

Interim Report
on Financial Position
30.06.2015
ARMECONOMBANK OJSC 23/1 Amiryan Str., Yerevan

Thousand AMD

	Item	Notes	As of the end of current interim period (unaudited)	As of the end of previous financial year (audited)
1	Assets			
1.1	Cash and balances with the CBA	13	25,062,426	20,600,018
1.2	Bank standardized bullions of precious metals and memorial coins		943	8,825
1.3	Claims to banks and other financial institutions	14	9,902,552	8,157,809
1.4	Financial assets held for commercial purposes	15	1,766	54,263
1.5	Loans and advances to customers	16	51,129,006	52,057,388
1.6	Financial assets available for sale	17	264,256	49,478
1.6.1	Securities pledged under repurchase agreements	17.1	7,260,156	6,118,811
1.7	Prepayment on profit tax		115,965	
1.8	Investment in the chartered capital of the controlled entities	19		194,991
1.9	Non-current assets held for sale			
1.10	Fixed assets	20	4,095,369	4,041,033
1.10.1	Intangible assets	20	89,868	95,021
1.11	Deferred tax assets	11	87,145	35,921
1.12	Other assets	21	427,146	505,453
	Total assets		98,436,598	91,919,011
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	28,396,813	22,310,663
2.2	Liabilities to customers	23	53,589,190	57,528,932
2.3	Subordinate borrowing	23.1	4,384,643	
2.4	Liabilities for current taxes			107,722
2.5	Securities issued by the Bank	24		
2.6	Liabilities held for commercial purposes	25		19,659
2.7	Amounts payable	26	215,465	52,781
2.9	Other liabilities	27	1,227,182	828,239
	Total liabilities		87,813,293	80,847,996
3	Capital			
3.1	Chartered capital	28	2,333,338	2,333,338
3.3	Reserves:			
3.3.1	Main reserve		6,000,000	5,405,133
3.3.2	Revaluation reserves		59,051	262,264
3.4	Undistributed profit/loss		2,230,916	3,070,280
	Total capital		10,623,305	11,071,015
	Total liabilities and capital		98,436,598	91,919,011

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyanyan

Approval date: 14.07.2015

Interim Report
on the Cash Flows
30.06.2015

ARMECONOMBANK OJSC 23/1 Amiryan Str., Yerevan

Thousand AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
1. Cash flows from operations			
<i>Net cash flows before changes in operational assets and liabilities</i>		462,528	662,876
Interest received		4,359,599	3,833,614
Interest paid		(2,525,923)	(1,910,909)
Fees earned		829,450	830,607
Fees paid		(156,993)	(164,736)
Gain/loss from financial assets held for commercial purposes		-	27,155
Gain/loss from forex operations		346,760	378,907
Recovery of previously written-off assets		49,653	7,713
Paid salaries and similar payments		(1,571,732)	(1,527,238)
Other income received from operations and other expenses paid		(868,286)	(812,237)
<i>Cash flows from changes in operational assets and liabilities</i>			
Decrease/increase in operational assets		(2,531,242)	(5,259,890)
claims to financial institutions		(1,769,096)	(3,771,567)
loans and advances to customers		498,436	(1,596,958)
Increase/decrease in securities held for commercial purposes and available for sale		(1,352,588)	(532,134)
Other operational assets		92,006	640,769
Increase/decrease of operational liabilities		1,595,543	6,969,513
liabilities to financial institutions		5,269,515	1,862,915
liabilities to customers		(2,779,919)	5,413,979
decrease of other operational liabilities		(894,053)	(307,381)
Net cash flows from operations before profit tax		(473,172)	2,372,499
Profit tax paid		(227,115)	(252,108)
Net cash flows from operations		(700,287)	2,120,391
2. Cash flows from investments (decrease)			
Investments in chartered capitals of other parties			50,000
Capital investments in fixed assets and intangible assets		(133,175)	(154,284)
Acquisition of fixed assets and intangible assets		(139,356)	(357,899)
Disposal of fixed assets and intangible assets		25,843	11,438
Net cash flows from investment operations		(504,024)	
Cash flows from financial operations		(246,688)	(450,745)
3. Cash flows from financial operations			
Dividends paid		(1,361)	(950)
Increase/decrease of borrowings from the Central Bank of		(325,216)	(28,623)
Increase/decrease of borrowings from banks		1,818,914	162,417
Increase/decrease of other borrowings		3,991,877	(10,402)
Net cash flows from other financial operations		504,024	-
Net cash flows from financial operations		5,484,214	122,442
Impact of exchange rate change on cash and its equivalents		(272,260)	(60,653)
Net increase/decrease of cash and its equivalents		4,537,239	1,792,088
Cash and equivalents at the beginning of the period	13 2	22,354,455	17,866,741
Cash and its equivalents at the end of the period	13 2	26,619,434	19,598,176

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyan

Approval date: 14.07.2015

Interim Report
on Financial Results
30.06.2015
ARMECONOMBANK OJSC 23/1 Amiryan Str., Yerevan

Thousand AMD

Name	Notes	Current interim period	Accounting period	Comparable current interim period of the previous fiscal year	Previous period
Interest and similar income	3	2,335,451	4,578,394	2,111,178	3,831,928
Interest and similiar expenses	3	(1,330,843)	(2,650,490)	(1,016,231)	(1,978,087)
Net interest and similar income		1,004,608	1,927,904	1,094,947	1,853,841
Income as commissions and other fees	4	360,073	670,026	231,335	722,454
Expenses as commissions and other fees	4	(78,422)	(150,849)	(78,073)	(161,910)
Net commissions and other fees		281,651	519,177	153,262	560,544
Interest income		292	292		
Net commercial income	5	159,610	308,807	245,121	449,555
Other operational income	6	69,808	126,306	44,925	147,016
Operational income		1,515,969	2,882,486	1,538,255	3,010,956
Net allocations to possible asset loss provisions	7	(188,271)	(232,810)	(37,481)	(122,961)
Total administrative expenses	8	(1,056,745)	(2,163,106)	(1,090,428)	(2,154,373)
Other operational expenses	9	(287,639)	(574,432)	(299,563)	(564,103)
Operational profit		(16,686)	(87,862)	110,783	169,519
Profit/loss from associated company	10	-	9,694	(9,966)	(17,677)
Profit/loss before taxation		(16,686)	(78,168)	100,817	151,842
Profit tax expenses (compensation)	11	(7,406)	(2,995)	(65,449)	(58,517)
Profit for period		(24,092)	(81,163)	35,368	93,325

Chairman of the Executive Board (CEO)

A.Nalijan

Chief Accountant

D.Azatyanyan

Approval date: 14.07.2015

Interim Report
on Other Comprehensive Financial Results
30.06.2015
ARMECONOMBANK OJSC 23/1 Amiryan Str., Yerevan

Thousand AMD

Name	Note	Interim accounting period	Accounting period	Comparable current interim period for previous financial year	Previous period
Other comprehensive financial result					
Revaluations of financial assets available for sale		(81,516)	(252,073)	1,838	(222,563)
Profit tax on other comprehensive income		16,303	50,415	(367)	44,513
Revaluations of associated company's financial assets available for sale		(818)	(1,555)	(87)	(179)
Other comprehensive financial result after taxation		(66,031)	(203,213)	1,384	(178,229)
Comprehensive financial result		(90,123)	(284,376)	36,752	(84,904)

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyan

Approval date: 14.07.2015

Interim Report
on Equity Changes
30.06.2015

ARMECONOMBANK OJSC 23/1 Amiryar Str., Yerevan

Thousand AMD

Equity elements	Chartered capital			Main reserve	Revaluation of financial assets available for sale	Undistributed profit/loss	Total	Total capital
	Chartered capital	Repurchased capital	Net amount					
Articles	1	2	3	5	7	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)								
<i>Balance as of the beginning of the previous financial year 01 January 2014 (audited)</i>	2,333,338	-	2,333,338	5,405,133	1,071,594	2,253,484	11,063,549	11,063,549
General results of changes in accounting policy and correction of material errors.		-	-	-	-	-	-	-
Recalculated balance	2,333,338	-	2,333,338	5,405,133	1,071,594	2,253,484	11,063,549	11,063,549
Comprehensive income	-	-	-	-	(178,229)	93,325	(84,904)	(84,904)
<i>Balance as of the end of the comparable interim period of the previous financial year 30.06.2014 (unaudited)</i>	2,333,338	-	2,333,338	5,405,133	893,365	2,346,809	10,978,645	10,978,645
Interim period of the current year (ascending from the beginning of the year) (II table)								
<i>Balance as of the beginning of the financial year 01 January 2015 (audited)</i>	2,333,338	-	2,333,338	5,405,133	262,264	3,070,280	11,071,015	11,071,015
General results of changes in accounting policy and correction of material errors.	-	-	-	-	-	-	-	-
Recalculated balance	2,333,338	-	2,333,338	5,405,133	262,264	3,070,280	11,071,015	11,071,015
Comprehensive income	-	-	-	-	(203,213)	(81,163)	(284,376)	(284,376)
Dividends	-	-	-	-	-	(163,334)	(163,334)	(163,334)
Internal turnover, including:								
Deductions to main reserve	-	-	-	594,867	-	(594,867)	-	-
<i>Balance as of the end of the comparable interim accounting period 30.06.2015 (unaudited)</i>	2,333,338	-	2,333,338	6,000,000	59,051	2,230,916	10,623,305	10,623,305

Chairman of the Executive Board (CEO)

A.Nalijan

Chief Accountant

D.Azatyan

Approval date: 14.07.2015

Appendix 5 Approved by Resolution N205N of the Board of the Central
Bank of Armenia Dated on 10 July 2007

**Notes to the interim reports published in the 2nd quarter of 2015
“ARMECONOMBANK” OJSC 23/1 Amiryan Str., Yerevan**

Note1. “Legal Field and Corporate Governance”

Legal Field

“ARMECONOMBANK” OJSC (hereinafter the Bank) was founded in 1991, is the successor of former USSR “Zhilsotsbank” Armenian Republican Bank and was reorganized as an open joint stock company in 1995 and operated on the basis of the legislation of the Republic of Armenia (hereinafter RA). The bank was registered by the Central Bank of Armenia (hereinafter the CBA) with No1 License number.

The Head office of the Bank and 19 branches are located in Yerevan, another 20 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

Main Activities

As a universal financial institution, “ARMECONOMBANK” OJSC offers its customers a comprehensive package of services. The prevailing part of the Bank’s activities falls to lending. The Bank offers lending to almost all sectors of the economy conditioned with the level of the risk and the prospect of the given project. The Bank actively operates in the area of lending with international lending programs. The Bank extends commercial, consumer and mortgage loans.

Business Environment

Political and economic changes are very common in Armenia. As an emerging market, Armenia does not have a perfect business environment and corresponding sub-structures which usually exist in countries having free market economy.

Moreover, these conditions set limits to the volumes of transactions in financial markets and real values of the transactions may not comply with the performed transactions. The main obstacle of further economic development is the low level of economic and institutional development paralleled with territorial instability, centralized economic base and impact of international economic crisis.

International economic crisis led to reduction of GDP of Armenia as well as that of transfers from abroad on which Armenian economy depends much.

Corporate Governance

Bank management bodies are: Shareholders’ General Meeting as the highest body of Bank management, the Board, the Management and the CEO.

Structure and Members of the Board

Chairman of the Board

S. Sukiasyan

Board Members

A. Melikyan

L. Petrosyan,

I. Managadze

R. Hayrapetyan

Structure and Members of the Bank’s Management

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO for Corporate and Retail Business

O. Chichyan

Deputy CEO for Operations

A. Arakelyan

Deputy CEO for International Operations and Development

A. Manrikyan

Chief Accountant

D. Azatyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department
V.Jhangiryan

Head of Credit Department
A. Arakelyan

Head of Plastic Cards Department
A.Galstyan

The Structure of the Bank’s Property and the Number of Shareholders/Participants at the End of the Accounting Period

As of 30.06.2015, the Chartered capital is AMD 2,333,338. It includes 933,335 common shares each with AMD 2500 nominal value. The Bank has 1419 shareholders.

Main Participants

Sukiasyan Saribek Albert	22.6 %
Sukiasyan Khachatur Albert	19.5 %
Sukiasyan Robert Albert	15.3 %
European Bank for Reconstruction and Development	20.0 %

Remuneration Policy of the Bank’s Management

No special policy for the Bank’s management remuneration is applied at the Bank. The remuneration of top management is made based on the staff list approved by the Board.

Payments to Statutory Auditors

The Bank’s statutory auditors are presented to the General Meeting of the Bank Shareholders and elected by the latter. And the size of their remuneration is established by the Bank Board.

Note2. “Accounting Policy”

Preparation and Submission of “ARMECONOMBANK” OJSC Financial Statements

Financial statements are formed in compliance with RA Legislation and sub-legislative acts, the principles of forming of financial statements published by the Board of Financial Accounting Standards, guidelines of applying the principles, and the legal acts approved by the Board of the Central Bank. The financial statements are formed on the basis of the bank’s accounting.

The statements are made in thousands of Armenian drams without decimal units. The accounting year for financial statements is the period from 1 January to 31 December inclusive.

The financial statements are prepared based on the principle of fair value for financial assets and liabilities carried at fair value and adjusted by financial results, as well as for available-for-sale assets, except the ones the fair value of which can’t be decided. Financial statements for other financial as well as non-financial assets and liabilities are prepared under their historical value.

The financial statements of the Bank (except the Statement on Cash flows) are prepared on accrual basis.

Recognition of Income and Expenses

Interest incomes and expenses for all interest earning financial tools, except tools accounted for real value reappraised by profit/loss, in reports on financial results, using effective interest rate method are recognized as “interest income” and “interest expense”. Registration of interests for overdrafts, overnights, credit lines, corresponding accounts, bank accounts, demand deposits is implemented by linear way, if the bank cannot foresee future cash flows of these assets. Registration of interests of depreciated loans is not stopped. If balance sheet value of the financial asset or group of similar financial assets decreases because of losses from depreciation, the interest income continues to be recognized towards new balance sheet value.

Amounts receivable as fines and penalties are added to incomes every day. Corresponding agreements are basis for calculation of size of added amount.

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day.

Fees charged for lending (together with corresponding costs) are deferred adjusting the effective interest rate of the loan. Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for

vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non-interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

Amortized deductions on fixed assets (including those received from financial leasing), capital investments for leased property and intangible assets are performed each day in amounts defined by this policy and are adjusted on the last working day of each month.

Dividends are entered into the Statement on Financial Results according to accrual principle at the moment they are declared.

Foreign Exchange Operations Accounting

Transactions concluded in foreign currency are recalculated in accordance with operational currency - exchange rate of transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated at the average exchange rate set by the Central Bank of Armenia on the balance sheet date. The gains and losses from foreign currency transactions and from revaluation of monetary assets and liabilities denominated foreign currencies are reflected in the Statement on Financial Results as income and expenses. Foreign currency non cash assets and liabilities, presented in their prime value, are translated into their AMD equivalent by the exchange rate of transaction date.

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances, etc.). When establishing the exchange rates the rates operative in foreign exchange International market at that moment and those reflected in “REUTERS DEALING” system are also taken into account, besides the aforementioned factors.

Tax Accounting

Accounting on income tax, value added tax, property tax, land tax and obligatory social insurance payments should be carried out in compliance with RA Tax Legislation.

The income tax of the accounting period comprises current and deferred taxes. The amount of current income tax is computed in accordance with requirements set forth in RA Legislation, the liability of income tax is accrued towards the tax profit for each day (taking into account non-deductible expenses from income) and on the last working day of each month it is being adjusted.

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the

amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts on securities are adjusted on a quarterly basis.

Income tax assets and liabilities are offset when the Bank:

Has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities,

Has an intention to make the settlement on a net basis, or to realize the asset and settle the liability simultaneously,

The deferred tax asset and deferred tax liability relate to profit taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities or assets are anticipated to be settled or recovered.

Cash and Cash Equivalents

The booking of the Bank’s actual cash interflows (deposits) and/or outflows (withdrawals) is made by the nominal value of currencies, on the basis of payment documents duly prepared, stipulated by the procedure regulating teller operations, and other procedures and legal acts of the Bank. The statement on cash flows is made by direct method.

Cash and cash equivalents consist of cash drams, funds kept in Central Bank of Armenia (except amounts deposited for mutual settlement through ARCA clearing system) and amounts of other banks, which may be converted into cash in short period and are not exposed to considerable risk of change of value. Cash facilities and their equivalents are recorded by amortized value.

Financial Instruments

The Bank recognizes financial assets and liabilities on its balance sheet, when and only when it becomes the counterparty of that Instrument.

Financial assets and liabilities are initially recognized at cost, which is the fair value of reimbursement given or received, including or net of any transaction costs incurred, respectively. After the initial recognition all financial liabilities, except financial tools accounted for real value reappraised by profit/loss, are accounted for amortized value using effective interest rate method. After the initial recognition financial tools accounted for real value reappraised by profit/loss are accounted for real value.

The Bank classifies its financial assets into the following categories: financial assets held for trading, available-for-sale financial assets, loans and receivables, held-to-maturity investments. Such classification of investments is made on the moment of their purchase

based on the evaluations made by the Bank’s management.

Held for trading assets are the assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin. An asset should be classified as held for trading if, regardless of why it was acquired, it is part of a portfolio for which there exists an evidence of actual possibility of short-term profit making. During the initial recognition securities held for trading are accounted by fair value. Afterwards they are re-accounted by fair value based on the existing market prices. All the corresponding realized and unrealized gains and losses are registered in the income statement (Item of income received from the securities held for trading).

Available-for-sale investments are those intended by the Bank to be held for an indefinite period of time, which may be sold, arising from liquidity needs or changes in interest rates, exchange rates or equity prices. Realized or unrealized gains and losses arising from changes in the fair value of available-for-sale securities are reflected in the financial results as profit and loss from equity revaluation. When the securities are sold, the adjustments of their fair value are recognized in the statement on financial results as profit or loss from classified available-for-sale securities. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into assets-held-for-trading. Dividends on available-for-sale chief instruments are entered into the statement on financial results, when the Bank becomes entitled to collect the dividends. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The investments in subsidiaries that have no material impact on the bank’s financial statements are accounted in their prime value, less the amount of possible loss provision.

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor, with no intention of trading the receivable.

Held-to-maturity securities -Securities with fixed maturities are classified as held-to-maturity, when the bank has the positive intention and ability to hold those investments to maturity. If the Bank sells any significant amount of held-to-maturity assets the whole class will be reclassified into available-for-sale. Held-to-maturity investments are carried at amortized cost, using the effective interest rate method, less any possible loan loss provisions.

During its activities, the Bank acts as a party of agreements in derivative instruments that includes futures, forwards, swaps and options. All derivative instruments are classified as ones kept for commercial purposes and their accounting is carried out as per the Policies of Initial Recognition of Financial Instruments to be later re-measured at real value. The real value is established by the pricing in the markets or by applying such models on the basis of

which the assessments of the current condition of the markets, the contractual prices of base instruments and other factors lays. The derivative instruments with positive real value are accounted as assets and the ones with negative real value- liabilities. The products from the given operations are accounted as profit or loss from assets or foreign exchange operations kept for commercial purposes.

In case of accounting of hedges the results of changes in fair values of hedging instruments and relevant hedging articles are proportionally recognized as net profit and loss in the income statement.

Repurchase Agreements

Repurchase agreements are used by the Bank as elements of its treasury management and trading business. These agreements are accounted for as financing transactions.

Securities sold under repurchase agreements are accounted for as securities held-for trading and available-for-sale securities and funds received under these agreements are included into amounts due to other banks or amounts due to customers. The amounts extended against securities purchased under Repurchase Agreement are accounted for as Due to other banks or Loans and Borrowings to Customers. Any income or expense arising from purchase and sale of the underlying securities is recognized as interest income or expense, accrued during the period that the related transactions are open.

Leases

To insure the continuity of its performance the Bank may lease lands, buildings and areas, other property plant and equipment and may make capital investments in them. The accounting on leases is carried in accordance to RA legislation.

Leases of assets, under which the risk and rewards of ownership are retained with the lessor are classified as operating leases. Rentals under operating leases are recognized as expense in the statement on financial results on a straight-line basis over the lease term and are included in operating expenses.

The spending on rented land, building, spaces, and other fixed assets, which raise the value of rented fixed asset, are viewed as capital expenses and are recognized as asset in the in the part exceeding 10% of the asset. The given expenses are depreciated by straight line method during residual period of usable service.

Financial Assets' Possible Loss Provision

The classification of the Bank's assets and possible loss provisioning are made in conformity with the requirements RA legislation.

As the published financial reports are drafted, further corrections of provisions in

compliance with IFRS are made.

Intangible Assets

Intangible assets are initially recorded at their prime cost in AMD. Intangible assets purchased in foreign currency are recorded by the average exchange rate of purchase date fixed by the CBA, and are not revaluated in case of further changes of the exchange rate.

The prime cost of internally generated intangible assets is defined in the development period of the asset in compliance with accounting standards if it is possible to show the correspondence of the internally generated intangible asset to the requirements set by the standard. The initial value of internally generated computer software is defined in compliance with criteria of asset recognition.

Attribution of the item of intangible asset to any category (computer software, licenses and power of attorney, copyrights, etc.) set by the “Card of Accounts of the Banks Operating within the Territory of RA” and “The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA” is made based on the methodical instructions of the Chief accountant, arising from its usage specifications.

The initial cost of internally generated intangible asset comprises the expenses set by accounting standards. The initial cost includes only those expenses made during the accounting quarter during which the asset has been recognized.

Subsequent expenditures made on intangible assets, which can be added to the value of an intangible asset in compliance with the requirements of accounting standards, are recorded as capital investments and are added to the value of the asset by the resolution of the Executive Board of the Bank.

Amortization term for each item of intangible assets is decided by the Bank based on the criteria set by the accounting standards. Namely, the amortization term of internally generated computer software, taking into account the information on the estimated useful lives of software of the same type available in the market at the moment, terms of actual useful lives of software used at the Bank before, other criteria set by the Standard.

The Bank uses the straight-line method to allocate depreciation amount of intangible assets over their useful lives.

The amortization period and the amortization method of intangible assets should be set in compliance with the accounting standards, within the period of the agreement so signed and in case of the absence of such period, a period of 10 years will be set. Amortization method is changed by making corresponding changes in this Policy by the Bank’s Board.

In case of significant fluctuations in fair value of intangible assets, they are revalued based on the resolution of the Bank’s Board.

The disclosure of information required by the accounting standards on internally generated intangible assets in financial statements is performed separately. The depreciation amount of intangible assets, acquired after 1 January 2014, will be calculated in accordance

with “Profit Tax” law. The annual amortization interest rate is set by the resolution of the Bank’s Board.

Fixed Assets

The unit of fixed assets that complies with the recognition of the standards of the asset is measured at their initial value (prime cost) in AMD. The fixed assets purchased in foreign currency are registered as of the day of the purchase at the average exchange rate set by the Central Bank of Armenia and shall not be re-valued in case of exchange rate change.

The initial value of the unit of fixed assets comprises its purchase cost, taxes, including VAT, import duties and other obligatory payments, which are not subject to be returned to the Bank by relevant authorities and any expenses related to bringing the asset to working state for its purposeful usage. Any discount or privilege provided is deducted from the purchase cost.

The measurement of value, recognition, further expenses, revaluations and withdrawals on purpose of recording of the unit of property, plant and equipment is made in the order prescribed by RA Legislation, as well as by the Bank’s internal legal acts.

Attribution of the unit of fixed assets to any category (property and stationery communication means, calculating, computer and automated equipment, vehicles, depreciable property, etc.) set by the Card of Accounts of the Banks Operating within the Territory of RA and The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA is made based on the methodical instructions of the Chief accountant, arising from their usage specifications and purposes.

Fixed assets are recorded with the difference of initial value and accumulated depreciation taking into account the accumulated impairment losses. Depreciation is calculated using the straight-line method over the period of the asset’s useful life applying the following annual depreciation rates:

Building	50 years, 2%
Computers	5 years, 20%
Transportation means	8 years, 12.5%
Other fixed assets, transportation means	
UPS batteries, ATMs	8 years, 12.5%
Property, office equipment, etc.	
Other computer equipment	
Printing devices	
(printers, scanners, copying devices),	
POS terminals, modems, network devices,	3 years, 33.3%
Network devices	5 years, 20 %
Fixed assets costing up to AMD 50.000	1 year, 100%

The depreciation of fixed assets which are in operation until 1 January 2013, connected with review of terms of useful services is calculated as follows: the balance sheet value of fixed assets (initial value minus accumulated depreciation) is distributed by linear method of depreciation calculation in the newly defined residual term of useful service. The latter represents the time difference between the useful life cycle set from 1 January 2013 and the period from the starting date of use until 1 January 2013.

For fixed assets acquired after 01.01.2013 residual value amounts to 0.1% of their initial value, however not more than AMD20.000, except buildings and transportation means residual value of which amounts to 1% of their initial value.

For fixed assets acquired up to 01.01.2013 the residual value amounts to 0.1% of their balance sheet value, however not more than AMD 20.000, except building and transportation means residual value of which amounts to 1% of their balance sheet value.

Depreciation of fixed assets acquired after 1 January 2014, is calculated in accordance with “Profit Tax” law. Annual interest rate of that group’s fixed assets is set by the resolution of the Bank’s Board.

Depreciation is not calculated for land.

Repairs and maintenance are recognized in the statement on financial results as expenses during the period in which they are incurred.

The expenditures raising the operational efficacy of property, plant and equipment compared with the preliminary evaluated normative indicators are recognized as capital expenditures and are added to the initial value of the asset. If the size of construction expenses performed during the year exceeds the 10% of the asset’s initial value (re-estimation value if the revaluation has been made in the order set by the law) then the expenses are also recognized as capital expenditures and are added to the initial value of the asset. The abovementioned expenditures are amortized using the straight-line method over the residual term of the asset’s useful life if they don’t exceed the 10% of the residual value of property, plant and equipment as of 1 January of the year; otherwise they are amortized during the whole period of useful life.

The outcome occurred from write off or disposal of a fixed asset is determined as a difference between net credits from asset disposal and its balance sheet value and is recognized as an income or loss in the income statement.

In case of significant fluctuation of the real (market) value of the Bank’s fixed assets (25% during financial year) the latter are reassessed based on the decision of the Bank’s Board. The revaluation is conducted by an independent company with relevant license. The revaluation of fixed assets is conducted through value recovery factor method. The results of revaluation are reflected in the Bank’s balance sheet and Income statement in the manner prescribed by accounting standards. The growth occurred in the outcome of revaluation is charged to the

undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

The capital expenses on leased fixed assets are capitalized and amortized by linear method during the residual term of useful life of the asset.

Assets recorded as capital investments in the fixed assets, as well as out of use fixed assets are not amortized.

Inventory

The Bank's inventory includes: short-life items, goods, including property which has passed to the Bank as a result of sequestration of pledge, materials and supplies, which are to be used by the Bank during its performance. Short-life items are assets the useful lives of which do not exceed a year. The inventories are measured at the lower of cost and net realizable value.

The cost of the inventory is determined by the formula of average weighted value. The cost of the short-life items is written off at the beginning of their utilization.

Settlements between the Bank and Branches

Reciprocal accounts of the Bank's Head Office and its branches are compared each day per separate currencies via report received through program. The revealed errors are corrected during that day. While drafting the balance sheet, the settlement accounts among the Head Office and its branches are brought to zero. The settlement accounts between the Bank's Head Office and its branches are closed weekly.

Share Capital and Treasury Stock

Ordinary shares are included in equity (general) capital. Dividends on ordinary shares are recognized in equity capital in the period in which they are declared. Dividends for current year, which are declared after the balance sheet date, are disclosed in the subsequent events note. Basic earnings per share should be calculated by dividing the net profit for the period attributable to the shareholders by the weighed average number of ordinary shares outstanding during the period.

Under certain circumstances and according to procedure established by the RA Legislation the Bank may repurchase its equity share capital. In this case reimbursement paid

is deducted from total shareholders' equity and is reflected as treasury stock until it is cancelled. When such shares are subsequently sold any reimbursement received is included in shareholders' equity.

The positive difference between the price paid by investor's for purchase of common shares and their nominal value is recognized in the equity as emissive fee on extraordinary shares.

Attracted Funds

Attracted funds comprising accounts, issued securities and subordinate borrowings of Government and the Central Bank are initially recognized at the real value of received funds, less direct costs for operations. After initial recognition, attracted funds are accounted for in amortized value using effective interest rate method.

Provisions, Contingent Assets and Liabilities

Contingent liabilities are not recognized in financial statements, but are disclosed in the accompanying notes. However, they are not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in financial statements, but is disclosed in the accompanying notes, when an inflow of economic benefits becomes probable.

Consolidated Financial Statements

In cases set forth by legislation the Bank prepares consolidated financial statements in accordance with accounting standards and the Procedure on Compilation of Consolidated Financial Statements Presented to the Central Bank of Armenia by the Banks Acting within the Territory of Armenia" approved by the Board of the Central Bank of Armenia.

Segment Statements

The Bank uses the information of business-segments (per Individuals, organizations and rendered investment services) as a primary presentation form. Geographical segments are considered to be secondary presentation forms.

Issued Corporate Bonds

Issued corporate bonds are initially recognized at their real value, which is the real cost of reimbursement received against them, less the transaction expenses.

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and reimbursed amounts, is reflected in the income

and expense statement in the period of circulation of those securities, applying the effective interest method.

Comparable Information

In case of necessity comparable figures are adjusted in order to ensure the comparability with the current year.

After Balance Sheet Date Events

Respective corrections in the balance sheet, if necessary, after the date of balance sheet formed on the last working day of the fiscal year, are made in the following cases:

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

On purpose of reflection of clarifying events after the balance sheet date.

In cases if the Bank reveals errors on its own, if the amount of material error depends on the size or nature of the given transaction or size and nature of the article, and if the change of figures reflected in the balance sheet will be of a little importance, and if non-disclosure of that information will not impact decisions made on the basis of financial statements' data, no amendments will be made in the balance sheet of previous year.

If fundamental errors are discovered or arise after the publication of the Bank's annual financial statements as per the established order, then no adjustments shall be made and the representation of such information is considered to be unrealizable.

Note 3: "Net Interest and Similar Income"

Thousand AMD

	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Interest and similar income				
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	52,113	84,780	22,437	32,433
Interest income from loans and advances to customers	1,946,666	3,862,975	1,835,222	3,307,937
Interest income from debt securities	213,260	402,683	200,751	391,685
Interest income from REPO agreements	123,412	227,322	52,568	99,635
Other interest income	-	634	200	238
Total	2,335,451	4,578,394	2,111,178	3,831,928
Interest and Similar Expenses				
Interest expenses from the Banks' current accounts deposits and loans allocated from banks and other financial institutions	342,383	669,466	273,729	534,929
Interest expenses on terms deposits and current accounts of customers	641,515	1,295,643	612,931	1,191,486
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	228,468	537,005	129,571	251,672
Interest expenses on subordinate borrowings	118,477	124,000	-	-
Other interest expenses	-	24,376	-	-
Total	1,330,843	2,650,490	1,016,231	1,978,087
Net Interest and Similar Income	1,004,608	1,927,904	1,094,947	1,853,841

Note 4: "Commission and Other Fee Income and Expenses"

Thousand AMD

	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Commission and Other Fee Income from:				
Cashier's operations	35,581	60,320	28,758	69,183
Settlement services	254,743	480,942	49,212	350,447
Guarantees, warranties letters of credit operations trust management	2,959	5,205	2,152	4,405
Foreign currency and security operations	5,606	9,509	1,310	4,012
Payment card servicing	25,268	40,530	9,711	17,777
Other commission fees	35,916	73,520	140,192	276,630
Total	360,073	670,026	231,335	722,454
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	620	1,157	608	1,241
Expenses for payment card operations	36,374	68,875	29,171	60,679
Guarantees, warranties, letter of credit operations, trust management	9,073	17,539	817	834
Foreign currency and security operations	3,404	7,654	13,429	22,344
other commission fees*	28,951	55,624	34,047	76,812
Total	78,422	150,849	78,072	161,910
Net commission and other fees received	281,651	519,177	153,263	560,544

* Other commission fee expenses have mainly been made for received payment-settlement services and loans received from international financial institutions.

Note 5: "Net Income from Commercial Operations"

Thousand AMD

	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Held-for-trading investments				
Net income from sale/purchase of held-for-trading investments, including:	(7,489)	(29,023)	(14,004)	(26,091)
Shares	-			
Debt securities	-			
Derivatives	(7,489)	(29,023)	(14,004)	(26,091)
Net income from changes in real value of available for sale investments	61,811	(158,171)	(40,716)	(18,777)
Total	54,322	(187,194)	(54,720)	(44,868)
Foreign currency operations	-			
Net income from foreign currency sale/purchase	-	1,328	72,921	116,067
Shares	-		-	
Debt securities	-	1,328	72,921	116,067
Derivatives	-		-	
Net income from changes in real value of available for sale investments	-		-	
Total	-	1,328	72,921	116,067
Foreign currency operations	-			
Net income from foreign currency sale/purchase	163,436	346,760	197,823	378,907
Net income from foreign currency revaluation	(58,363)	146,283	26,702	(11,850)
Net income from precious standardized bullions and coins trade	210	1,164	2,387	5,608
Net income from revaluation of precious standardized bullions and coins trade	5	466	8	5,691
Total	105,288	494,673	226,920	378,356
Net income from commercial operations	159,610	308,807	245,121	449,555

Note 6: "Other Operational Income"

Thousand AMD

	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Other operational income				
Income from penalties and fines	50,745	97,411	34,436	70,454
Income from factoring	-			
Net income from disposal of fixed and intangible assets	(2,401)	(2,401)	(1,520)	(4,351)
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets	-			
Other income*	21,464	31,296	12,009	80,913

Total	69,808	126,306	44,925	147,016
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The main sources of generation of other income* are the amounts charged for provision of statement, check and deposit books, certificates and from such services for which no special income accounts are envisaged.

Note 7: "Net Deductions to Possible Asset Losses Provision"

Thousand AMD

Due from banks (Note 14)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance	23,873	23,873		23,873
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	23,873	23,873	-	23,873
From loans and advances to customers (Note 14)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance	4,692	8,504	3,759	3,636
Net deductions to reserve	(1,106)	(4,918)	6,384	6,507
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,586	3,586	10,143	10,143
From loans and advances to customers (Note 16)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance	738,357	736,558	874,593	817,445
Net deductions to reserve	184,031	234,318	23,245	99,756
Return of amounts previously charged to off balance item	26,634	46,638	3,092	6,119
Usage of reserve	(99,760)	(164,987)	(37,343)	(59,733)
Summary balance	849,262	852,527	863,587	863,587
On investments (Note17)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	4,690	4,690	4,690	4,690

On other assets (Note 21)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance	2,984	3,435	22,305	12,439
Net deductions to reserve	5,346	3,410	7,852	16,698
Return of amounts previously charged to off balance item	1,515	3,015	1,500	2,534
Usage of reserve	-	(15)	(2)	(16)
Summary balance	9,845	9,845	31,655	31,655
Post-balance sheet items containing loan exposures (note 30)	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015	01/04/2014- 30/06/2014	01/01/2014- 30/06/2014
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
Total net deductions to reserves	188,271	232,810	37,481	122,961

Total administrative expenses

Thousand AMD

Salary and similar payments	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Salary and similar payments	786,420	1,621,001	802,483	1,613,043
Allocations to social insurance state fund	351	675	-	
Training and tutorship	95	135	675	1,182
Business trip expenses	13,760	14,950	15,538	21,829
Operational leases	61,780	123,957	56,278	95,062
Insurance costs	27,619	41,538	17,204	32,867
Servicing and maintenance of the Bank's equipment	10,339	18,758	17,880	32,160
Maintenance and safekeeping of Bank buildings	42,405	95,232	39,695	100,391
Audit and consulting services	820	12,048	1,377	4,838
Communication and transmission costs	23,396	49,224	27,175	51,495
Transportation costs	27,067	52,061	25,720	48,340
Taxes (except income tax) penalties and other mandatory payments	48,218	95,937	46,143	89,314
Office and organizational expenses	18,075	36,531	33,382	53,499
Lending and recovery expenses	-		-	
Other administrative expenses	(3,599)	1,060	6,878	10,353
Total	1,056,746	2,163,107	1,090,428	2,154,373

The average number of the Bank employees and monthly average salary falling to a single employee

	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Average number of Bank employees	854	867	889	892
Monthly average salary falling to a single employee (thousand AMD)	300	299	281	282

Note 9: "Other Operational Expenses"

	Thousand AMD			
	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Other operational expenses				
Paid fines and penalties	-	-	826	826
Payments made for collection	62,500	125,000	62,500	125,000
Advertising and representative expenses	57,162	107,262	69,428	109,214
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	97,478	191,860	91,180	178,295
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	16,946	33,501	15,456	30,210
Other expenses	53,551	116,811	60,173	120,558
Total	287,637	574,434	299,563	564,103

In other Expenses line of other operational expenses, mainly quarterly fees for VISA admission and costs of acquisition of payment cards are included.

Note 10: "Net Gain/Losses from Investments in Controlled Units"

	Thousand AMD			
	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Net income from investments in the controlled units				
Income from investments in associated organizations		9,694	(9,966)	(17,677)

Note 11: "Profit Tax Expenses (Reimbursement)"

Thousand
AMD

Profit tax expenses	01.04.2015 30.06.2015	01.01.2015 30.06.2015	01.04.2014 30.06.2014	01.01.2014 30.06.2014
Current tax expenses	2,730	3,800	71,006	71,006
Corrections of current taxes for the previous period recognized in the current period				
Deferred tax expenses	4,676	(805)	(5,557)	(12,489)
Total	7,406	2,995	65,449	58,517

Thousand
AMD

	01.04.2015 30.06.2015	Efficient rate (%)	01.01.2015 30.06.2015	Efficient rate (%)	01.04.2014 30.06.2014	Efficient rate (%)	01.01.2014 30.06.2014	Efficient rate (%)
Profit before taxation	(16,686)		(78,168)		100,817		151,842	
Profit tax with rate	(3,337)	20	(15,634)	20	20,163	20	30,368	20
Corrections of income and expenses for taxation purposes against non temporary differences								
Non-taxable income	(84)	1	(475)	1	(26)	(0)	(695)	(0)
Non-deductible expenses	569	(3)	51,184	(65)	52,074	52	30,415	20
Unevaluated tax loss		-		-		-		-
Foreign currency negative/positive difference	11,671	(70)	(29,350)	38	(5,341)	(5)	1,232	1
Verification of tax expenses calculated previous year		-		-		-		-
Other privileges	(1,413)	8	(2,730)	3	(1,421)	(1)	(2,803)	(2)
Profit tax expenses	7,406	44.38	2,995	3.83	65,449	64.92	58,517	38.54

Calculation of deferred tax on temporary differences

Thousand AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	123,232	5,301	-	128,533
Loans and borrowings to customers	23,616	(4,395)		19,221
Other liabilities	99,616	9,696		109,312
Deferred tax liabilities, including:	(87,311)	(4,492)	50,415	(41,388)
Available for sale securities	(64,261)		50,415	(13,846)
Fixed assets	(4,703)	487		(4,216)
Contingent liabilities	(8,143)	(14)		(8,157)
Claims to banks and other financial institutions	(10,204)	(4,965)		(15,169)
Net deferred tax asset/liability	35,921	809	50,415	87,145

Note 12: "Basic Profit Falling to a Single Share"

Thousand AMD

	01.04.2015 30.06.2015	01.01.2015- 31.03.2015	01.04.2014 30.06.2014	01.01.2014 30.06.2014
Net profit of the accounting period after taxation				
Net profit of the accounting period after taxation	(24,092)	(81,163)	35,368	93,325
Dividends on preferential shares calculated for the current accounting period				
Net gains/losses of given period referring to owners of common shares	(24,092)	(81,163)	35,368	93,325
Net weighted average number of common shares in circulation during the given period	933,335	933,335	933,335	933,335
Basic profit falling to a single share	(0.03)	(0.09)	0.04	0.10

The basic profit falling to a single share is the correlation between net gain or loss referring to common share owners of the given period and average weighted number of common shares in circulation during the given period.

Note 13

13-1: "Cash, cash equivalents and balances with the CBA"

Thousand AMD

Cash, cash equivalents and balances with the CBA	30.06.2015	31.12.2014
Cash monetary funds	4,865,191	4,406,731
Other money placements	1,674,591	985,296
Correspondent accounts with the CBA*	17,748,620	13,937,991
Deposit accounts with the CBA	504,024	
Funds deposited with the CBA**	270,000	1,270,000
Other demands to the CBA		
Accrued interest		
Cash and balances with the CBA	25,062,426	20,600,018

*Correspondent accounts with the CBA include mandatory provisioning funds calculated against the Bank's attracted funds according to the RA Bank Legislation. ** Funds deposited with the CBA is a guarantee deposit for mutual settlements made via the ArCa payment system.

13-2: "Cash and Cash Equivalents" included in the Cash flow statement

Thousand AMD

Cash, cash equivalents and balances with the CBA	30.06.2015	31.12.2014
	6,539,783	5,392,027
Cash and payment documents equivalent to cash		
Correspondent accounts with the CBA	17,748,620	13,937,991
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	18,777	77,666
Correspondent accounts with non-resident banks	2,312,254	2,946,771
Total cash and cash equivalents	26,619,434	22,354,455

Note 14: "Due to Banks and other Financial Institutions"

Thousand AMD

Current accounts	30.06.2015	31.12.2014
with RA banks	18,777	77,666
with banks having BBB(Baa3) and higher ratings	1,713,744	2,236,011
with banks having ratings lower than BBB (Baa3) or no rating at all	597,317	709,786
Accrued interest	1,194	973
Total	2,331,032	3,024,436
with RA banks:		
Loans and deposits	2,362,685	2,374,820
REPO (re-purchase) agreements		
Other	351,483	238,815
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
Other		
with the banks having a rating lower than BBB(Baa3) or no rating at all		
Other	157,393	266,681
Accrued interest	1,812	11,471

Total	2,873,373	2,891,787
Possible loss provision for amounts due from banks (note 7)	(23,874)	(23,874)
Net receivables to banks	5,180,531	5,892,349

Thousand AMD

	30.06.2015	31.12.2014
Loans and deposits with Financial Institutions and other receivables		
with RA Financial Institutions:		
Loans and deposits	189,012	237,484
REPO (re-purchase) agreements	4,167,181	1,251,069
Other	63,553	63,881
With Financial Institutions having BB(Baa3) and higher ratings		
Other	52,267	52,495
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	244,534	663,783
Accrued interest	9,060	5,251
Total	4,725,607	2,273,963
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,586)	(8,504)
Net receivables to Financial Institutions	4,722,021	2,265,459
Net receivables to banks and Financial Institutions	9,902,552	8,157,808

**As of 31.12.2014 and 30.06.2015 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,611 (AMD 52.495 thousand on 31.12.14, AMD 52.267 thousand on 30.06.2015) in Visa International and USD 134,495 (AMD 63.881 on 31.12.2014 and AMD63.553 on 30.06.2015) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note15: "Held-for-trading Financial Assets"

Thousand AMD

	30.06.2015	31.12.2014
Other financial assets held-for-tarding		
Derivative instruments		
Swap	1,766	54,263
Total	1,766	54,263
Reserve for possible loss provision on held-for-tarding financial assets (note 7)		

Note16: "Loans and Advances to Customers"

Thousand AMD

	30.06.2015	31.12.2014
Provided Loans and other Borrowings		
Loans, including	47,348,884	49,050,647
Mortgage loans	3,124,802	3,178,503
Credit cards	4,279,776	3,418,764
Factoring		
Accrued interes on the mentioned items	352,873	324,536
Total loans	51,981,533	52,793,947
Reserve for possible loss of customer loans and advances (note 7)	(852,527)	(736,559)
Net total loans	51,129,006	52,057,388

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30.06.2015		31.12.2014	
	Balance	Number	Balance	Number
Loans and advances, including:	51,981,533	32,182	52,793,947	29,567
performing loans	50,260,650	31,730	52,002,663	29,344
depreciated (non- performing) loans and borrowings, including:	1,720,883	452	791,284	223
overdue	88,561	289	44,518	141
restructured	448,790	6	59,546	2
refinanced				
total loans	51,981,533	32,182	52,793,947	29,567
Reserve for possible loss of customer loans and advances (note 7)	(852,527)		(736,559)	
Net total loans	51,129,006		52,057,388	

Anlyses of provided loans and advances per customers	Thousand AMD	
	30.06.2015	31.12.2014
State industries	28,140	19,836
Private industries, including:	24,653,331	24,785,461
major enterprises	5,015,987	6,938,746
small and medium enterprises	19,637,344	17,846,715
including business cards	53,252	48,231
Individuals, including:	23,475,940	23,907,814
consumer loans	13,044,841	14,688,787
mortgage loans	3,124,802	3,178,503
credit cards	4,223,996	3,370,533
Private entrepreneurs	3,471,249	3,756,300
Accrued interest	352,873	324,536
Total loans	51,981,533	52,793,947
Reserve for possible loss of customer loans and advances (note 7)	(852,527)	(736,559)
Net total loans	51,129,006	52,057,388

Thousand AMD

Loan liabilities on 20 major borrowers and related parties	30.06.2015	31.12.2014
balance sheet	15,521,923	15,714,417
balance of off-balance sheet contingent liabilities	1,372,863	690,924
Total	16,894,786	16,405,341
Loan investments	51,129,006	52,057,388
Percentage ratio in loan portfolio	33%	32%
Total normative capital	12,815,662	9,295,741
Percentage correlation to capital	132%	176%

Loan Investments	30.06.2015	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	1,834,264	189
GAF micro and small private enterprises RA Governmental loan program		
GAF "Renewable Energy Development" program	132,884	1
EBRD/1 "Syndicated Loan" program		
EBRD/2 "Syndicated Loan" program		
Co-financing	-	
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	784,607	47
World Bank Loan Program		
Loan program of Russian Federation for Economic Stabilization		
IFC loan program (IFC FMO)		
EBRD micro small and middle lending program EBRD/MSME	4,422,338	549
EBRD Micro lending program	-	-
Atlantic Forfaitierungs AG loan program	602,752	11
Mortgage Loans	91,388	42
including		
GAF	91,388	42
EBRD		
IFC		
Total	7,868,233	839

Loan Investments	31.12.2014	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,250,180	212
GAF micro and small private enterprises RA Governmental loan program	512,013	38
GAF "Renewable Energy Development" program	146,172	1
EBRD/1 "Syndicated Loan" program	2,712	1
EBRD/2 "Syndicated Loan" program	146,900	16
Co-financing	-	-
IFC	12,827	1
Black Sea Bank Loan Program 1	91,744	6
Black Sea Bank Loan Program 2	959,480	45
World Bank Loan Program	96,907	43
Loan program of Russian Federation for Economic Stabilization.	17,791	1
New IFC loan program (IFC FMO)	1,600,389	28
EBRD micro small and middle lending program.EBRD/MSME	4,789,580	558
EBRD Micro lending program	260	1
Atlantic Forfaitierungs AG loan program	469,794	6
Mortgage loans	104,194	495
including:		
GAF	104,194	43
EBRD		
IFC		
Total	11,200,943	1,452

Thousand AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30.06.2015		31.12.2014	
		Percentage		Percentage
Industry	5,973,437	11	7,018,878	13
Agriculture	2,988,266	6	1,773,557	3
Construction	2,246,820	4	1,479,100	3
Transportation and communication	327,716	1	303,361	1
Commence	10,882,501	21	11,597,480	22
Consumer	17,434,922	34	18,059,327	34
Mortgage loans	3,144,962	6	3,195,854	6
Service	6,431,777	12	5,809,882	11
Other	2,551,132	5	3,556,508	7
		-		-
Total	51,981,533	100	52,793,947	100

Thousand AMD

Breakdown of loan portfolio per customer residency	30.06.2015		31.12.2014	
		Percentage		Percentage
RA residents	50,771,845	100	51,732,852	100
Residents of countries with Baa33 and higher ratings including*		-		-
Germany	4,288	0		-
Residents of countries with Baa33and lower ratings or no rating				
Accrued interest	352,873		324,536	
Total	51,129,006	100	52,057,388	100

Note 17: Held for trading financia assets

Thousand AMD

T-bills	30.06.2015		31.12.2014	
RA Governmental T-bills				
Treasury bonds	10,793			
Total T-bills	10,793			-

Thousand AMD

RA non-state securities	30.06.2015		31.12.2014	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating ,other rating or no rating at all				
Long term debt instruments				
Short term debt instruments				
Capital instruments		256,200		52,252

Total non-state securities of RA	-	256,200	-	52,252
Investments in RA non-governmental securities (reserve for possible losses)		(4,690)		(4,690)
Net investments in RA non-state securities	-	251,510	-	47,562

Thousand AMD

Non governmental securities of other countries	30.06.2015		31.12.2014	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		1,953		1,917
Total non-state securities of other countries		1,953		1,917
Total available-for-sale securities	10,793	253,463	-	49,479

Investments in share capital of other entities as of

Thousand
AMD

NAME	Main activity	Country of registration	Investment (thousand AMD)	Investment (thousand AMD)	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	1,953	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	48,572	5
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	3,680	1
SIL INSURANCE	Insurance	RA	22/02/2000	203,948	15.17
Total				258,153	

The balance sheet and real values of available-for-sale assets (except investments into capital instruments) correspond to each other. The investments into capital instruments in RA are not quoted in any exchange and have a limited market. There are no definite accepted principles and methods to precisely decide the real value of those instruments, and therefore those securities are accounted in their cost price, deducted the reserve amount for depreciation.

Note 17.1: "Pledged Securities through Repurchase Agreement

Thousand AMD

	30.06.2015	31.12.2013
Asset		
Total pledged securities (Note 17.1)	10,560,817	7,383,991
including		
pledged securities	7,260,157	6,118,812
pledged securities under REPO agreement	3,300,660	1,265,179
liabilities		
Resources attracted under REPO agreement	10,320,424	7,215,899

Note 18: "Held-to maturity Investments"

There is no data available for this note during the accounting and previous period.

Note 19: "Investments in the Chartered Capital of the Controlled Entities"

Thousand AMD

Movement of investments in the controlled units	Investments in the chartered capital of the controlled entities
Balance at the beginning of the period	194,991
Increase	
Disposal (sale)	
Profit/loss from operations of associated companies	9,694
Other comprehensive profit/loss	(737)
Classification available-for-sale securities	(203,948)
Balance at the end of the period	-

Thousand AMD

Investments in the controlled units	30.06.2015	31.12.2014
Investments in associated organizations	-	194,991
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
Total	-	194,991

Note 20. "Fixed assets and intangible assets"

Thousand AMD

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets	Total
Initial value							
Balance at the beginning of the previous period	3,073,574	1,826,337	491,230	1,280,522	298,668	164,967	7,135,298
Increase	185,230	101,114	100,864	147,616	257,819	1,307	793,950
Disposal			(89,278)				(89,278)
Depreciation	44,151	102		(102)	(44,151)		-
Reclassification		(93,019)		(31,550)			(124,569)
Written-off							-
Revaluation							-
Balance at the end of the previous period	3,302,955	1,834,534	502,816	1,396,486	512,336	166,274	7,715,401
Increase		29,246	84,469	23,047	126,453	6,722	269,937
Disposal			(36,521)				(36,521)
Reclassification	9,276				(9,276)		-
Written-off		(2,999)			(987)	(1,062)	(5,048)
Revaluation*							-
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
Balance at the end of the accounting period	3,312,231	1,860,781	550,764	1,419,533	628,526	171,934	7,943,769
Accumulated amortization							
Balance at the beginning of the previous period	1,310,418	1,205,931	179,567	776,213		38,146	3,510,275
Increase	44,078	150,180	49,106	98,641		8,856	350,861
including: 01.04.2014- 30.06.2014	10,650	37,418	12,364	24,811		2,209	87,452
Disposal			(63,699)				(63,699)
Written-off		(93,019)		(30,050)			(123,069)
Depreciation							-
Reclassification		102		(102)			-
Revaluation							-
Balance at the end of the previous period	1,354,496	1,263,194	164,974	844,702	-	47,002	3,674,368
Increase	22,735	79,645	28,565	48,667		4,501	184,113
including: 01.04.2015 - 31.06.2015	11,342	39,942	14,964	25,020		2,296	93,564
Disposal							-
Written-off		(1,618)	(8,279)			(185)	(10,082)
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of the accounting period	1,377,231	1,341,221	185,260	893,369	-	51,318	3,848,399
Net balance sheet value							
at the end of the accounting period	1,935,000	519,560	365,504	526,164	628,526	120,616	4,095,370
at the end of the previous accounting period	1,948,459	571,340	337,842	551,784	512,336	119,272	4,041,033

Intangible Assets

Thousand AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of the previous period	23,199	121,999	50	14,357	-	159,605
Increase	14,345	7,084	-		-	21,429
Disposal						-
Written-off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
Balance at the end of the previous period	37,544	129,083	50	14,357	-	181,034
Increase		2,594				2,594
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Depreciation	-	-	-		-	-
Adjustment of amortization from revaluation	-	-	-		-	-
Balance at the end of the accounting period	37,544	131,677	50	14,357	-	183,628
Accumulated amortization						
Balance at the beginning of the previous period	19,750	45,450	25	5,883		71,108
Increase	1,960	11,744	4	1,197		14,905
including: 01.04.2014- 30.06.2014	508	2,921	1	298		3,728
Disposal						-
Written-off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of previous period	21,710	57,194	29	7,080	-	86,013
Increase	1,140	6,012	2	593		7,747
including: 01.04.2015 - 30.06.2015	566	3,050	1	298		3,915
Disposal						-
Written-off						-
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	22,850	63,206	31	7,673	-	93,760
Net balance sheet value						
at the end of the accounting period	14,694	68,471	19	6,684	-	89,868
at the end of the previous accounting period	15,834	71,889	21	7,277	-	95,021

As of 30.06.2015, AMD 94211 thousand total amount worth out-of-use assets were put into use.

As of 30.06.2015, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., depreciation AMD656 thous., residual value AMD 94 thous.

As of 30.06.2015, the value of fully worn-off assets included in the fixed assets was AMD1042452 thousand (31.12.2014: AMD1041802 thous).

Note 21: "Other Assets"

Thousand AMD

	30.06.2015	31.12.2014
Amounts receivable from other operations		
Amounts receivable from other operations	38,447	35,061
Total	38,447	35,061
Reserve for possible loss provision (note 7)	(418)	(351)
Net amounts receivable from bank operations	38,029	34,710
Debtor liabilities and prepayments	30.06.2015	31.12.2014
Debtor liabilities on the budget	321	607
Debtor liabilities on suppliers		
Prepayments to employees		89
Prepayments to suppliers	101,202	152,557
Prepayments on the budget and mandatory social insurance payments	1,810	11
Other debtor liabilities and prepayments	37,834	41,350
Total	141,167	194,614
Reserve for possible loss provision on other assets (note 7)	(8,467)	(1,946)
Total	132,700	192,668
Other assets		
Reserve	131,334	138,599
Sequestered pledge and available-for-sale assets	55,428	55,351
Future period expenses	52,332	67,505
Other assets	18,283	17,759
Reserve for possible loss provision on other assets (note 7)	(960)	(1,139)
Total	256,417	278,075
Total other assets	427,146	505,453

Note 22: "Liabilities to Banks and Other Financial Institutions"

Thousand AMD

	30.06.2015	31.12.2014
Current accounts		
RA Banks	71,081	83,545
Banks with BBB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	2,441	45,522
Accrued interest		45
Total	73,522	129,112
Interbank loans and deposits, other		
RA CB		
Loans	2,040,543	2,365,760
REPO (re-purchase) agreements	10,200,000	7,208,000
Other		
RA banks		
Loans and deposits	4,835,180	1,674,910
REPO (re-purchase) agreements		
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other	3,466	4,099
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	4,393,186	3,832,305
Other	19,691	58,946
Accrued interest	228,495	120,955
Total	21,720,561	15,264,975
Financial Institutions		
Current accounts	722,731	194,293
Loans and deposits	5,706,874	6,611,829
REPO (re-purchase) agreements	99,580	
Other	22,376	37,869
Accrued interest	51,169	72,585
Total	6,602,730	6,916,576
Total liabilities to banks and financial institutions	28,396,813	22,310,663

In the chart below the amounts of financing realized under various projects International Financial Institutions, included in the loans received from the CBA and interest accrued on those amounts are given.

Thousand AMD

Project	30.06.2015		31.12.2014	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	94,371	362	106,299	432
GAF /German Armenian Fund " Micro and small business development program"	1,800,000	39,043	2,100,000	46,277
GAF / "Renewable energy development" program	146,171	3,741	159,460	4,422
GAF / Loan program for SME				
Total	2,040,542	43,146	2,365,759	51,131

Note23: "Liabilites to Customers"

Thousand AMD

RA resident corporate entities and institutions	30.06.2015	31.12.2014
Loans		
Other	6,538	3,630
Accrued interest		
Total	6,538	3,630

RA resident corporate entities and institutions	30.06.2015	31.12.2014
Current accounts	14,413,943	16,940,035
Term deposits	5,844,371	6,603,628
REPO (re-purchase) agreements		
Other	27,192	28,743
Accrued interest	35,271	36,259
Total	20,320,777	23,608,665

Non-resident corporate entities, institutions	30.06.2015	31.12.2014
Current accounts	7,678	6,902
Other		
Total	7,678	6,902

RA resident private entrepreneurs	30.06.2015	31.12.2014
Current accounts	189,787	117,629
Term deposits	15,025	14,577
Other	3,859	4,032
Accrued interest	45	54
Total	208,716	136,292

RA resident private entrepreneurs	30.06.2015	31.12.2014
Current accounts	9,905,294	9,960,476
Term deposits	22,002,133	22,161,604
Other	449,213	383,692
Accrued interest	127,959	129,580
Total	32,484,599	32,635,352

RA resident private entrepreneurs	30.06.2015	31.12.2014
Current accounts	284,743	374,547
Term deposits	245,372	738,391
Other	29,635	21,256
Accrued interest	1,132	3,897
Total	560,882	1,138,091
Total liabilities to customers	53,589,190	57,528,932

As of 30.06.15, the amount necessary to secure obligations was AMD 2.793.208 thousand.

As of 30.06.15, the amount frozen by court order and tax authorities was 113.455 thousand.

Note 24: "Deposit Certificate Issued by the Bank"

The Bank attracted AMD 4.353.855 subordinate borrowing from the shareholder, AMD 4.201.950 of which participates in the count of standard capital.

Note 24: "Deposit Certificate Issued by the Bank"

There is no data available for this note during the accounting and previous period.

Note 25: "Liabilities held for Commercial Purposes"

Thousand AMD

	30.06.2015	31.12.2014
Liability held for commercial purposes		
Derivative instruments held for commercial purposes		
Liability held for commercial purposes		
Swap		19,659
Total	-	19,659

Note 26: "Amounts Payable"

Thousand AMD

	30.06.2015	31.12.2014
Amounts payable		
Dividends	198,519	36,551
For insurance of deposit	16,946	16,230
Total	215,465	52,781

Note 27: "Other Liabilities"

Thousand AMD

	30.06.2015	31.12.2014
Other liabilities		
On income tax of non-resident		2,439
On VAT	6,992	2,520
On other taxes and penalties	90,767	136,795
On social insurance payments		
Salary liabilities to employees	506,572	452,272
Credit debts to suppliers	54,281	34,953
Credit debts to chartered capital increase	504,024	
Other liabilities	64,546	199,260
Balance at the end of the period	1,227,182	828,239

Note 28: "Chartered Capital"

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous., including 933,335 common shares with a nominal value of AMD 2500 per share. There are no owned shares repurchases by the bank. During the accounting period no increase or decrease of chartered capital on the account of repurchased and out of circulation shares is made by the Bank. During the accounting period, dividends amounting to AMD 1,361 thous. were paid. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

Thousand AMD			
Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate entities)
Sukiasyan Saribek Albert	527,573	22.6	
Sukiasyan Khachatur Albert	455,413	19.5	
Sukiasyan Robert Albert	357,598	15.3	
Sukiasyan Eduard Albert	49,040	2.1	
EBRD	466,670	20	Financial

Note 29: "Other Equity Components"

There are no data available for this note in the accounting and previous periods.

Note 30. Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.06.2015, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation. The Bank's tax liabilities: as of 30.06.2015 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

The Bank's contingent liabilities on off balance sheet items containing credit risks

Thousand AMD

	30.06.2015	31.12.2014
Unutilized credit lines	2,504,440	1,973,894
Provided guarantees	402,464	350,643
Provided letters of credit	1,171,799	1,746,930
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

Thousand AMD

Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		261,698
1-5 years		840,595
more than 5 years		0
Total		1,102,293

Note 31: "Transactions with Related Parties"

In the context of the present note the Bank's related parties are the Bank management, shareholders, entities related to them in the prescribed order set forth by RA law on the "Banks and Banking". The Bank management comprises the Chairman of the Bank's Board, Deputy Chairman of the Board and the members of the Board, the Chief Executive Officer, the Deputy Chief Executive Officer, Chief Accountant, Deputy Chief Accountant, Head of Internal Audit Department, employees of Internal Audit Department, members of the Bank administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank's subdivisions, heads of the Bank's administration, departments and divisions. The transactions with the Bank related parties have been made on the basis of the current market conditions and interest rates.

Thousand AMD

	30.06.2015	31.12.2014
Loans and advances to customers		
Initial balance	1,437,436	1,322,820
Loans and advances provided over the year	1,076,161	1,962,852

Bank shareholder	100,456	181,606
Shareholder related entity	799,589	1,559,193
Bank manager	161,359	191,833
Manager related entity	14,756	30,221
Loans and advances repaid over the year	431,203	1,848,236
Bank shareholder	66,948	156,771
Shareholder related entity	223,440	1,465,791
Bank manager	130,133	205,807
Manager related entity	10,681	19,866
Summary balance*	2,082,394	1,437,436

Thousand AMD

Item	31.06.2015	30.06.2014
Interest income	99,997	87,952

Thousand AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2014p	485,205	1,909,772
Amounts received over the accounting period (for 6 months of 2015), including:	39,123,609	7,467,589
Bank shareholder	24,657,784	7,067,131
Shareholder related entity	13,282,502	191,997
Bank manager	794,210	128,291
Manager related entity	389,112	80,171
Amounts payed over the accounting period (for 6 months of 2015), including:	38,475,790	2,790,686
Bank shareholder	24,477,797	2,464,050
Shareholder related entity	12,858,777	183,309
Bank manager	770,121	101,126
Manager related entity	369,096	42,201
Exchange rate difference (+/-)	(26,142)	1,084
Balance as 30.06.2015	1,106,881	6,587,758
Interest expense as of 6 months of 2015	1,086	225,015

Thousand AMD

Salary or Similar Payment to the Bank Management	30.06.2015	30.06.2014
Board	60,757	60,720
Salary	60,757	60,720
Awarding	-	-
Executive body	85,835	86,289
Salary	85,835	86,089
Awarding	-	200
Internal Audit	38,437	37,847
Salary	38,437	37,847
Awarding	-	-
Total	185,029	184,856

Note 32: "Minimum Revelations on Financial Risks"

1)The Bank's own definition of credit risk

The credit risk is the possible danger of delay or non-repayment of the loan, accrued interest or a part of it conditioned by the deterioration of the financial state of the borrower, pledge depreciation and other similar reasons.

2) The methods of measurement and assessment of credit risk

A loan risk assessment and management methodology has been elaborated at the bank, which gives a possibility to assess the risks connected with the loan based on the calculation results of the relevant model. By simultaneous consideration of mathematical and economic arguments the credit risks assessment model provides a complex risk assessment approach, resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables. During the preliminary analysis of the borrower's creditworthiness the bank finds out the potential borrower's conformity to the general criteria set forth by its credit policy and if the outcome is positive a scrupulous analysis of factors of creditworthiness is made.

3) Description of models (if available).

In addition to the above mentioned methodology, the Bank applies the "stress test" method, that envisages calculation of the Bank's losses in case of occurrence of various considered shock scenes.

When applying "stress tests", a number of scenarios concerning the risk are being examined and in case of each scenario losses of the Bank are calculated through the relevant method. For the loan risk assessment the following shock scenarios are applied:

1. Written-off of the classified loans to the extent of X%,
2. Classification of Y% of doubtful loans to bad loans,
3. Classification of Z% of standard loans to watchlist,
4. Classification of U% foreign currency standard loans to watchlist,
5. The fact of the loan becoming bad as a result of major borrower's bankruptcy,
6. Classification of K% of total loans to bad loans,
7. Transformation of L% of post-balance sheet conditional liabilities and post-balance sheet term operations into balance sheet items,
8. The scene of simultaneous occurrence of the first (except those classified as doubtful), second, third and seventh scenes.

where the parameters of X,Y,Z,K scenes are (figures from 1-100).

As a result of the application of stress tests, the impact of the mentioned shock situations on the minimum size of the Bank's general capital adequacy standard (N1) is calculated, the possibilities and sizes of breach of those standards, the size of surplus amount transferable to reserve fund are assessed.

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios (for different values of each scenario parameter) which are used for the purpose of analysis of possible scenarios drafted on the basis of previous period data. The analysis of more possible scenarios enables to assess the riskness of loan portfolio undertake measures for the insurance of the minimum level of risk. The analysis of the written-off scenarios of a certain percent of doubtful, standard, and general loans classified on the basis of the minimum size of the Bank's equity and adequacy standards include determination of critical points of breach of a standard which enables to assess the probability (risk) of a breach of a standard on the given date.

4) Determination of the allowable level of loan risk: quantitative analysis and assessment of risk

While generating its loan portfolio, the Bank records and tabulates statistics on centralization of certain types of loans:

- V per sectors of economy,
- V per regions,
- V per a single Borrower and related Parties,
- V per a single Borrower and related Parties,
- V per pledge, etc.

5) Loan risk regulation, works performed on mitigation and elimination of credit risk impact

The loan policy adopted by the Bank pursues a goal to maximize the efficiency of allocation of attracted funds as loan providing relevant liquidity and risk diversification under conditions of necessary profitability.

The Bank's loan risk management is performed via procedures regulating this process that set forth the criteria of assessment of the borrower's creditworthiness presented to the borrower, assessment of loan security level, analysis of pledge disposal, restrictions on extension of large loans, forecast of external environmental changes, credit monitoring, control, supervision, etc.

31.03.2015

Thousand AMD

<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>
<i>Assets</i>					
Cash and balances with the CBA	25,062,426				25,062,426
Receivables to banks and other financial institutions	7,338,045	425,937	1,847,983	290,587	9,902,552
Standard bank precious metal bullions and coins	943				943
Loans and advances provided to customers	51,125,139		3,867		51,129,006
Available-for-sale securities	262,303		1,953		264,256
Investments in the chartered capital of controlled entities	-				-
Securities pledged under repurchase agreement	7,260,156				7,260,156
Other assets	38,029				38,029
<i>Total assets</i>	91,087,041	425,937	1,853,803	290,587	93,657,368
Off-balance sheet items containing credit risks	4,078,704				4,078,704
<i>Liabilities</i>					
Liabilities to banks and other financial institutions	21,083,247	2,412,215	4,897,540	3,811	28,396,813
Liabilities to customers	53,020,630	265,235	193,861	109,464	53,589,190
<i>Total liabilities</i>	74,103,877	2,677,450	5,091,401	113,275	81,986,003
<i>Net position</i>	16,983,164	(2,251,513)	(3,237,598)	177,312	11,671,365

31.12.2014

Thousand AMD

<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>
<i>Assets</i>					
Cash and balances with the CBA	20,600,018				20,600,018
Receivables to banks and other financial institutions	2,662,763	611,314	2,384,299	2,499,433	8,157,809
Standard bank precious metal bullions and coins	8,825				8,825
Held for trade financial assets	54,263				54,263
Loans and advances provided to customers	52,057,388				52,057,388
Available-for-sale securities	47,561		1,917		49,478
Investments in the chartered capital of controlled entities	194,991				194,991
Securities pledged under repurchase agreement	6,118,812				6,118,812
Other assets	34,711				34,711
<i>Total assets</i>	81,779,332	611,314	2,386,216	2,499,433	87,276,295
Off-balance sheet items containing credit risks	4,876,308				4,876,308
<i>Liabilities</i>					
Liabilities to banks and other financial institutions	14,331,303	2,481,046	5,431,767	66,547	22,310,663
Liabilities to customers	56,383,998	834,933	185,794	124,207	57,528,932
<i>Total liabilities</i>	70,715,301	3,315,979	5,617,561	190,754	79,839,595
<i>Net position</i>	11,064,031	(2,704,665)	(3,231,345)	2,308,679	7,436,700

Loans allocated in the territory of RA per RA regions:

Thousand AMD

RA regions	30.06.2015	31.12.2014
Yerevan	38,146,193	39,354,305
Ararat	788,926	499,801
Armavir	1,444,277	1,534,102
Kotayk	2,254,229	2,353,879
Shirak	1,160,503	1,143,281
Lori	1,285,748	1,206,497
Aragatsotn	3,489,634	3,524,081
Syuniq	1,191,603	1,106,666
Tavush	310,020	300,262
Gegharquniq	483,476	483,229
Vayots Dzor	452,503	433,910
Artsakh	121,894	117,374
Total	51,129,006	52,057,388

Analysis of credit portfolio as per regions and risk level

30.06.2015

Thousand AMD

Assets	Performing Standard/not risky	Non-performing			
		Watched/Risky	Non- standard/Mediu m risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	49,684,641	1,064,579	318,119	57,800	3,480,697
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)	3,867				
Germany	3,867			-	
4. Residents on non-OECD countries					
5. Total	49,688,508	1,064,579	318,119	57,800	3,481,098

31.12.2014

Thousand AMD

Assets	Performing Standard/not risky	Non-performing			
		Watched/Risky	Non- standard/Mediu m risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	51,423,284	419,524	158,586	55,994	3,438,778
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
4. Residents on non-OECD countries (per countries)					
5. Total	51,423,284	419,524	158,586	55,994	3,439,179

Credit Risk Analysis

1-2) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.06.2015 did not exceed 5.82%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.06.2015, loan investments amounted to AMD 51.981.533. Non-performing loans as of 30.06.2015 amounted to AMD 1.720.883. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 2.29, 0.77 and 0.24 percent.

4) The provisioning of loan portfolio corresponds to the requirements of IFRS.

5) The volume of repo transactions (except extensions) effected in the 2nd quarter 2015 was AMD 193.339.706 against AMD 46.033.016 of the same period of the previous year. Reverse repo transactions in the 2nd quarter 2015 amounted to AMD 17.561.990 against AMD 21.924.846 of the same period of the previous year.

6) The lending procedure at "ARMECONOMBANK" OJSC is performed by a dedicated team of employees with excellent professional qualification and work experience. The engagement of employees is made via competitive examination held by a special competition committee. The announcements of competitions are placed in mass media and in the Bank's Website page.

7) On the purpose of rising the efficiency of lending process and mitigation of risks connected with commercial loans, loan officers make careful analysis of the Borrower's performance. On the purpose of analysis the specialist of loan extension unit visit the place where the customer's business is located and not only uses the existing accounting documents, but also elaborates and uses his own versions of balance sheet, income expenses, cash flows, capital movement statements.

The balance sheet compiled by the Bank specialist reflects the situation at the time when the analysis is made cash in the pay desk, bank accounts, savings/ accounts receivables/receivable amounts, goods on transit, prepayments made/ ,good supplies/raw materials, half ready goods, goods, fixed assets/equipments related to customers business activity, cars, real estate and other property/.

The statement of income /expenses is compiled, taking into account the average indicators of customers disposal/average data/, value of goods and services/cost of raw materials, prime cost of goods/, surplus costs/salary, rental fee, transportation expenses, communal expenses, taxes, etc., other income expenses, repayments of extendable loan principal and interest.

During the process of analysis, the following economic ratios and indicators reflecting the financial state of the Borrower are calculated: capital adequacy ratio, liquidity ratio, circulation ratio, surplus, gross margin, net margin limit of allowable decrease of liquidity volumes. The ratio of loan servicing is also calculated separately.

The loan amount is provided only after checking the conformity of the Borrower's financial state with the requirements of the Bank for those ratios set forth by the internal procedures regulating the lending process.

On the purpose of rising the efficiency of lending process, a regular monitoring of provided loans is performed. The monitoring is performed by the Bank's special unit, Loan Monitoring Division. The day-by-day monitoring of loans is made by loan officers in case of necessity.

Two types of monitoring are performed:

1. Monitoring via actual visits,
2. Monitoring by phone calls.

During the process of monitoring the specialists of the loan monitoring division gather information on the following

2. Information on the changes in the Borrower's market position (competitors, price fluctuations, disposal)
3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before the extension of the consecutive installment or the new loan.
4. Changes related to suppliers, consumer structure, and raw material prices.
5. Other ratio describing the financial state of the Borrower.

During the monitoring process, the relevant specialist discovers cases of non-purposful usage of loan or provision of untrue information by the Borrower, the Bank may terminate further lending in case the lending is by installments, or may terminate the Loan Agreement and perform preterm repayment of principal, credit line provided for commercial purposes and accrued interest based on its rights under the Pledge Agreement.

The assessment of pledge is made by a specialized company with a license for assessment. The assessment of property reflects the market situations, taking into account the forecast of property prices.

The loan and pledge agreements signed with the customers contain a provision on mandatory security.

Collection of written-off loans is made by special units of the Bank, jointly with the problematic loan division and security department.

8) Lending process at "ARMECONOMBAK" OJSC includes all relevant impetus for the detection of credit risks.

Credit risk management at the Bank is performed by the following main procedures:

1. prudential discovery process of lending object,
2. collection of standard portfolio of loan documentation,
3. loan monitoring,
4. problematic loan repayment process.

As result of the above mentioned processes, the following data are discovered and assessed: Borrower's competency, loan purpose, Borrower's creditworthiness and loan repayment sources, risks connected with the Borrower's related parties, Borrower's loan history, experience of entrepreneurial activities, market position, conformity of the pledge object.

The business activity of the customers' finances by the Bank is in many cases interconnected, which enables the Bank to check the correctness of the information presented by the customer comparing that information with the information by another bank customer who acts as a supplier, buyer or competitor of the first.

Thousand
AMD

Indicators	Amount	Indicators	Amount	Correlation
31.12.14				
Non-performing loans	791,284	Total loans	52,057,388	1.5%
30.06.15				
Non-performing loans	1,720,883	Total loans	51,129,006	3.4%
31.12.14				
Provisions for non-performing loans	157,180	Total capital	11,071,015	1.4%
30.06.15				
Provisions for non-performing loans	280,387	Total capital	10,623,305	2.6%
31.12.14				
Reserve for loans	736,559	Total loans	52,057,388	1.4%
30.06.15				
Reserve for loans	852,527	Total loans	51,129,006	1.7%
31.12.14				
Possible loss provisions	735,009	Non-performing loans	791,284	92.9%
30.06.15				
Possible loss provisions	852,527	Non-performing loans	1,720,883	49.5%
31.12.14				
Write-offs-Reimbursements	-14,736	Average total loans	45,199,915	0.0%
30.06.15				
Write-offs-Reimbursements	-118,349	Average total loans	48,832,128	-0.2%
31.12.14				
Reimbursements	103,929	Loan losses	- 14,736	-705.3%
30.06.15				
Reimbursements	46,638	Loan losses	- 118,349	-39.4%
31.12.14				
Profit coverage ratio = (net operational income+provisioning expenses)	1,152,089	Net loan loss	-14,736	-7818.2%
30.06.15				
Profit coverage ratio = (net operational income+provisioning expenses)	144,948	Net loan loss	-118,349	-122.5%
31.12.14				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,253,290	Loan investments	52,057,388	8.2%
30.06.15				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,046,253	Loan investments	51,129,006	4.0%
31.12.14				
Major borrowings	16,405,341	Capital	11,071,015	148.2%
30.06.15				
Major borrowings	16,894,786	Capital	10,623,305	159.0%

The analysis of the Bank's foreign currency risk according to financial assets and liabilities:

30.06.2015

Thousand AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	11,914,395	12,405,462	742,569	25,062,426
Bank standardized bullions of precious metals and coins	443	500	-	943
Receivables to banks and other financial institutions	4,486,633	5,040,539	375,380	9,902,552
Held for trading financial instruments	1,766			1,766
Loans and advances provided to customers	25,249,311	25,879,695		51,129,006
Available-for-sale financial assets	264,256			264,256
Investments in the chartered capital of controlled entities				-
Securities pledged under repo agreements	7,260,157			7,260,157
Other assets	31,229	6,779	21	38,029
Total assets	49,208,190	43,332,975	1,117,970	93,659,135
Liabilities				
Liabilities to banks and other financial institutions	18,082,199	10,291,893	22,721	28,396,813
Liabilities to customers	21,253,700	31,708,564	626,926	53,589,190
Subordinate borrowing	2,721,748	1,662,895		4,384,643
Held for trading financial liabilities		-		-
Liabilities on current taxes				-
Amounts payable	215,465			215,465
Deferred tax liabilities				-
Other liabilities	1,183,097	21,984	21,101	1,226,182
Total liabilities	43,456,209	43,685,336	670,748	83,427,650
Net position	5,751,981	(352,361)	447,222	5,846,842

31.12.2014

Thousand AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	10,929,663	9,094,462	575,893	20,600,018
Bank standardized bullions of precious metals and coins	443	8,382	-	8,825
Receivables to banks and other financial institutions	1,642,645	5,751,538	763,630	8,157,813
Held for trading financial instruments	54,263	-	-	54,263
Loans and advances provided to customers	29,150,426	22,944,267	-	52,094,693
Available-for-sale financial assets	49,478	-	-	49,478
Investments in the chartered capital of controlled entities	227,439			227,439
Securities pledged under repo agreements	6,118,812			6,118,812
Other assets	19,949	14,744	18	34,711
Total assets	48,193,118	37,813,393	1,339,541	87,346,052
Liabilities				
Liabilities to banks and other financial institutions	14,123,061	8,143,012	44,590	22,310,663
Liabilities to customers	24,639,929	32,388,828	500,175	57,528,932
Held for trading financial liabilities	19,659	-	-	19,659
Liabilities on current taxes	116,061			116,061
Amounts payable	52,781			52,781
Deferred tax liabilities	-			-
Other liabilities	645,451	44,412	126,189	816,052
Total liabilities	39,596,942	40,576,252	670,954	80,844,148
Net position	8,596,176	(2,762,859)	668,587	6,501,904

* "I group foreign currency" comprises the following currencies : USD,GBP,EUR,CHF standardizez gold bullions and metal account.

** "II group foreign currency" comprises: RUR, GEL,CNY and AED.

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of misbalance shows that the average accumulated misbalance of the 2nd quarter of 2015 (accumulated gap of the sensitive assets and liabilities against the interest rate) is negative forming AMD -1,479,478.0 thousand against AMD -2,037,421.0 thousand of the same period of the previous year by decreasing in absolute value by AMD 557,943.0 or 27.4%, that is in average the Bank was sensitive to liabilities in the 2nd quarter of 2015. In the 2nd quarter of 2015, the average accumulated misbalance has increased in absolute value by AMD 534,652.0 thousand or 56.6% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2nd quarter of 2015 has increased by 1.3%, forming 97.9% against 96.6% average value of the 2nd quarter of 2014, that is in 2nd quarter of 2015 the assets sensitive to interest rate changes have formed 97.9% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 2nd quarter 2015 was 1.142 year (against the 0.761 year as of the 2nd quarter of 2014) as it increased by 0.384 year or by 50.1% as compared with the end of the previous quarter (1.20 year) the mentioned indicator has decreased by 0.058 year or 4.8%.

The duration of liabilities as of the end of the 2nd quarter of 2015 was 0.470 year (against 0.463 year of the 2nd quarter of 2014) increasing by 0.007 year or 1.5%. In correlation with the end of the previous quarter (0.379) the indicator has increased by 0.091 year or 24.0%.

The duartion gap as of the end of the 2nd quarter of 2015 was 0.698 (against 0.342 of the 2nd quarter of 2014) increasing by 0.356 or more than 2.04 times. In correlation with the previous quarter (0.845) the indicator has decreased by 0.147 or 17.4%.

Assets and Liabilities with changing interest rates
30.06.2015

Thousand AMD

Item	up to 1 month		1-3 months		3-6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Facilities placed												
Loans and advances provided to customers												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
loans				1,252,441		1,973,022		113,820		227,642		
Total	-	-	-	1,252,441	-	1,973,022	-	113,820	-	227,642	-	-
Net position	-	-	-	(1,252,441)	-	(1,973,022)	-	-113,820	-	(227,642)	-	-

31.12.2014

Item	up to 1 month		1-3 months		3-6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Facilities placed												
Receivables to banks and other financial institutions												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
loans				1,773,711		1,928,705		243,763				
Total	-	-	-	1,773,711	-	1,928,705	-	243,763	-	-	-	-
Net position	-	-	-	(1,773,711)	-	(1,928,705)	-	-243,763	-	-	-	-

The average interest rates applicable for interest-bearing assets and liabilities as of the end of accounting and previous periods are presented below.

Item	Interest rates of accounting period 30.06.2015		Interest rates of previous period 31.12.2014	
	AMD	foreign currency	AMD	foreign currency
Assets				
Balance at CBA			-	-
Receivables to banks and other financial institutions, including:				
	13.08	1.75	24.54	4.69
Interbank loans	0.00	1.75	0.00	4.69
Interbank repo	13.03	0.00	26.70	0.00
Loans and advances provided to customers				
	19.43	13.77	20.45	12.80
Held for trading and available for sale securities				
	14.37		14.33	
Liabilities				
Liabilities to banks and other financial institutions				
	10.63	5.89	17.60	5.53
Liabilities to customers	5.89	4.76	4.12	4.69

Foreign Currency Risk

Foreign currency risk is the maximum loss from revaluation arising from exchange rate fluctuation, assessed per separate currencies, as well as for the whole portfolio (hereinafter, portfolio) in the Bank's foreign currency assets and liabilities.

On the purpose of measurement and assessment of foreign currency risk, the VAR (Value at Risk) method (model) accepted in the International practice is used, on the basis of which the size of the maximum possible losses (with trustiness) is calculated per separate types of foreign currency (foreign currency positions), as well as for the whole portfolio. According to the VAR model, the size of possible maximum loss is calculated on the basis of foreign currency open positions time series describing the interest rate fluctuations. On the basis of one day VARs calculated for the Banks' foreign currency assets and liabilities the values of 10 day VARs are assessed for separate foreign currencies and total portfolio.

The calculation of possible maximum loss gives the bank an opportunity to assess the efficiency of its foreign currency operations, taking into account the level of exposure to risk, manage the foreign currency positions, arising from the size of the possible maximum loss, limiting the volumes of foreign currency positions in case of necessity.

The Bank's foreign currency policy is aimed at efficient management of foreign currency positions and is paralleled with justified risk level and is calculated in accordance with foreign currency risk calculation standard methodology during the calculation of standards.

Interest Rate Risk

Interest rate risk is the possibility of negative impact of changes in the market interest rates on the Bank's net interest income or economic value of capital.

The evaluation of the interest rate risk is made via the application of the "Model of gap in assets and liabilities sensitive to interest rate changes" ("GAP model") and the "Duration model", which enable to assess the impact of interest rate changes on the Bank's net interest income and economic value of capital.

The GAP indicator (gap) is calculated as a difference between the assets and liabilities sensitive to interest rate changes. The calculations are made each month for evaluation of the impact of the interest rate changes on the net interest income during the upcoming 3 months period.

Within the frames of the present model the following suppositions are made:

1. During the period under review the structure and volumes of assets and liabilities remain unchanged. That means that the repaid assets and liabilities are again allocated and attracted but in this case by new interest rate.
2. The review of interest rate is made in the middle point of each period.
3. The interest rates of all assets and liabilities with different maturities change in the same extent that is movement of profitability curves of assets and liabilities occur.

The Bank's sensitivity to the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the correlation of assets and liabilities accumulative gap to assets.

In case of the duration model, the impact of interest rate changes on the economic value of capital is evaluated as of the end of accounting period.

Within the frames of this model durations of the Bank's assets and liabilities portfolio (average weighted maturities) are calculated firstly, then on the basis of the latter the change in economic value of capital, which is the difference of the changes in present values of assets (depending on the interest rate fluctuations) and liabilities (future flows) is calculated. For the evaluation of change in the economic value of capital, the duration gap (DGAP) is calculated which reflects the incongruity level of assets and liabilities durations, that is the incongruity of average weighted terms of assets and liabilities future flows.

The big value of the duration gap indicates a high level of interest rate risk. The preservation of duration gap low level, that is the preservation of close duration values of assets and liabilities, results in interest rate risk hedging (stability of capital economic value against interest rate changes).

The dynamics and fluctuations of changing interest rates are constantly reviewed and the impact of their probable changes on the Bank's assets and liabilities at changing interest rates is assessed.

On the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk. Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of attractable and distributable funds.

Price Risk

Price risk is the danger for the Bank to incur due to unfavorable changes in the market prices of securities conditioned by factors related to general fluctuations of market prices of securities under the circulation in the market, as well as factors related to given security and its issuer (in the conditions of long or short position presence for the present capital instrument).

Possible minimum level of price risk is maintained through the following measures undertaken:

- V Analysis of dynamics of structure, volume and price indicators of financial market and liquidity of separate financial instruments, discovery of the existing tendencies,
- V Assessment of possible losses,
- V Application of hedging instruments,
- V Setting limits on financial instruments (per type of security operation, per dealer, per issuer, stop-loss),
- V Diversification of security portfolio per issuer, sectors, maturities, etc.

Liquidity Risk

1) The Bank's definition of Liquidity Risk

Liquidity is the Bank's possibility of fully and timely repayment of its obligations.

The liquidity risk is the probability that the Bank will not be able to meet its debtors' requirements in time without bearing additional losses which will negatively influence the Bank's profit/capital.

2) Description of the models of assessment and assessment of liquidity risk

For the assessment of liquidity risk the stress test method is used, which envisages the discovery of probability of breaches of liquidity standards of the Bank in case of various shock scenarios considered and calculation of the size of those breaches and maturity gap method, that envisages the calculation of liquidity indicators, by which the assessment of liquidity management quality is made.

When applying the stress tests, a number of scenarios related to the given situation are taken into consideration. During each scenario the sizes of breaches of the Bank's standards are calculated via the relevant method.

The following shock scenarios are applied for the assessment of liquidity risk:

1. Pre-term withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities.
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities)

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of the breaches of the standards gives an opportunity to get accurate assessments of the Bank's liquidity risk through the analysis of the impact of call in of Individuals term deposits and on-demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

The methodology of maturity gaps of assessment of liquidity risk enables to assess and analyze the Bank's liquidity risk, as well as to maintain the satisfactory level of liquidity of the Bank's policy. On this purpose the maturity gaps of the Bank's assets and liabilities are discovered, the liquidity indicators are calculated and the Bank's liquidity management quality is assessed. In the present methodology of liquidity assessment separation of instant, up to 90 days accumulative and general (up to one year) liquidities is made, also time series of liquidity indicators are considered for assessment of the bank liquidity management quality.

3) Determination of the allowable level of liquidity risk - quantitative analysis and assessment of risk

Liquidity Risk Assessment

Over the II quarter of 2015, the instant liquidity indicator and general (up to one year) liquidity indicators and the up to 90 day accumulative liquidity indicator have increased accordingly by 7.46 and 27.8 percent and the total (up to 1 year accumulative) liquidity indicator has decreased by 6.71%.

Accounting Period

30.06.2015

Thousand AMD

Item	Non-performin		Repayment date in						Termless	Total
	Term	Overdue	On-demand	up to 3 months	3- 6 months	6-12 months	1- 5 year	more than 5 year		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			24,792,426	-	-	-	-	-	270,000	25,062,426
Standardized precious metal bullions			943							943
Receivables to banks and other financial institutions			2,415,798	4,793,399	-	2,362,685	-	-	330,670	9,902,552
Financial assets held for commercial purposes			1,766							1,766
Loans and advances provided to customers	1,092,966	62,560	-	7,502,204	5,544,843	5,273,369	25,618,822	6,034,242	-	51,129,006
Securities, including:				7,260,156	-	-			264,256	7,524,412
held for trading										-
available for sale			-						264,256	264,256
held to maturity										-
sold by repo agreements			-	7,260,156						7,260,156
other receivables	-	-	248	37,781	-		-	-		38,029
Contractual receivables**										-
Total	1,092,966	62,560	27,211,181	19,593,540	5,544,843	7,636,054	25,618,822	6,034,242	864,926	93,659,134
Including:										
I group foreign currency	442,261	17,965	14,612,702	3,983,205	3,194,766	4,308,690	12,652,151	4,005,415	115,820	43,332,975
II group foreign currency	-	-	954,733	163,238	-	-	-	-	-	1,117,971
Including:										
By floating interest rate										-
By fixed interest rate	1,092,966	62,560	26,446	18,790,007	5,537,439	7,636,054	25,620,171	6,143,573	-	64,909,216
Non-interest			27,184,735	803,533	7,404	-	(1,349)	(109,331)	864,926	28,749,918
On maturity of liabilities repayment	-	-								-
On maturity of liabilities repayment	-	-	840,610	18,098,489	1,447,461	3,444,936	4,339,433	225,374	510	28,396,813
Liabilities to customers, including:	-	-	25,294,147	9,110,438	5,042,802	11,515,973	2,485,323	139,422	1,085	53,589,190
On-demand deposits			24,762,736	32,686	1,871	-	21,055	-	1,085	24,819,433
Term deposits	-	-	-	7,994,738	5,040,931	11,490,606	2,464,268	139,422	-	27,129,965
Other	-	-	531,407	1,083,014	-	25,367	-	-	-	1,639,788
Held for trade liability										-
Subordinate Borrowings									4,384,643	4,384,643
Liability on current tax										-
Amounts payable			215,465							215,465
Deferred tax liabilities										-
Other liabilities	0	-	570,087	142,781	505,800	7,515	-	-	-	1,226,183
Off-balance sheet contingent liabilities	0	-	-	1,189,174	151,705	1,116,979	1567566	53,280	-	4,078,704
Contractual liabilities										-
Total	-	-	26,920,309	27,351,708	6,996,063	14,968,424	6,824,756	364,796	1,595	83,427,651
Including:										
I group foreign currency	-	-	11,149,655	11,489,724	4,487,611	11,756,536	3,040,093	1,761,717	-	43,685,336
II group foreign currency	-	-	285,345	142,788	174,148	66,604	1,863	-	-	670,748
"Major" liabilities				10,280,541	11,204	28,811	1,983,834			12,304,390
Including:										
Floating interest rate				1,252,441	1,973,022	113,820	227,642			3,566,925
Fixed interest rate	-	-	9,868,128	25,990,846	5,009,966	14,685,460	4,592,225	364,796		60,511,421
Non-interest	-	-	17,052,181	108,421	13,075	169,144	2,004,889	-	1,595	19,349,305
Net liquidity gap	1,092,966	62,560	290,872	(7,758,168)	(1,451,220)	(7,332,370)	18,794,066	5,669,446	863,331	10,231,483
Including:										
I group foreign currency	442,261	17,965	3,463,047	(7,506,519)	(1,292,845)	(7,447,846)	9,612,058	2,243,698	115,820	(352,361)
II group foreign currency	-	-	669,388	20,450	(174,148)	(66,604)	(1,863)		-	447,223
Floating interest rate	-	-	-	(1,252,441)	(1,973,022)	(113,820)	(227,642)		-	(3,566,925)
Fixed interest rate	1,092,966	62,560	(9,841,682)	(7,200,839)	527,473	(7,049,406)	21,027,946	5,778,777		4,397,795
Accumulative liquidity gap	1,092,966	1,155,526	1,446,398	(6,311,770)	(7,762,990)	(15,095,360)	3,698,706	9,368,152	10,231,483	

Previous accounting period

31.12.2014

Thousand AMD

Item	Non-performin		Repayment date in						Termless	Total
	Term	Overdue	On-demand	up to 3 months	3- 6 months	6-12 months	1- 5 year	more than 5 year		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA	-	-	19,330,019	-	-	-	-	-	1,270,000	20,600,019
Standardized precious metal bullions			8,825							8,825
Receivables to banks and other financial institutions	0	0	3,106,199	4,721,539	-	9	-	-	330,066	8,157,813
Financial assets held for commercial purposes			54,263							54,263
Loans and advances provided to customers	399,874	29,509		7,889,731	7,108,072	5,712,295	25,055,489	5,899,723	-	52,094,693
Securities, including:				104,696	-	60,014	2,315,930	3,638,171	276,918	6,395,729
held-for-trade										-
available-for-sale				-					276,918	276,918
held-to-maturity										-
sold by repo agreements				-	104,696	-	60,014	2,315,930	3,638,171	-
Other receivables				34,711						34,711
Contractual receivables **										-
Total	399,874	29,509	22,499,306	12,750,677	7,108,072	5,772,318	27,371,419	9,537,894	1,876,984	87,346,053
including:										
I group foreign currency	65,226	6,370	11,996,622	5,238,380	4,765,853	2,361,557	10,000,185	3,379,200		37,813,393
II group foreign currency	-	-	938,858	400,683	-	-	-	-	-	1,339,541
including:										
Floating interest rate										-
Fixed interest rate	399,874	29,509	63,099	11,854,760	7,108,072	5,772,318	27,371,419	9,537,894	1,876,984	64,013,929
Non-interest	-	-	22,436,207	895,917						23,332,124
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	7,631,777	3,228,435	1,629,641	4,875,149	4,689,878	255,287	500	22,310,667
Liabilities to customers	-	-	27,800,555	10,386,932	6,692,719	11,481,216	1,014,745	151,513	1,253	57,528,933
On-demand deposits	-	-	26,574,457	36,876	12,762	2,246	21,055	-	1,253	26,648,649
- Term deposits	-	-	4,039	10,350,056	6,679,957	9,732,040	993,690	151,513		27,911,295
- Other	-	-	1,222,059			1,746,930				2,968,989
Liability held for trade			19,659							19,659
Liability on current taxes						116,061				116,061
Amounts payable			52,781							52,781
Deferred tax liabilities										-
Other liabilities	-	-	641,651	171,460	636	2,289				816,036
Off-balance sheet contingent liabilities	-	-	-	221,670	110,653	2,047,293	1,607,145	75,206	9,499	4,071,466
Contractual liabilities										-
Total	-	-	36,146,423	13,786,827	8,322,996	16,474,715	5,704,623	406,800	1,753	80,844,137
including:										
I group foreign currency	-	-	10,294,267	10,320,998	5,687,137	12,915,449	1,243,472	114,929		40,576,252
II group foreign currency	0	0	394,813	80,981	26,616	165,761	2,784	-	-	670,955
"Major" liabilities			4,649,772	7,284,368	301,105	30,227	2,017,090			14,282,562
including:										
Floating interest rate				1,773,711	1,928,705	243,763				3,946,179
Fixed interest rate	0	0	12,811,784	11,804,470	6,380,901	14,479,487	5,683,568	406,800	-	51,567,010
Non-interest	-	-	23,334,639	208,646	13,390	1,751,465	21,055		1,753	25,330,948
Net liquidity gap	399,874	29,509	(13,647,117)	(1,036,150)	(1,214,924)	(10,702,397)	21,666,796	9,131,094	1,875,231	6,501,916
including:										
I group foreign currency	65,226	6,370	1,702,355	(5,082,618)	(921,284)	(10,553,892)	8,756,713	3,264,271	-	(2,762,859)
II group foreign currency	-	-	544,045	319,702	(26,616)	(165,761)	(2,784)		-	668,586
Floating interest rate	-	-	-	(1,773,711)	(1,928,705)	(243,763)	-	-	-	(3,946,179)
Fixed interest rate	399,874	29,509	(12,748,685)	50,290	727,171	(8,707,169)	21,687,851	9,131,094	1,876,984	12,446,919
Accumulative liquidity gap	399,874	429,383	(13,217,734)	(14,253,884)	(15,468,808)	(26,171,205)	(4,504,409)	4,626,685	6,501,916	

Note 33: "Capital and Capital Adequacy Ratio"

The Bank does not have defined internal requirements for the capital level. The Central Bank of RA set forth a 12% capital adequacy ratio to risk weighted assets for all Armenian banks. The Central bank of Armenia has also defined a minimum amount for total capital forming AMD 5bn. During the accounting period, the Bank has met the established standard requirements on the capital level.

We present the structure of balance sheet capital:

	Thousand AMD	
	30.06.2015	31.12.2014
Chartered capital	2,333,338	2,333,338
Reserves:	6,059,051	5,665,843
Main reserve	6,000,000	5,405,133
Revaluation reserve	59,051	260,710
Undistributed profit/loss	2,211,500	3,105,129
Total capital	10,603,889	11,104,310

We hereby present the core and general capitals applied for calculation of the main prudential standards defined by the CBA and the capital adequacy indicators per months during the accounting period, with their comparison with the standard requirements.

Thousand AMD

2015.0	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,961,578	315,720	9,277,298	64,010,658	1,100,894	12.68	12
February	8,850,801	317,154	9,167,955	63,430,008	1,031,514	12.73	12
March	8,834,583	566,517	9,401,100	63,851,005	923,726	13.14	12
April	8,861,599	2,881,854	11,743,453	63,430,662	904,915	16.55	12
May	8,690,543	4,339,342	13,029,885	65,375,536	905,698	17.87	12
June	8,543,774	4,271,887	12,815,661	66,343,559	1,013,455	17.14	12

Thousand AMD

2014.0	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,240,862	1,046,908	9,287,770	53,052,950	1,118,598	14.89	12
February	7,905,841	983,126	8,888,967	53,826,057	1,103,906	14.10	12
March	7,834,785	826,813	8,661,598	55,481,270	1,067,818	13.45	12
April	7,965,916	883,500	8,849,416	57,029,273	1,104,906	13.36	12
May	7,857,777	943,233	8,801,010	56,716,308	1,101,716	13.36	12
June	7,996,041	935,523	8,931,564	57,068,163	1,114,029	13.46	12
July	8,084,207	880,048	8,964,255	59,237,113	1,119,714	13.07	12
August	8,172,644	870,684	9,043,328	60,133,106	1,104,177	13.04	12
September	8,302,696	897,073	9,199,769	60,896,835	1,080,444	13.16	12
October	8,423,559	1,031,867	9,455,426	62,589,111	1,110,873	13.16	12
November	8,424,647	1,073,194	9,497,841	64,545,616	1,104,644	12.88	12
December	8,957,704	338,037	9,295,741	65,080,651	1,005,343	12.65	12

Thousand AMD

	Involved in calculation standards						
2015.0	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,961,578	315,720	9,277,298	64,010,658	1,100,894	12.68	12
February	8,850,801	317,154	9,167,955	63,430,008	1,031,514	12.73	12
March	8,834,583	566,517	9,401,100	63,851,005	923,726	13.14	12
April	8,861,599	2,881,854	11,743,453	63,430,662	904,915	16.55	12
May	8,690,543	4,339,342	13,029,885	65,375,536	905,698	17.87	12
June	8,543,774	4,271,887	12,815,661	66,343,559	1,013,455	17.14	12

Thousand AMD

	Involved in calculation standards						
2014.0	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,240,862	1,046,908	9,287,770	53,052,950	1,118,598	14.89	12
February	7,905,841	983,126	8,888,967	53,826,057	1,103,906	14.10	12
March	7,834,785	826,813	8,661,598	55,481,270	1,067,818	13.45	12
April	7,965,916	883,500	8,849,416	57,029,273	1,104,906	13.36	12
May	7,857,777	943,233	8,801,010	56,716,308	1,101,716	13.36	12
June	7,996,041	935,523	8,931,564	57,068,163	1,114,029	13.46	12
July	8,084,207	880,048	8,964,255	59,237,113	1,119,714	13.07	12
August	8,172,644	870,684	9,043,328	60,133,106	1,104,177	13.04	12
September	8,302,696	897,073	9,199,769	60,896,835	1,080,444	13.16	12
October	8,423,559	1,031,867	9,455,426	62,589,111	1,110,873	13.16	12
November	8,424,647	1,073,194	9,497,841	64,545,616	1,104,644	12.88	12
December	8,957,704	338,037	9,295,741	65,080,651	1,005,343	12.65	12

We hereby present the weight of risks of assets and off-balance sheet contingent liabilities, incomplete term operations as of the end of current and previous accounting periods, per the classes of risk weights under Charter 2 approved by the Board of CBA.

Thousand AMD

As of 30.06.2015				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	39,221,733			-
10%	4,132,961			413,296
20%	1,212,206			242,441
30%	1,878,298			563,489
50%	2,020,346	16		1,010,181
75%	6,379,184	91,211		4,852,796
100%	22,092,929	348,186	1,140	22,442,255
110%	305,720	34,874		374,653.40
150%	23,309,534	941,044	158,540	36,613,677
Ընդամենը	100,552,911			66,512,789

Thousand AMD

As of 31.12.2014				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	31,358,342			-
10%	1,580,518			158,052
20%	1,531,625			306,325
30%	1,719,379			515,814
50%	2,309,211	15		1,154,613
75%	8,743,185	149,603		6,669,591
100%	25,902,212	343,793		26,246,005
110%	130,126	33,066		179,511.20
150%	19,043,406	861,537		29,857,415
Ընդամենը	92,318,004	1,388,014		65,087,325

Note 34: "Real Value of Financial Assets and Liabilities"

We hereby present explanations on the assessed real value of Financial Instruments given in accordance with the requirements of IFRS 32 on "Revelation and Presentation of Financial Instruments".

The real value of Financial Instruments is the amount by which the asset may be exchanged or the liability may be repaid by well-informed and willing parties during "extended hand distance "deal.

The real values of RA Government T-Bills and the Central Bank of Armenia securities are determined on the basis of market quotations.

As of 30.06.2015 the following methods and assessments were used by the Bank during the evaluation of real value of each class of financial instrument.

Cash and Balances with the CBA

The balance sheet value of these short-term instruments exactly reflects their real value.

Loans and advances provided to customers, receivables to banks and other financial institutions.

The real value of the loan portfolio depends on the credit and interest rate peculiarities of separate loans included in each class of loans that form the loan portfolio. The assessment of loan loss provision considers risks characteristic of classes of loans, depending on such factors, as the state of the sector of economy in which each borrower is engaged, financial state of each borrower and purchased guarantees. Therefore, the loan loss provision is the exact assessment of size that reflects the influence of the loan risk.

Resources attracted from banks and other financial institutions

The balance sheet value is close to the real value.

Customer deposits and bank accounts

The balance sheet value is close to the real value.

As of 30.06.2015, the Bank had no financial assets accounted for by the amount exceeding their real values.

Note 35: "Hedging of Envisaged Future Transactions"

There are no data available for this note in the accounting and previous periods.

Note 36: "De-recognition"

There are no data available for this note in the accounting and previous periods.

Note 37: "Pledged Assets"

As of 30.06.2015 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.06.2015 there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

We hereby present the assets and warrantees accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

Thousand AMD

Collateral type	30.06.2015		31.12.2014	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	22,089,108	97,186,350	21,856,511	88,874,550
Car	4,342,703	14,931,175	4,808,107	14,707,935
Equipment	91,754	278,500	153,205	356,433
Ready made products	419,237	1,139,045	540,929	1,108,045
Guarantee	15,036,067	64,909,910	13,853,270	55,923,304
Monetary funds	682,736	1,640,905	707,627	1,029,181
Gold items	6,274,615	7,376,581	5,665,566	6,379,519
Standard golds	8,175	15,331	28,701	38,741
State securities				
Securities issued by the CBA	-	-	-	-
Other securities	-	-	-	-
Other pledge	11,458	48,647	3,081	12,988
No collateral available	3,025,682		5,176,950	
Total	51,981,535	187,526,444	52,793,947	168,430,696

Note 39: "Non-performance/Breach of Liabilities"

There are no data available for this note for the accounting and previous periods.

Chairman of the Executive Board

A.Naljyan

Chief Accountant

D.Azatyan

Approval date: 20.07.2015