

3 Net interest and similar income and expense

<u>Interest and similar incomes</u>	<u>01.10.18</u> <u>31.12.18</u>	<u>01.01.18</u> <u>31.12.18</u>	<u>01.10.17</u> <u>31.12.17</u>	<u>01.01.17</u> <u>31.12.17</u>
Amounts due from banks, financial institutions, bank current accounts	40,877	147,035	10,162	26,764
Loans and advances to customers	1,659,324	6,433,900	1,581,261	5,889,716
Debt securities available-for-sale	3,232,378	11,149,079	2,182,023	7,945,251
Debt securities held to maturity	83,422	83,422	-	-
Reverse repurchase transactions	3,779	114,178	17,977	107,164
Other interest income	20,677	53,773	15,022	103,695
Total interest and similar income	5,040,457	17,981,387	3,806,445	14,072,590
 <u>Interest and similar expense</u>	 <u>01.10.18</u> <u>31.12.18</u>	 <u>01.01.18</u> <u>31.12.18</u>	 <u>01.10.17</u> <u>31.12.17</u>	 <u>01.01.17</u> <u>31.12.17</u>
Amounts due to banks, financial institutions, bank current accounts	361,357	1,579,088	397,180	1,317,899
Amounts due to customers	2,105,055	7,355,242	1,329,414	4,976,837
Repurchase agreement operations	277,468	435,133	81,384	609,971
Other interest expenses	473,818	1,603,749	322,598	870,135
Total interest and similar expense	3,217,698	10,973,212	2,130,576	7,774,842
Net interest and similar income and expense	1,822,759	7,008,175	1,675,869	6,297,748

4 Fee and commission income and expense

<u>Fee and commission income</u>	<u>01.10.18</u> <u>31.12.18</u>	<u>01.01.18</u> <u>31.12.18</u>	<u>01.10.17</u> <u>31.12.17</u>	<u>01.01.17</u> <u>31.12.17</u>
Cash collection	11,657	33,071	9,110	33,514
Wire transfer fees	62,103	182,857	35,874	141,339
Guarantees and letters of credit	3,645	7,335	2,732	8,044
Foreign currency translation and brokerage operations	20,905	50,854	25,100	69,182
Other fees and commissions	6,445	68,873	5,473	20,087
Total fee and commission income	104,755	342,990	78,289	272,166
 <u>Fee and commission expense</u>	 <u>01.10.18</u> <u>31.12.18</u>	 <u>01.01.18</u> <u>31.12.18</u>	 <u>01.10.17</u> <u>31.12.17</u>	 <u>01.01.17</u> <u>31.12.17</u>
Correspondent and other accounts	9,960	29,075	8,142	28,340
Foreign currency translation and brokerage operations	2,821	16,171	4,310	13,905
Stock exchange operations	0	10	115	125
Other expenses*	16,420	56,464	20,352	68,679
Total fee and commission expense	29,201	101,720	32,919	111,049
Net fee and commission income	75,554	241,270	45,370	161,117

5. Net income on trading operations

<u>Available for sale investments</u>	<u>01.10.18</u> <u>31.12.18</u>	<u>01.01.18</u> <u>31.12.18</u>	<u>01.10.17</u> <u>31.12.17</u>	<u>01.01.17</u> <u>31.12.17</u>
Net income on trading with available for sale investments, including	513,143	1,695,245	186,557	264,619
shares	2,572	(9,294)	2,010	4,287
bonds	510,571	1,704,539	184,547	260,332
Total	513,143	1,695,245	186,557	264,619
 <u>Foreign currency operations</u>	 <u>01.10.18</u> <u>31.12.18</u>	 <u>01.01.18</u> <u>31.12.18</u>	 <u>01.10.17</u> <u>31.12.17</u>	 <u>01.01.17</u> <u>31.12.17</u>
Net income on trading with foreign currency	97,233	304,994	71,403	232,438
Net income on foreign currency revaluation	(8,784)	(32,861)	(24,592)	(327,718)
Net income/loss on derivatives	144	2,957	8,321	206,361
Total	88,593	275,090	55,132	111,081
 <u>Precious metals bullion bars and coins</u>	 <u>01.10.18</u> <u>31.12.18</u>	 <u>01.01.18</u> <u>31.12.18</u>	 <u>01.10.17</u> <u>31.12.17</u>	 <u>01.01.17</u> <u>31.12.17</u>
Net income on trading with precious metals bullion bars and coins	1,080	11,899	7,780	21,173
Net income on revaluation of precious metals bullion bars and coins	2,965	(4,016)	1,728	18,343
Total	4,045	7,883	9,508	39,516
Net income on trading operations	605,781	1,978,218	251,197	415,216

6 Other operational income

	01.10.18 31.12.18	01.01.18 31.12.18	01.10.17 31.12.17	01.01.17 31.12.17
Other operational income				
Fines and penalties received	39,632	189,927	70,579	221,435
Net income from sale of fixed and intangible assets	-	(11,268)	(109)	3,038
Other income**	9,126	87,024	13,500	77,143
Total other income	48,758	265,683	83,970	301,616

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

	01.10.18 31.12.18	01.01.18 31.12.18	01.10.17 31.12.17	01.01.17 31.12.17
Total net provisions made				
Loans and advances to customers	(561,224)	(1,132,087)	(260,746)	(1,054,693)
Total	(561,224)	(1,132,087)	(260,746)	(1,054,693)

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	1,232,605	1,809,232	980,500
Including				
Class 1	595,995			502,736
Class 2	220,874			27,846
Class 3	579,954			531,740
Factoring	17,700	(915)		16,785
Banks and other financial institutions	4,099	26,297		30,396
Investments available for sale	819,075	(140,659)		678,416
Other assets	23,769	8,618	(1,437)	33,824
Contingent liabilities related to off balance sheet line items bearing credit risk	78,011	6,141		84,152
Total contributions		1,132,087		

8. Total administrative expenses

	01.10.18 31.12.18	01.01.18 31.12.18	01.10.17 31.12.17	01.01.17 31.12.17
Total administrative expenses				
Wages and salaries*	321,204	1,103,373	384,209	927,966
Business trip expenses	7,174	19,836	6,484	15,516
Insurance expenses	6,381	24,744	6,200	21,229
Fixed assets maintenance	1,012	4,827	1,509	4,468
Building maintenance and security	23,413	73,361	15,090	63,656
Auditing, consulting and other services	8,747	16,847	2,700	11,197
Communication expenses	28,916	101,889	26,728	95,434
Transportation expenses	2,129	6,024	1,422	5,807
Taxes /other than income tax/ duties	29,167	33,516	1,435	6,290
Office and other organizational expenses	10,204	16,103	5,585	9,036
Expenses on granting and gathering loans	3,598	22,759	2,300	12,149
Other administrative expenses**	10,385	22,430	29,681	47,885
Total	452,330	1,445,709	483,343	1,220,633

* Average number of staff 141 147 120 119

* Average monthly salary per employee 731 976 652 541

9 Other operational expenses

	01.10.18 31.12.18	01.01.18 31.12.18	01.10.17 31.12.17	01.01.17 31.12.17
9 Other operational expenses				
Expenses on cash delivery	555	2,413	360	1,440
Advertising and representation expenses	13,588	26,799	9,299	16,302
Fixed assets and intangible assets depreciation expenses	40,282	153,577	38,241	143,790
Contributions to deposit guarantee fund	0	0	7,246	28,329
Other expenses*****	9,447	33,705	58,042	78,424
Total other operational expenses	63,872	216,494	113,188	268,285

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 31.12.18	Effective rate (%)	01.01.17 31.12.17	Effective rate (%)
Profit before tax	3,946,616		2,685,808	
Income tax at the rate of 20%	789,323	20	537,162	20
Non-deductible expenses	23,648		17,201	
Foreign exchange (gains)/losses	(33,919)		(102,400)	
Other	589,200		517,093	
Adjustments to income and expenses for tax purposes				
Income tax expense	1,368,252		969,056	

Deferred tax calculation in respect of temporary differences:

Thousand Armenian drams	31.12.18	Recognized in equity	Recognized in income statement	31.12.17
Other liabilities	15,336	-	(29,620)	15,336
Penalties for impaired assets			-	
The adjustment of real value of the securities available for sale	10,728		-	
Total deferred tax assets	26,064			46,281
Cash, cash equivalents and balances	5,841			5,841
Customer loans and prepayments	-			
Amounts due from other financial institutions	807			807
Investments available for sale	866,623			866,623
Fixed assets	277,527			277,527
Other assets	4,753			4,753
Other reserves	2,645,086		1,440,290	1,204,868
Total deferred tax liabilities	3,800,649			2,360,419
Net deferred tax liabilities	3,774,585		-	2,314,138

13 Cash, cash equivalents and balances with CBA

Thousand Armenian drams	31.12.18	31.12.17
Cash	2,100,657	1,156,019
Correspondent accounts with the CBA	13,299,569	9,409,572
Deposited funds in CBA	360,000	2,500
Total cash, cash equivalents and balances with CBA	15,760,226	10,568,091

Standardized bullion bars of precious metals

Thousand Armenian drams	31.12.18	31.12.17
Standardized bullion bars of precious metals	104,910	125,696
Standardized bullion bars of precious metals	104,910	125,696

14 Amounts due from other financial institutions

Thousand Armenian drams	31.12.18	31.12.17
Correspondent accounts	1,714,746	800,074
Deposited funds in banks	129,413	242,486
Deposited funds in financial institutions	831,433	632,081
Deposits in banks	1,101,260	1,722,000
Loans in banks	1,999,988	
Loans in other fin. Institutions	403,691	407,582
Other accounts	7,508	2,949
Accrued interest	12,233	3,234
Allowance for loan impairment	(62,003)	(38,098)
Total amounts due from other financial institutions	6,138,269	3,772,308

16 Loans and advances to customers

Thousand Armenian drams	31.12.18	31.12.17
Loans to customers, including	44,897,795	41,470,443
<i>KFW</i>	<i>2,434,487</i>	<i>2,227,816</i>
<i>EBRD</i>	<i>3,532,759</i>	<i>2,917,213</i>
Factoring	1,878,505	1,769,992
Overdraft	27,821,404	19,277,908
Repurchase agreements	324,950	382,828
Letters of credit	345,805	0
Other amounts	150,477	3,120
Accrued interest	382,401	537,121
Total loans customers	75,401,337	63,441,410
Allowance for loan impairment	(541,285)	(1,396,823)
Total loans and advances to customers	74,860,052	62,044,587

Loans to Individuals comprise the following products:

Thousand Armenian drams	31.12.18	31.12.17
Privately held companies, including	63,811,231	53,511,330
Large entities	34,900,404	27,717,967
Small and medium entities	28,899,032	25,796,521
Individuals	10,613,459	9,133,466
Sole proprietors	443,769	256,372
Other amounts	150,477	3,120
Accrued interest	382,401	537,122
Allowance for loan impairment	(541,285)	(1,396,823)
Total loans and advances to customers	74,860,052	62,044,587

Loans to Individuals comprise the following products:

Thousand Armenian drams	31.12.18	31.12.17
Mortgage loans	7,939,461	6,293,735
Consumer loans	2,090,792	2,447,249
Car loans	2,365	9,654
Repurchase agreements	324,957	382,828
Other	255,884	0
Total loans and advances to individuals (gross)	10,613,459	9,133,466

Structure of Impaired (non performing) loans and borrowings

Thousand Armenian drams	31.12.18	31.12.17
Loans and borrowings, o/w	75,401,337	63,441,410
Impaired (non performing) loans and borrowings, o/w	779,183	3,517,424
overdue	116,223	488,581
Total loans	75,401,337	63,441,410
Allowance for loan impairment	(541,285)	(1,396,823)
Total net loans	74,860,052	62,044,587

Analysis of loans and borrowings by economy sectors

Thousand Armenian drams	31.12.18	percentage	31.12.17	percentage
Industry	27,813,888	36.89%	26,350,220	41.53%
Agriculture	9,169,921	12.16%	6,800,140	10.72%
Construction	7,355,211	9.75%	3,022,875	6.18%
Transport and communication	1,578,352	2.09%	306,030	0.62%
Trade	8,019,085	10.64%	6,444,102	8.58%
Consumer	2,130,355	2.83%	2,384,377	3.77%
Mortgage loans	7,953,091	10.55%	6,298,254	9.93%
Services	3,300,561	4.38%	2,991,733	4.72%
Other, o/w	8,080,883	10.72%	8,843,879	13.94%
Repurchase agreements	324,957	-	382,828	-
Accrued interest	382,401	-	537,121	-
Total loans	75,401,337	100%	63,441,410	100%
Allowance for loan impairment	(541,285)		(1,396,823)	
Total net loans and borrowings	74,860,052		62,044,587	

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),	43.09%
3) percentage in capital (n % of capital):	69.62%

17 Investments available for sale

Thousand Armenian drams	31.12.18	31.12.17
Quoted Investments		
RA corporate shares	70,753	55,360
Securities issued by the RA Ministry of Finance	61,062,679	79,670,575
o/w interest	1,554,059	1,989,589
RA corporate bonds	7,611,698	2,705,097
Unquoted Investments		
RA corporate shares	19,575	19,575
Allowance for impairment	(343,824)	(690,787)
Total Investments	68,420,881	81,759,820

Other financial assets carried at amortized cost

Thousand Armenian drams	31.12.18	31.12.17
Securities issued by the RA Ministry of Finance	65,043,632	0
Accrued interest	1,874,784	0
Allowance for impairment	(334,592)	0
Other financial assets carried at amortized cost	66,583,824	0

Non current assets held for sale

Thousand Armenian drams	31.12.18	31.12.17
Non current assets held for sale	866,251	692,835
Non current assets held for sale*	866,251	692,835

*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:

	31.12.18		31.12.17	
	%	Term	%	Term
Securities issued by RA Ministry of Finance (AMD)	6.13-10.84	2019-2047	6.08-13.19	2019-2047
Securities issued by RA Ministry of Finance (USD)	5.39	2020-2025	3.94-5.19	2020-2025
RA corporate bonds (AMD)	6.49-10.99	2019-2022	5.88-10.86	2017-2020
RA corporate bonds (USD)	5.15-5.55	2019-2022	12.00-5.55	2018-2019

20 Fixed assets, intangible assets

	PPE	Computers and communication facilities	Vehicles	Office equipment	Total
Initial value					
Initial cost as of 1 January, 2018	2,042,056	222,470	80,269	133,483	2,478,278
Additions	20,063	52,406	43,845	11,740	128,054
Disposals		(30,598)		(1,275)	(31,873)
As of December 31, 2018	2,082,119	244,278	124,114	143,948	2,574,459
ACCRUED DEPRECIATION					
As of 1 January, 2018	152,994	159,280	61,547	102,658	476,479
Additions	87,454	24,213	8,458	11,568	131,693
Disposals		(18,674)		(1,275)	(19,949)
As of December 31, 2018	240,448	164,819	70,005	112,951	588,223
CARRYING VALUE					
As of December 31, 2018	1,821,671	79,459	54,109	30,997	1,986,236

Thousand Armenian drams	Computer programmes	Other intangible assets	Total
Initial value as of 1 January, 2018	103,834	67,558	171,392
Additions	3,030	2,295	5,325
Devaluation	11,548	344	11,892
As of December 31, 2018	95,316	69,509	164,825
ACCRUED DEPRECIATION			
As of 1 January, 2018	76,762	5,678	82,440
Additions	12,357	9,547	21,904
Devaluation	10,710	327	11,037
As of December 31, 2018	78,409	14,898	93,307
CARRYING VALUE			
As of December 31, 2018	16,907	54,611	71,518

22 Other Assets

Thousand Armenian drams	31.12.18	31.12.17
Prepayments and other debtors	195,625	191,073
Prepayments of other taxes	81	389
Reserve	8,744	3,212
Costs of future period	26,025	27,546
Other assets	2,811	2,874
Allowance for other receivables and prepayments	(2,217)	(3,108)
Total other assets	231,069	222,886

23 Amounts due to financial institutions

Thousand Armenian drams	31.12.18	31.12.17
Amounts due to CBA	20,665,778	2,681,088
Other loans and advances	2,583,143	2,626,213
Repurchase agreements	17,999,992	0
Accrued interest	82,643	54,875
Amounts due to financial institutions	30,002,032	23,094,788
Correspondent accounts of other banks	20,990	21,478
Loans from banks	830,475	7,058,764
Repurchase agreements from banks	7,055,554	0
Current accounts of other financial institutions	2,645,405	1,252,415
Loans and deposits from banks and other financial institutions	13,816,811	14,484,161
Repurchase agreements from other financial institutions	4,425,755	0
Other amounts	867,988	1,730
Accrued interest	339,054	276,240
Total amounts due to CBA and financial institutions	50,667,810	25,775,876

24 Amounts due to customers

Thousand Armenian drams	31.12.18	31.12.17
RA government	20,000	20,000
Other liabilities	20,000	20,000
- resident	20,000	20,000
Legal entities	74,332,893	50,902,899
Current/Settlement accounts	11,015,242	15,379,381
- resident	3,667,343	4,267,967
Term deposits	61,683,377	35,106,741
- resident	6,986,815	8,558,124
Accrued interest	254,857	173,473
- resident	101,002	138,139
Other liabilities	1,379,217	243,304
- resident	1,379,217	243,304
Sole proprietors	6,529	2,561
Current accounts	6,529	2,561
- resident	6,529	2,561
Individuals	18,660,619	14,184,138
Current accounts	2,603,135	3,400,636
- resident	996,954	585,819
Term deposits	15,426,876	10,527,448
- resident	6,691,294	5,007,803
Accrued interest	182,394	167,411
- resident	137,730	115,494
Other liabilities	448,214	86,743
- resident	296,561	74,413
Total amounts due to customers	93,019,841	65,109,598

25 Securities issued by the Bank

Thousand Armenian drams	31.12.18	31.12.17
Securities issued by the Bank	27,173,064	17,600,637
Total securities issued by the Bank	27,173,064	17,600,637

27 Accounts payable

Thousand Armenian drams	31.12.18	31.12.17
Deposit insurance	9,962	6,600
Total other liabilities	9,962	6,600

28 Subordinated debt

Thousand Armenian drams	31.12.18	31.12.17
Subordinated debt	13,398,279	13,402,138
Total subordinated debt	13,398,279	13,402,138

29 Other liabilities

Thousand Armenian drams	31.12.18	31.12.17
Tax liabilities	583,285	433,753
Amounts payable for factoring	155,466	159,491
Income of future period	2,805	4,951
Due to personnel	121,769	225,853
Amounts payable to suppliers	25,766	15,447
Other	3,378	1,153
Total other liabilities	892,449	840,648

30 Equity

Thousand Armenian drams	31.12.18	31.12.17
Statutory capital	10,100,041	10,100,041
Ordinary shares	8,752,800	8,752,800
Share premium	1,347,241	1,347,241
Reserves, including	28,703,696	12,185,669
Main reserve	16,000,000	3,000,000
Gains from the revaluation of non-current assets	1,110,110	1,110,110
Revaluation reserve	12,593,526	8,075,559
Non-distributed profit	6,199,417	13,863,618
current year	5,335,799	3,668,130
previous year	863,618	10,195,488
Total capital	46,003,094	36,149,328

As of December 31, 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..

As of December 31, 2018 total normative capital of the bank is AMD 45 bln.

The significant participants of the Bank is "HVS Holding" S.a.r.l. with 100% of voting shares.

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	31.12.18	31.12.17
Undrawn loan commitments	5,395,363	5,856,693
Guarantees provided	1,534,477	1,136,722
Allowance for impairment of liabilities bearing credit risk	(84,152)	(78,011)
Total credit risk related commitments	6,845,688	6,715,404

Transactions with related parties

Thousand Armenian drams	31.12.18		31.12.17	
	Shareholders and related parties	Key management and related parties	Shareholders and related parties	Key management and related parties
Loans and advances to customers				
Loans outstanding as of January 1, gross	6,016,087	605,782	1,127,999	130,819
Loans issued during the year	4,575,667	601,922	6,851,657	723,008
Loan repayments during the year	5,744,616	586,842	1,963,499	241,478
As of December 31, 2018	7,164,936	590,702	6,016,087	612,349
Interest income on loans	564,396	53,520	329,950	46,972
Amounts due to customers				
Deposits outstanding as of January 1	28,291,386	340,863	26,905,903	666,695
Deposits received during the year	117,629,959	7,433,356	116,129,226	3,201,637
Deposits paid during the year	93,524,077	7,448,975	110,811,641	3,588,597
As of December 31, 2018	52,397,267	325,244	32,223,488	279,635
Interest expenses on deposits	4,214,064	12,680	2,586,297	10,583
Amounts due to other financial institutions	5,565,881	-	12,500	-
Bonds issued	12,070,237	605,600	10,855,768	228,613
Subordinated debt	13,398,279	-	13,402,138	-
Income on commissions	3,364	1,357	6,877	1,561
Other income	-	-	145	16

Compensation of key management was comprised of salaries and rewards:

Thousand Armenian drams	31.12.18	31.12.17
Salaries and other short-term benefits	280,338	138,126
Total key management compensation	280,338	138,126

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

31.12.18

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
Assets					
Cash and balances with CBA	15,760,226	-	-		15,760,226
Precious metals	104,910	-	-	-	104,910
Amounts due from other financial institutions	3,074,987	1,304,326		1,758,956	6,138,269
Loans and advances to customers	73,588,759	528,756	350,207	392,330	74,860,052
Investments available for sale	68,420,881	-	-	-	68,420,881
Other financial assets carried at amortized cost	66,583,824				66,583,824
Total	227,533,587	1,833,082	350,207	2,151,286	231,868,162
Liabilities					
Amounts due to financial institutions	38,657,969	7	2,609,416	9,400,417	50,667,810
Amounts due to customers	21,935,397	597,909	58,077,597	12,408,937	93,019,841
Securities issued by the Bank	15,585,991	24,351	8,299,097	3,263,625	27,173,064
Subordinated debt		-	10,493,791	2,904,488	13,398,279
Total	76,179,357	622,268	79,479,901	27,977,468	184,268,994
Net position	151,354,230	1,210,814	(79,129,694)	(25,826,181)	47,808,168

31.12.17

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
Assets					
Cash and balances with CBA	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	81,759,820	-	-	-	81,759,820
Total	156,048,350	471,729	345,292	1,405,131	158,270,502
Liabilities					
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
Total	45,435,033	318,611	52,882,507	23,252,098	121,888,249
Net position	110,613,317	153,118	(52,537,215)	(21,846,967)	36,382,253

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	31.12.18	31.12.17
Loans collateralized by real estate	41,690,425	36,934,345
Loans collateralized by movable property	1,867,547	656,042
Loans collateralized by government guarantees	12,794,341	13,729,814
Loans collateralized by guarantees of enterprises	9,124,018	6,564,582
Loans collateralized by shares of other companies	2,773,511	1,533,458
Loans collateralized by cash	4,808,890	1,616,860
Other collateral	2,342,605	2,406,309
Total loans and advances (gross)	75,401,337	63,441,410

Market Risk

Market Risk

Interest Rate risk

Name of article	31.12.18p.		31.12.17p.	
	AMD	Foreign currency	AMD	Foreign currency
	%	%	%	%
Assets				
Balance with the CBA				-
Amounts due from banks and other financial institutions, including	7.96%	6.37%	14.00%	5.87%
Interbank loans				
Interbank repurchase agreements				
Interbank interest swap				
Loans and advances to customers	11.24%	8.73%	11.95%	9.91%
Available-for-sale and trading securities	12.72%	6.49%	12.84%	6.70%
Held-to-maturity securities	13.00%	-	-	-
Liabilities				
Amounts due to banks and other financial institutions	6.88%	3.96%	8.57%	4.86%
Amounts due to customers	10.63%	4.67%	11.12%	5.50%
Amounts due to issued securities	12.00%	6.39%	12.75%	6.53%
Subordinated debt	14.00%	5.27%	14.00%	5.27%

Thousand Armenian drams		Sensitivity of equity					31.12.18
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	- 81		- 10,807	- 1,780,488	-1,791,176	
USD	0.5				- 220,072	-220,072	
AMD	-0.5	81		10,789	1,886,054	1,896,904	
USD	-0.5				226,895	226,895	

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	-258,810	
AMD	-0.5			13,254	2,480,108	2,493,362	
USD	-0.5			32,896	234,489	267,385	

Foreign exchange risk

Thousand Armenian drams

Currency	31.12.18		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%	112,796	5%	104,009
EUR	3%	-208	3%	4,153

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

Thousand Armenian drams

31.12.18				
	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and balances with the CBA	11,246,154	4,499,014	15,058	15,760,226
Precious metals	-	102,100	2,810	104,910
Amounts due from other financial institutions	2,452,774	2,558,636	1,126,859	6,138,269
Loans and advances to customers	16,493,563	58,366,489	-	74,860,052
Investments available for sale	59,096,722	9,324,159	-	68,420,881
Other financial assets carried at amortized cost	66,583,824	-	-	66,583,824
Total	155,873,037	74,850,398	1,144,727	231,868,162
Liabilities				
Amounts due to financial institutions	41,529,015	9,138,786	9	50,667,810
Amounts due to customers	49,500,932	42,349,761	1,169,148	93,019,841
Securities issued by the Bank	5,047,794	22,125,270	-	27,173,064
Subordinated debt	8,064,438	5,333,841	-	13,398,279
Total	104,142,179	78,947,658	1,169,157	184,258,994
Net position as of December 31, 2018	3,317,990	(4,097,260)	(24,430)	47,609,168
Credit related commitments as of December 31, 2018	3,284,810	3,061,463	0	6,346,273

Thousand Armenian drams

31.12.17				
	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
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	69,443,636	12,316,184	-	81,759,820
Total	85,269,619	71,076,333	1,924,550	158,270,502
Liabilities				
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
Total	51,433,605	68,618,329	1,836,315	121,888,249
Net position as of December 31, 2017	33,836,014	2,458,004	88,235	36,382,253
Credit related commitments as of December 31, 2017	3,640,190	3,075,214	0	6,715,404

Liquidity risk

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

31.12.18

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						
Assets								
Cash and balances with CBA			15,760,226					15,760,226
Precious metals	-	-	104,910					104,910
Amounts due from other financial institutions	-	-	5,780,609	167,067	53,834	136,761	-	6,138,269
Loans and advances to customers	127,709	560,960	5,307,215	5,453,827	12,231,055	41,212,962	9,966,324	74,860,052
Investments available for sale			6,196,202	2,056,577			58,331,046	66,583,825
Other financial assets carried at amortized cost			20,682,627	4,060,224	6,907,588	5,257,321	31,513,122	68,420,881
TOTAL	127,709	560,960	53,831,788	11,737,604	19,192,477	46,607,044	99,810,492	231,868,164
Liabilities								
Amounts due to financial institutions	-	-	31,824,636	5,459,110	7,035,338	2,731,026	3,617,700	50,667,809
Amounts due to customers	-	-	16,498,766	4,192,089	14,822,809	47,506,177	10,000,000	93,019,841
Securities issued by the Bank	-	-	61,668	31,805	1,546,842	12,955,250	12,577,500	27,173,065
Subordinated debt	-	-	77,029	-	-	10,902,500	2,418,750	13,398,279
Total			48,462,099	9,683,003	23,404,989	74,094,953	28,613,950	184,258,995
Net position	127,709	560,960	5,369,689	2,054,600	(4,212,512)	(27,487,909)	71,196,541	47,609,169
Accumulated gap			5,369,689	7,424,379.91	3,211,868	(24,276,041.84)	46,920,500	

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						
Assets								
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
TOTAL	516,726	2,077,712	17,702,186	4,054,212	11,293,995	38,962,068	83,975,092	158,581,991
Liabilities								
Amounts due to financial institutions			6,382,762	2,565,070	8,415,455	4,895,528	3,517,061	26,775,876
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
Total			27,189,522	4,136,865	28,795,285	31,377,816	30,388,761	121,868,248
Net position	516,726	2,077,712	(9,487,336)	(82,653)	(17,501,290)	7,584,252	53,586,332	36,693,743
Accumulated gap			(9,487,336)	(9,569,989.40)	(27,071,279)	(19,487,026.73)	34,099,305	

Average assets and capital

31.12.18

Average assets	199,665,819
Average capital	44,280,661

Collateral received

The collateralized loan amount is AMD 68,249,842 thousand as of 31.12.18.

Unfulfillment of obligations/violations

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