,892)
Current accounts and deposits from customers	23,652,294	(15,263,320)
Other liabilities	967,356	1,381,247
Net cash from (used in) operating activities before income tax paid	**22,716,538**	**(21,379,589)**
Income tax paid	(2,332,655)	(1,806,200)
Net cash flows from operational activities after profit tax	**20,383,883**	**(23,185,789)**
Cash flows from investing activities	x	x
Purchases of property and equipment and intangible assets	(1,502,626)	(2,874,315)
Sales of property and equipment and intangible assets	-	-
Financial assets at fair value through other comprehensive income	241,083	119,406
Financial assets at amortized cost	(4,632,171)	8,981,979
Net cash flows from investing activities	**(5,893,714)**	**6,227,069**
Cash flows from financing activities	x	x
Dividends paid	(1,050,000)	-
Proceeds from issue of share capital	87,554	14,426,665
Net receipts of other borrowed funds	(17,556,380)	13,608,649
Receipts from issuance of debt securities	4,728,036	7,257,159
Net cash flows from financing activities	**(13,790,790)**	**35,292,473**
Effect of changes in exchange rates on cash and cash equivalents	(928,001)	(2,556,953)
Effect of changes in impairment allowance on cash and cash equivalents	(47,266)	(102,551)
Net increase/(decrease) in cash and cash equivalents	**(275,888)**	**15,674,249**
Cash and cash equivalents at the beginning of the period (Note 13)	**144,353,912**	**107,616,368**
Cash and cash equivalents at the end of the period (Note 13)	**144,078,024**	**123,290,617**

Validation date 12.07.19

seal

Chief Financial Officer-Deputy General Director Gevorg Tarumyan

Chief Accountant Gohar Khachatryan

Statement of changes in equity
30-Jun-2019

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

(thous. drams)

Item	Share capital	Share premium	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of previous financial year (cumulative)					
Balance as of 01 January 2018	**32,087,360**	**7,755,179**	**338,214**	**29,721,118**	**69,901,871**
Impact of adopting IFRS 9	-	-	71,765	(3,764,420)	(3,692,655)
Balance after recalculation	**32,087,360**	**7,755,179**	**409,979**	**25,956,698**	**66,209,216**
Issue of share capital	5,213,120	9,213,545	-	-	14,426,665
Other comprehensive income/(loss) for the period	-	-	(122,608)	-	(122,608)
Net profit for the period	-	-	-	5,927,569	5,927,569
Dividends	-	-	-	(1,148,000)	(1,148,000)
Balance as of 30 June 2018	**37,300,480**	**16,968,724**	**287,371**	**30,736,267**	**85,292,842**
Interim period of current financial year (cumulative)					
Balance as of 01 January 2019	**37,300,480**	**16,968,725**	**333,435**	**35,155,308**	**89,757,948**
Balance after recalculation	**37,300,480**	**16,968,725**	**333,435**	**35,155,308**	**89,757,948**
Issue of share capital	46,720	40,835	-	-	87,555
Other comprehensive income/(loss) for the period	-	-	(15,966)	-	(15,966)
Net profit for the period	-	-	-	5,569,639	5,569,639
Dividends	-	-	-	(2,100,000)	(2,100,000)
Balance as of 30 June 2019	**37,347,200**	**17,009,560**	**317,469**	**38,624,947**	**93,299,176**

Validation date 12.07.19

seal

Chief Financial Officer-Deputy General Director Gevorg Tarumyan

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 share of Ameria Group (CY) decreased to 65.8%.

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

On 4 March 2019 ESPS Holding Limited purchased in full additionally issued 146 shares of the Bank with nominal value of AMD 320,000 per share for AMD 599,687 per share.

The shareholders of the Bank as at 30 June 2019 are Ameria Group (CY) 56.53%, EBRD 17.77%, ESPS Holding Limited 11.73% and ADB 13.97%.

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

The Bank has 16 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia. The average number of the Bank's employees for the second quarter of 2019 was 1,027 (2018: 706).

Related party transactions are detailed in note 31.

(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 financial assets at fair value through other comprehensive income 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 2019 and 31 December 2018 were 477.11 AMD and 483.75 AMD to 1 USD, and 543.19 AMD and 553.65 AMD to 1 EUR, respectively.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 18 "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 2019. 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:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Preliminary estimated effect of adoption of IFRS 16 on Bank's statement of financial position is as follows:

	1 January 2019 AMD'000
Assets	
Property and equipment (right of use assets)	11,036,594
Other assets (prepayments)	(760,685)
Total assets	**10,275,909**
Liabilities	
Other liabilities (lease liabilities)	10,275,909
Total liabilities	**10,275,909**
Net impact on equity	–

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.

Recognition

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

Amortized cost

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

Fair value measurement principles

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

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

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

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

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

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

Gains and losses on subsequent measurement

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

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

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

Derecognition

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

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

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

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

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

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

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

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

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

Derivative financial instruments

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

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

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

Offsetting

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

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

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

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

(e) Intangible assets

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

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

(f) Assets held for sale

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

(g) Impairment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortized cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.
The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

The Bank's Management can reclassify the asset to more strict stage despite of overdue days if there is enough evidence that credit risk of the asset has increased materially.
For estimation of ECLs, the Bank considers three scenarios: base, optimistic and pessimistic scenarios. Final ECL is probability weighted average of these scenarios discounted by a weighted average EIR. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

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

In calculation of PD the Bank considers those macroeconomic parameters that had material impact on the probability of default. For calculation of PD and LGD of loans and advances in the Banks, reserve repo agreements, securities measured at amortized cost or FVTOCI the Bank uses information published by international rating agencies such as Moody's, Fitch and S&P.
For stages 1 and 2 the Bank is doing collective impairment, while for the assets included in stage 3 and for POCI assets the Bank is doing both and Collective and Individual impairment. For some assets, taking into account specific features of those assets, the Bank do also individual impairment for stages 1 and 2.

(h) Renegotiated loans

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

The accounting treatment of such restructuring is as follows:

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

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

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

(i) Non-financial assets

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

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(j) Provisions

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

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

(k) Borrowings

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

(l) Credit related commitments

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

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

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

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

Loan commitments are not recognized, except for the followings:

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

(m) Share capital

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

(i) Share premium

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

(ii) Repurchase of share capital

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

(iii) Dividends

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

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

(n) Segment reporting

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

(o) Taxation

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

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

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

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

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

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

(p) Income and expense recognition

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

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

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

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

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

(q) Leases

Finance − Bank as lessee

The Bank recognises 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 recognised as an asset under the lease.

Finance − Bank as lessor

The Bank recognises 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. At the commencement date the Bank recognizes a right-of-use asset and lease liability, except for short-term lease and lease of low-value asset recognition exemptions in IFRS 16.

Initial recognition

At a commencement date, the Bank measures the right-of-use asset at cost which comprises:

- The amount of initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located.

At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset at cost:

- Less any accumulated depreciation and accumulated impairment losses; and
- Adjusted for the remeasurement of the lease liability

After the commencement date, a lessee measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

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 recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

4 Net interest income

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Interest income				
Loans to customers	13,331,533	26,040,855	11,272,931	21,951,385
Income from factoring	239,035	474,282	131,073	295,529
Financial assets at fair value through other comprehensive income	359,621	717,360	257,866	465,237
Receivables from finance leases	78,869	128,495	47,232	93,456
Financial assets at amortized cost	762,723	1,507,103	738,616	1,607,831
Loans and advances to banks	27,066	73,517	97,628	244,798
Amounts receivable under reverse repurchase agreements	74,130	144,496	173,195	351,653
Receivables from letters of credit	129,766	243,158	110,217	202,824
Other	76,120	113,446	11,065	88,332
	15,078,863	**29,442,712**	**12,839,823**	**25,301,045**
Interest expense				
Current accounts and deposits from customers	2,667,209	5,673,120	2,557,143	5,535,708
Other borrowed funds and subordinated borrowing	1,984,511	4,520,300	2,718,767	5,273,985
Deposits and balances from banks	1,058,621	1,506,036	310,447	622,933
Amounts payable under repurchase agreements	218,924	459,619	12,007	28,589
Letters of credit and guarantee	127,762	264,793	144,353	257,463
Debt securities issued	796,504	1,546,795	671,184	1,252,299
Lease payables	613,496	613,496	-	
Other	1,068	14,063	1,519	2,017
	7,468,095	**14,598,222**	**6,415,420**	**12,972,994**
Net interest income	**7,610,768**	**14,844,489**	**6,424,403**	**12,328,051**

5 Fee and commission income

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Credit card maintenance	614,115	1,128,961	474,012	903,504
Money transfers	231,485	439,986	232,072	448,772
Guarantee and letter of credit issuance	67,455	127,382	74,719	140,972
Cash withdrawal, account service and distance system services	186,569	412,346	210,104	393,573
Settlement operations	29,535	56,980	12,995	23,149
Brokerage services	54,957	97,903	23,774	74,103
Other	26040	37,347	41,283	101,927
	1,210,156	**2,300,905**	**1,068,959**	**2,086,000**

6 Fee and commission expense

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Guarantee and letter of credit issuance	12,906	28,684	21,022	31,968
Credit card maintenance	287,621	499,591	197,334	349,465
Money transfers	51,482	108,266	41,621	75,317
Other	12,874	29,190	17,795	30,928
	364,884	**665,731**	**277,772**	**487,678**

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

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

8 Net foreign exchange income

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Net gain on spot transactions	977,027	1,837,066	904,193	1,735,204
Net gain from revaluation of financial assets and liabilities	-201,836	-452,546	(997,856)	(614,808)
	775,191	**1,384,520**	**-93,663**	**1,120,396**

9 Other operating income/(expenses)

	01/04/2019-30/06/2019	01/01/2019-30/06/2019	01/04/2018-30/06/2018	01/01/2018-30/06/2018
Other operating income	AMD'000	AMD'000	AMD'000	AMD'000
Income from fines and penalties	223,862	379,471	290,726	454,194
Financial consulting	4,167	400,126	1,163,953	1,163,953
Other income	109,813	233,067	58,092	138,280
	337,842	1,012,664	1,512,771	1,756,427
Other operating expenses				
Expenses on fines and penalties	(46,917)	(47,695)	(1,026)	(3,526)
Encashment	(19,747)	(38,574)	(15,807)	(30,419)
Trading and brokerage activities	(17,893)	(45,552)	(31,206)	(60,579)
Guarantee payments to Armenian Deposit Guarantee Fund	(227,442)	(322,896)	(111,747)	(222,866)
Software maintenance	(99,123)	(195,427)	(83,218)	(169,207)
Payment system expenses	(232,208)	(363,738)	(178,674)	(287,883)
Other expenses	(395,372)	(422,349)	(154,746)	(292,244)
	(1,038,702)	(1,436,231)	(576,424)	(1,066,724)

10 Impairment losses

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Loans to customers	1,842,431	3,288,993	1,346,142	2,296,744
Other assets	7,118	63,897	34,494	58,988
	1,849,550	**3,352,891**	**1,380,636**	**2,355,732**

11 Other general administrative expenses

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Operating lease expense	95,620	191,289	535,489	1,156,079
Advertising and marketing	281,966	439,726	142,168	292,780
Depreciation and amortization	741,320	1,454,584	297,431	515,624
Repairs and maintenance	92,582	170,062	66,984	148,335
Communications and information services	33,068	76,643	32,915	63,604
Travel expenses	40,489	59,089	42,932	56,295
Security	51,509	94,488	41,194	85,729
Professional services	26,347	54,467	17,692	80,237
Electricity and utilities	26,906	58,387	136,054	162,810
Insurance	11,029	22,156	5,580	12,272
Charity and sponsorship	14,616	46,991	17,048	17,777
Representation expenses	2,483	5,862	580	1,802
Office supplies	21,324	36,493	15,581	23,144
Taxes other than on payroll and income	4,941	11,177	6,877	11,750
Other	254,712	440,399	43,418	197,350
	1,698,912	**3,161,813**	**1,401,943**	**2,825,588**

12 Income tax expense

Reconciliation of effective tax rate:

	01/04/2019-30/06/2019 AMD'000	01/01/2019-30/06/2019 AMD'000	01/04/2018-30/06/2018 AMD'000	01/01/2018-30/06/2018 AMD'000
Current tax expense				
Current year	463,825	1,004,888	533,909	931,703
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	195,871	455,175	387,452	584,539
Total income tax expense	**659,696**	**1,460,063**	**921,361**	**1,516,242**

In 2019 the applicable tax rate for current and deferred tax is 20% (2018: 20%).

	01/01/2019-30/06/2019 AMD'000	%	01/01/2018-30/06/2018 AMD'000	%
Profit before tax	7,029,703		7,443,811	
Income tax at the applicable tax rate	1,405,941	20.00%	1,488,762	20.00%
Non-deductible costs	54,122	0.77%	27,480	0.37%
	1,460,063	**20.77%**	**1,516,242**	**20.37%**

(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 2019 and assets as at 31 December 2018.

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

Movements in temporary differences during the periods ended 30 June 2019 and 31 December 2018 are presented as follows:

2019	**Balance 1 January 2019**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance 30 June 2019**
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
Financial instruments at fair value through profit or loss	(36,011)	11,587	-	(24,424)
Financial assets at fair value through other comprehensive income	(54,470)	2,877	2,888	(48,705)
Allowance for other receivables and other provisions	(18,770)	(863)	-	(19,633)
Loans to customers	(179,080)	(649,913)	-	(828,993)
Property and equipment	(51,740)	51,081	-	(659)
Other assets	44,296	(17,263)	-	27,033
Other liabilities	594,242	51,966	-	646,208
Other borrowed funds	(112,569)	95,353	-	(17,216)
	185,898	**(455,175)**	**2,888**	**(266,389)**

2018	Balance 1 January 2018	Impact of IFRS 9	Recognized in profit or loss	Recognized in other comprehensive income	Balance 30 June 2018
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Financial instruments at fair value through profit or loss	(30,281)	-	(4,197)	-	(34,478)
Financial assets at fair value through other comprehensive income	(84,557)	14,353	3,573	31,102	(35,529)
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	-	(36,214)
	(1,025,104)	**941,105**	**(584,539)**	**31,102**	**(637,436)**

13 Cash and cash equivalents

	30/06/19	31/12/18
	AMD'000	AMD'000
Cash on hand	20,014,044	23,812,923
Nostro accounts with the CBA	113,197,566	108,760,743
Nostro accounts with other banks		
- rated AA- to AA+	-	-
- rated A- to A+	-	2,055,194
- rated from B- to BBB+	10,222,883	9,023,253
- not rated	690797	744991
Total nostro accounts with other banks	**10,913,680**	**11,823,438**
Impairment allowance	**(47,266)**	**(43,192)**
Total cash and cash equivalents	**144,078,024**	**144,353,912**

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

	AMD'000
Balance at the beginning of the year	43,192
Net charge	4,074
Write-offs	-
Balance at the end of the period	**47,266**

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 2019 the Bank has no bank (2018: 0), whose balances exceed 10% of equity.
As at 30 June 2019 and 31 December 2018 the balances with the Central Bank of Armenia exceed 10% of equity.

14 Financial instruments at fair value through profit or loss

	30/06/19	31/12/18
	AMD'000	**AMD'000**
Assets		
Debt and other fixed-income instruments		
Government securities of the Republic of Armenia	3,302,541	3,896,848
Eurobonds of the Republic of Armenia	498,523	495,621
Corporate bonds of the Republic of Armenia	1,881,919	1,773,153
Derivative financial instruments		
Interest rate swaps	26,325	84,237
Foreign currency contracts	52,528	40,982
	5,761,836	**6,290,841**
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	2,125,988	526,169
	2,125,988	526,169
Liabilities		
Derivative financial instruments		
Foreign currency contracts	2,929	20,621
	2,929	20,621

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

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

Interest rate swaps

The table below summarizes the contractual amounts of interest rate swap contracts outstanding as at 30 June 2019 and 31 December 2018 with details of the fair values and notional amounts. Foreign currency amounts presented below are translated at rates effective at the reporting date. The resultant unrealized gains and losses on these immature contracts are recognized in profit or loss, as appropriate.

	Fair value		Notional amount	
	2019	**2018**	**2019**	**2018**
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
Pay fixed in USD, receive floating in USD	26,325	84,237	3,036,154	3,518,182

As at 30 June 2019 the Bank has one interest rate swap contract, with USD 10,000,000 initial notional amount (2018: one interest rate swap contracts with USD 10,000,000 notional amount). Under this contract the Bank pays 1.5850% fixed rate, and receives 6-month USD-LIBOR-ICE floating rate. The contractual maturity of outstanding interest rate swap contracts is 2022.

15 Financial assets at fair value through other comprehensive income

	30/06/19 AMD'000	31/12/18 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	3,665,008	4,645,203
Eurobonds of the Republic of Armenia	2,606,703	3,019,309
Eurobonds of other countries	509,808	1,273,589
- Corporate bonds		
Corporate bonds of the Republic of Armenia	1,245,634	2,524,882
Corporate bonds of other foreign companies	2,379,794	-
Equity investments		
- Unquoted equity securities at cost	139,145	139,145
	10,546,092	11,602,128
Pledged under sale and repurchase agreements	705,258	-
Government securities of the Republic of Armenia	705,258	-

As at 30 June 2019 impairment allowance of financial assets at fair value through other comprehensive income was 158,847 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 2019	% Controlled 2018	2019 AMD'000	2018 AMD'000
ArCa	Republic of Armenia	Payment system	3.76%	3.76%	36,429	36,429
Artsakh bank cjsc	Republic of Armenia	Banking	0.3%	0.3%	69,250	69,250
SWIFT	Belgium	Money transfer	0.00%	0.00%	33,466	33,466
					139,145	139,145

16 Loans and advances to banks

	30/06/19 AMD'000	31/12/18 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	1,285,000	1,691,000
Debt instruments with local banks and credit organizations		
Bonds of local banks and credit organizations	-	-
Loans and deposits with other banks		
Armenian banks	814,969	1,838,147
OECD banks	510,773	1,483,537
Foreign other banks	-	-
Total loans and deposits with other banks	1,325,742	3,321,684
Total loans and advances to banks	2,610,742	5,012,684
Impairment	(392)	(66,072)
Net loans and advances to banks	2,610,350	4,946,612

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

Concentration of loans and advances to banks

As at 30 June 2019 the Bank has no bank (2018: no bank), whose balances exceed 10% of equity.

17 Amounts receivable under reverse repurchase agreements

	30/06/19 AMD'000	31/12/18 AMD'000
Amounts receivable from medium and small Armenian financial institutions	3,943,534	6,746,424
Total amounts receivable under reverse repurchase agreements	3,943,534	6,746,424
Impairment allowance	(1)	(10)
Total net amounts receivable under reverse repurchase agreements	3,943,533	6,746,414

Collateral

As at 30 June 2019 and 31 December 2018 amounts receivable under reverse repurchase agreements were collateralized by government and non-government securities with fair value of AMD 4,252,230 thousand (2018: 7,148,759 thousand).

18 Loans and advances to customers

	30/06/19 AMD'000	31/12/18 AMD'000
Loans to legal entities	430,501,735	440,285,372
Loans to individuals	119,510,787	102,282,025
Receivables from finance lease	3,408,800	2,301,830
Receivables from factoring	11,174,434	10,720,377
Receivables from letter of credit	8,934,720	8,305,930
Gross loans and advances to customers	**573,530,476**	**563,895,534**
Impairment allowance	(13,022,741)	(15,952,352)
Net loans and advances to customers	**560,507,735**	**547,943,183**

(a) Loans to legal entities and individuals

	30/06/19 AMD'000	31/12/18 AMD'000
Loans to legal entities		
Loans to large companies	331,809,293	346,631,927
Loans to small and medium size companies	98,692,442	93,653,445
Total loans to legal entities	**430,501,735**	**440,285,372**
Loans to individuals		
Mortgage loans	58,032,859	44,827,381
Other loans to individuals	61,477,928	57,454,643
Total loans to individuals	**119,510,787**	**102,282,025**
Gross loans to legal entities and individuals	**550,012,522**	**542,567,397**
Impairment allowance	(12,794,155)	(15,603,207)
Net loans to legal entities and individuals	**537,218,367**	**526,964,190**

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

2019	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the period	13,098,774	2,504,433	15,603,207
Net charge	1,574,827	1,714,167	3,288,994
Recovery of loans previously written off	78,895	115,902	194,797
Write-offs	(4,628,212)	(1,616,098)	(6,244,310)
Transfer to Interest income	(8,853)	(39,680)	(48,533)
Balance at the end of the period	**10,115,431**	**2,678,724**	**12,794,155**

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

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**
Loans to corporate customers						
Loans to large corporates						
Not impaired	**309,816,332**	**1,202,507**	**7,394,641**	**1,053,076**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**14,598,320**	**5,694,536**
Individually impaired	-	-	-	-	14,598,320	5,694,536
Total Loans to large corporates	**309,816,332**	**1,202,507**	**7,394,641**	**1,053,076**	**14,598,320**	**5,694,536**
Loans to SME						
Not impaired	**91,806,759**	**353,421**	**1,847,262**	**263,070**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**5,038,422**	**1,548,822**
Individually impaired	-	-	-	-	4,964,021	1,501,984
Collectively impaired	-	-	-	-	74,401	46,838
Total Loans to SME	**91,806,759**	**353,421**	**1,847,262**	**263,070**	**5,038,422**	**1,548,822**
Total Loans to corporate customers	**401,623,091**	**1,555,927**	**9,241,902**	**1,316,145**	**19,636,742**	**7,243,359**

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**
Loans to Individuals						
Mortgage						
Not impaired	**57,510,399**	**55,579**	**83,512**	**5,432**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**438,948**	**180,575**
Individually impaired	-	-	-	-	388,865	150,991
Collectively impaired	-	-	-	-	50,083	29,584
Total Mortgage	**57,510,399**	**55,579**	**83,512**	**5,432**	**438,948**	**180,575**
Other loans to Individuals						
Not impaired	**58,343,323**	**1,119,143**	**872,503**	**220,071**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**2,262,103**	**1,097,924**
Individually impaired	-	-	-	-	1,006,466	234,523
Collectively impaired	-	-	-	-	1,255,636	863,400
Total Other loans to Individuals	**58,343,323**	**1,119,143**	**872,503**	**220,071**	**2,262,103**	**1,097,924**
Total Loans to Individuals	**115,853,722**	**1,174,723**	**956,015**	**225,503**	**2,701,050**	**1,278,499**

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

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

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

Key assumptions and judgments for estimating the loan impairment

Loans to customers

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

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

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

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

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

Analysis of collateral

Loans to corporate customers

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

The main types of collateral obtained are as follows:

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

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

For retail lending, mortgages over residential properties.

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

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

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

Loans to retail customers

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

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. As of 30 June 2019 consumer loans are secured by real estate, movable property, salary, cash and guarantees

Repossessed collateral

During second quarter of 2019, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers amounting AMD 200,045 thousand (2018: AMD 2,032,546 thousand).
The Bank's intention is to sell these assets as soon as it is practicable.

Industry and geographical analysis of the loan portfolio

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

	30/06/19 AMD'000	31/12/18 AMD'000
Wholesale trade	85,921,179	97,911,992
Finance and investment	42,512,621	43,073,908
Mining/Metallurgy	64,615,221	61,847,784
Hotel service	36,000,509	37,495,210
Construction	23,297,817	23,371,992
Agriculture, forestry and timber	19,144,639	18,570,577
Food and beverage	27,125,064	23,692,826
Retail trade	30,229,542	28,884,100
Power generation	31,589,275	21,980,801
Real estate	11,447,752	12,375,233
Communication services	12,518,054	20,615,886
Manufacturing	9,375,748	7,483,763
Transportation	28,099,881	28,449,596
Other	8,624,432	14,531,704
Loans to retail customers	119,510,787	102,282,025
	550,012,522	**542,567,397**
Impairment allowance	(12,794,155)	(15,603,207)
	537,218,367	**526,964,190**

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

	30/06/19 AMD'000	31/12/18 *AMD'000*
Armenia	359,865,423	351,974,114
OECD and EU	35,826,143	35,463,833
Other foreign countries	24,694,738	39,748,652
	420,386,304	**427,186,599**

Significant credit exposures

As at 30 June 2019 the Bank has twelve borrowers or groups of connected borrowers (2018: eleven), whose loan balances exceed 10% of equity. The gross value of these loans as at 30 June 2019 is AMD 142,820,283 thousand (31 December 2018: AMD 124,491,863 thousand).

Loan maturities

The maturity of the loan portfolio is presented in note 29 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(b) Receivables from letters of credit

	30/06/19 AMD'000	31/12/18 AMD'000
Receivables from letters of credit, gross amount	8,934,720	8,305,930
Impairment allowance	(20,483)	(37,391)
	8,914,237	**8,268,539**

As at 30 June 2019 the Bank has no customer (2018: none), whose balances exceed 10% of equity.

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

	30/06/19 AMD'000	31/12/18 AMD'000
Balance at the beginning of the year	37,391	8,259
Net charge	(16,908)	29,132
Write-offs	-	-
Balance at the end of the year	**20,483**	**37,391**

(c) Receivables from finance leases

	30/06/19 AMD'000	31/12/18 AMD'000
Gross investment in finance leases receivable:		
Less than one year	849,176	609,931
Between one and five years	2,525,658	1,412,864
More than five years	968,564	871,025
	4,343,398	**2,893,820**
Unearned finance income	(934,598)	(591,990)
Impairment allowance	(197,597)	(277,625)
Net investment in finance leases	**3,211,203**	**2,024,205**
The net investment in finance leases comprises:		
Less than one year	627,821	534,622
Between one and five years	1,867,294	1,002,820
More than five years	716,088	486,763
	3,211,203	**2,024,205**

Quality analysis of finance leases

The following table provides information on the quality analysis of finance leases as at 30 June 2019:

	Stage 1		Stage 2		Stage 3	
	Gross amount AMD 000	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**	**Gross amount AMD 000**	**ECL AMD 000**
Leasing						
Neither past due nor impaired	3,115,204	27,127	-	-	-	-
Individually impaired	-	-	-	-	293,669	170,470
Total Leasing	3,115,131	27,127	-	-	293,669	170,470

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

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

Concentration of receivables from finance leases

As at 30 June 2019 the Bank has no customers whose balances exceed 10% of equity (2018: nil).

Movement in impairment allowance

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

	30/06/19 AMD'000	**31/12/18 AMD'000**
Balance at the beginning of the year	277,625	334,115
Net charge	(90,710)	214,168
Write-offs	10,682	(270,658)
Balance at the end of the period	**197,597**	**277,625**

Finance lease maturities

The maturity of the Bank's finance lease portfolio is presented in note 29 (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

	30/06/19 AMD'000	31/12/18 AMD'000
Receivables from factoring	11,174,434	10,720,377
Impairment allowance	(10,506)	(34,128)
	11,163,928	**10,686,249**

As at 30 June 2019 the Bank has no customers whose balances exceed 10% of equity (2018: one). The gross value of the customer as at 31 December 2018 is AMD 9,642,384 thousand.

As at 30 June 2019 the Bank has no impaired or overdue receivables from factoring.

Movements in impairment allowance of 2019 and 2018 are as follows:

	30/06/19 AMD'000	31/12/18 AMD'000
Balance at the beginning of the year	34,128	9,116
Net charge	(23,623)	25,012
Write-offs/Recovery	-	-
Balance at the end of the period	10,505	**34,128**

19 Financial assets at amortized cost

	30/06/19 AMD'000	31/12/18 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	11,531,697	8,247,384
Eurobonds of the Republic of Armenia	20,687,046	13,480,810
- Corporate bonds		
Corporate bonds of Armenian companies	225,449	787,604
	32,444,192	22,515,798
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	11,282,833	-
Eurobonds of the Republic of Armenia	-	16,748,372
	11,282,833	16,748,372
Total financial asset at amortized cost	43,727,025	39,264,170
Impairment	(522,892)	(438,707)
Total net financial asset at amortized cost	43,204,133	38,825,463

Movements in impairment allowance of financial assets at amortized cost for 2019 are as follows:

	AMD'000
Balance at the beginning of the year	438,707
Net charge	84,185
Write-offs	-
Balance at the end of the period	**522,892**

20 Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Right of use asset	Total
Cost/Revalued amount							
Balance at 1 January 2019	4,531,055	6,267,277	2,321,987	298,130	2,570,230	-	15,988,679
IFRS 16 impact	-	-	-	-	-	11,036,594	11,036,594
Additions	154,672	859,224	169,442	14,777	304,511	-	1,502,626
Disposals/write-offs	(51,169)	(63,119)	(36,275)	(1)	-	(760)	(151,324)
Balance at 30 June 2019	4,634,557	7,063,382	2,455,154	312,906	2,874,741	11,035,834	28,376,575
Depreciation and amortization							
Balance at 1 January 2019	1,278,411	2,847,926	458,661	98,710	1,064,634	-	5,748,342
Depreciation and amortization for the year	162,440	380,202	90,382	18,748	223,689	579,124	1,454,585
Disposals/write-offs	(51,169)	(33,829)	(36,275)	-	-	-	(121,273)
Balance at 30 June 2019	1,389,681	3,194,300	512,768	117,458	1,288,323	579,124	7,081,654
Carrying amount At 30 June 2019	3,244,876	3,869,083	1,942,386	195,448	1,586,418	10,456,710	21,294,921

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AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2018	**3,382,399**	**4,507,730**	**1,538,154**	**205,511**	**2,478,033**	**12,111,827**
Additions	1,261,184	1,785,997	835,103	92,619	373,423	4,348,326
Disposals/write-offs	(112,528)	(26,450)	(51,270)	-	(281,226)	(471,474)
At 31 December 2018	**4,531,055**	**6,267,277**	**2,321,987**	**298,130**	**2,570,230**	**15,988,679**
Depreciation and amortization						
Balance at 1 January 2018	**1,134,931**	**2,351,831**	**397,295**	**74,444**	**1,026,410**	**4,984,911**
Depreciation and amortization for the year	256,008	519,857	109,772	24,266	319,450	1,229,353
Disposals/write-offs	(112,528)	(23,762)	(48,406)	-	(281,226)	(465,922)
Balance at 31 December 2018	**1,278,411**	**2,847,926**	**458,661**	**98,710**	**1,064,634**	**5,748,342**
Carrying amount At 31 December 2018	**3,252,644**	**3,419,351**	**1,863,326**	**199,419**	**1,505,597**	**10,240,337**

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

21 Other assets

	30/06/19 AMD'000	31/12/18 AMD'000
Brokerage accounts	271,973	244,954
Receivables from banking services	2,320,730	2,119,304
Restricted accounts with clearing houses	561,283	447,384
Impairment allowance	(47,035)	(18,498)
Total other financial assets	**3,106,951**	**2,793,144**
Prepayments to suppliers	1,533,160	1,880,690
Repossessed assets	2,827,999	2,777,623
Small value assets	207,565	145,357
Other tax assets	8,268	154,476
Other	38,168	10,244
Impairment allowance	(135,163)	(148,964)
Total other non-financial assets	**4,479,997**	**4,819,426**
Total other assets	**7,586,948**	**7,612,570**

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

	30/06/19 AMD'000	31/12/18 AMD'000
Balance at the beginning of the year	167,462	184,246
Net charge	14,736	137,705
Write-offs	-	(153,970)
Balance at the end of the year	182,198	167,981

22 Deposits and balances from banks

	30/06/19 AMD'000	31/12/18 AMD'000
Short term loans and term deposits from commercial banks	26,913,530	23,530,588
Long term loans and term deposits from commercial banks	4,566,435	3,421,295
Borrowings from CBA (through international programs)	10,396,602	7,078,390
Liabilities for letters of credit	10,331,883	8,625,734
Vostro accounts	430,868	420,762
	52,639,318	43,076,769

As at 30 June 2019 the Bank has one banks (2018: one bank), whose balance exceeds 10% of equity. The gross value of the balance as at 30 June 2019 is AMD 20,204,754 thousand. (2018: AMD 20,643,011 thousand).

Borrowings from CBA

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

23 Current accounts and deposits from customers

	30/06/19 AMD'000	31/12/18 AMD'000
Current accounts and demand deposits		
- Retail	64,562,951	61,904,034
- Corporate	134,242,199	145,889,262
Term deposits		
- Retail	140,160,319	133,060,914
- Corporate	80,551,929	58,231,922
	419,517,398	399,086,132

As at June 2019, the Bank has three customers (31 December 2018: four customers) whose balances exceed 10% of equity. The gross value of these balances as 30 June 2019 is AMD 69,680,390 thousand (As at 31 December 2018 is AMD 44,068,684 thousand).

24 Debt securities issued

	30/06/19 AMD'000	31/12/18 AMD'000
Promissory notes	4,549,350	4,612,688
Domestic bonds issued	50,337,745	46,233,668
	54,887,095	50,846,356

Promissory notes: In 2016 Bank placed USD denominated promissory notes with four Luxembourg-based funds via its investment manager ResponsAbility Investments AG in amount of USD 20,000,000 with maturity in 2021. As at 30 June 2019 carrying value of the promissory notes is AMD 4,549,350 thousand.

Domestic bonds issued: As at 30 June 2019 the Bank has issued debt securities denominated in AMD, USD and EUR, which nominal amount is AMD 8 billion, USD 84.4 million and EUR 3 million accordingly. As at 30 June 2019 carrying value of the bonds is AMD'000 8,125,944, AMD'000 40,570,149 and AMD'000 1,641,651 accordingly.

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

25 Other borrowed funds and subordinated borrowings

	30/06/19 AMD'000	31/12/18 AMD'000
Borrowings from international and other financial institutions	107,805,867	120,913,209
	107,805,867	**120,913,209**
Subordinated borrowings	43,877,801	50,414,125

a. Concentration of borrowings from international financial institutions

As at 30 June 2019, the Bank has three financial institutions (31 December 2018: seven), whose balances exceed 10% of equity. These balances as at 30 June 2019 are AMD 97,540,517 thousand (31 December 2018: AMD 127,166,023 thousand).

b. Subordinated borrowing

As at 30 June 2019 subordinated borrowing represents:

- Borrowing received from other financial institution
  9,833,633 AMD'000 maturing on 23 December 2020,
  4,354,026 AMD'000 maturing on 15 January 2026,
  4,770,478 AMD'000 maturing on 15 January 2027

- Borrowing received from international financial institutions (AMD 24,919,665 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.

26 Other liabilities

	30/06/19 AMD'000	31/12/18 AMD'000
Payables to staff	1,855,032	2,944,207
Accrued expenses	826,929	758,473
Other financial liabilities	2,929,626	3,387,171
Total other financial liabilities	**5,611,587**	**7,089,851**
Deferred income	6,869	2,385
Other taxes payable	271,732	301,576
Dividents payable	1,050,000	0
Total other non-financial liabilities	**1,328,601**	**303,961**
Total other liabilities	**6,940,188**	**7,393,812**

27 Share capital and treasury shares

(a) Issued capital and share premium

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

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

(b) Nature and purpose of reserves

Revaluation reserve for financial assets

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

(c) Dividends

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

During the second quarter of 2019 the Bank has declared dividends amounting to AMD 2,100,000 thousand and has paid AMD 1,050,000 thousand (During second quarter of 2018 the Bank has paid dividends amounting to AMD 1,148,000 thousand).

28 Impairment allowance on contingent liabilities

The Bank has outstanding credit related commitments to extend loans. These credit realted 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

	30/06/19 AMD'000	31/12/18 AMD'000
Contracted amount		
Guarantees	8,109,359	7,736,599
Letters of credit	932,394	167,851
Credit card commitments	14,434,147	13,602,109
Loan and credit line commitments	15,172,734	18,237,090
Undrawn overdraft facilities	4,298,152	3,773,503
	42,946,786	43,517,152

Movements in the impairment allowance for contingent liabilities for 2019 are as follows:

	Guarantees	Letters of credit	Loan and credit line commitments	Total
Balance at the beginning of the year	18,423	382	121,358	140,163
Net charge	2,674	1,372	(51,619)	(47,573)
Write-offs	-	-	-	-
Balance at the end of the period	21,097	1,754	69,739	92,590

29 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 Liabilites Department in its day-to-day monitoring activities. A summary of the interest gap position for major financial instruments is as follows:

AMD'000	*Less than 3 months*	*3-6 months*	*6-12 months*	*1-5 years*	*More than 5 years*	*Non-interest bearing or overdue*	*Carrying amount*
30-Jun-19							
Assets							
Cash and cash equivalents	-	-	-	-	-	144,078,024	144,078,024
Financial assets at fair value through other comprehensive income	132,005	209,226	62,193	7,288,861	3,419,919	139,145	11,251,350
Loans and advances to banks	1,325,350	-	-	-	-	1,285,000	2,610,350
Amounts receivable under reverse repurchase agreements	3,943,533	-	-	-	-	-	3,943,533
Loans to customers	80,735,909	25,279,442	78,893,281	274,075,225	66,054,378	12,180,132	537,218,366
Receivables from letters of credit	1,129,613	4,320,538	401,465	3,062,621	-	-	8,914,237
Receivables from finance leases	157,714	157,602	312,505	1,867,294	592,890	123,198	3,211,203
Receivables from factoring	6,274,259	4,889,669	-	-	-	-	11,163,928
Financial assets at amortized cost	189,903	858,382	8,958,344	29,268,371	3,929,132	-	43,204,133
	93,888,285	35,714,860	88,627,788	315,562,372	73,996,319	157,805,499	765,595,124
Liabilities							
Deposits and balances from banks	(19,854,842)	(10,433,562)	(6,501,472)	(12,542,126)	(3,307,316)	-	(52,639,318)
Amounts payable under reverse repurchase agreements	(14,011,179)	-	-	-	-	-	(14,011,179)
Current accounts and deposits from customers	(90,582,786)	(52,173,315)	(31,312,320)	(46,552,194)	(91,634)	(198,805,150)	(419,517,398)
Debt securities issued	(5,181,532)	(1,625,941)	(7,140,715)	(32,243,288)	(8,695,619)	-	(54,887,095)
Subordinated borrowings	(1,511,786)	(20,357)	-	(42,345,658)	-	-	(43,877,801)
Other borrowed funds	(5,111,070)	(4,940,284)	(7,859,421)	(89,887,736)	(7,355)	-	(107,805,867)
	(136,253,194)	(69,193,460)	(52,813,927)	(223,571,002)	(12,101,924)	(198,805,150)	(692,738,658)
Effect of derivatives	2,602,418	-	(433,736)	(2,168,682)	-	-	0
Net position	(39,762,491)	(33,478,600)	35,380,125	89,822,688	61,894,395	(40,999,651)	72,856,466

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing or overdue	Carrying amount
31-Dec-18							
Assets							
Cash and cash equivalents	-	-	-	-	-	144,353,912	144,353,912
Financial assets at fair value through other comprehensive income	159,140	88,469	172,792	5,346,073	5,696,510	139,145	11,602,128
Loans and advances to banks	3,256,132	-	-	-	-	1,691,000	4,947,132
Amounts receivable under reverse repurchase agreements	6,746,414	-	-	-	-	-	6,746,414
Loans to customers	48,373,191	65,997,365	53,629,319	243,848,641	108,214,381	6,901,292	526,964,190
Receivables from letters of credit	230,664	4,524,030	1,123,306	2,390,538	-	-	8,268,539
Receivables from finance leases	112,142	108,058	202,245	992,485	436,361	172,915	2,024,205
Receivables from factoring	3,264,453	7,137,091	284,705	-	-	-	10,686,249
Financial assets at amortized cost	938,553	5,512,164	68,119	29,109,282	3,197,346	-	38,825,463
	63,080,689	**83,367,176**	**55,480,487**	**281,687,018**	**117,544,597**	**153,258,264**	**754,418,231**
Liabilities							
Deposits and balances from banks	(19,665,003)	(6,905,009)	(6,537,512)	(8,564,467)	(1,404,778)	-	(43,076,769)
Amounts payable under reverse repurchase agreements	(17,011,404)	-	-	-	-	-	(17,011,404)
Current accounts and deposits from customers	(47,304,726)	(33,337,518)	(74,496,960)	(36,083,613)	(70,019)	(207,793,296)	(399,086,132)
Debt securities issued	(10,718,023)	(6,599,784)	(5,910,541)	(20,738,442)	(6,879,567)	-	(50,846,356)
Subordinated borrowings	(35,016,680)	(16,790)	-	(5,917,092)	(9,463,564)	-	(50,414,125)
Other borrowed funds	(75,778,457)	(24,763,722)	(2,736)	(20,354,631)	(13,663)	-	(120,913,209)
	(205,494,293)	**(71,622,822)**	**(86,947,750)**	**(91,658,245)**	**(17,831,590)**	**(207,793,296)**	**(681,347,995)**
Effect of derivatives	3,078,409	-	(439,773)	(2,638,636)	-	-	-
Net position	**(139,335,195)**	**11,744,354**	**(31,907,036)**	**187,390,138**	**99,713,007**	**(54,535,032)**	**73,070,236**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 June 2019 and 31 December 2018.

	2019 Average effective interest rate, %			**2018** Average effective interest rate, %		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Financial assets at fair value through other comprehensive income	10.7%	5.3%	4.9%	10.9%	5.0%	5.0%
Loans and advances to banks	–	–	1.0%	7.3%	–	1.0%
Amounts receivable under reverse repurchase agreements	6.3%	3.3%	–	6.6%	3.0%	0.9%
Loans to customers	12.3%	8.6%	6.5%	13.6%	8.6%	7.1%
Receivables from finance leases	12.6%	8.2%	8.0%	13.7%	7.3%	8.4%
Receivables from factoring	14.2%	8.6%	5.2%	14.8%	8.6%	5.2%
Financial assets at amortized cost	9.9%	5.1%	–	9.0%	5.7%	–
Interest bearing liabilities						
Deposits and balances from banks	6.5%	3.2%	3.8%	6.7%	3.3%	0.6%
Debt securities issued	9.7%	5.3%	3.3%	9.7%	5.4%	3.3%
Term deposits	9.1%	4.1%	1.8%	9.0%	4.1%	3.0%
Subordinated borrowings	-	10.3%	6.4%	–	9.4%	6.4%
Other borrowed funds	8.6%	6.0%	2.8%	7.9%	6.1%	3.0%

(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 2019:

	USD	EUR	Other currencies	Total
2019	**AMD'000**	**AMD'000**	**AMD'000**	**AMD'000**
ASSETS				
Cash and cash equivalents	27,031,217	39,566,867	3,454,729	70,052,813
Banking standardized bullions of precious metals	-	-	736,194	736,194
Financial instruments at fair value through profit or loss	1,660,478	74,779	-	1,735,257
Financial assets at fair value through other comprehensive income	4,806,886	1,319,894	-	6,126,780
Loans and advances to banks	57,313	2,363,060	49,815	2,470,188
Amounts receivable under reverse repurchase agreements	47,741	-	-	47,741
Loans to customers	350,800,843	67,849,115	1,576,683	420,226,641
Receivables from letters of credit	5,678,376	3,235,861	-	8,914,237
Receivables from finance leases	1,772,161	222,049	-	1,994,210
Receivables from factoring	6,904,969	3,157,021	2,202	10,064,192
Financial assets at amortized cost	20,687,046	-	-	20,687,046
Other financial assets	2,544,827	361,796	754,156	3,660,779
Total assets	**421,991,857**	**118,150,442**	**6,573,779**	**546,716,078**
LIABILITIES				
Deposits and balances from banks	36,142,118	5,027,977	2,523,312	43,693,407
Current accounts and deposits from customers	238,684,360	59,885,040	5,695,010	304,264,410
Subordinated borrowings	34,753,299	9,124,502.00	-	43,877,801
Other borrowed funds	63,527,644	37,104,714.00	-	100,632,358
Debt securities issued	45,119,499	1,641,651.00	-	46,761,150
Other financial liabilities	1,479,966	655,643	243,647	2,379,256
Total liabilities	**419,706,886**	**113,439,527**	**8,461,969**	**541,608,382**
Net position	**2,284,971**	**4,710,915**	**(1,888,190)**	**5,107,696**
Effect of derivatives	(1,174,199)	(5,882,748)	1,843,362	(5,213,585)

Net position	1,110,772	(1,171,833)	(44,828)	(105,889)

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

	USD	EUR	Other currencies	Total
2018	**AMD'000**	**AMD'000**	**AMD'000**	**AMD'000**
ASSETS				
Cash and cash equivalents	12,701,409	46,349,316	5,225,918	64,276,643
Banking standardized bullions of precious metals	-	-	473,701	473,701
Financial assets at fair value through profit and loss	1,750,450	80,331	-	1,830,781
Available-for-sale financial assets	5,031,472	1,355,683	-	6,387,155
Loans and advances to banks	1,328,545	1,273,907	104,764	2,707,216
Amounts receivable under reverse repurchase agreements	914,220	2,769,206	-	3,683,426
Loans to customers	380,471,956	49,326,693	1,887,584	431,686,233
Receivables from letters of credit	6,393,795	1,874,744	-	8,268,539
Receivables from finance leases	1,805,094	155,594	-	1,960,688
Receivables from factoring	6,954,432	3,098,930	1,656	10,055,018
Held-to-maturity investments	13,480,810	-	-	13,480,810
Other financial assets	2,073,597	302,581	351,499	2,727,677
Total assets	**432,905,780**	**106,586,985**	**8,045,122**	**547,537,887**
LIABILITIES				
Deposits and balances from banks	14,904,074	17,877,791	352,463	33,134,328
Current accounts and deposits from customers	239,398,240	42,178,044	13,640,743	295,217,026
Debt securities issued	44,082,273	1,673,414	-	45,755,687
Subordinated borrowings	41,113,611	9,300,514	-	50,414,125
Other borrowed funds	71,682,222	37,904,405	-	109,586,627
Other financial liabilities	1,523,212	555,423	23,638	2,102,274
Total liabilities	**412,703,632**	**109,489,591**	**14,016,844**	**536,210,067**
Net position	**20,202,148**	**(2,902,606)**	**(5,971,722)**	**11,327,820**
Effect of derivatives	(9,717,582)	3,321,900	6,028,089	(367,593)
Net position	**10,484,566**	**419,294**	**56,367**	**10,960,227**

A strengthening of the AMD, as indicated below, against the following currencies as at 30 June 2019 and 31 December 2018 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2019		2018թ.	
	Appreciation	Profit or loss AMD'000	Appreciation	Profit or loss AMD'000
AMD against USD	6.00%	(66,646)	6.00%	(277,215)
AMD against EUR	11.00%	128,902	11.00%	(3,350)

A weakening of the AMD against the above currencies at 30 June 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

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

The credit policy establishes:

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

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

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

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

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

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

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

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

Offsetting financial assets and financial liabilities

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

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

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

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

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

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

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

The liquidity management policy requires:

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

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

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

(e) The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 30 June 2019:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	144,078,024	-	-	-	-	-	-	**144,078,024**
Banking standardized bullions of precious metals	-	-	-	-	-	736,194	-	**736,194**
Financial instruments at fair value through profit or loss	303,906	52,472	324,954	3,626,678	3,579,814	-	-	**7,887,824**
Financial assets at fair value through other comprehensive income	79,522	52,483	271,419	7,288,861	3,419,919	139,145	-	**11,251,350**
Loans and advances to banks	1,325,350	-	-	-	-	1,285,000	-	**2,610,350**
Amounts receivable under reverse repurchase agreements	3,943,533	-	-	-	-	-	-	**3,943,533**
Loans to customers	27,434,527	17,210,366	103,545,949	264,348,030	112,499,363	-	12,180,132	**537,218,366**
Receivables from letters of credit	102,054	1,027,559	4,722,003	3,062,621	-	-	-	**8,914,237**
Receivables from finance leases	52,322	105,392	470,107	1,867,294	592,890	-	123,198	**3,211,203**
Receivables from factoring	1,582,223	4,692,036	4,889,669	-	-	-	-	**11,163,928**
Financial assets at amortized cost	-	189,903	9,816,727	29,268,371	3,929,132	-	-	**43,204,133**
Property, equipment and intangible assets	-	-	-	-	-	21,294,921	-	**21,294,921**
Current tax asset			237,220			-		**237,220**
Other assets	1,480,030	2,901,030	2,640,675	-	-	565,214	-	**7,586,949**
Total assets	**180,381,490**	**26,231,241**	**126,918,723**	**309,461,854**	**124,021,120**	**24,020,474**	**12,303,330**	**803,338,232**
LIABILITIES								
Financial instruments at fair value through profit or loss	2,929	-	-	-	-	-	-	**2,929**
Amounts payable under repurchase agreements	14,011,179	-	-	-	-	-	-	**14,011,179**
Deposits and balances from banks	2,915,761	16,939,081	16,935,034	12,542,126	3,307,316	-	-	**52,639,318**
Current accounts and deposits from customers	111,941,576	78,043,785	192,608,592	36,854,765	68,681	-	-	**419,517,398**
Debt securities issue	108,906	5,084,620	8,786,950	40,906,619	-	-	-	**54,887,095**
Subordinated borrowings	1,197,802	313,984	20,357	33,271,260	9,074,397	-	-	**43,877,801**
Other borrowed funds	1,445,011	3,666,059	12,799,705	89,887,736	7,355	-	-	**107,805,867**

Deferred tax liability			266,387			-	-	266,387
Lease liability	-	-	-	-	-	9,998,299	-	9,998,299
Other liabilities	4,062,254	734,997	2,235,527	-	-	-	-	7,032,778
Total liabilities	135,685,417	104,782,526	233,652,552	213,462,507	12,457,750	9,998,299	-	710,039,051
Net position	44,696,072	(78,551,285)	(106,733,828)	95,999,347	111,563,370	14,022,175	12,303,330	93,299,181

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets								
Cash and cash equivalents	144,353,912	–	–	–	–	-	–	**144,353,912**
Financial instruments at fair value through profit or loss	323,197	139,695	328,036	3,058,640	2,967,442	-	–	**6,817,010**
Financial assets at fair value through other comprehensive income	88,864	155,750	282,669	5,541,529	5,394,171	139,145	–	**11,602,128**
Loans and advances to banks	3,255,612	-	-	-	-	1,691,000	–	**4,946,612**
Amounts receivable under reverse repurchase agreements	6,746,414	-	-	-	-	-	–	**6,746,414**
Loans to customers	26,971,795	23,059,924	121,233,307	242,571,649	106,226,222	-	6,901,292	**526,964,190**
Receivables from letters of credit	43,322	187,342	5,647,337	2,390,538	-	-	-	**8,268,539**
Receivables from finance leases	41,031	71,111	310,303	992,485	436,361	-	172,915	**2,024,205**
Receivables from factoring	430,846	2,833,607	7,421,796	-	-	-	–	**10,686,249**
Financial assets at amortized cost	353,263	592,527	5,620,577	29,066,323	3,197,773	-	–	**38,825,463**
Property, equipment and intangible assets	-	-	-	–	–	10,240,337	–	**10,240,337**
Deferred tax asset	-	-	-	185,898	-	-	-	**185,898**
Other assets	2,375,790	2,777,413	2,008,052	–	–	925,015	–	**8,086,270**
Total assets	**184,984,046**	**29,817,369**	**142,852,077**	**283,807,062**	**118,216,969**	**12,995,497**	**7,074,207**	**779,747,227**
Liabilities								
Financial instruments at fair value through profit or loss	20,621	-	–	–	–	–	–	**20,621**
Amounts payable under repurchase agreements	17,011,404	–	–	–	–	–	–	**17,011,404**
Deposits and balances from banks	12,798,545	6,887,130	13,430,651	8,556,905	1,403,538	–	–	**43,076,769**
Current accounts and deposits from customers	131,252,194	51,539,948	152,505,404	63,718,571	70,015	–	–	**399,086,132**
Debt securities issued	111,329	2,696,535	13,759,546	34,278,947	-	–	–	**50,846,356**
Subordinated borrowings	1,190,128	435,488	16,411	39,521,888	9,250,210	–	–	**50,414,125**
Other borrowed funds	3,465,015	8,061,402	16,176,215	93,195,761	14,816	–	–	**120,913,209**
Current tax liability	-	-	1,086,688	-	-	–	–	**1,086,688**
Other liabilities	601,395	3,880,637	3,051,943	-	-	–	–	**7,541,975**
Total liabilities	**166,450,631**	**73,501,140**	**200,026,858**	**239,272,072**	**10,738,579**	–	–	**689,989,279**
Net position	**18,533,415**	**(43,683,771)**	**(57,174,781)**	**44,534,991**	**107,478,390**	**12,995,497**	**7,074,207**	**89,757,948**

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 2019 and during the reporting period are as follows:

	2019 AMD'000	**2018 AMD'000**
At 30 June (unaudited)	94.31%	89%
Average for June (unaudited)	91.75%	79%

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

30 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 2019 and 31 December 2018, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 30 June 2019 and 31 December 2018.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Central Bank of Armenia, as at 30 June 2019 and 31 December 2018:

	30/06/19 AMD'000 Unaudited	**31/12/18 AMD'000 Unaudited**
Tier 1 capital		
Share capital	37,347,200	37,300,480
Share premium	17,009,560	16,968,726
General reserve	5,335,146	4,809,146
Retained earnings	31,881,247	

		30,376,714
Deductions	(7,490,498)	(6,655,675)
Total tier 1 capital	84,082,655	82,799,391
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	228,391	184,477
Subordinated borrowing (not greater than 50% of tier 1 capital)	18,623,827	26,892,789
Total tier 2 capital	18,852,218	27,077,266
Total capital	102,934,873	109,876,657
Total risk weighted assets	763,883,249	713,735,277
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	13.48%	15.39%

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

31 Contingencies

(f) 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.

(g) 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.

(h) 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.

32 Related party transactions

(i) Control relationships

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

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

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

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

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

	2019 AMD'000	2018 AMD'000
Short-term employee benefits	1,051,794	1,330,071

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 2019 and 31 December 2018 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2019 AMD'000	Average interest rate, %	2018 AMD'000	Average interest rate, %
Statement of financial position				
Loans issued	1,007,206	8.04%	1,273,721	7.79%
Other asset	2,086	0.00%	1,832	0.00%
Deposits received	646,828	6.14%	460,725	5.74%
Subordinated borrowing	-	0.00%	5,924,274	6.00%
Other liabilities	1,185,934	0.00%	1,478,022	0.00%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the periods ending 30 June 2019 and 31 December 2018 are as follows:

	2019 AMD'000	2018 AMD'000
Profit or loss		
Interest income	45,752	48,561
Interest expense	(26,344)	(180,376)

The outstanding balances and the related average effective interest rates as at 30 June 2019 and related profit or loss amounts of transactions as at 30 June 2019 with other related parties are as follows:

(c) Transactions with other related parties

	Parent company		Shareholder with significant influence		Other subsidiaries of the parent company		Other		Total
	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000	Average interest rate, %	AMD'000
Statement of financial position									
ASSETS									
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-	1,380,306	8.93%	**1,380,306**
Other asset	-	-	9,193		963,805	-	-	-	**972,998**
LIABILITIES									
Financial instruments at fair value through profit or loss									
Current accounts and deposits from customers									
- Current accounts and demand deposits	1,558,442	0.0%	530,003	0.0%	545,614	0.0%	467,482	0.0%	**3,101,541**
- Term deposits	-	-	-	-	1,314,717	2.95%	53,276	5.54%	**1,367,993**
Other borrowing	-	-	15,094,642	6.56%	-	-	-	-	**15,094,642**
Other liabilities	-	-	548,598	0.0%	359.13	-	-	-	**548,957**
Items not recognised in the statement of financial position									
Guarantees received	-	-	22,233,118	0.96%	-	-	-	-	**22,233,118**
Profit (loss)									
Interest income	-	-	-	-	-	-	69,919	-	**69,919**
Interest expense	-	-	(746,324)	-	(15,943)	-	(3,110)	-	**(765,377)**
Other expense	-	-	-	-	(866,869)	-	-	-	**(866,869)**

The outstanding balances and the related average effective interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the second quarter ended 30 June 2018 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**
Statement of financial position									
ASSETS									
Financial instruments at fair value through profit or loss									-
Loans to customers							4,061,715	6.66%	4,061,715
Other asset			62,619	0.0%	879,324	0.0%			941,942
LIABILITIES									-
Financial instruments at fair value through profit or loss									-
Current accounts and deposits from customers									-
- Current accounts and demand deposits	20,562	0.0%	62,690	0.0%	1,085,613	0.0%	1,376,258	0.0%	2,545,123
- Term deposits					659,326	4.00%	77,155	6.47%	736,481
Other borrowing			21,215,696	6.04%					21,215,696
Other liabilities			13,209	0.0%					13,209
Items not recognised in the statement of financial position									-
Guarantees given			13,323,384	1.05%					13,323,384
Profit (loss)									-
Interest income							438,898	0.0%	438,898
Interest expense			(681,781)	0.0%	(8,281)	0.0%	(335,299)	0.0%	(1,025,361)
Other expense			(19,634)	0.0%	(818,370)	0.0%			(838,004)