

### 3 Net interest and similar income and expense

<u>Interest and similar incomes</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Amounts due from banks, financial institutions, bank current accounts	26,758	106,158	5,786	16,602
Loans and advances to customers	1,626,805	4,774,576	1,504,434	4,308,455
Debt securities available-for-sale	2,908,787	7,916,701	2,223,822	5,763,228
Reverse repurchase transactions	44,588	110,399	25,582	89,187
Other interest income	9,653	33,096	56,537	88,673
<b>Total interest and similar income</b>	<b>4,616,591</b>	<b>12,940,930</b>	<b>3,816,161</b>	<b>10,266,145</b>
<u>Interest and similar expense</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Amounts due to banks, financial institutions, bank current accounts	396,534	1,217,731	333,316	920,719
Amounts due to customers	1,884,420	5,250,187	1,314,088	3,647,423
Repurchase agreement operations	85,993	157,665	180,724	528,587
Other interest expenses	455,185	1,129,931	312,582	547,537
<b>Total interest and similar expense</b>	<b>2,822,132</b>	<b>7,755,514</b>	<b>2,140,710</b>	<b>5,644,266</b>
<b>Net interest and similar income and expense</b>	<b>1,794,459</b>	<b>5,185,416</b>	<b>1,675,451</b>	<b>4,621,879</b>

### 4 Fee and commission income and expense

<u>Fee and commission income</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Cash collection	6,609	21,414	8,567	24,404
Wire transfer fees	40,716	120,754	33,576	105,465
Guarantees and letters of credit	125	3,690	4,490	5,312
Foreign currency translation and brokerage operations	8,744	29,949	17,793	44,082
Other fees and commissions	6,088	62,428	5,211	14,614
<b>Total fee and commission income</b>	<b>62,282</b>	<b>238,235</b>	<b>69,637</b>	<b>193,877</b>
<u>Fee and commission expense</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Correspondent and other accounts	6,786	19,115	7,072	20,198
Foreign currency translation and brokerage operations	3,714	13,350	5,225	9,595
Stock exchange operations	5	10	0	10
Other expenses*	3,727	40,044	26,838	48,327
<b>Total fee and commission expense</b>	<b>14,232</b>	<b>72,519</b>	<b>39,135</b>	<b>78,130</b>
<b>Net fee and commission income</b>	<b>48,050</b>	<b>165,716</b>	<b>30,502</b>	<b>115,747</b>

### 5. Net income on trading operations

<u>Available for sale investments</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Net income on trading with available for sale investments, including	735,113	1,182,102	12,427	78,062
shares	2,169	(11,866)	1,756	2,277
bonds	732,944	1,193,968	10,671	75,785
<b>Total</b>	<b>735,113</b>	<b>1,182,102</b>	<b>12,427</b>	<b>78,062</b>
<u>Foreign currency operations</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Net income on trading with foreign currency	56,222	207,761	39,719	161,035
Net income on foreign currency revaluation	-2,552	(24,077)	(98,056)	(303,126)
Net income/loss on derivatives	4	2,813	91,188	198,040
<b>Total</b>	<b>53,674</b>	<b>186,497</b>	<b>32,851</b>	<b>55,949</b>
<u>Precious metals bullion bars and coins</u>	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
Net income on trading with precious metals bullion bars and coins	7,806	10,819	1,249	13,393
Net income on revaluation of precious metals bullion bars and coins	(4,184)	(6,981)	3,115	16,615
<b>Total</b>	<b>3,622</b>	<b>3,838</b>	<b>4,364</b>	<b>30,008</b>
<b>Net income on trading operations</b>	<b>792,409</b>	<b>1,372,437</b>	<b>49,642</b>	<b>164,019</b>

## 6 Other operational income

	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
<b>Other operational income</b>				
Fines and penalties received	34,482	150,295	57,262	150,856
Net income from sale of fixed and intangible assets	(11,826)	(11,268)	3,147	3,147
Other income**	8,520	77,898	21,436	63,642
<b>Total other income</b>	<b>31,176</b>	<b>216,925</b>	<b>81,845</b>	<b>217,645</b>

## 7 Impairment charge/(recovery of impairment) for credit losses

	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
<b>Total net provisions made</b>				
Loans and advances to customers	(266,396)	(570,863)	(593,058)	(774,440)
<b>Total</b>	<b>(266,396)</b>	<b>(570,863)</b>	<b>(593,058)</b>	<b>(774,440)</b>

### Net deductions to the reserve for possible losses of assets under IFRS 9

	The outstanding amount at the beginning of the period	Impairment costs	Classification, recovery	The outstanding amount at the end of the period
Loans and borrowings	1,557,127	80,170	574,975	1,062,322
<i>Including</i>				
<i>Class 1</i>	595,995			502,736
<i>Class 2</i>	220,874			27,846
<i>Class 3</i>	579,954			531,740
Factoring	17,700	9,544		27,244
Banks and other financial institutions	21,328	(3,731)		17,597
Investments available for sale	825,983	481,157		1,321,155
Other assets	23,769	1,604	566	24,807
Contingent liabilities related to off balance sheet line items bearing credit risk	78,011	2,119		80,130
<b>Total contributions</b>		<b>570,863</b>		

## 8. Total administrative expenses

	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
<b>Total administrative expenses</b>				
Wages and salaries*	288,360	782,169	205,816	543,757
Business trip expenses	545	12,662	1,982	9,032
Insurance expenses	6,449	18,363	5,434	15,029
Fixed assets maintenance	1,419	3,815	1,386	2,959
Building maintenance and security	20,412	49,948	16,469	48,566
Auditing, consulting and other services	2,700	8,100	2,700	8,497
Communication expenses	25,311	72,973	21,436	68,706
Transportation expenses	1,422	3,895	1,533	4,385
Taxes /other than income tax/ duties	1,501	4,349	1,697	4,855
Office and other organizational expenses	2,159	5,899	2,006	3,451
Expenses on granting and gathering loans	13,116	19,161	3,563	9,849
Other administrative expenses**	3,676	12,045	6,001	18,205
<b>Total</b>	<b>367,070</b>	<b>993,379</b>	<b>270,023</b>	<b>737,291</b>

\* Average number of staff 139 119 115 115

\* Average monthly salary per employee 513 541 456 460

## 9 Other operational expenses

	01.07.18 30.09.18	01.01.18 30.09.18	01.07.17 30.09.17	01.01.17 30.09.17
<b>9 Other operational expenses</b>				
Fines and penalties paid	0	0	0	0
Expenses on cash delivery	360	1,858	360	1,080
Advertising and representation expenses	4,501	13,211	2,993	7,003
Fixed assets and intangible assets depreciation expenses	37,564	113,295	36,751	105,549
Contributions to deposit guarantee fund	0		4,000	21,083
Other expenses****	7,751	24,258	5,136	20,383
<b>Total other operational expenses</b>	<b>50,176</b>	<b>152,622</b>	<b>49,240</b>	<b>155,098</b>

## 11 Income Tax Expense

The corporate income tax in the Republic of Armenia is levied at the rate of 20%. Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the book value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%. Numerical reconciliation between the tax expenses and accounting profit is provided below:

Thousand Armenian drams	01.01.18 30.09.18	Effective rate (%)	01.01.17 30.09.17	Effective rate (%)
<b>Profit before tax</b>	2,868,229		2,505,855	
Income tax at the rate of 20%	573,646	20	501,171	20
Non-taxable income				
Non-deductible expenses	13,177		7,253	
Foreign exchange (gains)/losses	(28,246)		(84,106)	
Other	371,423		65,682	
Adjustments to income and expenses for tax purposes				1
<b>Income tax expense</b>	<b>930,000</b>		<b>490,000</b>	

### Deferred tax calculation in respect of temporary differences:

Thousand Armenian drams	30.09.18	Recognized in equity	Recognized in income statement	31.12.17
Other liabilities	13,547	-	29,620	15,336
Penalties for impaired assets	7,674		-	
The adjustment of real value of the securities available for sale	519,927		-	
<b>Total deferred tax assets</b>	<b>541,148</b>			<b>46,281</b>
Cash, cash equivalents and balances				5,841
Customer loans and prepayments	(7,936)		-	
Amounts due from other financial institutions				807
Investments available for sale				866,623
Fixed assets				277,527
Other assets	(2,998)		-	4,753
Other reserves	(10,588)	(181,861)		1,204,868
<b>Total deferred tax liabilities</b>	<b>(21,522)</b>		-	<b>2,360,419</b>
<b>Net deferred tax liabilities</b>	<b>519,626</b>		-	<b>2,314,138</b>

## 13 Cash, cash equivalents and balances with CBA

Thousand Armenian drams	30.09.18	31.12.17
Cash	2,040,653	1,156,019
Correspondent accounts with the CBA	15,445,874	9,409,572
Deposited funds in CBA	60,000	2,500
<b>Total cash, cash equivalents and balances with CBA</b>	<b>17,546,527</b>	<b>10,568,091</b>

## Standardized bullion bars of precious metals

Thousand Armenian drams	30.09.18	31.12.17
Standardized bullion bars of precious metals	99,153	125,696
<b>Standardized bullion bars of precious metals</b>	<b>99,153</b>	<b>125,696</b>

## 14 Amounts due from other financial institutions

Thousand Armenian drams	30.09.18	31.12.17
Correspondent accounts	1,059,144	800,074
Deposited funds in banks	130,084	242,486
Deposited funds in financial institutions	791,388	632,081
Deposits in banks	1,136,150	1,722,000
Repurchase agreements in banks	11,620	0
Loans in other fin. Institutions	615,805	407,582
Other accounts	124,727	2,949
Accrued interest	7,834	3,234
Allowance for loan impairment	(38,767)	(38,098)
<b>Total amounts due from other financial institutions</b>	<b>3,837,985</b>	<b>3,772,308</b>

## 16 Loans and advances to customers

Thousand Armenian drams	30.09.18	31.12.17
<b>Loans to customers, including</b>	<b>42,579,812</b>	<b>41,470,443</b>
<i>KFW</i>	<i>2,408,549</i>	<i>2,227,816</i>
<i>EBRD</i>	<i>3,243,334</i>	<i>2,917,213</i>
<b>Factoring</b>	<b>1,515,517</b>	<b>1,769,992</b>
<b>Overdraft</b>	<b>23,512,722</b>	<b>19,277,906</b>
<b>Repurchase agreements</b>	<b>151,742</b>	<b>382,828</b>
<b>Letters of credit</b>	<b>0</b>	<b>0</b>
<b>Other amounts</b>	<b>3,375</b>	<b>3,120</b>
<b>Accrued Interest</b>	<b>675,850</b>	<b>537,121</b>
	<b>68,439,018</b>	<b>63,441,410</b>
<b>Allowance for loan impairment</b>	<b>(1,091,128)</b>	<b>(1,396,823)</b>
<b>Total loans and advances to customers</b>	<b>67,347,890</b>	<b>62,044,587</b>

### Loans to individuals comprise the following products:

Thousand Armenian drams	30.09.18	31.12.17
<b>Privately held companies, including</b>	<b>57,408,151</b>	<b>53,511,282</b>
Large entities	32,565,712	27,717,929
Small and medium entities	24,842,439	25,796,521
<b>Individuals</b>	<b>10,043,446</b>	<b>9,133,466</b>
<b>Sole proprietors</b>	<b>308,196</b>	<b>256,372</b>
<b>Other amounts</b>	<b>3,375</b>	<b>3,120</b>
<b>Accrued Interest</b>	<b>675,850</b>	<b>537,122</b>
	<b>(1,091,128)</b>	<b>(1,396,823)</b>
<b>Total loans and advances to customers</b>	<b>67,347,890</b>	<b>62,041,429</b>

### Loans to individuals comprise the following products:

Thousand Armenian drams	30.09.18	31.12.17
Mortgage loans	7,526,690	6,293,735
Consumer loans	1,958,768	2,447,249
Car loans	4,428	9,654
Repurchase agreements	151,742	382,828
Other	401,818	0
<b>Total loans and advances to individuals (gross)</b>	<b>10,043,446</b>	<b>9,133,466</b>

### Structure of impaired (non performing) loans and borrowings

Thousand Armenian drams	30.09.18	31.12.17
<b>Loans and borrowings, o/w</b>	<b>68,439,018</b>	<b>63,441,410</b>
<b>Impaired (non performing) loans and borrowings, o/w</b>	<b>2,606,961</b>	<b>3,517,424</b>
overdue	144,235	488,581
<b>Total loans</b>	<b>68,439,018</b>	<b>63,441,410</b>
Allowance for loan impairment	(1,091,128)	(1,396,823)
<b>Total net loans</b>	<b>67,347,890</b>	<b>62,044,587</b>

## Analysis of loans and borrowings by economy sectors

Thousand Armenian drams	30.09.18	percentage	31.12.17	percentage
Industry	28,993,488	42.36%	26,350,220	41.53%
Agriculture	8,938,668	13.06%	6,800,140	10.72%
Construction	4,282,305	6.27%	3,822,675	6.18%
Transport and communication	406,840	0.59%	386,030	0.62%
Trade	6,858,727	10.02%	5,444,102	8.58%
Consumer	2,162,503	3.15%	2,394,377	3.77%
Mortgage loans	7,568,097	11.06%	6,298,254	9.93%
Services	3,243,889	4.74%	2,981,733	4.72%
Other, o/w	5,984,481	8.74%	8,843,879	13.94%
Repurchase agreements	151,742	-	2,275	-
Accrued interest	675,850	-	303,335	-
<b>Total loans</b>	<b>68,438,018</b>	<b>100%</b>	<b>63,441,410</b>	<b>100%</b>
Allowance for loan impairment	(1,091,128)		(1,396,823)	
<b>Total net loans and borrowings</b>	<b>67,347,890</b>		<b>62,044,587</b>	

Loans to large 10 exposures and parties related with them are introduced in the note 16.

1) total sum	30,740,080
2) percentage in gross loans (n % of loan portfolio),	45.64%
3) percentage in capital (n % of capital):	66.36%

## 17 Investments available for sale

Thousand Armenian drams	30.09.18	31.12.17
<b>Quoted Investments</b>		
RA corporate shares	52,804	55,360
Securities issued by the RA Ministry of Finance	125,903,210	79,818,270
<i>o/w interest</i>	1,190,794	1,989,589
RA corporate bonds	4,738,455	2,705,097
<b>Unquoted Investments</b>		
RA corporate shares	19,575	19,575
	(1,307,140)	(690,787)
<b>Total Investments</b>	<b>129,406,904</b>	<b>81,907,515</b>

## Non current assets held for sale

Thousand Armenian drams	30.09.18	31.12.17
Non current assets held for sale	603,142	692,835
<b>Non current assets held for sale*</b>	<b>603,142</b>	<b>692,835</b>

\*Non current asset became the property of the Bank as a possession of collateral and the Bank has no intention to keep it afterwards. It is intended to sell it as soon as possible.

All debt securities have fixed coupons.

The real value of unquoted available-for-sale debt securities is measured using a valuation technique, which is based on available observable market data.

Available for sale securities by effective interest rates and maturity date comprise:

	30.09.18		31.12.17	
	%	Term	%	Term
Securities issued by RA Ministry of Finance (AMD)	6.35-10.51	2019-2047	6.96-13.19	2019-2047
Securities issued by RA Ministry of Finance (USD)	6.06	2020-2025	3.94-5.19	2020-2025
RA corporate bonds (AMD)	6.76-11.31	2019-2022	5.88-10.86	2017-2020
RA corporate bonds (USD)	5.09-5.20	2019-2022	12.00-5.55	2018-2019

## 20 Fixed assets, intangible assets

	PPE	Computers and communication facilities	Vehicles	Office equipment	Total
<b>Initial value</b>					
Initial cost as of 1 January, 2018	2,042,056	222,470	80,269	133,483	2,478,278
Additions	18,742	35,750	289	10,479	65,260
Disposals		(11,920)			(11,920)
<b>As of September 30, 2018</b>	<b>2,060,798</b>	<b>246,300</b>	<b>80,558</b>	<b>143,962</b>	<b>2,531,618</b>
<b>ACCRUED DEPRECIATION</b>					
As of 1 January, 2018	152,994	159,280	61,547	102,658	476,479
Additions	64,661	17,476	5,697	8,413	96,247
Disposals					
<b>As of September 30, 2018</b>	<b>217,655</b>	<b>176,756</b>	<b>67,244</b>	<b>111,071</b>	<b>572,726</b>
<b>CARRYING VALUE</b>					
<b>As of September 30, 2018</b>	<b>1,843,143</b>	<b>69,544</b>	<b>13,314</b>	<b>32,891</b>	<b>1,958,892</b>

Thousand Armenian drams	Computer programmes	Other intangible assets	Total
<b>Initial value as of 1 January, 2018</b>			
	103,834	67,558	171,392
Additions	3,029	2,295	5,324
Devaluation	1,679	344	2,023
<b>As of September 30, 2018</b>	<b>105,184</b>	<b>69,509</b>	<b>174,693</b>
<b>ACCRUED DEPRECIATION</b>			
As of 1 January, 2018	76,762	5,678	82,440
Additions	9,863	7,168	17,031
Devaluation	1,680	327	2,007
<b>As of September 30, 2018</b>	<b>84,945</b>	<b>12,519</b>	<b>97,464</b>
<b>CARRYING VALUE</b>			
<b>As of September 30, 2018</b>	<b>20,239</b>	<b>56,990</b>	<b>77,229</b>

## 22 Other Assets

Thousand Armenian drams	30.09.18	31.12.17
Prepayments and other debtors	182,515	191,973
Prepayments of other taxes	81	389
Reserve	10,576	3,212
Costs of future period	25,098	27,546
Other assets	2,811	2,874
Allowance for other receivables and prepayments	(2,077)	(3,108)
<b>Total other assets</b>	<b>219,004</b>	<b>222,886</b>

## 23 Amounts due to financial institutions

Thousand Armenian drams	30.09.18	31.12.17
<b>Amounts due to CBA</b>		
Other loans and advances	14,634,720	2,681,088
Repurchase agreements	2,484,408	2,626,213
Accrued interest	12,099,998	0
	50,314	54,875
<b>Amounts due to financial institutions</b>	<b>34,830,338</b>	<b>23,094,788</b>
Correspondent accounts of other banks	21,265	21,478
Loans from banks	6,331,966	7,058,764
Repurchase agreements from banks	6,043,184	0
Current accounts of other financial institutions	3,579,280	1,252,415
Loans and deposits from banks and other financial institutions	15,803,051	14,484,161
Repurchase agreements from other financial institutions	2,385,351	0
Other amounts	417,266	1,730
Accrued interest	248,973	276,240
<b>Total amounts due to CBA and financial institutions</b>	<b>49,465,056</b>	<b>25,775,876</b>

## 24 Amounts due to customers

Thousand Armenian drams	30.09.18	31.12.17
<b>RA government</b>	<b>20,000</b>	<b>20,000</b>
Other liabilities	20,000	20,000
- resident	20,000	20,000
<b>Legal entities</b>	<b>69,414,743</b>	<b>50,902,899</b>
Current/Settlement accounts	9,287,756	15,379,381
- resident	3,807,988	4,267,967
Term deposits	59,172,516	35,106,741
- resident	8,971,020	8,558,124
Accrued interest	316,458	173,473
- resident	193,021	138,139
Other liabilities	638,013	243,304
- resident	638,013	243,304
<b>Sole proprietors</b>	<b>4,297</b>	<b>2,561</b>
Current accounts	4,297	2,561
- resident	4,297	2,561
<b>Individuals</b>	<b>15,571,982</b>	<b>14,184,138</b>
Current accounts	2,476,760	3,400,536
- resident	1,091,803	585,819
Term deposits	12,883,686	10,527,448
- resident	6,108,287	5,007,803
Accrued interest	173,234	167,411
- resident	125,352	115,494
Other liabilities	38,302	88,743
- resident	23,971	74,413
<b>Total amounts due to customers</b>	<b>85,011,022</b>	<b>65,109,598</b>

## 25 Securities issued by the Bank

Thousand Armenian drams	30.09.18	31.12.17
Securities issued by the Bank	22,687,413	17,600,637
<b>Total securities issued by the Bank</b>	<b>22,687,413</b>	<b>17,600,637</b>

## 27 Accounts payable

Thousand Armenian drams	30.09.18	31.12.17
Deposit insurance	9,300	6,600
<b>Total other liabilities</b>	<b>9,300</b>	<b>6,600</b>

## 28 Subordinated debt

Thousand Armenian drams	30.09.18	31.12.17
Subordinated debt	13,375,305	13,402,138
<b>Total subordinated debt</b>	<b>13,375,305</b>	<b>13,402,138</b>

## 29 Other liabilities

Thousand Armenian drams	30.09.18	31.12.17
Tax liabilities	303,392	433,753
Amounts payable for factoring	138,764	159,491
Income of future period	5,574	4,951
Due to personnel	239,264	225,853
Amounts payable to suppliers	22,605	15,447
Other	2,816	1,153
<b>Total other liabilities</b>	<b>712,415</b>	<b>840,648</b>

### 30 Equity

Thousand Armenian drams	30.09.18	31.12.17
<b>Statutory capital</b>	<b>10,100,041</b>	<b>10,100,041</b>
Ordinary shares	8,752,800	8,752,800
Share premium	1,347,241	1,347,241
<b>Reserves, including</b>	<b>30,919,524</b>	<b>12,185,669</b>
Main reserve	16,000,000	3,000,000
Gains from the revaluation of non-current assets	1,110,110	1,110,110
Revaluation reserve	13,809,414	8,075,559
<b>Non-distributed profit</b>	<b>5,306,010</b>	<b>14,011,313</b>
current year	4,294,697	2,869,120
previous year	1,011,313	11,142,193
<b>Total capital</b>	<b>46,325,575</b>	<b>36,297,023</b>

As of 30 September, 2018 the Bank's registered and paid-in share capital was AMD 10,100,041 thousand. In accordance with the Bank's Charter, the share capital consists of 14,588 ordinary shares, 14,588 shares belong to "HVS Holding" S.a.r.l. and the 2,918 ordinary shares belong to BELEGGINGSMATSCHAPPIJ JONGO LLC.

As of 30 September, 2018 total normative capital of the bank is AMD 43 bln.

The significant participants of the Bank are "HVS Holding" S.a.r.l. with 80% of voting shares and BELEGGINGSMATSCHAPPIJ JONGO B.V. with 20% of voting shares. At the same time, with his 14588 ordinary shares Vardan Sirmakes is indirect significant participant in ARMSWISSBANK.

The replenishment of the equity capital of the Bank was implemented by AMD and the shareholder has the right to get dividends and distribute it in AMD.

#### Contingent liabilities related to off balance sheet line items bearing credit risk.

Thousand Armenian drams	30.09.18	31.12.17
Undrawn loan commitments	5,395,363	5,656,693
Guarantees provided	1,534,477	1,136,722
Allowance for impairment of liabilities bearing credit risk	(80,130)	(78,011)
<b>Total credit risk related commitments</b>	<b>6,849,710</b>	<b>6,715,404</b>

#### Transactions with related parties

Thousand Armenian drams	30.09.18		31.12.17	
	Shareholders and related parties	Key management and related parties	Shareholders and related parties	Key management and related parties
<b>Loans and advances to customers</b>				
Loans outstanding as of January 1, gross	6,016,087	612,349	1,127,999	130,819
Loans issued during the year	3,647,553	247,860	6,851,557	723,008
Loan repayments during the year	2,640,076	282,486	1,963,469	241,478
<b>As of September 30, 2018</b>	<b>6,920,684</b>	<b>581,233</b>	<b>6,016,087</b>	<b>612,349</b>
Interest income on loans	444,305	40,428	329,950	46,972
<b>Amounts due to customers</b>				
Deposits outstanding as of January 1	32,223,488	279,935	26,905,903	666,695
Deposits received during the year	62,743,645	3,689,966	116,129,226	3,201,837
Deposits paid during the year	46,906,390	3,596,580	110,811,641	3,588,597
<b>As of September 30, 2018</b>	<b>46,381,602</b>	<b>385,533</b>	<b>32,223,488</b>	<b>279,935</b>
Interest expenses on deposits	2,942,161	10,856	2,586,297	10,583
Amounts due to other financial institutions	12,066	-	12,500	-
Bonds issued	10,423,330	641,753	10,655,768	228,813
Subordinated debt	13,375,305		13,402,138	
Income on commissions	2,857	1,198	6,877	1,561
Other income			145	16

Compensation of key management was comprised of salaries and rewards:

Thousand Armenian drams	30.09.18	31.12.17
Salaries and other short-term benefits	127,353	138,126
<b>Total key management compensation</b>	<b>127,353</b>	<b>138,126</b>

## Risk management

### Credit risk

#### Maximum exposure of credit risk

##### Geographical Sectors

The following table breaks down the Bank's main credit exposure by book value categorized by geographical regions

30.09.18

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
<b>Assets</b>					
Cash and balances with CBA	17,546,527	-	-	-	17,546,527
Precious metals	99,153	-	-	-	99,153
Amounts due from other financial institutions	1,282,142	1,377,274	-	1,178,569	3,837,985
Loans and advances to customers	66,179,063	428,149	372,396	368,282	67,347,890
Investments available for sale	129,406,904	-	-	-	129,406,904
<b>Total</b>	<b>214,513,789</b>	<b>1,805,423</b>	<b>372,396</b>	<b>1,546,851</b>	<b>218,238,459</b>
<b>Liabilities</b>					
Amounts due to financial institutions	38,603,878	14,298	2,316,396	8,530,484	49,465,056
Amounts due to customers	21,155,288	353,738	52,290,506	11,211,490	85,011,022
Securities issued by the Bank	12,512,805	24,692	6,829,332	3,320,584	22,687,413
Subordinated debt	-	-	10,477,776	2,897,529	13,375,305
<b>Total</b>	<b>72,271,971</b>	<b>392,728</b>	<b>71,914,010</b>	<b>25,960,087</b>	<b>170,538,796</b>
<b>Net position</b>	<b>142,241,818</b>	<b>1,412,695</b>	<b>(71,541,614)</b>	<b>(24,413,236)</b>	<b>47,899,683</b>

31.12.17

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
<b>Assets</b>					
Precious metals	10,568,091	-	-	-	10,568,091
Precious metals	125,696	-	-	-	125,696
Amounts due from other financial institutions	2,574,961	380,720	-	816,627	3,772,308
Loans and advances to customers	61,019,782	91,009	345,292	588,504	62,044,587
Investments available for sale	81,907,515	-	-	-	81,907,515
<b>Total</b>	<b>156,196,045</b>	<b>471,729</b>	<b>345,292</b>	<b>1,405,131</b>	<b>158,418,197</b>
<b>Liabilities</b>					
Amounts due to financial institutions	17,072,869	99	3,358,818	5,344,090	25,775,876
Amounts due to customers	21,479,882	318,512	31,450,727	11,860,477	65,109,598
Securities issued by the Bank	6,882,282	-	7,577,413	3,140,942	17,600,637
Subordinated debt	-	-	10,495,549	2,906,589	13,402,138
<b>Total</b>	<b>45,435,033</b>	<b>318,611</b>	<b>52,882,507</b>	<b>23,252,098</b>	<b>121,888,249</b>
<b>Net position</b>	<b>110,761,012</b>	<b>153,118</b>	<b>(52,537,215)</b>	<b>(21,846,967)</b>	<b>36,529,948</b>

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

#### Collateral

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances is determined by the type of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of loan portfolio by collateral is represented as follows:

Thousand Armenian drams	30.09.18	31.12.17
Loans collateralized by real estate	38,472,545	36,934,345
Loans collateralized by movable property	1,263,709	656,042
Loans collateralized by government guarantees	12,231,155	13,729,814
Loans collateralized by guarantees of enterprises	8,414,399	6,564,582
Loans collateralized by shares of other companies	1,556,701	1,533,458
Loans collateralized by cash	4,162,387	1,616,860
Other collateral	2,338,122	2,406,309
<b>Total loans and advances (gross)</b>	<b>68,439,018</b>	<b>63,441,410</b>

#### Market Risk

#### Market Risk

#### Interest Rate risk

Name of article	30.09.18p.		31.12.17p.	
	AMD	Foreign currency	AMD	Foreign currency
	%	%	%	%
<b>Assets</b>				
Balance with the CBA	-	-	-	-
Amounts due from banks and other financial institutions, including	11.72%	6.46%	14.00%	5.87%
Interbank loans				
Interbank repurchase agreements				
Interbank interest swap				
Loans and advances to customers	11.46%	9.31%	11.95%	9.91%
Available-for-sale and trading securities	12.88%	6.52%	12.84%	6.70%
Held-to-maturity securities	-	-	-	-
<b>Liabilities</b>				
Amounts due to banks and other financial institutions	6.86%	3.96%	8.57%	4.86%
Amounts due to customers	10.64%	4.75%	11.12%	5.50%
Amounts due to issued securities	12.00%	6.49%	12.75%	6.53%
Subordinated debt	14.00%	5.27%	14.00%	5.27%

Thousand Armenian drams

#### Sensitivity of equity

30.09.18

Currency	Change in basis points	Up to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total
AMD	0.5	-	141	10,696	4,833,350	-4,844,188
USD	0.5	-	-	-	149,671	-149,671
AMD	-0.5	-	142	10,853	4,968,551	4,979,546
USD	-0.5	-	-	-	154,478	154,478

Thousand Armenian drams

#### Sensitivity of equity

31.12.17

Currency	Change in basis points	Up to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total
AMD	0.5	-	-	13,036	2,334,996	-2,348,032
USD	0.5	-	-	32,386	226,424	-268,810
AMD	-0.5	-	-	13,254	2,480,108	2,493,362
USD	-0.5	-	-	32,896	234,489	267,385

## Foreign exchange risk

Currency	30.09.18		31.12.17	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	5%	85,853	5%	104,009
EUR	3%	-876	3%	4,153

The analysis of Bank's foreign currency exchange risk by financial assets and liabilities is as follows:

	30.09.18			
	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
<b>Assets</b>				
Cash and balances with the CBA	11,853,667	5,675,722	17,138	17,546,527
Precious metals	-	95,796	3,357	99,153
Amounts due from other financial institutions	474,528	2,215,763	1,147,694	3,837,985
Loans and advances to customers	10,114,352	57,233,538	-	67,347,890
Investments available for sale	120,232,655	9,174,249	-	129,406,904
<b>Total</b>	<b>142,675,202</b>	<b>74,395,068</b>	<b>1,168,189</b>	<b>218,238,459</b>
<b>Liabilities</b>				
Amounts due to financial institutions	34,962,874	14,502,173	9	49,465,056
Amounts due to customers	47,446,380	36,402,499	1,162,143	85,011,022
Securities issued by the Bank	5,198,329	17,489,084	-	22,687,413
Subordinated debt	8,055,233	5,320,072	-	13,375,305
<b>Total</b>	<b>95,662,816</b>	<b>73,713,828</b>	<b>1,162,152</b>	<b>170,538,796</b>
<b>Net position as of 30 September, 2018</b>	<b>3,317,990</b>	<b>681,240</b>	<b>6,037</b>	<b>47,699,663</b>
<b>Credit related commitments as of 30 September, 2018</b>	<b>3,284,810</b>	<b>3,061,463</b>	<b>0</b>	<b>6,346,273</b>

	31.12.17			
	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
<b>Assets</b>				
Cash and balances with the CBA	7,654,848	2,896,997	16,246	10,568,091
Precious metals	-	121,006	4,690	125,696
Amounts due from other financial institutions	228,410	1,640,284	1,903,614	3,772,308
Loans and advances to customers	7,942,725	54,101,862	-	62,044,587
Investments available for sale	69,591,331	12,316,184	-	81,907,515
<b>Total</b>	<b>85,417,314</b>	<b>71,076,333</b>	<b>1,924,550</b>	<b>158,418,197</b>
<b>Liabilities</b>				
Amounts due to financial institutions	13,327,908	12,447,960	8	25,775,876
Amounts due to customers	28,029,383	35,243,908	1,836,307	65,109,598
Securities issued by the Bank	2,011,876	15,588,761	-	17,600,637
Subordinated debt	8,064,438	5,337,700	-	13,402,138
<b>Total</b>	<b>51,433,605</b>	<b>68,618,329</b>	<b>1,836,315</b>	<b>121,888,249</b>
<b>Net position as of 31 December, 2017</b>	<b>33,983,709</b>	<b>2,458,004</b>	<b>88,235</b>	<b>36,529,948</b>
<b>Credit related commitments as of 31 December, 2017</b>	<b>3,640,190</b>	<b>3,075,214</b>	<b>0</b>	<b>6,715,404</b>

## Liquidity risk

The table below shows the analysis of assets and liabilities according to when they are expected to be recovered or settled.

30.09.18

Thousand Armenian drams	Impaired		On 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	Total
	Overdue	Not overdue but impaired						
<b>Assets</b>								
Cash and balances with CBA			17,645,680					17,645,680
Precious metals	-	-	3,472,927	13,204	214,985	136,869	-	3,837,985
Amounts due from other financial institutions	404,143	1,839,158	4,220,049	3,501,336	13,072,235	34,656,354	9,654,614	67,347,890
Loans and advances to customers			1,514,300	29,794	1,119,363	5,161,154	98,811,444	106,636,054
Investments available for sale			19,631,810	-	3,139,042	0	0	22,770,851
<b>TOTAL</b>	<b>404,143</b>	<b>1,839,158</b>	<b>46,484,766</b>	<b>3,544,334</b>	<b>17,545,624</b>	<b>39,954,377</b>	<b>108,466,058</b>	<b>218,238,461</b>
<b>Liabilities</b>								
Amounts due to financial institutions	-	-	29,272,950	4,807,861	8,669,331	3,150,091	3,564,822	49,465,056
Amounts due to customers	-	-	12,905,404	9,910,199	8,023,436	44,171,983	10,000,000	85,011,022
Securities issued by the Bank	-	-	61,536	444,337	1,448,130	13,010,050	7,723,360	22,687,412
Subordinated debt	-	-	65,495	-	-	10,896,260	2,413,550	13,375,305
<b>Total</b>	<b>-</b>	<b>-</b>	<b>42,305,386</b>	<b>15,162,397</b>	<b>18,140,897</b>	<b>71,228,384</b>	<b>23,701,732</b>	<b>170,538,796</b>
<b>Net position</b>	<b>404,143</b>	<b>1,839,158</b>	<b>4,179,380</b>	<b>(11,618,063)</b>	<b>(595,273)</b>	<b>(31,274,006)</b>	<b>84,764,326</b>	<b>47,699,665</b>
<b>Accumulated gap</b>			<b>4,179,380</b>	<b>(7,438,683)</b>	<b>(8,033,956)</b>	<b>(39,307,963)</b>	<b>45,456,363</b>	

31.12.17

Thousand Armenian drams	Impaired		On 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	Total
	Overdue	Not overdue but impaired						
<b>Assets</b>								
Cash and balances with CBA			10,693,787					10,693,787
Precious metals			125,696					125,696
Amounts due from other financial institutions	-	-	3,403,317	248,385	33,638	125,067	-	3,810,406
Loans and advances to customers	516,726	2,077,712	3,479,386	3,805,827	10,782,225	32,895,468	8,487,243	62,044,587
Investments available for sale			-	-	478,133	5,941,533	75,487,849	81,907,515
<b>TOTAL</b>	<b>516,726</b>	<b>2,077,712</b>	<b>17,702,186</b>	<b>4,054,212</b>	<b>11,293,995</b>	<b>38,962,068</b>	<b>83,975,092</b>	<b>158,581,991</b>
<b>Liabilities</b>								
Amounts due to financial institutions	-	-	6,382,762	2,565,070	8,415,455	4,895,528	3,517,061	25,775,876
Amounts due to customers	-	-	20,652,690	1,571,796	19,371,024	20,609,488	2,904,600	65,109,598
Securities issued by the Bank	-	-	77,032	-	1,008,805	5,872,800	10,642,000	17,600,637
Subordinated debt	-	-	77,038	-	-	-	13,325,100	13,402,138
<b>Total</b>	<b>-</b>	<b>-</b>	<b>27,189,522</b>	<b>4,136,865</b>	<b>28,795,285</b>	<b>31,377,816</b>	<b>30,388,761</b>	<b>121,888,248</b>
<b>Net position</b>	<b>516,726</b>	<b>2,077,712</b>	<b>(9,487,336)</b>	<b>(82,653)</b>	<b>(17,501,290)</b>	<b>7,584,252</b>	<b>53,586,332</b>	<b>36,693,743</b>
<b>Accumulated gap</b>			<b>(9,487,336)</b>	<b>(9,569,989.40)</b>	<b>(27,071,279)</b>	<b>(19,487,026.73)</b>	<b>34,099,305</b>	

### Average assets and capital

30.09.18

Average assets	190,929,146
Average capital	42,361,021

### Collateral received

The collateralized loan amount is AMD 72,601,405 thousand as of 30.09.18.

### Unfulfillment of obligations/violations

There are no any violations of contractual obligations in the bank.