

Interim Report  
on Financial Position  
31.12.2015

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 fiscal year (audited)
<b>1</b>	<b>Assets</b>			
1.1	Cash and balances with the CBA	13	28,412,405	20,600,018
1.2	Bank standardized bullions of precious metals and memorial coins		476	8,825
1.3	Claims to banks and other financial institutions	14	7,460,604	8,157,809
1.4	Financial assets held for commercial purposes	15		54,263
1.5	Loans and advances to customers	16	59,220,140	52,057,388
1.6	Financial assets available for sale	17	338,213	49,478
1.6.1	Securities pledged under repurchase agreements	17.1	8,527,788	6,118,811
1.7	Prepayment on profit tax		103,720	
1.8	Investment in the chartered capital of the controlled entities	19		194,991
1.10	Fixed assets	20	4,133,786	4,041,033
1.10.1	Intangible assets	20	83,116	95,021
1.11	Deferred tax assets	11	88,832	35,921
1.12	Other assets	21	423,135	505,453
	<b>Total assets</b>		<b>108,792,215</b>	<b>91,919,011</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	28,903,600	22,310,663
2.2	Liabilities to customers	23	61,978,762	57,528,932
2.3	Subordinate borrowing	23.1	4,425,604	
2.4	Liabilities for current taxes			107,722
2.6	Liabilities held for commercial purposes	25	693	19,659
2.7	Amounts payable	26	70,065	52,781
2.9	Other liabilities	27	2,380,197	828,239
	<b>Total liabilities</b>		<b>97,758,921</b>	<b>80,847,996</b>
<b>3</b>	<b>Capital</b>			
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		19,090	262,264

3.4	Undistributed profit/loss		2,680,866	3,070,280
	<b>Total capital</b>		<b>11,033,294</b>	<b>11,071,015</b>
	<b>Total liabilities and capital</b>		<b>108,792,215</b>	<b>91,919,011</b>

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyanyan

Approval date: 14.01.2016

Interim Report  
on the Cash Flows  
31.12.2015

ARMECONOMBANK OJSC 23/1 Amiryan Str., Yerevan

Thousand AMD

Name	Note	Accounting period (unaudited )	Previous period (unaudited )
<b>1. Cash flows from operations</b>			
<b><i>Net cash flows before changes in operational assets and liabilities</i></b>		<b>1,406,084</b>	<b>1,658,230</b>
Interest received		9,345,327	8,102,988
Interest paid		(5,270,327)	(4,075,910)
Fees earned		1,782,680	1,913,554
Fees paid		(333,706)	(347,364)
Gain/loss from financial assets held for commercial purposes		(12,905)	(21,450)
Gain/loss from forex operations		768,188	958,728
Recovery of previously written-off assets		242,609	58,971
Paid salaries and similar payments		(3,316,055)	(3,290,080)
Other income received from operations and other expenses paid		(1,799,727)	(1,641,207)
<b><i>Cash flows from changes in operational assets and liabilities</i></b>			
<b>Decrease/increase in operational assets</b>		<b>(10,204,841)</b>	<b>(9,162,700)</b>
claims to financial institutions		(697,559)	(1,307,339)
loans and advances to customers		(8,003,530)	(7,732,345)
Increase/decrease in securities held for commercial purposes and available for sale		(2,744,205)	42,514
Other operational assets		1,240,453	(165,530)
<b>Increase/decrease of operational liabilities</b>		<b>9,072,373</b>	<b>12,505,633</b>
liabilities to financial institutions		4,513,396	2,524,149
liabilities to customers		5,297,932	8,791,895
decrease of other operational liabilities		(738,955)	1,189,588
<b>Net cash flows from operations before profit tax</b>		<b>273,616</b>	<b>5,001,163</b>
Profit tax paid		(349,676)	(358,017)
<b>Net cash flows from operations</b>		<b>(76,060)</b>	<b>4,643,146</b>

<b>2. Cash flows from investments (decrease)</b>			
Investments in chartered capitals of other parties			50,000
Capital investments in fixed assets and intangible assets		(234,194)	(259,126)
Acquisition of fixed assets and intangible assets		(316,950)	(556,255)
Disposal of fixed assets and intangible assets		46,102	22,914
Net cash flows from investment operations		(1,145,316)	
<b>Cash flows from financial operations</b>		<b>(1,650,358)</b>	<b>(742,467)</b>
<b>3. Cash flows from financial operations</b>			
Dividends paid		(147,063)	(2,007)
Increase/decrease of borrowings from the Central Bank of Armenia		348,459	(62,168)
Increase/decrease of borrowings from banks		1,631,773	1,129,858
Increase/decrease of other borrowings		4,623,314	(898,880)
Net cash flows from other financial operations		1,145,316	-
<b>Net cash flows from financial operations</b>		<b>7,601,799</b>	<b>166,803</b>
Impact of exchange rate change on cash and its equivalents		(317,127)	420,233
<b>Net increase/decrease of cash and its equivalents</b>		<b>5,875,381</b>	<b>4,067,482</b>
Cash and equivalents at the beginning of the period	13_2	<b>22,354,455</b>	<b>17,866,740</b>
Cash and its equivalents at the end of the period	13_2	<b>27,912,709</b>	<b>22,354,454</b>

Interim Report  
on Financial Results  
31.12.2015

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	2,673,778	9,714,369	2,600,637	8,342,890
Interest and similar expenses	3	(1,369,992)	(5,368,543)	(1,118,459)	(4,093,529)
<b>Net interest and similar income</b>		<b>1,303,786</b>	<b>4,345,826</b>	<b>1,482,178</b>	<b>4,249,361</b>
Income as commissions and other fees	4	410,218	1,461,391	205,109	1,509,595
Expenses as commissions and other fees	4	(86,427)	(319,575)	(86,540)	(335,459)
<b>Net commissions and other fees</b>		<b>323,791</b>	<b>1,141,816</b>	<b>118,569</b>	<b>1,174,135</b>
Interest income		-	292	-	15
Net commercial income	5	213,880	702,436	386,459	1,086,373
Other operational income	6	139,708	390,630	82,126	<b>277,841</b>
<b>Operational income</b>		<b>1,981,165</b>	<b>6,581,000</b>	<b>2,069,332</b>	<b>6,787,726</b>
Net allocations to possible asset loss provisions	7	(59,383)	(309,077)	263,612	40,093
Total administrative expenses	8	(1,272,212)	(4,519,114)	(1,320,710)	(4,502,517)
Other operational expenses	9	(375,699)	(1,247,985)	(341,177)	(1,179,745)
<b>Operational profit</b>		<b>273,871</b>	<b>504,824</b>	<b>671,057</b>	<b>1,145,557</b>
Profit/loss from associated company	10	(0)	9,694	(32,052)	(49,552)
<b>Profit/loss before taxation</b>		<b>273,871</b>	<b>514,518</b>	<b>639,004</b>	<b>1,096,004</b>
Profit tax expenses (compensation)	11	(105,032)	(145,731)	(146,825)	(279,208)
<b>Profit for period</b>		<b>168,839</b>	<b>368,787</b>	<b>492,179</b>	<b>816,796</b>

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyan

Approval date: 14.01.2016

Interim Report  
on Other Comprehensive Financial Results  
31.12.2015  
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
<b>Other comprehensive financial result</b>					
Revaluations of financial assets available for sale		(49,766)	(302,024)	(879,401)	(796,283)
Profit tax on other comprehensive income		9,953	60,405	4,226	(12,398)
Revaluations of associated company's financial assets available for sale		-	(1,555)	(576)	(649)
Other comprehensive financial result after taxation		(39,813)	(243,174)	(875,751)	(809,330)
<b>Comprehensive financial result</b>		<b>129,026</b>	<b>125,613</b>	<b>(661,396)</b>	<b>7,466</b>

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyan

Approval date: 14.01.2016

## Interim Consolidated Report

on Equity Changes

31.12.2015

ARMECONOMBANK OJSC 23/1 Amiryan 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
<b>Comparable current interim period of the previous financial year (ascending from the beginning of the year) ( I table)</b>								
<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
<b>Comprehensive income</b>	-	-	-	-	(809,330)	816,796	7,466	7,466
<i>Balance as of the end of the comparable interim period of the previous financial year 31.12.2014 (audited)</i>	2,333,338	-	2,333,338	5,405,133	262,264	3,070,280	11,071,015	11,071,015
<b>Interim period of the current year (ascending from the beginning of the year) (II table)</b>								
<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.	-	-	-	-	-	-	-	-
<b>Recalculated balance</b>	2,333,338	-	2,333,338	5,405,133	262,264	3,070,280	11,071,015	11,071,015
<b>Comprehensive income</b>	-	-	-	-	(243,174)	368,787	125,613	125,613
<b>Dividends</b>	-	-	-	-	-	(163,334)	(163,334)	(163,334)
<b>Internal turnover, including:</b>								-
Deductions to main reserve				594,867		(594,867)	-	-
<i>Balance as of the end of the comparable interim accounting period 31.12.2015 (unaudited)</i>	2,333,338	-	2,333,338	6,000,000	19,090	2,680,866	11,033,294	11,033,294

Chairman of the Executive Board (CEO)

A.Naljyan

Chief Accountant

D.Azatyanyan

Approval date: 14.01.2016

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

Notes to the interim consolidated reports published in the 4<sup>th</sup>  
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-Treasurer

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 31.12.2015, the Chartered capital is AMD 2,333,338. It includes 933,335 common shares each with AMD 2500 nominal value. The Bank has 1422 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.

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 of Repurchase Agreements.

## **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 subset gently 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

	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
<b>Interest and similar income</b>				
Ineterst income from the Bank's current accounts,deposits and loans allocated in banks and other financial institutions	39,275	156,633	41,944	105,699
Interest income form loans and advances to customers	2,275,276	8,219,769	2,317,859	7,245,268
Interest income from debt securities	280,235	924,037	196,381	791,400
Interest income from REPO agreements	78,983	413,252	44,453	200,269
Other interest income	13	678	-	256
<b>Total</b>	<b>2,673,782</b>	<b>9,714,369</b>	<b>2,600,637</b>	<b>8,342,892</b>
<b>Interest and Similar Expenses</b>				
Interest expenses from the Banks' current accounts deposits and loans allocated from banks and other financial institutions	326,388	1,302,286	293,372	1,096,723
Interest expenses on terms deposits and current accounts of customers	673,345	2,586,112	614,558	2,419,343
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	221,363	1,033,870	193,536	560,472
Interest expenses on subordinate borrowings	135,379	394,836	16,993	16,993
Other interest expenses	13,521	51,439	-	-
<b>Total</b>	<b>1,369,996</b>	<b>5,368,543</b>	<b>1,118,459</b>	<b>4,093,531</b>
<b>Net Interest and Similar Income</b>	<b>1,303,786</b>	<b>4,345,826</b>	<b>1,482,178</b>	<b>4,249,361</b>

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

Thousand  
AMD

Commission and Other Fee Income from:	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
Cashier's operations	46,313	145,758	22,406	146,878
Settlement services	275,104	1,034,203	342,227	1,066,627
Guarantees, warranties letters of credit operations trust management operations	5,018	13,650	2,354	9,205
Foreign currency and security operations	6,971	24,118	4,823	10,796
Payment card servicing	30,262	95,009	60,287	89,169
Other commission fees	46,552	148,653	(226,988)	186,920
<b>Total</b>	<b>410,220</b>	<b>1,461,391</b>	<b>205,109</b>	<b>1,509,595</b>
<b>Commission and Other Fee Expenses:</b>				
Commission fee from correspondent and other accounts	638	2,394	577	2,394
Expenses for payment card operations	38,761	144,307	41,817	137,435
Guarantees, warranties, letter of credit operations, trust management operations	4,844	32,175	6,808	9,988
Foreign currency and security operations	10,329	23,383	14,187	51,183
other commission fees*	31,857	117,316	23,151	134,460
<b>Total</b>	<b>86,429</b>	<b>319,575</b>	<b>86,540</b>	<b>335,460</b>
<b>Net commission and other fees received</b>	<b>323,791</b>	<b>1,141,816</b>	<b>118,569</b>	<b>1,174,135</b>

\* 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

	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
<b>Held-for-trading investments</b>				
Net income from sale/purchase of held-for-trading investments, including:	(963)	(38,083)	(13,090)	(55,616)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	(963)	(38,083)	(13,090)	(55,616)
Net income from changes in real value of available for sale investments	(5,931)	(152,570)	148,438	185,773
<b>Total</b>	<b>(6,894)</b>	<b>(190,653)</b>	<b>135,348</b>	<b>130,157</b>
<b>Available for sale investments</b>	-	-	-	-
Net income from available for sale investments including:	4,201	5,529	15,989	171,291
Shares	-	-	-	-
Debt securities	4,201	5,529	15,989	171,291
Derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	-	-	-
<b>Total</b>	<b>4,201</b>	<b>5,529</b>	<b>15,989</b>	<b>171,291</b>
<b>Foreign currency operations</b>	-	-	-	-
Net income from foreign currency sale/purchase	212,546	768,188	339,143	958,728
Net income from foreign currency revaluation	3,884	117,403	(130,905)	(211,607)
Net income from precious standardized bullions and coins trade	148	1,523	17,642	26,256
Net income from revaluation of precious standardized bullions and coins trade	(5)	446	9,242	11,548
<b>Total</b>	<b>216,573</b>	<b>887,560</b>	<b>235,122</b>	<b>784,925</b>
<b>Net income from commercial operations</b>	<b>213,880</b>	<b>702,436</b>	<b>386,459</b>	<b>1,086,373</b>

Note 6: "Other Operational Income"

Thousand  
AMD

Other operational income	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
Income from penalties and fines	126,651	290,758	69,897	176,364
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	143	(4,625)	(1,692)	(2,665)
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets	-	-	-	-
Other income*	12,914	104,497	13,921	104,142
<b>Total</b>	<b>139,708</b>	<b>390,630</b>	<b>82,126</b>	<b>277,841</b>

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

	01/10/2015- 31/12/2015	01/01/2015- 31/12/2015	01/10/2014- 31/12/2014	01/01/2014- 31/12/2014
<b>Due from banks (Note 14)</b>				
Initial balance	-	23,873	23,873	23,873
Net deductions to reserve		(23,873)		
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	-	-	23,873	23,873
<b>From loans and advances to customers ( Note 14)</b>	<b>01/10/2015- 31/12/2015</b>	<b>01/01/2015- 31/12/2015</b>	<b>01/10/2014- 31/12/2014</b>	<b>01/01/2014- 31/12/2014</b>
Initial balance	3,687	8,506	6,376	3,636
Net deductions to reserve	1,362	(3,457)	2,130	4,870
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	5,049	5,049	8,506	8,506
<b>From loans and advances to customers ( Note 16)</b>	<b>01/10/2015- 31/12/2015</b>	<b>01/01/2015- 31/12/2015</b>	<b>01/10/2014- 31/12/2014</b>	<b>01/01/2014- 31/12/2014</b>
Initial balance	929,200	736,558	972,686	817,445
Net deductions to reserve	57,085	341,029	(260,555)	(66,153)
Return of amounts previously charged to off balance item	102,082	237,938	62,804	103,929
Usage of reserve	(130,877)	(358,035)	(38,377)	(118,663)
Summary balance				

	957,490	957,490	736,558	736,558
<b>On investments (Note17)</b>	<b>01/10/2015-31/12/2015</b>	<b>01/01/2015-31/12/2015</b>	<b>01/10/2014-31/12/2014</b>	<b>01/01/2014-31/12/2014</b>
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
<b>On other assets (Note 21)</b>	<b>01/10/2015-31/12/2015</b>	<b>01/01/2015-31/12/2015</b>	<b>01/10/2014-31/12/2014</b>	<b>01/01/2014-31/12/2014</b>
Initial balance	2,377	3,435	3,582	12,439
Net deductions to reserve	936	(4,622)	(5,187)	21,190
Return of amounts previously charged to off balance item	156	4,671	5,042	12,230
Usage of reserve	(301)	(316)	(1)	(42,423)
Summary balance	3,168	3,168	3,436	3,436
<b>Post-balance sheet items containing loan exposures (note 30)</b>	<b>01/10/2015-31/12/2015</b>	<b>01/01/2015-31/12/2015</b>	<b>01/10/2014-31/12/2014</b>	<b>01/01/2014-31/12/2014</b>
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
<b>Total net deductions to reserves</b>	<b>59,383</b>	<b>309,077</b>	<b>(263,612)</b>	<b>(40,093)</b>

**Note8: Total administrative expenses**Thousand  
AMD

<b>Total administrative expenses</b>	<b>01.10.2015- 31.12.2015</b>	<b>01/01/2015- 31/12/2015</b>	<b>01.10.2014- 31.12.2014</b>	<b>01/01/2014- 31/12/2014</b>
Salary and similar payments	924,958	3,327,749	1,002,159	3,377,304
Allocations to social insurance state fund	390	1,383		
Training and tutorship	140	304	780	2,281
Business trip expenses	16,239	44,700	20,428	52,991
Operational leases expenses	78,817	274,344	61,958	218,957
Insurance costs	22,011	84,999	18,557	69,904
Servicing and maintenance of the Bank's equipment	28,270	74,093	15,847	55,723
Maintenance and safekeeping of Bank buildings	49,887	189,276	53,601	197,200
Audit and consulting services	10,000	15,459	13,124	21,511
Communication and transmission costs	24,025	96,876	23,082	98,934
Transportation costs	27,204	104,177	31,123	107,276
Taxes (except income tax) penalties and other mandatory payments	50,781	198,049	49,712	181,330
Office and organizational expenses	28,299	81,981	18,673	92,210
Lending and recovery expenses	-		3,000	6,000
Other administrative expenses	11,192	25,724	8,666	20,896
<b>Total</b>	<b>1,272,213</b>	<b>4,519,114</b>	<b>1,320,710</b>	<b>4,502,517</b>

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

	<b>01.10.2015- 31.12.2015</b>	<b>01/01/2015- 31/12/2015</b>	<b>01.10.2014- 31.12.2014</b>	<b>01/01/2014- 31/12/2014</b>
Average number of Bank employees	856	865	900	895
Monthly average salary falling to a single employee (thousand AMD)	377	318	363	304

Note 9: "Other Operational Expenses"

Thousand  
AMD

Other operational expenses	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
Paid fines and penalties	87	87	1,000	1,826
Payments made for collection	67,000	258,371	62,500	250,000
Advertising and representative expenses	125,587	284,400	79,369	236,447
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	97,512	387,628	93,436	365,766
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	17,242	67,887	16,230	62,439
Other expenses	68,270	249,612	88,642	263,267
<b>Total</b>	<b>375,698</b>	<b>1,247,985</b>	<b>341,177</b>	<b>1,179,745</b>

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

	01.10.2015- 31.12.2015	01/01/2015- 31/12/2015	01.10.2014- 31.12.2014	01/01/2014- 31/12/2014
Net income from investments in the controlled units				
Income from investments in associated organizations	(0)	9,694	(32,052)	(49,552)

Note 11: "Profit Tax Expenses (Reimbursement)"

Thousand  
AMD

	01.10.2015 31.12.2015	01.01.2015 31.12.2015	01.10.2014 31.12.2014	01.01.2014 31.12.2014
Profit tax expenses				
Current tax expenses	93,631	137,432	155,205	319,355
Corrections of current taxes for the previous period recognized in the current period	805	805		
Deferred tax expenses	10,596	7,494	(8,380)	(40,147)
<b>Total</b>	<b>105,032</b>	<b>145,731</b>	<b>146,825</b>	<b>279,208</b>

Thousand  
AMD

	01.10.2015 31.12.2015	Efficient rate (%)	01.01.2015 31.12.2015	Efficient rate (%)	01.10.2014 31.12.2014	Efficient rate (%)	01.01.2014 31.12.2014	Efficient rate (%)
Profit before taxation	273,867		514,518		639,004		1,096,004	
Profit tax with rate	54,773	20	102,904	20	127,801	20	219,201	20
Corrections of income and expenses for taxation purposes against non temporary differences								
Non-taxable income	(25)	0.01	(525)	0.10	(25)	0.00	(745)	0.07
Non-deductible expenses	61,682	(22.52)	81,749	15.89	(4,656)	(0.73)	26,859	2.45
Unevaluated tax loss		-		-		-		-
Foreign currency negative/positive difference	(776)	(0.28)	(23,570)	4.58	24,332	3.81	40,012	3.65
Verification of tax expenses calculated previous year		-		-		-		-
Other privileges	(10,622)	3.88	(14,827)	2.88	(627)	0.10	(6,119)	0.56
Profit tax expenses	105,032	38.35	145,731	28.32	146,825	22.98	279,208	25.48



Calculation of deferred tax on temporary differences

Thousand  
AMD

	Balance as of the previous period	Recognized by financial results	Recongized by equity	Balance at the accounting period
<b>Deferred tax assets, including:</b>	123,232	6,152	-	129,384
Loans and borrowings to customers	23,616	(638)		22,978
Other liabilities	99,616	6,790		106,406
<b>Deferred tax liabilities, including:</b>	<b>(87,311)</b>	<b>(13,646)</b>	<b>60,405</b>	<b>(40,552)</b>
Available for sale securities	(64,261)		60,405	(3,856)
Fixed assets	(4,703)	(6,512)		(11,215)
Contingent liabilities	(8,143)	(2,862)		(11,005)
Claims to banks and other fianancial institutions	(10,204)	(4,272)		(14,476)
<b>Net deferred tax asset/liability</b>	<b>35,921</b>	<b>(7,494)</b>	<b>60,405</b>	<b>88,832</b>

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

Thousand AMD

<b>Basic Profit Falling to a Single Share</b>	<b>01.10.2015-31.12.2015</b>	<b>01/01/2015-31/12/2015</b>	<b>01.10.2014-31.12.2014</b>	<b>01/01/2014-31/12/2014</b>
Net profit of the accounting period after taxation	168,839	368,787	492,179	816,796
Dividends on preferential shares calculated for the current accounting period				
Net gains/losses of given period referring to owners of common shares	168,839	368,787	492,179	816,796
Net weighted average number of common shares in circulation during the given period	933,335	933,335	933,335	933,335
<b>Basic profit falling to a single share</b>	<b>0.18</b>	<b>0.40</b>	<b>0.53</b>	<b>0.88</b>

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

<b>Cash, cash equivalents and balances with the CBA</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Cash monetary funds	5,458,077	4,406,731
Other money placements	4,038,000	985,296
Correspondent accounts with the CBA*	16,251,012	13,937,991
Deposit accounts with the CBA	1,145,316	
Funds deposited with the CBA**	1,520,000	1,270,000
Other demands to the CBA		
Accrued interest		
<b>Cash and balances with the CBA</b>	<b>28,412,405</b>	<b>20,600,018</b>

\*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

<b>Cash, cash equivalents and balances with the CBA</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Cash and payment documents equivalent to cash	9,496,077	5,392,027
Correspondent accounts with the CBA	16,251,012	13,937,991
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	19,744	77,666
Correspondent accounts with non-resident banks	2,145,878	2,946,771
<b>Total cash and cash equivalents</b>	<b>27,912,711</b>	<b>22,354,455</b>

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

Thousand AMD

	31.12.2015	31.12.2014
<b>Current accounts</b>		
with RA banks	19,744	77,666
with banks having BBB(Baa3) and higher ratings	1,312,479	2,236,011
with banks having ratings lower than BBB (Baa3) or no rating at all	833,004	709,786
Accrued interest	395	973
<b>Total</b>	<b>2,165,622</b>	<b>3,024,436</b>
<b>with RA banks:</b>		
Loans and deposits	3,386,309	2,374,820
REPO (re-purchase) agreements		
Other	272,478	238,815
<b>with banks having BBB(Baa3) and higher ratings</b>		
Loans and deposits		
Other		
<b>with the banks having a rating lower than BBB(Baa3) or no rating at all</b>		
Other	154,291	266,681
Accrued interest	4,208	11,471
<b>Total</b>	<b>3,817,286</b>	<b>2,891,787</b>
Possible loss provision for amounts due from banks (note 7)		(23,874)
<b>Net receivables to banks</b>	<b>5,982,908</b>	<b>5,892,349</b>

Thousand AMD

	31.12.2015	31.12.2014
<b>Loans and deposits with Financial Institutions and other receivables</b>		
<b>with RA Financial Institutions:</b>		
Loans and deposits	193,493	237,484
REPO (re-purchase) agreements	831,086	1,251,069
Other	65,062	63,881
<b>With Financial Institutions having BB(Baa3) and higher ratings</b>		
Other	53,553	52,495
<b>With Financial Institutions having a rating lower than BB(Baa3) or no rating at all</b>		
Other	337,265	663,783
Accrued interest	2,286	5,251
<b>Total</b>	<b>1,482,745</b>	<b>2,273,963</b>
Possible loss provision for receivables due to Financial Institutions (Note 7)	(5,049)	(8,504)

Net receivables to Financial Institutions	1,477,696	2,265,459
Net receivables to banks and Financial Institutions	7,460,604	8,157,808

\*\*As of 31.12.2014 and 31.12.2015 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,704 (AMD 52.495 thousand on 31.12.14, AMD 53.553 thousand on 31.12.2015) in Visa International and USD 134,495 ( AMD 63.881 on 31.12.2014 and AMD65.062 on 31.12.2015) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

**Note15: "Held-for-trading Financial Assets"**

	Thousand AMD	
	30.09.2015	31.12.2014
<b>Other financial assets held-for-tarding</b>		
<b>Derivative instruments</b>		
Swap		54,263
<b>Total</b>	-	<b>54,263</b>
<b>Reserve for possible loss provision on held-for-tarding financial assets (note 7)</b>		

**Note16: "Loans and Advances to Customers"**

	Thousand AMD	
<b>Provided Loans and other Borrowings</b>	31.12.2015	31.12.2014
Loans, including:	53,837,927	49,050,647
Mortgage loans	3,197,090	3,178,503
Credit cards	5,929,696	3,418,764
Factoring		
Accrued interes on the mentioned items	410,008	324,536
<b>Total loans</b>	<b>60,177,631</b>	<b>52,793,947</b>
Reserve for possible loss of customer loans and advances (note 7)	(957,490)	(736,559)
<b>Net total loans</b>	<b>59,220,141</b>	<b>52,057,388</b>

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	31.12.2015		31.12.2014	
	Balance	Number	Balance	Number
Loans and advances, including:				
performing loans	60,177,631	31,707	52,793,947	29,567
depreciated (non- performing) loans and borrowings, including:	58,782,404	31,307	52,002,663	29,344
overdue	1,395,227	400	791,284	223
restructured	126,202	378	44,518	141
refinanced	449,952	4	59,546	2
total loans	60,177,631	31,707	52,793,947	29,567
Reserve for possible loss of customer loans and advances (note 7)	(957,490)		(736,559)	
<b>Net total loans</b>	<b>59,220,141</b>		<b>52,057,388</b>	

Thousand AMD

Anlayises of provided loans and advances per customers	31.12.2015	31.12.2014
<b>State industries</b>	<b>15,356</b>	<b>19,836</b>
<b>Private industries, including:</b>	<b>31,076,443</b>	<b>24,785,461</b>
major enterprises	7,952,557	6,938,746
small and medium enterprises	23,123,886	17,846,715
including business cards	210,762	48,231
<b>Individuals, including:</b>	<b>25,157,434</b>	<b>23,907,814</b>
consumer loans	13,002,460	14,688,787
mortgage loans	3,197,093	3,178,503
credit cards	5,717,560	3,370,533
<b>Private entrepreneurs</b>	<b>3,518,390</b>	<b>3,756,300</b>
<b>Accrued interest</b>	<b>410,008</b>	<b>324,536</b>
Total loans	<b>60,177,631</b>	<b>52,793,947</b>
Reserve for possible loss of customer loans and advances (note 7)	(957,490)	(736,559)
<b>Net total loans</b>	<b>59,220,141</b>	<b>52,057,388</b>

Thousand AMD

Loan liabilities on 20 major borrowers and related parties	31.12.2015	31.12.2014
balance sheet	22,563,199	15,714,417
balance of off-balance sheet contingent liabilities	2,381,598	690,924
<b>Total</b>	<b>24,944,797</b>	<b>16,405,341</b>
Loan investments	59,220,141	52,057,388
Percentage ratio in loan portfolio	42%	32%
Total normative capital	13,271,388	9,295,741
Percentage correlation to capital	188%	176%

Loan Investments through International programs	31.12.2015	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,682,224	233
GAF micro and small private enterprises RA Governmental loan program		
GAF "Renewable Energy Development" program	119,595	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	669,161	38
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	3,789,531	519
EBRD Micro lending program	-	-
Atlantic Forfaitierungs AG loan program	451,769	7
Mortgage Loans	79,180	41
including		
GAF	79,180	41
EBRD		
IFC		
<b>Total</b>	<b>7,791,460</b>	<b>839</b>



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		
<b>Total</b>	<b>11,200,943</b>	<b>1,452</b>

<b>Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)</b>	<b>31.12.2015</b>	<b>Percentage</b>	<b>31.12.2014</b>	<b>Percentage</b>
Industry	9,206,365	15	7,018,878	13
Agriculture	1,939,788	3	1,773,557	3
Construction	4,268,964	7	1,479,100	3
Transportation and communication	299,963	0	303,361	1
Commence	10,716,641	18	11,597,480	22
Consumer	20,195,447	34	18,059,327	34
Mortgage loans	3,216,236	5	3,195,854	6
Service	7,915,305	13	5,809,882	11
Other <sup>Per</sup>	2,418,922	4	3,556,508	7
		-		-
<b>Total</b>	<b>60,177,631</b>	<b>100</b>	<b>52,793,947</b>	<b>100</b>

Thousand AMD

Breakdown of loan portfolio per customer residency	31.12.2015	Percentage	31.12.2014	Percentage
RA residents	58,806,393	100	51,732,852	100
Residents of countries with Baa33 and higher ratings including*		-		-
Germany	3,740	0		-
Residents of countries with Baa33 and lower ratings or no rating at all				
Accrued interest	410,008		324,536	
<b>Total</b>	<b>59,220,141</b>	<b>100</b>	<b>52,057,388</b>	<b>100</b>

Note 17: Held for trading financial assets

Thousand AMD

T-bills	31.12.2015	31.12.2014
RA Governmental T-bills		
Treasury bonds	84,751	
<b>Total T-bills</b>	<b>84,751</b>	<b>-</b>

Thousand  
AMD

RA non-state securities	31.12.2015		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
<b>Total non-state securities of RA</b>	<b>-</b>	<b>256,200</b>	<b>-</b>	<b>52,252</b>
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,690)
<b>Net investments in RA non-state securities</b>	<b>-</b>	<b>251,509</b>	<b>-</b>	<b>47,562</b>

Thousand  
AMD

Non governmental securities of other countries	31.12.2015		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	84,751	253,462	-	49,479

Investments in share capital of other entities  
as of 31.12.2015

Thousand  
AMD

NAME	Main activity	Country of registration	Investment date	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

	31.12.2015	31.12.2014
Asset		
<b>Total pledged securities (Note 17.1)</b>	<b>9,384,574</b>	<b>7,383,991</b>
including		
pledged securities	8,527,788	6,118,812
pledged securities under REPO agreement	856,786	1,265,179
liabilities		
<b>Resources attracted under REPO agreement</b>	<b>9,104,678</b>	<b>7,215,899</b>
<b>Note 18: "Held-to maturity Investments"</b>		

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

<b>Movement of investments in the controlled units</b>	<b>Investments in the chartered capital of the controlled entities</b>
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

<b>Investments in the controlled units</b>	31.12.2015	31.12.2014
Investments in associated organizations	-	194,991
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
<b>Total</b>	<b>-</b>	<b>194,991</b>

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	35,566	60,768	140,861	64,121	225,269	8,925	535,510
Disposal			(89,447)				(89,447)
Reclassification	10,478				(10,478)		-
Written-off	(14,046)	(67,515)		(29,532)	(987)	(1,062)	(113,142)
Revaluation*							-
Depreciation	-	-	-				



							-
Adjustment of amortization from revaluation							-
<b>Balance at the end of the accounting period</b>	<b>3,334,953</b>	<b>1,827,787</b>	<b>554,230</b>	<b>1,431,075</b>	<b>726,140</b>	<b>174,137</b>	<b>8,048,322</b>
<b>Accumulated amortization</b>							
<b>Balance at the beginning of the previous period</b>	<b>1,310,418</b>	<b>1,205,931</b>	<b>179,567</b>	<b>776,213</b>		<b>38,146</b>	<b>3,510,275</b>
Increase	44,078	150,180	49,106	98,641		8,856	350,861
including: 01.10.2014- 31.12.2014	11,297	39,205	11,906	24,888		2,234	89,530
Disposal			(63,699)				(63,699)
Written-off		(93,019)		(30,050)			(123,069)
Depreciation							-
Reclassification		102		(102)			-
Revaluation							-
<b>Balance at the end of the previous period</b>	<b>1,354,496</b>	<b>1,263,194</b>	<b>164,974</b>	<b>844,702</b>	<b>-</b>	<b>47,002</b>	<b>3,674,368</b>
Increase	45,756	159,145	56,896	99,660		10,536	371,993
including: 01.10.2015 - 31.12.2015	11,515	39,841	14,187	25,542		2,478	93,563
Disposal			(38,720)				(38,720)
Written-off		(63,759)		(29,161)		(185)	(93,105)
Reclassification							-
Adjustment of amortization from revaluation							-

Depreciation							-
<b>Balance at the end of the accounting period</b>	<b>1,400,252</b>	<b>1,358,580</b>	<b>183,150</b>	<b>915,201</b>	<b>-</b>	<b>57,353</b>	<b>3,914,536</b>
<b>Net balance sheet value at the end of the accounting period</b>							-
<b>at the end of the accounting period</b>	<b>1,934,701</b>	<b>469,207</b>	<b>371,080</b>	<b>515,874</b>	<b>726,140</b>	<b>116,784</b>	<b>4,133,786</b>
<b>at the end of the previous accounting period</b>	<b>1,948,459</b>	<b>571,340</b>	<b>337,842</b>	<b>551,784</b>	<b>512,336</b>	<b>119,272</b>	<b>4,041,033</b>

## 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		3,731				3,731
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Depreciation	-	-	-			-
Adjustment of amortization from revaluation	-	-	-			-

Balance at the end of the accounting period	37,544	132,814	50	14,357	-	184,765
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: 01.10.2014- 31.12.2014	587	3,015	1	302		3,905
Disposal						-
Written-off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of previous period	21,710	57,194	29	7,080	-	86,013
Increase	2,248	12,187	5	1,196		15,636
including: 01.10.2015 - 31.12.2015	554	3,092	1	302		3,949
Disposal						-
Written-off						-
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						

						-
<b>Balance at the end of the accounting period</b>	<b>23,958</b>	<b>69,381</b>	<b>34</b>	<b>8,276</b>	<b>-</b>	<b>101,649</b>
<b>Net balance sheet value</b>						
<b>at the end of the accounting period</b>	<b>13,586</b>	<b>63,433</b>	<b>16</b>	<b>6,081</b>	<b>-</b>	<b>83,116</b>
<b>at the end of the previous accounting period</b>	<b>15,834</b>	<b>71,889</b>	<b>21</b>	<b>7,277</b>	<b>-</b>	<b>95,021</b>

As of 31.12.2015, AMD 201,399 thousand total amount worth out-of-use assets were put into use.

As of 31.12.2015, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., depreciation AMD694 thous., residual value AMD 56 thous.

As of 31.12.2015, the value of fully worn-off assets included in the fixed assets was AMD958058 thousand (31.12.2014: AMD1041802 thous).

**Note 21: "Other Assets"**

Thousand AMD

	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Amounts receivable from other operations</b>		
Amounts receivable from other operations	19,789	35,061
<b>Total</b>	<b>19,789</b>	<b>35,061</b>
Reserve for possible loss provision (note 7)	(201)	(351)
Net amounts receivable from bank operations	19,588	34,710
<b>Debtor liabilities and prepayments</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Debtor liabilities on the budget	175	607
Debtor liabilities on suppliers		
Prepayments to employees	8	89
Prepayments to suppliers	51,978	152,557
Prepayments on the budget and mandatory social insurance payments	10	11
Other debtor liabilities and prepayments	55,288	41,350
<b>Total</b>	<b>107,459</b>	<b>194,614</b>
Reserve for possible loss provision on other assets (note 7)	(1,758)	(1,946)
<b>Total</b>	<b>105,701</b>	<b>192,668</b>
Other assets		
Reserve	127,570	138,599
Sequestered pledge and available-for-sale assets	83,100	55,351
Future period expenses	64,820	67,505
Other assets	23,566	17,759
Reserve for possible loss provision on other assets (note 7)	(1,210)	(1,139)
<b>Total</b>	<b>297,846</b>	<b>278,075</b>
<b>Total other assets</b>	<b>423,135</b>	<b>505,453</b>

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

Thousand AMD

	31.12.2015	31.12.2014
<b>Current accounts</b>		
RA Banks	34,251	83,545
Banks with BBB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	35,654	45,522
Accrued interest		45
<b>Total</b>	<b>69,905</b>	<b>129,112</b>
<b>Interbank loans and deposits, other</b>		
<b>RA CB</b>		
Loans	2,714,219	2,365,760
REPO (re-purchase) agreements	9,100,000	7,208,000
Other		
<b>RA banks</b>		
Loans and deposits	4,144,375	1,674,910
REPO (re-purchase) agreements		
Other		
<b>Banks having BBB(Baa3) and higher rating</b>		
Loans and deposits		
Other	3,848	4,099
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>		
Loans and deposits	3,047,243	3,832,305
Other	45,418	58,946
Accrued interest	169,406	120,955
<b>Total</b>	<b>19,224,509</b>	<b>15,264,975</b>
<b>Financial Institutions</b>		
Current accounts	3,303,920	194,293
Loans and deposits	6,227,568	6,611,829
REPO (re-purchase) agreements		
Other	9,741	37,869
Accrued interest	67,957	72,585
<b>Total</b>	<b>9,609,186</b>	<b>6,916,576</b>
<b>Total liabilities to banks and financial institutions</b>	<b>28,903,600</b>	<b>22,310,663</b>

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	31.12.2015		31.12.2014	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	70,814	289	106,299	432
GAF /German Armenian Fund " Micro and small business development program"	1,800,000	39,471	2,100,000	46,277
GAF / "Renewable energy development" program	843,405	5,419	159,460	4,422
GAF / Loan program for SME				
<b>Total</b>	<b>2,714,219</b>	<b>45,179</b>	<b>2,365,759</b>	<b>51,131</b>



Note23: "Liabilites to Customers"

Thousand AMD

RA resident corporate entities and institutions	31.12.2015	31.12.2014
Loans		
Other	4,775	3,630
Accrued interest		
<b>Total</b>	<b>4,775</b>	<b>3,630</b>

RA resident corporate entities and institutions	31.12.2015	31.12.2014
Current accounts	20,256,892	16,940,035
Term deposits	5,742,147	6,603,628
REPO (re-purchase) agreements		
Other	50,635	28,743
Accrued interest	38,223	36,259
<b>Total</b>	<b>26,087,897</b>	<b>23,608,665</b>

Non-resident corporate entities, institutions	31.12.2015	31.12.2014
Current accounts	10,058	6,902
Other		
<b>Total</b>	<b>10,058</b>	<b>6,902</b>

RA resident private entrepreneurs	31.12.2015	31.12.2014
Current accounts	148,967	117,629
Term deposits	6,000	14,577
Other	3,824	4,032
Accrued interest	11	54
<b>Total</b>	<b>158,802</b>	<b>136,292</b>

RA resident private entrepreneurs	31.12.2015	31.12.2014
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Current accounts	11,728,877	9,960,476
Term deposits	22,911,392	22,161,604
Other	432,497	383,692
Accrued interest	126,147	129,580
<b>Total</b>	<b>35,198,913</b>	<b>32,635,352</b>

<b>non-resident private entrepreneurs</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Current accounts	224,861	374,547
Term deposits	261,739	738,391
Other	29,610	21,256
Accrued interest	2,107	3,897
<b>Total</b>	<b>518,317</b>	<b>1,138,091</b>
<b>Total liabilities to customers</b>	<b>61,978,762</b>	<b>57,528,932</b>

As of 31.12.15, the amount necessary to secure obligations was AMD 722.726 thousand.

As of 31.12.15, the amount frozen by court order and tax authorities was 164.002 thousand.

### Note 23.1 "Subordinate Borrowing"

The Bank attracted AMD 4.393.125 subordinate borrowing from the shareholder, 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	
Liability held for commercial purposes	31.12.2015	31.12.2014
Derivative instruments held for commercial purposes		
Liability held for commercial purposes		
Swap	693	19,659
<b>Total</b>	<b>693</b>	<b>19,659</b>

### Note 26: "Amounts Payable"

	Thousand AMD	
Amounts payable	31.12.2015	31.12.2014
Dividends	52,823	36,551
For insurance of deposit	17,242	16,230
<b>Total</b>	<b>70,065</b>	<b>52,781</b>

### Note 27: "Other Liabilities"

	Thousand AMD	
Other liabilities	31.12.2015	31.12.2014
On income tax of non-resident	2,158	2,439
On VAT	6,972	2,520
On other taxes and penalties	139,791	136,795
On social insurance payments		
Salary liabilities to employees	474,496	452,272
Credit debts to suppliers	90,535	34,953
Credit debts to chartered capital increase	1,145,316	
Other liabilities	520,929	199,260
<b>Balance at the end of the period</b>	<b>2,380,197</b>	<b>828,239</b>

## 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 repurchased 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 147,063 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 31.12.2015, 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 31.12.2015 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	
	31.12.2015	31.12.2014
Unutilized credit lines	4,547,262	1,973,894
Provided guarantees	929,707	350,643
Provided letters of credit	25,377	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		355,489
1-5 years		1,106,714
more than 5 years		0
<b>Total</b>		<b>1,462,203</b>

## 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	
<b>Loans and advances to customers</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Initial balance	1,437,436	1,322,820
<b>Loans and advances provided over the year</b>	<b>2,102,674</b>	<b>1,962,852</b>
Bank shareholder	194,142	181,606
Shareholder related entity	1,351,479	1,559,193
Bank manager	521,595	191,833
Manager related entity	35,457	30,221
<b>Loans and advances repaid over the year</b>	<b>1,315,329</b>	<b>1,848,236</b>
Bank shareholder	172,812	156,771
Shareholder related entity	754,613	1,465,791
Bank manager	356,045	205,807
Manager related entity	31,858	19,866
<b>Summary balance*</b>	<b>2,224,781</b>	<b>1,437,436</b>

Thousand AMD

Item	31.12.2015	31.12.2014
Interest income	320,835	177,279

Thousand AMD

Liabilites to Customers	on-demand	term
<b>Balance as of 31.12.2014</b>	<b>485,205</b>	<b>1,909,772</b>
<b>Amounts received over the accounting period (for 12 months of 2015), including:</b>	<b>57,427,649</b>	<b>8,855,379</b>
Bank shareholder	32,546,267	8,037,870
Shareholder related entity	22,010,430	300,290
Bank manager	1,794,710	307,653
Manager related entity	1,076,242	209,566
<b>Amounts received over the accounting period (for 12 months of 2015), including:</b>	<b>57,504,961</b>	<b>4,413,213</b>
Bank shareholder	32,573,348	3,630,571
Shareholder related entity	22,111,124	268,406
Bank manager	1,788,434	261,118
Manager related entity	1,032,055	253,118
Exchange rate difference (+/ -)	(6,086)	68,621
<b>Balance as of 31.12.2015</b>	<b>401,807</b>	<b>6,420,559</b>
<b>Interest expense as of 12 months of 2015</b>	<b>2,253</b>	<b>583,142</b>

Thousand AMD

<b>Salary or Similar Payment to the Bank Management</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Board</b>	<b>132,172</b>	<b>132,232</b>
Salary	122,052	122,112
Awarding	10,120	10,120
<b>Executive body</b>	<b>201,300</b>	<b>183,224</b>
Salary	184,930	169,399
Awarding	16,370	13,825
<b>Internal Audit</b>	<b>84,172</b>	<b>81,125</b>
Salary	77,587	75,355
Awarding	6,585	5,770
<b>Total</b>	<b>417,644</b>	<b>396,581</b>



## 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 riskiness 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.

OECD\* -Organization for Economic Co-operation and Development

31.12.2015

Thousand AMD

<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>
<b><i>Assets</i></b>					
Cash and balances with the CBA	28,412,405				28,412,405
Receivables to banks and other financial institutions	5,070,222	447,281	1,449,492	493,609	7,460,604
Standard bank precious metal bullions and coins	476				476
Loans and advances provided to customers	59,216,397		3,743		59,220,140
Available-for-sale securities	336,260		1,953		338,213
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	8,527,788				8,527,788
Other assets	19,644	2			19,646
<b><i>Total assets</i></b>	<b>101,583,192</b>	<b>447,283</b>	<b>1,455,188</b>	<b>493,609</b>	<b>103,979,272</b>
Off-balance sheet items containing credit risks	5,502,347				5,502,347
<b><i>Liabilities</i></b>					
Liabilities to banks and other financial institutions	21,603,957	2,562,707	4,685,659	51,277	28,903,600
Liabilities to customers	61,450,385	195,653	230,068	102,656	61,978,762
<b><i>Total liabilities</i></b>	<b>83,054,342</b>	<b>2,758,360</b>	<b>4,915,727</b>	<b>153,933</b>	<b>90,882,362</b>
<b><i>Net position</i></b>	<b>18,528,850</b>	<b>(2,311,077)</b>	<b>(3,460,539)</b>	<b>339,676</b>	<b>13,096,910</b>

<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non- OECD* countries</i>	<i>Total</i>
<b><i>Assets</i></b>					
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
<b><i>Total assets</i></b>	<b>81,779,332</b>	<b>611,314</b>	<b>2,386,216</b>	<b>2,499,433</b>	<b>87,276,295</b>
Off-balance sheet items containing credit risks	4,876,308				4,876,308
<b><i>Liabilities</i></b>					
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
<b><i>Total liabilities</i></b>	<b>70,715,301</b>	<b>3,315,979</b>	<b>5,617,561</b>	<b>190,754</b>	<b>79,839,595</b>
<b><i>Net position</i></b>	<b>11,064,031</b>	<b>(2,704,665)</b>	<b>(3,231,345)</b>	<b>2,308,679</b>	<b>7,436,700</b>

Loans allocated in the territory of RA per RA regions:

Thousand AMD

RA regions	31.12.2015	31.12.2014
Yerevan	46,628,361	39,354,305
Ararat	985,704	499,801
Armavir	1,261,595	1,534,102
Kotayk	2,042,771	2,353,879
Shirak	1,132,805	1,143,281
Lori	1,456,720	1,206,497
Aragatsotn	3,308,602	3,524,081
Syuniq	1,082,775	1,106,666
Tavush	309,941	300,262
Gegharquniq	438,660	483,229
Vayots Dzor	457,039	433,910
Artsakh	115,168	117,374
<b>Total</b>	<b>59,220,140</b>	<b>52,057,388</b>

Analysis of assets containing credit risk per economic segments riskiness:

31.12.2015										Thousand AMD
Assets	Performing		Non-performing						Lost	
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky			
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	58,134,164	31,307	497,628	198	495,482	121	92,867	80	3,356,627	487
Loans provided to non-residents	3,743	1							401	1
Loans provided to residents, including:	58,130,421	31,306	497,628	198	495,482	121	92,867	80	3,356,226	486
Industry	9,092,322	176	6,492	2	8,196	2	2,373	1	1,124,278	21
Agriculture	1,874,316	7,267	8,121	48	8,950	54	2,823	37	9,919	57
Construction	4,226,275	24							40,965	6
Transport and communication	296,963	18							20,299	2
Trade	10,137,834	697			364,005	5			186,836	34
Public catering and other service fields	7,784,923	83	1,745	1			24,903	1	53,418	2

Consumer loans	19,438,212	22,428	250,146	139	86,261	57	58,457	40	243,422	195
Other sectors of economy	2,147,273	111	225,108	4					1,650,416	166
Mortgage (housing loans)	3,132,303	502	6,016	4	28,070	3	4,311	1	26,673	3
Debtor liabilities	213,165	595	15	1	6	1	161	4	96,288	18
Investment securities	253,463	4		-						
Post-balance sheet items, including:	5,502,347	85			-					
guarantees	929,708	39			-	-				
LCs	25,377	1	-	-	-	-	-	-	-	-

31.12.2014

Thousand  
AMD

Assets	Performing		Non-performing						Lost	
	Standard/not risky									
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	51,423,284	29,330	419,524	133	158,586	57	55,994	33	3,439,179	426
Loans provided to non-residents									401	1
Loans provided to residents, including:	51,423,284	29,330	419,524	133	158,586	57	55,994	33	3,438,778	425
Industry	6,943,561	176					2,589	1	1,219,472	21
Agriculture	1,731,418	6,279	6,147	19	263	2	65	2	8,629	42
Construction	1,464,310	17							40,856	6
Transport and communication	297,758	21	2,336	2					20,299	2
Trade	11,477,988	753	1,017	1	1,939	2			328,199	44
Public catering and other service fields	5,692,294	95					24,037	2	52,449	2



Consumer loans	17,412,896	21,390	209,280	106	116,798	48	25,366	26	109,487	136
Other sectors of economy	3,310,797	112	187,690	2	401	1	646	1	1,644,924	167
Mortgage (housing loans)	3,092,262	487	13,054	3	39,185	4	3,291	1	14,463	5
Debtor liabilities	311,506	613	18	1					15	2
Investment securities	276,918	4		-						
Post-balance sheet items, including:	4,071,469	86								
guarantees	350,645	37								
LCs	1,746,930	2	-	-	-	-	-	-	-	-

Analysis of credit portfolio as per regions and risk level

31.12.2015

Thousand  
AMD

Assets	Performing	Non-performing			
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/Highly risky	Lost
<b>Loans, including:</b>					
1. RA residents	58,130,421	497,628	495,482	92,867	3,356,226
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)	3,743				
Germany	3,743			-	
4. Residents on non-OECD countries					
<b>5. Total</b>	<b>58,134,164</b>	<b>497,628</b>	<b>495,482</b>	<b>92,867</b>	<b>3,356,627</b>

31.12.2014

Thousand AMD

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

## 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 31.12.2015 did not exceed 11.69%. 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 31.12.2015, loan investments without reserves amounted to AMD 60.177.631. Non-performing loans as of 31.12.2015 amounted to AMD 1.395.227. The proportions of watched, substandard and doubtful loans in the loan portfolio were respectively 0.92, 1.07 and 0.33 percent.

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

5) The volume of repo transactions (except extensions) effected in the 4th quarter 2015 was AMD 117.063.438 against AMD 176.327.653 of the same period of the previous year. Reverse repo transactions in the 4th quarter 2015 amounted to AMD 15.448.520 against AMD 22.091.004 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 issues:

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.

Indicators	Amount	Amount	Correlation
<b>31.12.14</b>			
Non-performing loans	791,284	52,057,388	1.5%
<b>31.12.15</b>			
Non-performing loans	1,395,228	59,220,140	2.4%
<b>31.12.14</b>			
Provisions for non-performing loans	157,180	11,071,015	1.4%
<b>31.12.15</b>			
Provisions for non-performing loans	309,255	11,033,294	2.8%
<b>31.12.14</b>			
Reserve for loans	736,559	52,057,388	1.4%
<b>31.12.15</b>			
Reserve for loans	957,490	59,220,140	1.6%
<b>31.12.14</b>			
Possible loss provisions	735,009	791,284	92.9%
<b>31.12.15</b>			
Possible loss provisions	957,490	1,395,228	68.6%
<b>31.12.14</b>			
Write-offs-Reimbursements	(14,736)	45,199,915	0.0%
<b>31.12.15</b>			
Write-offs-Reimbursements	(120,097)	53,428,174	-0.2%
<b>31.12.14</b>			
Reimbursements	103,929	- 14,736	-705.3%
<b>31.12.15</b>			
Reimbursements	237,938	358,035	66.5%
<b>31.12.14</b>			

Profit coverage ratio = (net operational income+provisioning expenses)	1,152,089	(14,736)	-7818.2%
<b>31.12.15</b>			
Profit coverage ratio = (net operational income+provisioning expenses)	813,901	(120,097)	-677.7%
<b>31.12.14</b>			
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,253,290	52,057,388	8.2%
<b>31.12.15</b>			
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,465,923	59,220,140	7.5%
<b>31.12.14</b>			
Major borrowings	16,405,341	11,071,015	148.2%
<b>31.12.15</b>			
Major borrowings	24,944,797	11,033,294	226.1%

## Market Risk

### 1) The Bank's own definition of the market risk

*Market risk is a foreign currency, interest rate and price risk which depends on the exchange rate and security price fluctuations.*

### 2) The methods of market risk measurement and assessment

#### Foreign currency risk

*Assessment of foreign exchange risk and position management efficiency*



The calculations of VAR model of foreign currency risk assessment are made on a daily basis, taking into account previous period data of foreign currency exchange rates and foreign currency position data. As a risk exponent on separate foreign currency position, the possible maximum size of revaluation loss incurred as a result of a days' exchange rate fluctuations is reviewed under the conditions of the given reliability level. The calculations of the model are made under 99% reliability level conditions. Under the frames of the model, the correlation matrix of foreign currency exchange rate fluctuations is calculated on the basis of which the assessment of possible maximum loss (risk of foreign currency assets and liabilities package) incurred from foreign currency positions is made.

By the results of the accounting quarter, the possible maximum average daily loss per separate foreign currency positions and foreign currency assets and liabilities portfolio under 99% reliability has formed:

								Thousand AMD
Accounting period	USD	EUR	CNY	AED	RUB	GEL	XAU	Համախառն VAR
2014 Q IV	1,546.13		0.00	599.54	704.57	116.80	15.94	2,386.98
2015 Q IV	5,283.35		0.00	1,278.34	953.46	232.51	9.47	7,899.74
increase/decrease	3,737.22		0.00	678.80	248.89	115.71	-6.47	5,512.76

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

31.12.2015

	AMD
<b>Assets</b>	
Cash and balances with the CBA	17,469,905
Bank standardized bullions of precious metals and coins	443
Receivables to banks and other financial institutions	983,447
Held for trading financial instruments	
Loans and advances provided to customers	26,897,086
Available-for-sale financial assets	338,213
Investments in the chartered capital of controlled entities	
Securities pledged under repurchase agreements	8,527,788

Other assets	13,601
<b>Total assets</b>	<b>54,230,483</b>
<b>Liabilities</b>	
Liabilities to banks and other financial institutions	18,996,872
Liabilities to customers	23,298,185
Subordinate borrowing	2,722,784
Held for trading financial liabilities	693
Liabilities on current taxes	
Amounts payable	70,065
Deferred tax liabilities	
Other liabilities	2,213,799
<b>Total liabilities</b>	<b>47,302,398</b>
<b>Net position</b>	<b>6,928,085</b>

31.12.2014

	AMD	II group foreign currency**
<b>Assets</b>		
Cash and balances with the CBA	10,929,663	
Bank standardized bullions of precious metals and coins	443	
Receivables to banks and other financial institutions	1,642,645	
Held for trading financial instruments	54,263	
Loans and advances provided to customers	29,150,426	
Available-for-sale financial assets	49,478	
Investments in the chartered capital of controlled entities	227,439	
Securities pledged under repurchase agreements	6,118,812	
Other assets	19,949	
<b>Total assets</b>	<b>48,193,118</b>	
<b>Liabilities</b>		
Liabilities to banks and other financial institutions	14,123,061	
Liabilities to customers	24,639,929	
Held for trading financial liabilities	19,659	
Liabilities on current taxes	116,061	
Amounts payable	52,781	
Deferred tax liabilities	-	
Other liabilities	645,451	
<b>Total liabilities</b>	<b>39,596,942</b>	
<b>Net position</b>	<b>8,596,176</b>	

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

\*\* "II group foreign currency" comprises: RUB, 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 4th quarter of 2015 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 1,256,448.0 thousand against AMD 799,712.0 thousand of the same period of the previous year by increasing in absolute value by AMD 456,736.0 or 57.1%, that is in average the Bank was sensitive to liabilities in the 4th quarter of 2015. In the 4th quarter of 2015, the average accumulated misbalance has decreased in absolute value by AMD 145,504.0 thousand or 10.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 4th quarter of 2015 has increased by 0.3%, forming 101.8% against 101.5% average value of the 4th quarter of 2014, that is in 4th quarter of 2015 the assets sensitive to interest rate changes have formed 101.8% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 4th quarter 2015 was 1.194 year (against the 1.229 year as of the 4th quarter of 2014) as it has decreased by 0.035 year or by 3.1% as compared with the end of the previous quarter (1.199 year) the mentioned indicator has decreased by 0.005 year or 0.4%.

The duration of liabilities as of the end of the 4th quarter of 2015 was 0.464 year (against 0.358 year of the 4th quarter of 2014) increasing by 0.106 year or 29.6%. In correlation with the end of the previous quarter (0.488) the indicator has decreased by 0.024 year or 4.9%.

The duration gap as of the end of the 4th quarter of 2015 was 0.744 (against 0.89 of the 4th quarter of 2014) decreasing by 0.146 or 16.4%. In correlation with the previous quarter (0.735) the indicator has increased by 0.009 or 1.22%.

**Assets and Liabilities with  
changing interest rates**

**31.12.2015**

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	AMD	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Facilities placed												
Loans and advances provided to customers												
<b>Total</b>	-		-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
loans				1,401,945		131,327		230,086				
<b>Total</b>	-		-	<b>1,401,945</b>	-	<b>131,327</b>	-	<b>230,086</b>	-		-	-
<b>Net position</b>	-		-	<b>(1,401,945)</b>	-	<b>(131,327)</b>	-	<b>(230,086)</b>	-		-	-

**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	AMD	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Facilities placed												
receivables to banks and other financial institutions, including:												
<b>Total</b>	-		-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
loans				1,928,705		243,763						
<b>Total</b>	-		-	<b>1,928,705</b>	-	<b>243,763</b>	-	-	-	-	-	-
<b>Net position</b>	-		-	<b>(1,928,705)</b>	-	<b>(243,763)</b>	-	-	-	-	-	-

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: 31.12.2015	Interest rates of previous period: 31.12.2014
	AMD	AMD
<b>Assets</b>		
Balance at CBA		-
Receivables to banks and other financial institutions, including:	11.61	
Interbank loans	0.00	
Interbank repo	10.95	
Loans and advances provided to customers	20.40	
Held for trading and available for sale securities	14.32	
<b>Liabilities</b>		
Liabilities to banks and other financial institutions	8.64	
Liabilities to customers	5.29	

### 3) Description of models

#### 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 trustness) 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 framework 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.

*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 S 21 S22 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 IV quarter of 2015, the instant liquidity indicator, the up to 90 day accumulative liquidity indicators and general (up to one year) liquidity indicators have decreased by 8.53, 20.67 and 5.3 percent respectively.

Thousand  
AMD

Accounting Period 31.12.2015

Item	Non-performing	Repayment date in					Termless	Total
	Term	On-demand	3- 6 months	6-12 months	1- 5 year	more than 5 years		
On maturity terms of assets								
Cash and cash equivalents, balances with the CBA			-	-	-	-	1,520,000	28,412,406
Standardized precious metal bullions								476
Receivables to banks and other financial institutions			2,418,814			-	117,429	7,460,602
Financial assets held for commercial purposes								-
Loans and advances provided to customers	702,775		8,814,266	5,811,851	29,389,768	6,665,902	-	59,220,140
Securities, including:			-	-			338,213	8,866,001
held for trading								-
available for sale							338,213	338,213
held to maturity								-
sold by repo agreements								8,527,788
other receivables	-		-		-	-		19,646
Contractual receivables**								-
<b>Total</b>	<b>702,775</b>		<b>11,233,080</b>	<b>5,811,851</b>	<b>29,389,768</b>	<b>6,665,902</b>	<b>1,975,642</b>	<b>103,979,271</b>
Including:								
I group foreign currency	480,563		8,532,342	2,097,316	16,426,955	4,982,221	117,429	48,818,107

II group foreign currency	-	-	-	-	-	-	-	930,679
Including:								
By floating interest rate								-
By fixed interest rate	702,775		11,233,080	5,811,851	29,389,768	6,665,902	1,975,642	74,162,410
Non-interest	-							29,816,861
<b>On maturity of liabilities repayment</b>	-							-
Liabilities to banks and other financial institutions	-		1,615,847	5,513,890	4,375,972	289,013		28,903,600
Liabilities to customers, including:	-		6,463,162	12,300,002	1,989,595	165,760	1,035	61,978,762
On-demand deposits							1,035	31,059,950
Term deposits	-		6,437,657	12,300,002	1,989,595	165,760		29,080,135
Other	-		25,505		-	-	-	1,838,677
Held for trade liability								693
Subordinate Borrowings							4,393,125	4,425,604
Liability on current tax								-
Amounts payable								70,065
Deferred tax liabilities								-
Other liabilities	-		1,814	540	-	-	-	2,379,449
Off-balance sheet contingent liabilities	-		1,317,280	2,752,840	13,782,380		-	19,364,730
Contractual liabilities								-
<b>Total</b>	-		8,080,823	17,814,432	6,365,567	454,773	1,035	93,332,569
Including:								-
I group foreign currency	-		5,645,751	13,584,961	2,647,482	1,823,878	-	49,693,520
	-							

II group foreign currency			46,913	150,914	166	-	-	762,254
"Major" liabilities			48,308	2,084,633	2,054,826			20,276,100
Including:								-
By floating interest rate			1,401,945	131,327	230,086			2,580,466
By fixed interest rate	-		6,677,064	17,682,565	6,135,481	454,773	1,035	66,846,398
Non-interest	-		1,814	540	-	-	-	23,905,705
Net liquidity gap	702,775		3,152,257	(12,002,581)	23,024,201	6,211,129	1,974,607	10,646,702
Including:								
I group foreign currency	480,563		2,886,591	(11,487,645)	13,779,473	3,158,343	117,429	(875,413)
II group foreign currency	-		(46,913)	(150,914)	(166)		-	168,425
	-		(1,401,945)	(131,327)	(230,086)	-	-	(2,580,466)
Fixed interest rate	702,775		4,556,016	(11,870,714)	23,254,287	6,211,129	1,974,607	7,316,012
Accumulative liquidity gap	702,775		(8,560,654)	(20,563,235)	2,460,966	8,672,095	10,646,702	

Previous accounting period

31.12.2014

Thousand AMD

Item	Non-performing	Repayment date in					Termless	Total
		Term	On-demand	3- 6 months	6-12 months	1- 5 year		
On maturity terms of assets								
Cash and cash equivalents, balances with the CBA	-		-	-	-	-	1,270,000	20,600,019

Standardized precious metal bullions								8,825
Receivables to banks and other financial institutions	0		-	9	-	-	330,066	8,157,813
Financial assets held for commercial purposes								54,263
Loans and advances provided to customers	399,874		7,108,072	5,712,295	25,055,489	5,899,723	-	52,094,693
Securities, including:			-	60,014	2,315,930	3,638,171	276,918	6,395,729
held for trading								-
available for sale							276,918	276,918
held to maturity								-
sold by repo agreements			-	60,014	2,315,930	3,638,171	-	6,118,811
other receivables					-	-		34,711
Contractual receivables**								-
<b>Total</b>	<b>399,874</b>		<b>7,108,072</b>	<b>5,772,318</b>	<b>27,371,419</b>	<b>9,537,894</b>	<b>1,876,984</b>	<b>87,346,053</b>
Including:								
I group foreign currency	65,226		4,765,853	2,361,557	10,000,185	3,379,200		37,813,393
II group foreign currency	-		-	-	-	-	-	1,339,541
Including:								
By floating interest rate								-
By fixed interest rate	399,874		7,108,072	5,772,318	27,371,419	9,537,894	1,876,984	64,013,929
Non-interest	-							23,332,124
<b>On maturity of liabilities repayment</b>								
Liabilities to banks and other financial institutions	-		1,629,641	4,875,149	4,689,878	255,287	500	22,310,667
Liabilities to customers,	-							



I group foreign currency	65,226		(921,284)	(10,553,892)	8,756,713	3,264,271	-	(2,762,859)
II group foreign currency	-		(26,616)	(165,761)	(2,784)		-	668,586
Floating interest rate	-		(1,928,705)	(243,763)	-	-	-	(3,946,179)
Fixed interest rate	399,874		727,171	(8,707,169)	21,687,851	9,131,094	1,876,984	12,446,919
Accumulative liquidity gap	399,874		(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:

	<b>31.12.2015</b>
Chartered capital	2,333,338
Reserves:	6,019,090
Main reserve	6,000,000
Revaluation reserve	19,090
Undistributed profit/loss	2,695,989
<b>Total capital</b>	<b>11,048,417</b>

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

	Involved in calculation standards				
2015	Main capital	Total capital	Market and operational risk	Equivalent effective %	CBA limit %
	1	3 (1+2)	5	6	7
January	8,961,578		1,100,894	12.68	12
February	8,850,801		1,031,514	12.73	12
March	8,834,583		923,726	13.14	12
April	8,861,599		904,915	16.55	12
May	8,690,543		905,698	17.87	12
June	8,543,774		1,013,455	17.14	12
July	8,465,605		951,992	16.55	12
August	8,491,341		1,036,429	16.25	12
September	8,552,040		1,044,853	16.24	12
October	8,751,103		1,053,149	16.46	12
November	8,720,463		1,049,062	16.25	12
December	8,885,655		1,089,637	16.20	12

Thousand  
AMD

	Involved in calculation standards				
2014	Main capital	Total capital	Market and operational risk	Equivalent effective %	CBA limit %
	1	3 (1+2)	5	6	7
January	8,240,862		1,118,598	14.89	12
February	7,905,841		1,103,906	14.10	12
March	7,834,785		1,067,818	13.45	12
April	7,965,916		1,104,906	13.36	12
May	7,857,777		1,101,716	13.36	12
June	7,996,041		1,114,029	13.46	12
July	8,084,207		1,119,714	13.07	12
August	8,172,644		1,104,177	13.04	12
September	8,302,696		1,080,444	13.16	12
October	8,423,559		1,110,873	13.16	12
Novembre	8,424,647		1,104,644	12.88	12
December	8,957,704		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.

<b>As of 31.12.2015</b>		
<b>Risk weight</b>	<b>Assets</b>	<b>Incomplete term operation</b>
0%	42,502,077	
10%	823,845	
20%	814,385	
30%	2,405,084	
50%	1,839,353	
75%	8,251,066	
100%	24,094,429	
110%	289,072	
150%	27,547,852	
<b>Total</b>	<b>108,567,163</b>	

As of 31.12.2014

Risk weight	Assets	Incomplete term operation
0%	31,358,342	
10%	1,580,518	
20%	1,531,625	
30%	1,719,379	
50%	2,309,211	
75%	8,743,185	
100%	25,902,212	
110%	130,126	
150%	19,043,406	
<b>Total</b>	<b>92,318,004</b>	

### **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 31.12.2015 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 31.12.2015, 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 31.12.2015 the Bank has no pledged assets.

**Note 38: "Accepted Pledge"**

As of 31.12.2015 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.

<b>Collateral type</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>Loan amount</b>	<b>Loan amount</b>
Real estate	24,487,793	
Car	3,589,140	
Equipment	170,700	
Ready made products	298,970	
Guarantee	18,067,258	
Monetary funds	722,726	
Gold items	5,794,657	
Standard golds		
State securities		
Securities issued by the CBA	-	
Other securities		
Other pledge	9,266	
No collateral available	7,037,121	
<b>Total</b>	<b>60,177,631</b>	

**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: 20.01.2016