

Interim Report
On Financial Position
30.09.2016

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

	Item	Note	As of the end of the current interim period (unaudited)	As of the end of the previous financial year (audited)
1	Assets			
1.1	Cash and balances with the CBA	13	22,570,511	28,050,284
1.2	Standard bank precious metal bullions and coins		443	476
1.3	Due from banks and other financial institutions	14	14,361,668	7,460,606
1.4	Held for trade financial assets	15	639	
1.5	Loans and advances provided to customers	16	67,413,148	59,175,240
1.6	Available-for-sale assets	17	5,663,195	338,213
1.6.1	Securities pledged under repurchase agreement	17.1	9,467,437	8,527,788
1.7	Prepayments on profit tax		5,096	97,099
1.8	Investments in the chartered capital of controlled entities	19		
1.9	Non-current assets held for sale		60,000	
1.10	Fixed assets	20	8,708,865	4,133,786
1.10.1	Intangible assets	20	193,798	83,116
1.11	Deferred tax assets	11		105,444
1.12	Other assets	21	1,198,731	423,136
	Total assets		129,643,531	108,395,188
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	31,347,625	26,047,228
2.2	Liabilities to Customers	23	64,280,826	61,978,762
2.3	Subordinate borrowing	23.1	5,345,988	4,425,604
2.4	Liabilities on current taxes			
2.5	Securities issued by the Bank	24		
2.6	Held for trading financial liabilities	25		693
2.7	Amounts payable	26	113,428	70,065
2.8	Deferred tax liabilities	11	1,006,314	
2.9	Other liabilities	27	2,330,651	872,760
	Total liabilities		104,424,832	93,395,112
3	Capital			
3.1	Chartered capital	28	4,269,988	2,333,338
3.2	Emission income		7,361,940	
	Advances from share emission			4,001,688
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,320,354	-96,295
3.4	Undistributed profit(loss)		3,266,417	2,761,345
	Total capital		25,218,699	15,000,076
	Total liabilities and capital		129,643,531	108,395,188

Chairman of the Executive Board (General Manager)
Chief Accountant

A. Galstyan
D. Azatyan

Approval date: 14 October 2016

Interim Report
On Financial Results
30.09. 2016

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Item	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	4,091,817	9,194,989	2,462,194	7,040,590
Interest and similar expenses	3	(1,901,234)	(4,645,859)	(1,348,061)	(3,998,550)
Net interest and similar income		2,190,583	4,549,130	1,114,133	3,042,040
Income as commissions and other fees	4	529,281	1,199,132	381,145	1,051,171
Expenses as commissions and other fees	4	(168,760)	(335,280)	(82,299)	(233,148)
Net commission and other fees		360,521	863,852	298,846	818,023
Dividend income		-	-	-	292
Net commercial income	5	400,420	742,327	179,754	488,561
Other operational income	6	125,601	321,796	124,616	250,922
Operational income		3,077,125	6,477,105	1,717,349	4,599,838
Net allocations to possible asset loss provisions	7	(193,294)	(462,958)	(16,884)	(249,694)
Total administrative expenses	8	(1,609,094)	(3,936,194)	(1,083,795)	(3,246,901)
Other operational income	9	(490,575)	(1,106,184)	(297,854)	(872,286)
Operational profit		784,162	971,769	318,816	230,957
Profit/ loss from associated company	10	0		0	9,694
Profit/loss before taxation		784,162	971,769	318,816	240,651
Profit tax expenses(compensation)	11	(178,140)	(249,219)	(37,703)	(40,698)
Profit for period		606,022	722,550	281,113	199,953

Chairman of the Executive Board (General Manager)
Chief Accountant

A. Galstyan
D. Azatyan

Approval date: 14 October 2016

Interim Report
On the Cash Flow
30.09.2016

ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period	Previous period
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		1,299,893	980,449
Interest received		7,731,073	6,726,116
Interest paid		(4,124,141)	(3,961,404)
Fees earned		1,292,860	1,284,901
Fees paid		(283,728)	(242,794)
Gain/ loss from financial assets held for commercial purposes		5,053	-
Gain/ loss from foreign exchange		462,440	555,649
Recovery of previously written-off assets		127,272	68,947
Paid salaries and similar payments		(2,392,199)	(2,348,794)
Other income received from operations and other expenses paid		(1,518,737)	(1,102,172)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(13,301,404)	(4,775,164)
Due from financial institutions		(3,055,873)	(148,199)
Loans and advances to customers		(6,598,017)	(2,693,177)
Securities held for commercial purposes and available for sale		(4,483,488)	(2,079,727)
Other operational assets		835,974	145,938
Increase/ decrease in operational assets		(144,311)	2,421,907
Liabilities to financial institutions		(2,310,791)	3,635,584
Liabilities to customers		860,721	(526,063)
Decrease in other operational liabilities		1,305,759	(687,614)
Net cash flows from operations before profit tax		(12,145,822)	(1,372,809)
Paid profit tax		(60,171)	(286,811)
Net cash flows from operations		(12,205,993)	(1,659,620)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(366,538)	(205,103)
Acquisition of fixed assets and intangible assets		(358,820)	(227,588)
Disposal of fixed assets and intangible assets		343,705	50,615
Net cash flows from other investments		1,145,316	(619,164)
Net cash flows from investments		763,663	(1,001,240)
3. Cash flows from financial operations			
Dividends paid		(432,790)	(143,156)
Borrowings from the Central Bank Of Armenia		328,764	156,266
Increase/ decrease of borrowings from banks		(2,635,903)	1,744,577
Increase/ decrease of other borrowings		5,694,865	3,748,726
Shareholders' investments in chartered capital		4,004,358	-
Net cash flows from other financial operations		2,041,971	619,164
Net cash flows from financial operations		9,001,265	5,813,045
Impact of foreign exchange on cash and equivalents		(124,227)	(381,345)
Net increase/decrease of cash and equivalents thereof		(2,441,066)	3,152,185
Cash and equivalents thereof as of the beginning of the period	13_2	27,550,588	22,354,455
Cash and equivalents thereof as of the end of the period	13_2	24,985,295	25,125,295

Chairman of the Executive Board (General Manager)

Chief Accountant

Approval date: 14 October 2016

A. Galstyan

D. Azatyan

Interim Report
 On Other Comprehensive Financial Results
 30.09.2016
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

Name	Note	Current interim period	Accounting period	Previous comparable current interim period	Previous period
Other comprehensive financial results					
Revaluation of financial assets available for sale		777,902	1,490,284	(185)	(252,258)
Hedging of cash flows		-	-		-
Profit from revaluation of non- current assets		(7,511)	4,087,136		-
Profit tax on other comprehensive income		(154,078)	(1,115,484)	37	50,452
Revaluation of associated company's financial assets available for sale		-		-	(1,555)
Other comprehensive financial result after taxation		616,313	4,461,936	(148)	(203,361)
Comprehensive financial result		1,222,335	5,184,486	280,965	(3,408)

Chairman of the Executive Board (General Manager)
 Chief Accountant

A. Galstyan
 D. Azatyan

Approval date: 14 October 2016

Interim Report
On Equity Changes
30.09.2016
ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

thous. AMD

Equity elements	Chartered capital			Emission income/loss	Main reserve	Revaluation of financial assets available for sale	Profit from revaluation of non-current assets	Undistributed profit(loss)	Total	Uncontrolled shares	Total capital
	Chartered capital	Advances from share emission	Net amount								
Articles	1		3	4	5	7	9	10	12	13	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)											
Balance as of the beginning of the previous financial year 1 January 2015 (audited)	2,333,338		2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	-	11,071,015
Recalculated balance	2,333,338	-	2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	-	11,071,015
Comprehensive income	-		-	-	-	(203,361)	-	199,953	(3,408)	-	(3,408)
Dividends	-		-	-	-	-	-	(163,334)	(163,334)	-	(163,334)
Internal movements including:					594,867	-	-	(594,867)	-	-	-
Deductions to main reserve	-		-	-	594,867	-	-	(594,867)	-	-	-
Balance as of the end of the comparable interim period of the previous financial year 30.09.2015. (unaudited)	2,333,338	-	2,333,338	-	6,000,000	58,903	-	2,512,032	10,904,273	-	10,904,273
Interim period of the current year (ascending from the beginning of the year) (II table)											
Balance as of the beginning of the financial year 01 January 2016(audited)	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	15,000,076
Recalculated balance	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	15,000,076
Transactions with shares(stock) with shareholders (owners) including:	1,936,650	-	1,936,650	7,361,940	-	-	-	180,259	9,478,849	-	9,478,849
Investments in chartered capital and other increase of chartered capital	833,685		833,685	3,170,673	-	-	-		4,004,358	-	4,004,358
Increase in capital due to the consolidation with BTA BANK	1,102,965	-	1,102,965	4,191,267				180,259	5,474,491		5,474,491
Comprehensive income			-	-	-	1,192,227	3,269,709	722,549	5,184,485	-	5,184,485
Dividends			-	-	-	-	-	(443,023)	(443,023)	-	(443,023)
Other increase(decrease) of equity elements including:	-	(4,001,688)	(4,001,688)	-	-	-	-	-	(4,001,688)	-	(4,001,688)
Prepayments for shares emission		(4,001,688)	(4,001,688)						(4,001,688)		(4,001,688)
Internal movements including:							(45,287)	45,287	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets							(45,287)	45,287	-	-	-
Balance as of the end of the interim accounting period 30.09.2016 (unaudited)	4,269,988	-	4,269,988	7,361,940	6,000,000	1,095,932	3,224,422	3,266,417	25,218,699	-	25,218,699

Chairman of the Executive Board (General Manager)
Chief Accountant

A. Galstyan
D. Azatyan

Approval date: 14 October 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 reports published in the 3rd quarter of 2016
“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 24 branches are located in Yerevan, another 21 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. Naljyan

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

I. Yabbarova

Structure and Members of the Bank's Management

CEO

A. Galstyan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

D. Azatyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

V.Jhangiryan

Head of Credit Department

N. Karapetyan

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

As of 30.09.2016, the Chartered capital is AMD 4,269,988. It includes 1,707,995 common shares each with AMD 2500 nominal value. The Bank has 3015 shareholders.

Main Participants

Sukiasyan Saribek Albert	33.19 %
Sukiasyan Khachatur Albert	12.13 %
Sukiasyan Robert Albert	12.57 %
Sukiasyan Eduard Albert	8.29%
European Bank for Reconstruction and Development	8.2 %

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.

Note 2. "Accounting Policy"

Preparation and Submission of "ARMECONOMBANK" OJSC Financial Statements

Financial statements are formed and submitted 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. Amortized deductions on fixed assets out of use are performed on the last working day of each month in the amounts defined by the Bank's Management.

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 are recorded on the last working day of each quarter .

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.

Assets accounted for real value reappraised by profit/loss 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 accounted for real value reappraised by profit/loss 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 assets accounted for real value reappraised by profit/loss 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 assets accounted for real value reappraised by profit/loss).

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 directly reflected in the equity, until the mentioned financial asset is sold or recognized as depreciated. 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. The investments in equity instruments, which are not quoted in any exchange and have limited market, are estimated in fair value, less the amount of possible loss provision.

The investments in subsidiaries and associated companies are estimates by prime cost model.

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. Based on the nature of the derivative instrument, 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. 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 re-valuated 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 IFRS if it is possible to show the correspondence of the internally generated intangible asset to the requirements set by IFRS. 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 IFRS. 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 IFRS, 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 IFRS. 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 IFRS, 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 IFRS 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, excluding buildings which are recorded at their revaluated value. 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, Network devices	3 years, 33.3%
Fixed assets costing up to AMD 50.000	5 years, 20 %
	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 AMD 20.000, 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. 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 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 results of revaluation are reflected in the Bank's balance sheet and Income statement in the manner prescribed by IFRS. 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 20 years.

Assets recorded as capital investments in the fixed assets are not amortized.

Inventory

The Bank's inventory includes: short-life items, goods, including goods 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 among 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 canceled. When such shares are subsequently sold any reimbursement received is included in shareholders' equity.

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

In cases set forth by legislation the Bank prepares consolidated financial statements in accordance with IFRS 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"

Thous. AMD

Interest and similar income	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	220,116	299,918	32,578	117,358
Interest income from loans and advances to customers	2,739,064	7,165,087	2,081,519	5,944,493
Interest income from debt securities	817,256	1,277,296	241,119	643,802
Interest income from REPO agreements	311,153	443,427	106,947	334,269
Other interest income	4,228	9,259	31	665
Total	4,091,817	9,194,987	2,462,194	7,040,587
Interest and Similar Expenses				
Interest expenses from the attracted funds of the CBA	150,486	150,486		
Interest expenses from the Banks' current accounts deposits and loans allocated from banks and other financial	486,139	1,210,466	306,432	975,898
Interest expenses on terms deposits and current accounts of customers	866,484	2,248,802	617,128	1,912,767
Interest expenses on securities issued by the Bank	-		-	
Interest expenses under REPO agreements	238,286	568,962	275,502	812,507
Interest expenses on subordinate borrowings	159,841	451,991	135,457	259,457
Other interest expense	-	15,153	13,542	37,918
Total	1,901,236	4,645,860	1,348,061	3,998,547
Net interest and similar income	2,190,581	4,549,127	1,114,133	3,042,040

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

Thous. AMD

Commission and Other Fee Income and Expenses	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Cashier's operations	37,492	102,439	39,125	99,445
Settlement services	385,308	847,503	278,15	759,09
Guarantees, warranties, letters of credit operations, trust management operations	9,660	20,551	3,427	8,632
Foreign currency and security operations	2,798	6,518	7,638	17,147
Payment card servicing	33,435	83,352	24,217	64,747
Loan operations	18,927	18,927		
Other commission fees	41,663	119,845	28,581	102,10
Total	529,28	1,199,1	381,1	1,051,1
Commission and Other Fee Expenses:	-		-	
Commission fee from correspondent and other accounts	2,064	3,242	599	1,756
Expenses for payment card operations	38,499	103,676	36,671	105,54
Guarantees, warranties, letter of credit operations, trust management operations	7,217	19,164	9,792	27,331
Foreign currency and security operations	12,031	36,355	5,402	13,056
other commission fees*	108,948	172,843	29,835	85,459
Total	168,75	335,28	82,29	233,14
Net commission and other fees received	360,52	863,85	298,8	818,02

* 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"

Thous. AMD

Held-for-trading investments	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Net income from sale/purchase of held-for-trading investments, including:	(4,914)	(8,694)	(8,097)	(37,120)
Shares	-		-	
Debt securities	-		-	
Derivatives	(5,499)	(9,279)	(8,097)	(37,120)
Net income from changes in real value of available for sale investments	(4,973)	32,190	11,532	(146,639)
Total	(9,887)	23,496	3,435	(183,759)
Available for sale investments	-			
Net income from sale/purchase of available for sale investments including:	(8,953)	65,324	-	1,328
Shares	-		-	
Debt securities	(3,546)	-	-	1,328
Derivatives	-		-	
Net income from changes in real value of available for sale investments	197,885	197,885	-	
Total	188,932	263,209	-	1,328
Foreign currency operations	-			
Net income from foreign currency sale/purchase	228,086	525,073	208,887	555,647
Net income from foreign currency revaluation	(6,711)	(69,484)	(32,764)	113,519
Net income from the sale/purchase of precious standardized bullions and coins	-	28	211	1,375
Net income from revaluation of precious standardized bullions and coins	-	6	(15)	451
Total	221,375	455,623	176,319	670,992
Net income from commercial operations	400,420	742,328	179,754	488,561

Note 6 : "Other Operational Income"

Thous. AMD

Other Operational Income	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Income from penalties and fines	139,436	330,697	66,696	164,107
Income from factoring	-		-	
Net income from disposal of fixed and intangible assets	(29,259)	(46,744)	(2,367)	(4,768)
Net income from revaluation of intangible assets and reversal of depreciation	-		-	
Other income*	37,843	37,843	60,287	91,583
Total	148,020	321,796	124,616	250,922

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"

Thous. AMD

	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Due from banks (Note 14)				
Initial balance	-		23,873	23,873
Net deductions to reserve			(23,873)	(23,873)
Increase due to the consolidation with BTA BANK				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	-	-	-	-
Due from financial institutions (Note 14)				
Initial balance	3,713	5,049	3,586	8,506
Net deductions to reserve	(1,036)	(2,117)	101	(4,819)
Increase due to the consolidation with BTA BANK	474	219		
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,151	3,151	3,687	3,687
From loans and advances to customers (Note 16)				
Initial balance	1,170,464	1,002,391	852,527	736,558
Net deductions to reserve	191,728	455,559	49,626	283,944
Increase due to consolidation with BTA BANK	169,782	296,283		
Return of amounts previously charged to off balance item	312,220	272,471	89,218	135,856
Usage of reserve	(506,698)	(689,208)	(62,171)	(227,158)
Summary balance	1,337,496	1,337,496	929,200	929,200
On investments (Note 17)				
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve				
Increase due to consolidation with BTA BANK <i>արդյունքում</i>				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	4,690	4,690	4,690	4,690
On other assets (Note 21)				
Initial balance	10,054	3,167	9,845	3,435
Net deductions to reserve	2,602	9,516	(8,968)	(5,558)
Increase due to consolidation with BTA BANK	3,606	3,581		
Return of amounts previously charged to off balance item	2,838	2,838	1,500	4,515
Usage of reserve	(9,293)	(9,295)		(15)
Summary balance	9,807	9,807	2,377	2,377
Post-balance sheet items containing loan exposures (note 30)				
Initial balance				
Net deductions to reserve				
Increase due to consolidation with BTA BANK				
Summary balance	-	-	-	-
Total net deductions to reserves	193,294	462,958	16,886	249,694

Note 8: "Total administrative expenses"

Thous. AMD

Total administrative expenses	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Salary and similar payments	1,045,775	2,693,854	781,790	2,402,791
Allocations to social insurance state fund	485	1,370	318	993
Training and tutorship expenses	240	240	29	164
Business trip expenses	13,769	44,382	13,511	28,461
Operational leases expenses	180,606	345,626	71,570	195,527
Insurance costs	29,273	73,015	21,450	62,988
Servicing and maintenance of the Bank's equipment	65,904	127,148	27,065	45,823
Maintenance and safekeeping of Bank buildings	71,447	168,280	44,157	139,389
Audit and consulting services	5,677	20,198	(6,589)	5,459
Communication and transmission costs	49,057	97,263	23,627	72,851
Transportation costs	29,561	77,383	24,912	76,973
Taxes (except income tax) penalties and other mandatory payments	74,404	181,971	51,331	147,268
Office and organizational expenses	32,364	61,262	17,151	53,682
Expenses from loan provision and recovery	170	170	-	
Other administrative expenses	10,361	44,031	13,472	14,532
Total	1,609,093	3,936,193	1,083,794	3,246,901

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

	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Average number of Bank employees	889	863	870	868
Monthly average salary falling to a single employee (thousand AMD)	324	309	296	299

Note 9: "Other Operational Expenses"

Thous. AMD

Other operational expenses	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Paid fines and penalties	-	306	-	
Payments made for collection	84,434	218,434	66,371	191,371
Advertising and representative expenses	107,389	199,022	51,551	158,813
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	182,290	406,382	98,256	290,116
Deductions to the Fund of Recovery of Deposits	28,274	63,802	17,144	50,645
	12,823	12,823		
	1,218	1,218		
Other expenses	74,144	204,196	64,531	181,342
Total	490,572	1,106,183	297,853	872,287

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"

Thous. AMD

Net income from investments in the controlled units	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.201- 30.09.2015	01.01.2015- 0.09.2015
Income from investments in associated organizations		(0)		9,694

Note 11: "Profit Tax Expenses (Reimbursement)"

Thous. AMD

Profit tax expenses	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Current tax expenses	156,110	253,250	40,000	43,800
Corrections of current taxes for the previous period recognized in the current period	-	6,314		
Deferred tax expenses	22,030	(10,345)	(2,297)	(3,102)
Total	178,140	249,219	37,703	40,698

	01.07.2016- 30.09.2016	Efficient rate (%)	01.01.2016- 30.09.2016	Efficient rate (%)	01.07.2015- 30.09.2015	Efficient rate (%)	01.01.2015- 30.09.2015	Efficient rate (%)
Profit before taxation	784,162		971,769		318,816		240,651	
Profit tax with rate	156,832	20	194,354	20	63,763	20	48,130	20
Non-taxable income	(25)	0.00	(76)	(0.01)	(25)	(0.01)	(500)	(0.21)
Non-deductible expenses	23,063	2.89	44,391	4.57	(31,116)	(9.76)	20,067	8.34
Unevaluated tax loss		-		p		-		-
Foreign currency negative/positive difference	1,343	0.17	13,896	1.47	6,554	2.06	(22,794)	(9.47)
Verification of tax expenses calculated previous year		-	6,314	1		-		-
Other privileges	(3,073)	(0.39)	(9,660)	0.99	(1,475)	(0.46)	(4,205)	(1.75)
Profit tax expenses	178,140	22.72	249,219	25.65	37,703	11.83	40,698	16.91

Calculation of deferred tax on temporary differences

Thous. AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	138,364	324	-	138,688
Loans and borrowings to customers	31,958	(4,658)		27,300
Other liabilities	106,406	4,982		111,388
Deferred tax liabilities, including:	(32,918)	10,022	(1,122,105)	(1,145,001)
Available for sale securities	(3,856)	28,846	(298,056)	(273,066)
Fixed assets	(3,581)	165		(3,416)
Revaluation of fixed assets			(824,049)	(824,049)
Contingent liabilities	(11,005)	(3,000)		(14,005)
Claims to banks and other financial institutions	(14,476)	(15,989)		(30,465)
Net deferred tax asset/liability	105,446	10,345	(1,122,105)	(1,006,314)

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

Thous. AMD

Basic profit falling to a single share	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Net profit of the accounting period after taxation	606,022	722,550	281,113	199,953
Net gains(losses) of given period referring to owners of common shares	606,022	722,550	281,113	199,953
Net weighted average number of common shares in circulation during the given period	1,707,995	1,707,995	933,335	933,335
Basic profit falling to a single share	0.35	0.42	0.30	0.21

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"

Thous. AMD

Cash, cash equivalents and balances with the CBA	30.09.2016	31.12.2015
Cash monetary funds	5,702,015	5,458,077
Other money placements	1,755,059	3,675,879
Correspondent accounts with the CBA*	13,843,227	16,251,012
Deposit accounts with the CBA		1,145,316
Funds deposited with the CBA**	1,270,210	1,520,000
Other liabilities to the CBA		
Accrued interests		
Cash and balances with the CBA	22,570,511	28,050,284

*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

Thous. AMD

Cash and cash equivalents thereof	30.09.2016	31.12.2015
Cash and payment documents equivalent to cash	7,457,074	9,133,956
Correspondent accounts with the CBA	13,843,227	16,251,012
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	5,103	19,744
Correspondent accounts with non-resident banks	3,679,891	2,145,878
Total cash and cash equivalents	24,985,295	27,550,590

Note 14 "Due to Banks and other Financial Institution

Thous. AMD

	30.09.2016	31.12.2015
Current accounts		
with RA banks	5,103	19,744
with banks having BBB(Baa3) and higher ratings	2,998,444	1,312,479
with banks having ratings lower than BBB (Baa3) or no rating at	681,294	833,004
Accrued interest	153	395
Total	3,684,994	2,165,622
with RA banks		
Loans and deposits	2,170,654	3,386,309
REPO (re-purchase) agreements		
Other	116,659	272,478
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
Other		
with the banks having a rating lower than BBB(Baa3) or no rating at all		
Other	182,872	154,291
Accrued interest	1,245	4,208
Total	2,471,430	3,817,286
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	6,156,424	5,982,908

	30.09.2016	31.12.2015
Loans and deposits with Financial Institutions and other receivables		
with RA Financial Institutions:		
Loans and deposits	1,658,285	193,493
REPO (re-purchase) agreements	6,202,545	831,086
Other	116,439	65,062
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		53,553
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	214,255	337,267
Accrued interest	16,871	2,286
Total	8,208,395	1,482,747
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,151)	(5,049)
Net receivables to Financial Institutions	8,205,244	1,477,698
Net receivables to banks and Financial Institutions	14,361,668	7,460,606

**As of 31.12.2015 and 30.09.2016 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,919 (AMD 53.553 thousand on 31.12.15, AMD 52.627 thousand on 30.09.2016) in Visa International and USD 134,495 (AMD 65.062 on 31.12.2015 and AMD 63.812 on 30.09.2016) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 15: "Financial assets held for commercial purposes "

Thous. AMD

Financial assets held for commercial purposes	30.09.2016	31.12.2015
Derivative Instruments		
Swap	639	
Total	639	-

Possible loss provision for other financial assets held for commercial purposes (Note 7)

Note 16: "Loans and Advances to Customers"

Thous. AMD

Provided Loans and other Borrowings	30.09.2016	31.12.2015
Loans, including:	61,330,452	53,837,927
Mortgage loans	3,356,936	3,197,090
Credit cards	6,833,012	5,929,696
Accrued interest on the mentioned items	587,180	410,008
Total loans	68,750,644	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,337,496)	(1,002,390)
Net total loans	67,413,148	59,175,241

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30.09.2016		31.12.2015	
	Balance	Quantity	Balance	Quantity
Loans and advances, including:	68,750,644	39,497	60,177,631	31,707
performing loans	65,407,495	38,388	58,782,404	31,307
depreciated (non- performing) loans and borrowings, including:	3,343,149	1,109	1,395,227	400
overdue	268,888	1,046	126,202	378
restructured	400,690	5	449,952	4
Total loans	68,750,644	39,497	60,177,631	31,707
Reserve for possible loss of customer loans and advances (note7)	(1,337,496)		(1,002,390)	
Net total loans	67,413,148		59,175,241	

Analyses of provided loans and advances per customers	30.09.2016	31.12.2015
State industries	353,179	15,356
Private industries, including:	37,546,546	31,076,443
major enterprises	9,968,907	7,952,557
small and medium enterprises	27,577,639	23,123,886
including business cards	87,249	210,762
Individuals, including:	26,402,345	25,157,434
consumer loans	12,477,212	13,002,460
mortgage loans	3,356,936	3,197,093
credit cards	6,833,012	5,717,560
Private entrepreneurs	3,861,394	3,518,390
Accrued interest	587,180	410,008
Total loans	68,750,644	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,337,496)	(1,002,390)
Net total loans	67,413,148	59,175,241

Thous. AMD

Loan liabilities on 20 major borrowers and related parties	30.09.2016	31.12.2015
Balance sheet	28,355,044	22,563,199
Balance of off-balance sheet contingent liabilities	3,875,461	2,381,598
Total	32,230,505	24,944,797
Loan investments	67,413,148	59,175,240
Percentage ratio in loan portfolio	48%	42%
Total normative capital	26,849,041	13,271,388
Percentage correlation to capital	120%	188%

Loan Investments through International programs	30.09.2016	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,900,651	251
GAF micro and small private enterprises loan program of RA		
GAF "Renewable Energy Development" program	99,663	1
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	360,580	28
Atlantic Forfaitierungs AG loan program	257,358	4
Asian Development Bank commercial financing program	521,689	12
BLUE ORCHARD SME loan program	415,859	27
RCA trade promotion program	57,884	3
MSMEBondsSA/MSME	267,862	18
Mortgage Loans including:	47,987	23
GAF	47,987	23
IFC		
Total	7,700,594	818
Loan Investments	31.12.2015	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	2,682,224	233
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	119,595	1
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	669,161	38
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 including:	79,180	41
GAF	79,180	41
EBRD		
IFC		
Total	7,791,460	839

thous. AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30.09.2016	Percentage	31.12.2015	Percentage
Industry	9,014,793	13	9,206,365	15
Agriculture	1,450,771	2	1,939,788	3
Construction	6,514,064	9	4,268,964	7
Transportation and communication	621,572	1	299,963	0
Commerce	11,462,761	17	10,716,641	18
Consumer	21,372,383	31	20,195,447	34
Mortgage loans	3,808,518	6	3,216,236	5
Service	10,121,153	15	7,915,305	13
Other	4,384,629	6	2,418,922	4
Total	68.750.644	100	60.177.631	100

thous. AMD

Breakdown of loan portfolio per customer residency	30.09.2016	Percentage	31.12.2015	Percentage
RA residents	66,825,968	100	58,761,493	100
Germany	-	-	3,740	0
Accrued Interest	587,180		410,008	
Total	67,413,148	100	59,175,241	100

Note 17: "Held for trading financial assets"

	30.09.2016	31.12.2015
T-bills		
RA Governmental T-bills		
Treasury bonds	5,054,773	84,751
Total T-bills	5,054,773	84,751

thous. AMD

RA non-state securities	30.09.2016		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	321,258			
Short term debt instruments				
Capital instruments		287,918		256,200
Total non-state securities of RA	321,258	287,918	-	256,200
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,690)
Net investments in RA non-state securities	321,258	283,227	-	251,510

thous. AMD

Non governmental securities of other countries	30.09.2016	30.09.2016		31.12.2015
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		3,936		1,953
Total non-state securities of other countries	-	3,936		1,953
Total available-for-sale securities	5,376,031	287,163	84,751	253,463

Name	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share%
S.W.I.F.T	Telecommunication	Belgium	13/09/96	3,936	-
"Armenian Card" CJSC	Payment service	RA	22/02/00	60,715	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/06	23,255	4.58
SIL INSURANCE	Insurance	RA	22/02/00	203,948	15.17
Total				291,854	

Investments in share capital of other entities as of 30.06.2016

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 : " Securities pledged under repurchase agreement"

thous. AMD

	30.09.2016	31.12.2015
Asset		
Total pledged securities	9,467,437	9,384,574
including:		
pledged securities	9,467,437	8,527,788
pledged securities under REPO agreement		856,786
Liabilities		
Resources attracted under REPO agreement	8,939,767	9,104,678

Note 18: "Held-to maturity Investments"

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

Note 19: "Investment in the chartered capital of the controlled entities"

thous. AMD

Movement of investments in the controlled units	Investment in the chartered capital of the controlled entities
Balance at the beginning of the period	
Increase	
Disposal (sale)	
Profit/loss from associated company	
Other comprehensive income/loss	
Classification of financial assets available for sale	
Balance at the end of the period	

Investment in the controlled units	30.09.2016	31.12.2015
Investments in associated organizations		
Investments in mutual controlled units		
Investments in subsidiaries		
Investments in other subsidiaries		
Dividends		
Total		

Note 20 : "Fixed assets and intangible assets"

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	3,302,955	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)
Depreciation	10,478				(10,478)		-
Reclassification	(14,046)	(67,515)		(29,532)	(987)	(1,062)	(113,142)
Written-off							-
Revaluation							-
Balance at the end of the previous period	3,334,953	1,827,787	554,230	1,431,075	726,140	174,137	8,048,322
Increase		148,768	117,787	85,023	336,752	29,785	718,115
Increase due to consolidation with BTA BANK	453,624	115,208	42,887	319,398		8,577	939,694
Disposal	(502,516)	(2,060)	(132,005)	(96,151)			(732,732)
Reclassification	338,071	(904)		904	(338,071)		-
Written-off**	(1,206,361)						(1,206,361)
Revaluation*	4,087,137						4,087,137
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
Balance at the end of the accounting period	6,504,908	2,088,799	582,899	1,740,249	724,821	212,499	11,854,175
Accumulated amortization							

Balance at the beginning of the previous period	1,354,496	1,263,194	164,974	844,702		47,002	3,674,368
Increase	45,756	159,145	56,896	99,660		10,536	371,993
including: 01.07.2015- 30.09.2015	11,507	39,657	14,143	25,452		3,557	94,316
Disposal			(38,720)				(38,720)
Written-off		(63,759)		(29,161)		(185)	(93,105)
Depreciation							-
Reclassification							-
Revaluation							-
Balance at the end of the accounting period	1,400,252	1,358,580	183,150	915,201	-	57,353	3,914,536
Increase	88,847	124,453	45,120	79,466		7,720	345,606
including: 01.07.2016-30.09.2016	39,236	43,463	16,141	28,072		2,688	129,600
Increase due to consolidation with BTA BANK	68,146	93,694	22,359	246,471		3,142	433,812
Disposal	(201,104)	(2,048)	(67,981)	(71,150)			(342,283)
Written-off	(1,206,361)						(1,206,361)
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of the accounting period	149,780	1,574,679	182,648	1,169,988	-	68,215	3,145,310
Net balance sheet value							-
at the end of the accounting period	6,355,128	514,120	400,251	570,261	724,821	144,284	8,708,865
at the end of the previous accounting period	1,934,701	469,207	371,080	515,874	726,140	116,784	4,133,786

*Revaluation of fixed assets was executed by an independent appraiser based on the market price. Positive result of revaluation amounted to AMD 4,087,137 thous., deferred tax liabilities amounted to AMD 817,427 thous. AMD 3,269,710 thous. was registered in revaluation reserve of capital.

Intangible Assets

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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	37,544	129,083	50	14,357	-	181,034
Increase		3,731	-		-	3,731
Disposal						-
Written-off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
Balance at the end of the previous period	37,544	132,814	50	14,357	-	184,765
Increase		7,243				7,243
Increase due to consolidation with BTA BANK	123,819	28,888		38,360		191,067
Disposal						-

Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Revaluation						-
Depreciation	-	-	-			-
Adjustment of amortization from revaluation	-	-	-			-
Balance at the end of accounting period	161,158	168,645	50	51,661	-	381,514
Accumulated amortization						
Balance at the beginning of the previous period	21,710	57,194	29	7,080		86,013
Increase	2,248	12,187	5	1,196		15,636
including: 01.07.2015- 30.09.2015	554	3,083	1	302		3,940
Disposal						-
Written- off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of the previous period	23,958	69,381	34	8,276	-	101,649
Increase	2,364	9,806	4	1,083		13,257
including 01.07.2016 - 30.09.2016	1,268	3,417	1	487		5,173
Increase due to consolidation with BTA BANK ³	37,997	14,482	-	21,892		74,371
Disposal						-
Written- off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	64,114	93,369	38	30,195	-	187,716
Net balance sheet value						
At the end of the accounting period	97,044	75,276	12	21,466	-	193,798
At the end of the previous accounting period	13,586	63,433	16	6,081	-	83,116

As of 30.09.2016, AMD 280,990 thousand total amount worth out-of-use assets were put into use.

As of 30.09. 2016, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 19 thous.

As of 30.09.2016, the value of fully worn-off assets included in the fixed assets was AMD 1,151,344 thousand , AMD 245,002 thous. of which was transferred because of the consolidation of BTA BANK (31.12.2015: AMD 958,058 thous.)

Note 21: "Other Assets"

thous. AMD

	30.09.2016	31.12.2015
Amounts receivable from bank operations		
Amounts receivable from other operations	71,557	19,789
Total	71,557	19,789
Reserve for possible loss provision from bank operations (note 7)	(2,332)	(201)
Net amounts receivable from bank operations	69,225	19,588
Debtor liabilities and prepayments		
Debtor liabilities on the budget	110	175
Debtor liabilities to suppliers		
Prepayments to employees	750	8
Prepayments to suppliers	315,905	51,978
Prepayments on the budget and mandatory social insurance payments	1,538	10
Other debtor liabilities and prepayments	27,236	55,288
Total	345,539	107,459
Reserve for possible loss provision on other assets (note 7)	(3,455)	(1,758)
Total	342,084	105,701
Other assets		
Reserve	154,657	127,570
Sequestered pledge and available-for-sale assets	511,104	83,100
Future period expenses	72,199	64,820
Other assets	53,486	23,566
Reserve for possible loss provision on other assets (note 7)	(4,023)	(1,210)
Total	787,423	297,846
Total other assets	1,198,732	423,135

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

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	30.09.2016	31.12.2015
Current accounts		
RA Banks	40,816	34,251
Banks having BBB(Baa3) and higher rating	2,208	
Banks having rating lower than BBB(Baa3) or no rating at all		35,654
Accrued interest		
Total	43,024	69,905
Interbank loans and deposits, other		
RA CB		
Loans	3,042,983	2,714,219
REPO (re-purchase) agreements		9,100,000
Other		
RA Banks		
Loans and deposits	1,561,070	4,144,375
REPO (re-purchase) agreements	8,935,119	
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other	3,785	3,848

Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	3,218,487	3,047,243
Other	36,261	45,418
Accrued interest	98,267	169,406
Total	16,895,972	19,224,509
Financial Institutions		
Current accounts	218,644	447,548
Loans and deposits	13,915,896	6,227,568
REPO (re-purchase) agreements		
Other	16,126	9,741
Accrued interest	257,963	67,957
Total	14,408,629	6,752,814
Total liabilities to banks and financial institutions	31,347,625	26,047,228

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.

Project	30.09.2016		31.12.2015	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	48,887	188	70,814	289
GAF /German Armenian Fund " Micro and small business development program"	2,887,789	56,658	2,510,521	41,206
GAF / "Renewable energy development" program	106,307	1,474	132,884	3,684
GAF / " Access to finance for SMEs " program				
Total	3,042,983	58,320	2,714,219	45,179

Note 23: "Liabilities to Customers"

thous. AMD

RA Government and local authorities	30.09.2016	31.12.2015
Loan		
Other	5,747	4,775
Accrued interest		
Total	5,747	4,775

RA resident corporate entities and institutions	30.09.2016	31.12.2015
Current accounts	16,796,836	20,256,892
Term deposits	7,633,579	5,742,147
REPO (repurchase) agreements		
Other	49,640	50,635
Accrued interest	42,993	38,223
Total	24,523,048	26,087,897

Non-resident corporate entities, institutions	30.09.2016	31.12.2015
Current accounts	45,196	10,058
Other	2	
Accrued interest	6	
Total	45,204	10,058

RA resident private entrepreneurs	30.09.2016	31.12.2015
Current accounts	174,231	148,967
Term deposits		6,000
Other	3,936	3,824
Accrued interest	9	11
Total	178,176	158,802

RA resident individuals	30.09.2016	31.12.2015
Current accounts	10,146,625	11,728,877
Term deposit	26,547,464	22,911,392
Other	514,680	432,497
Accrued interest	136,984	126,147
Total	37,345,753	35,198,913

non-resident private entrepreneurs	30.09.2016	31.12.2015
Current accounts	570,588	224,861
Term deposit	1,570,719	261,739
Other	30,727	29,610
Accrued interest	10,864	2,107
Total	2,182,898	518,317
Total liabilities to customers	64,280,826	61,978,762

As of 30.09.16, the amount necessary to secure obligations was AMD 1.915.762 thousand.

As of 30.09.16, the amount frozen by court order and tax authorities was AMD 314,063 thousand.

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 5.309.530 subordinate borrowing from the shareholder, which participates in the account 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"

thous. AMD

	30.09.2016	31.12.2015
Liability held for commercial purposes		
Derivative instruments held for commercial purposes		
Swap	-	693
Total	-	693

Note 26: "Amounts Payable"

Amounts payable	30.09.2016	31.12.2015
Dividends	87,434	52,823
For insurance of deposit	25,994	17,242
Total	113,428	70,065

Note 27: " Other Liabilities"

Other liabilities	30.09.2016	31.12.2015
On income tax of non-resident	1,027	2,158
On VAT	2,157	6,972
On other taxes and penalties	55,316	139,791
On social insurance payments		
Salary liabilities to employees	502,730	474,496
Credit debts to suppliers	69,712	90,535
Credit debts to chartered capital increase		
Other liabilities	1,699,709	158,808
Balance at the end of the period	2,330,651	872,760

Note 28: " Chartered capital"

The Bank's registered and fully paid share capital totals AMD 4,269,988 thous., including 1,707,995 common shares with a nominal value of AMD 2500 per share. The emission income amounts to AMD 7,361,940, including AMD 4,191,267 from the consolidation of BTA BANK .

During the accounting period the chartered capital has increased with AMD 1,936,650 thousand, as well as with AMD 1,102.965 due to the consolidation of BTA BANK . The . No decrease on the account of repurchased and out of circulation shares is made by the Bank.

During the accounting period, dividends amounting to AMD 432,790 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.

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	thous. AMD
			Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	820,122.5	33.19	
Sukiasyan Khachatur Albert	455,412.5	12.13	
Sukiasyan Robert Albert	474,265.0	12.57	
Sukiasyan Eduard Albert	353,915.0	8.29	
EBRD	350,002.5	8.2	Financial

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.09.2016, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.09.2016 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

	30.09.2016	31.12.2015
Unutilized credit lines	4,530,991	4,547,262
Provided guarantees	2,471,708	929,707
Provided letters of credit		25,377
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

thous. AMD

Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		496,792
1-5 years		1,627,266
more than 5 years		0
Total		2,124,058

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.

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Loans and advances to customers	30.09.2016	31.12.2015
Initial balance	2,224,782	1,437,436
Loans and advances provided over the year	2,385,941	2,102,675
Bank shareholder	197,949	194,142
Shareholder related entity	1,530,814	1,351,479
Bank manager	624,661	521,595
Manager related entity	32,517	35,457
Loans and advances repaid over the year	1,058,474	1,315,329
Bank shareholder	179,975	172,812
Shareholder related entity	414,283	754,613
Bank manager	435,796	356,045
Manager related entity	28,419	31,858
Summary balance *	3,552,249	2,224,782

Item	30.09.2016	30.09.2015
Interest income	279,849	151,069

thous. AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2015	401,807	6,420,559
Amounts received over the accounting period (for 9 months of 2016), including:	32,596,683	2,055,231
Bank shareholder	14,021,733	1,403,873
Shareholder related entity	16,466,528	106,326
Bank manager	1,209,905	358,384
Bank manager related entity	898,518	186,647
Amounts received over the accounting period (for 9 months of 2016), including:	32,625,479	1,439,318
Bank shareholder	14,111,734	985,402
Shareholder related entity	16,428,919	141,444
Bank manager	1,186,563	193,883
Bank manager related entity	898,263	118,589
Exchange rate difference (+/ -)	(7,282)	(61,390)
Balance as of 30.09.2016	365,729	6,975,081
Interest expense as of 9 months of 2016	1,123	552,367

thous. AMD

Salary or Similar Payment to the Bank Management	30.09.2016	30.09.2015
Board	97,076	91,489
Salary	97,076	91,489
Awarding	-	-
Executive body	150,443	135,701
Salary	150,443	135,701
Awarding	-	-
Internal Audit	60,250	58,238
Salary	60,250	58,038
Awarding	-	200
Total	307,769	285,428

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, which can cause financial losses.

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 Loan terms
- 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

30.09.2016

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Item	RA	CIS countries	OECD* countries*	Non-OECD* countries»	Total
Assets					
Cash and balances with the CBA	22,570,073		438		22,570,511
Due from banks and other financial institutions	10,349,308	525,710	3,221,007	265,643	14,361,668
Standard bank precious metal bullions and coins	443				443
Held for trade financial assets		639			639
Loans and advances provided to customers	67,413,148				67,413,148
Available-for-sale securities	5,659,259		3,936		5,663,195
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	9,467,437				9,467,437
Other assets	69,224	2			69,226
Total assets	115,528,892	526,351	3,225,381	265,643	119,546,267
Off-balance sheet items containing credit risks	4,530,991				4,530,991
Liabilities					
Liabilities to banks and other financial institutions	18,457,110	3,299,093	9,488,445	102,977	31,347,625
Liabilities to customers	62,095,239	747,836	233,680	1,204,071	64,280,826
Total liabilities	80,552,349	4,046,929	9,722,125	1,307,048	95,628,451
Net position	34,976,543	(3,520,578)	(6,496,744)	(1,041,405)	23,917,816

31.12.2015

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Item	RA	CIS countries	OECD countries*	Non-OECD* countries»	Total
Assets					
Cash and balances with the CBA	28,050,284				28,050,284
Due from banks and other financial institutions	5,070,224	447,281	1,449,492	493,609	7,460,606
Standard bank precious metal bullions and coins	476				476
Held for trade financial assets	-				-
Loans and advances provided to customers	59,171,497		3,743		59,175,240
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
Total assets	101,176,173	447,283	1,455,188	493,609	103,572,253
Off-balance sheet items containing credit risks	5,502,347				5,502,347
Liabilities					
Liabilities to banks and other financial institutions	18,747,585	2,562,707	4,685,659	51,277	26,047,228
Liabilities to customers	61,450,385	195,653	230,068	102,656	61,978,762
Total liabilities	80,197,970	2,758,360	4,915,727	153,933	88,025,990
Net position	20,978,203	(2,311,077)	(3,460,539)	339,676	15,546,263

Loans allocated in the territory of RA per RA regions:

RA regions	30.09.2016	31.12.2015
Yerevan	54,308,793	46,583,462
Ararat	894,644	985,704
Armavir	1,109,287	1,261,595
Kotayk	2,107,041	2,042,771
Shirak	1,271,313	1,132,805
Lori	1,382,077	1,456,720
Aragatsotn	3,674,226	3,308,602
Syunik	1,422,872	1,082,775
Tavush	306,293	309,941
Gegharquniq	516,592	438,660
Vayots Dzor	288,569	457,039
Artsakh	131,440	115,168
Total	67,413,148	59,175,241

Analysis of assets containing credit risk per economic segments riskiness:

30.09.2016

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Assets	Performing		Non-performing							
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	amount
Loans, including:	64,727,455	38,388	1,832,819	702	705,378	221	147,495	186	5,290,956	1,298
Loans provided to non-residents									401	1
Loans provided to residents, including:	64,727,455	38,388	1,832,819	702	705,378	221	147,495	186	5,290,555	1,297
Industry	8,831,646	182	35,600	6	26,911	2	8,087	5	1,203,066	23
Agriculture	1,407,176	4,654	11,974	22	226	1	582	3	89,148	88
Construction	6,443,646	31	4,691	1					40,850	6
Transport and communication	615,356	29							221,602	12
Trade	10,498,577	834	212,765	24	435,228	12	21,845	12	477,126	91
Public catering and other service fields	9,985,598	92	12,379	4			10,431	1	79,387	4
Consumer loans	19,961,312	31,886	646,482	622	179,238	199	91,279	161	1,203,544	883
Other sectors of economy	3,418,845	138	830,258	7	981	1	574	1	1,680,931	173
Mortgage (housing loans)	3,565,299	542	78,670	16	62,794	6	14,697	3	294,901	17
Debtor liabilities	533,282	663	167	5	35	4	1,579	4	192,765	18
Collection Securities	253,463	4		-						
Post-balance sheet items, including:	7,002,699	95			-					
Guarantees	2,471,708	46			-	-				
LCs			-	-	-	-	-	-	-	-

31.12.2015

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Assets	Performing		Non-performing							
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	amount
Loans, including:	58,134,164	31,307	497,970	198	446,323	121	96,784	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	497,970	198	446,323	121	96,784	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			313,410	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	250,488	139	87,697	57	63,039	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	3,646	1	26,673	3
Debtor liabilities	213,165	595	15	1	6	1	161	4	96,288	18
Collection Securities	253,463	4		-						
Post-balance sheet items,	5,502,347	85			-					
Guarantees	929,708	39			-	-				
LCs	25,377	1	-	-	-	-	-	-	-	-

Analysis of credit portfolio as per regions and risk level

30.09.2016

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Assets	Performing assets	Non-performing assets			
	Standard/not risky	Watched/Risky	Non-standard/ Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	64,727,455	1,832,819	705,378	147,495	5,290,555
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
Germany					
4. Residents on non-OECD countries					
5. Total	64,727,455	1,832,819	705,378	147,495	5,290,956

31.12.2015

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Assets	Performing assets	Non-performing assets			
	Standard/not risky	Watched/Risky	Non-standard/ Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	58,130,421	497,970	446,323	96,784	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 of non-OECD countries (per countries)					
5. Total	58,134,164	497,970	446,323	96,784	3,356,627

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 by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.09.2016 did not exceed 9.09%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.09.2016, loan investments without reserves amounted to AMD 68.750.644. Non-performing loans as of 30.09.2016 amounted to AMD 3.343.149. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 3.06, 1.33 and 0.47 percent.

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

5) The volume of repo transactions (except extensions) affected in the 3rd quarter 2016 was AMD 64,636,912 against AMD 179.492.728 of the same period of the previous year. Reverse repo transactions in the 3rd quarter 2016 totalled AMD 18.563.086 against AMD 18.501.750 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 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.

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.

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
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-purposeful 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.

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Indicators	Amount	Indicator	Amount	Correlation
31.12.15				
Non-performing loans	1,997,780	Total loans	59,175,240	3.4%
30.09.16				
Non-performing loans	3,296,349	Total loans	67,413,148	4.9%
31.12.15				
Provisions for non-performing loans	309,255	Total capital	15,000,076	2.1%
30.09.16				
Provisions for non-performing loans	610,657	Total capital	25,218,699	2.4%
31.12.15				
Reserve for loans	1,002,390	Total loans	59,220,140	1.7%
30.09.16				
Reserve for loans	1,337,496	Total loans	67,413,148	2.0%
31.12.15				
Reserve for loans	1,002,390	Non-performing loans	1,350,332	74.2%
30.09.16				
Possible loss provisions	1,337,496	Non-performing loans	3,296,349	40.6%
31.12.15				
Write-offs-Reimbursements	(120,097)	Average total loans	53,428,174	-0.2%
30.09.16				
Write-offs-Reimbursements	(416,737)	Average total loans	62,911,171	-0.7%
31.12.15				
Reimbursements	237,938	Loan losses	358,035	66.5%

30.09.16				
Reimbursements	272,471	Loan losses	- 416,737	-65.4%
31.12.15				
Profit coverage ratio = (net operational		Net loan loss		
30.09.16				
Profit coverage ratio = (net operational income+provisioning expenses)	1,434,727	Net loan loss	(416,737)	-344.3%
31.12.15				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,465,923	Loan investments	59,175,240	7.5%
30.09.16				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,965,867	Loan investments	67,413,148	7.4%
31.12.15				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
30.09.16				
Major borrowings	32,230,505	Capital	25,218,699	127.8%

Market Risk

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

Market risk is a 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 the possible maximum average daily loss per separate foreign currency positions and foreign currency assets and liabilities by the results of the accounting quarter:

Accounting period	thous. AMD									Gross VAR
	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	
2016. II Q	1,140.93	356.31	126.64	287.71	0.00	313.49	877.18	271.34	0.97	1,984.02
2016 III Q	765.42	176.95	113.98	248.36	55.41	315.10	994.95	203.07	1.47	1,354.34
growth/decrease	-375.51	-179.36	-12.66	-39.35	55.41	1.61	117.77	-68.27	0.50	-629.68

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

30.09.2016

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	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	10,951,776	10,838,749	779,986	22,570,511
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	6,332,481	7,618,416	410,771	14,361,668
Held for trading financial instruments	639	-	-	639
Loans and advances provided to customers	30,451,840	36,921,464	39,844	67,413,148
Available-for-sale financial assets	5,663,195	-	-	5,663,195
Securities pledged under repurchase agreements	9,467,437	-	-	9,467,437
Other assets	62,339	6,586	301	69,226
Total assets	62,930,150	55,385,215	1,230,902	119,546,267
Liabilities				
Liabilities to banks and other financial institutions	16,301,025	15,028,779	17,821	31,347,625
Liabilities to Customers	24,961,608	38,762,565	556,653	64,280,826
Subordinate borrowing	2,721,689	2,624,299	-	5,345,988
Amounts payable	113,428	-	-	113,428
Deferred tax liabilities	1,006,314	-	-	1,006,314
Other liabilities	2,233,555	45,510	51,222	2,330,287
Total liabilities	47,337,619	56,461,153	625,696	104,424,468
Net position	15,592,531	(1,075,938)	605,206	15,121,799

31.12.2015

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	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	17,107,784	10,622,217	320,283	28,050,284
Bank standardized bullions of precious metals and coins	443	33	-	476
Receivables to banks and other financial institutions	983,447	5,866,761	610,398	7,460,606
Held for trading financial instruments	-	-	-	-
Loans and advances provided to customers	26,852,186	32,323,054	-	59,175,240
Available-for-sale financial assets	338,213	-	-	338,213
Securities pledged under repurchase agreements	8,527,788	-	-	8,527,788
Other assets	13,601	6,042	3	19,646
Total assets	53,823,462	48,818,107	930,684	103,572,253
Liabilities				
Liabilities to banks and other financial institutions	16,140,501	9,846,587	60,140	26,047,228
Liabilities to Customers	23,298,185	38,017,310	663,267	61,978,762
Subordinate borrowing	2,722,784	1,702,820	-	4,425,604
Held for trading financial liabilities	693	-	-	693
Amounts payable	70,065	-	-	70,065
Other liabilities	706,362	126,803	38,847	872,012
Held for trading financial liabilities	2,213,799	126,803	38,847	2,379,449
Total liabilities	45,152,389	49,820,323	801,101	93,394,364
Net positions	8,671,073	(1,002,216)	129,583	7,798,440

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 3rd quarter of 2016 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 3,179,947.0 thousand against AMD -1,401,952.0 thousand of the same period of the previous year by increasing in absolute value by AMD 1,777,977.0 or 126.8 %, that is in average the Bank was sensitive to liabilities in the 3rd quarter of 2016. In the 3rd quarter of 2016, the average accumulated disbalance has increased in absolute value by AMD 1,150,019.0 thousand or 56.7 % against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 3rd quarter of 2016 has increased by 1.6 %, forming 103.7% against 102.1 % average value of the 3rd quarter of 2015, that is in 3rd quarter of 2016 the assets sensitive to interest rate changes have formed 103.7% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 3rd quarter of 2016 was 1.284 year (against the 1.199 year as of the 3rd quarter of 2015) as it increased by 0.085 year or by 7.1%, as compared with the end of the previous quarter (1.252 year) the mentioned indicator has increased by 0.032 year or 2.6%.

The duration of liabilities as of the end of the 3rd quarter of 2016 was 0.608 year (against 0.488 year of the 3rd quarter of 2015) increasing by 0.0120 year or 4.6%. In correlation with the end of the previous quarter (0.567) the indicator has increased by 0.01 year or 7.2%.

The duration gap as of the end of the 3rd quarter of 2016 was 0.766 (against 0.735 of the 3rd quarter of 2015) increasing by 0.085 or 7.1%. In correlation with the previous quarter (0.753) the indicator has increased by 0.013 or 1.7%.

Assets and Liabilities with changing interest rates

30.09.2016

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Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- loans				1,050,104		188,598		143,498		231,274		
Total	-	-	-	1,050,104	-	188,598	-	143,498	-	231,274	-	-
Net position	-	-	-	(1,050,104)	-	(188,598)	-	(143,498)	-	(231,274)	-	-

31.12.2015

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Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- loans				817,108		1,401,945		131,327		230,086		
Total	-	-	-	817,108	-	1,401,945	-	131,327	-	230,086	-	-
Net position	-	-	-	(817,108)	-	(1,401,945)	-	(131,327)	-	(230,086)	-	-

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

Item	Interest rates of accounting period 30.09.2016.		Interest rates of accounting period 31.12.2015	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Balance at CBA			-	-
Receivables to banks and other financial institutions, including:	8.75	1.76	11.61	3.62
- Interbank loans		1.76	0.00	3.62
- Interbank repo	8.19		10.95	0.00
Loans and advances provided to customers	17.53	12.01	20.40	12.57
Held for trading and available for sale securities	13.98		14.32	
Liabilities				
Liabilities to banks and other financial institutions	10.15	6.40	8.64	6.80
Liabilities to Customers	5.39	5.45	5.29	4.44

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 trustiness) is calculated per separate types of foreign currency (foreign currency positions), as well as for the whole portfolio. According to the VAR model, the size of possible maximum loss is calculated on the basis of foreign currency open positions time series describing the interest rate fluctuations. On the basis of one day VARs calculated for the Banks' foreign currency assets and liabilities the values of 10 day VARs are assessed for separate foreign currencies and total portfolio.

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

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

Interest Rate Risk

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

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

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

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

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

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

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

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

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

On the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest

rate changes are maintained at acceptable levels of risk. Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of attractable and distributable funds.

Price Risk

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

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

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

Liquidity Risk

1) The Bank's definition of Liquidity Risk

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

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

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

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

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

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

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

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated.

The 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 3rd quarter of 2016, the instant liquidity indicator, the up to 90 day accumulative liquidity indicators and general (up to one year) liquidity indicators have increased by 15.86, 11.86 and 9.43 percent respectively.

Accounting period

30.09.2016

Item	Non-performing	Repayment date in							Termless	Total
	Term	Overdue	On -demand	up to 3 months	3- 6 months	6 - 12 months	1- 5 years	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			21,300,302	-	-	-	-	-	1,270,210	22,570,512
Standardized precious metal bullions			443							443
Receivables to banks and other financial institutions	20,570		3,867,269	8,935,174			1,423,380	-	115,275	14,361,668
Held- for trade financial assets				639						639
Loans and advances provided to	1,815,694	519,885		9,212,010	4,373,827	10,085,012	31,753,136	9653584	-	67,413,148
Securities, including:				9,467,437	-	609,828	3,221,786	1,544,417	287,163	15,130,631
- held for commercial purposes										-
- available for sale						609,828	3,221,786	1,544,417	287,163	5,663,194
- held to maturity										-
- sold by repo agreements				9,467,437						9,467,437
Other receivables	-	-		69,226	-		-			69,226
Contractual receivables**										-
Total	1,836,264	519,885	25,168,014	27,683,847	4,373,827	10,694,840	36,398,302	11,198,001	1,672,648	119,546,267
including:										
I group foreign currency	1,212,770	246,327	14,314,347	5,944,056	1,553,757	6,584,170	19,134,188	6,280,325	115,275	55,385,215
II group foreign currency	-	-	1,020,449	173,856	3,672	27,679	5,246	-	-	1,230,902
Including:										
By floating interest rate										-
By fixed interest rate	1,740,345	472,925	95,407	26,645,424	4,161,784	10,685,359	36,331,803	11,198,001	-	91,331,048
Non-interest	95,919	46,960	25,072,607	1,038,423	212,043	9,481	66,499		1,672,648	28,214,580
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial	-	-	319,904	11,336,594	3474995	7,833,019	8,024,478	358,635		31,347,625
Liabilities to customers, including	-	-	27,868,046	10,032,948	9,309,588	12,276,904	4,200,037	575,884	17,420	64,280,827

- On-demand deposits			27,230,390	51,514	11,650		21,055		17,420	27,332,029
- Term deposits	-	-		9,981,434	9,297,938	12,276,904	4,178,982	575,884		36,311,142
- Other	-	-	637,656				-	-		637,656
Held for trade liability										-
Subordinate borrowings				36,458				5,309,530		5,345,988
Liability on current tax										-
Amounts payable			113,428							113,428
Deferred tax liabilities			1,006,314							1,006,314
Other liabilities	-	-	2,203,467	112,815	12,753	1,616		-	-	2,330,651
Off-balance sheet contingent liabilities	-	-	52,725	1,143,957	526,144	497,435	4,782,439		-	7,002,700
Contractual liabilities										-
Total	-	-	31,511,159	21,518,815	12,797,336	20,111,539	12,224,515	6,244,049	17,420	104,424,833
including:										-
I group foreign currency	-	-	10,589,031	8,636,104	10,796,357	15,297,655	8,389,287	2,752,719		56,461,153
II group foreign currency	-	-	93,588	344,095	63,537	106,715	17,762	-	-	625,697
"Major" liabilities			3,215,690	1,431,197	1,897,840					6,544,727
including:										-
By floating interest rate				1,050,104	188,598	143,498	231,274			1,613,474
By fixed interest rate	-	-	13,370,963	19,757,857	11,438,528	19,966,425	11,992,180	6,244,049		82,770,002
Non-interest	-	-	18,140,196	710,854	1,170,210	1,616	1,061		17,420	20,041,357
Net liquidity gap	1,836,264	519,885	(6,343,145)	6,165,032	(8,423,509)	(9,416,699)	24,173,787	4,953,952	1,655,228	15,121,434
Including:										
I group foreign currency	1,212,770	246,327	3,725,316	(2,692,048)	(9,242,600)	(8,713,485)	10,744,901	3,527,606	115,275	(1,075,938)
II group foreign currency	-	-	926,861	(170,239)	(59,865)	(79,036)	(12,516)		-	605,205
Floating interest rate	-	-	-	(1,050,104)	(188,598)	(143,498)	(231,274)	-	-	(1,613,474)
Fixed interest rate	1,740,345	472,925	(13,275,556)	6,887,567	(7,276,744)	(9,281,066)	24,339,623	4,953,952	-	8,561,046
Accumulative liquidity gap	1,836,264	2,356,149	(3,986,996)	2,178,036	(6,245,473)	(15,662,172)	8,511,615	13,465,567	15,120,795	

Previous accounting period

31.12.2015

Item	Non-performing		Repayment date in						Termless	Total
	Term	Overdue	On -demand	up to 3 months	3- 6 months	6 - 12 months	1- 5 years	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			26,892,406	-	-	-	-	-	1,520,000	28,412,406
Standardized precious metal bullions			476							476
Receivables to banks and other financial institutions			2,250,576	2,673,783	2,418,814		-	-	117,429	7,460,602
Held- for trade financial assets										-
Loans and advances provided to customers	702,775	73,337	-	7,762,241	8,814,266	5,811,851	29,389,768	6665902	-	59,220,140
Securities, including:				8,527,788	-	-			338,213	8,866,001
- held for commercial purposes										-
- available for sale									338,213	338,213
- held to maturity										-
- sold by repo agreements				8,527,788						8,527,788
Other receivables	-	-		19,646	-		-	-		19,646
Contractual receivables**										-
Total	702,775	73,337	29,143,458	18,983,458	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642	103,979,271

Including :										
I group foreign currency	480,563	52,086	12,371,412	3,757,783	8,532,342	2,097,316	16,426,955	4,982,221	117,429	48,818,107
II group foreign currency	-	-	634,609	296,070	-	-	-	-	-	930,679
Including:										
Floating interest rate										-
Fixed interest rate	702,775	73,337	21,631	18,288,424	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642	74,162,410
Non- interest	-	-	29,121,827	695,034						29,816,861
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	2,365,791	14,743,087	1615847	5,513,890	4,375,972	289,013		28,903,600
Liabilities to customers, including:	-	-	32,872,087	8,187,121	6,463,162	12,300,002	1,989,595	165,760	1,035	61,978,762
- On-demand deposits			31,058,915						1,035	31,059,950
- Term deposits	-	-		8,187,121	6,437,657	12,300,002	1,989,595	165,760		29,080,135
- Other	-	-	1,813,172		25,505		-	-	-	1,838,677
Held for trade liability			693							693
Subordinate borrowing				32,479				4,393,125		4,425,604
Liabilities on current taxes										-
Amounts payable			70,065							70,065
Deferred tax liabilities										-
Other liabilities			2,142,496	234,599	1,814	540	-	-	-	2,379,449
Off-balance sheet contingent liabilities	-	-	1,102,175	410,055	1,317,280	2,752,840	13,782,380		-	19,364,730
Contractual liabilities	-	-								-
Total	-	-	37,451,132	23,197,286	8,080,823	17,814,432	6,365,567	4,847,898	1,035	97,758,173
Including:										-
I group foreign currency	-	-	16,368,107	9,623,341	5,645,751	13,584,961	2,647,482	1,823,878	-	49,693,520
II group foreign currency	-	-	334,564	229,697	46,913	150,914	166	-	-	762,254
Major" liabilities			5,983,998	10,104,335	48,308	2,084,633	2,054,826			20,276,100
including:										-
By floating interest rate				817,108	1,401,945	131,327	230,086			2,580,466
By fixed interest rate	-	-	13,782,380	22,145,579	6,677,064	17,682,565	6,135,481	4,847,898	1,035	71,272,002
Non-interest	-	-	23,668,752	234,599	1,814	540	-	-	-	23,905,705
Net liquidity gap	702,775	73,337	(8,307,674)	(4,213,828)	3,152,257	(12,002,581)	23,024,201	1,818,004	1,974,607	6,221,098
Including:										
I group foreign currency	480,563	52,086	(3,996,695)	(5,865,558)	2,886,591	(11,487,645)	13,779,473	3,158,343	117,429	(875,413)
II group foreign currency	-	-	300,045	66,373	(46,913)	(150,914)	(166)		-	168,425
By floating interest rate	-	-	-	(817,108)	(1,401,945)	(131,327)	(230,086)	-	-	(2,580,466)
By fixed interest rate	702,775	73,337	(13,760,749)	(3,857,155)	4,556,016	(11,870,714)	23,254,287	1,818,004	1,974,607	2,890,408
Accumulative liquidity gap	702,775	776,112	(7,531,562)	(11,745,390)	(8,593,133)	(20,595,714)	2,428,487	4,246,491	6,221,098	

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 5,000,000 thousand. During the accounting period, the Bank has met the established standard requirements on the capital level.

thous. AMD

	30.09.2016	31.12.2015
Chartered capital	5,126,598	2,333,338
Emission income/loss	7,361,940	-
Undistributed shares emission	(856,165)	
Repurchased shares		
Reserves:	13,486,221	6,019,090
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,320,354	19,090
Undistributed profit/loss	3,165,867	2,695,989
Total capital	25,118,594	11,048,417

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.

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2016	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	9,095,261	4,373,962	13,469,223	76,128,312	1,133,562	15.74	12
February	9,042,546	4,410,062	13,452,608	76,241,571	1,150,107	15.67	12
March	11,108,092	4,515,227	15,623,319	76,837,377	1,089,318	18.18	12
April	13,185,015	6,326,860	19,511,875	85,471,098	1,131,265	20.56	12
May	13,297,342	6,460,828	19,758,170	86,883,725	1,280,648	20.25	12
June	13,656,500	6,430,162	20,086,662	87,238,818	1,394,010	20.32	12
July	13,282,766	6,486,383	19,769,149	90,403,480	1,479,717	19.24	12
August	14,762,811	6,941,684	21,704,495	91,497,364	1,593,435	20.72	12
September	19,069,896	7,779,145	26,849,041	104,227,870	1,703,260	22.67	12

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2015	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
	January	8,961,578	315,720	9,277,298	64,010,658	1,100,894	12.68
February	8,850,801	317,154	9,167,955	63,430,008	1,031,514	12.73	12
March	8,834,583	566,517	9,401,100	63,851,005	923,726	13.14	12
April	8,861,599	2,881,854	11,743,453	63,430,662	904,915	16.55	12
May	8,690,543	4,339,342	13,029,885	65,375,536	905,698	17.87	12
June	8,543,774	4,271,887	12,815,661	66,343,559	1,013,455	17.14	12
July	8,465,605	4,232,803	12,698,408	68,799,608	951,992	16.55	12
August	8,491,341	4,245,671	12,737,012	69,726,632	1,036,429	16.25	12
September	8,552,040	4,276,020	12,828,060	70,302,089	1,044,853	16.24	12
October	8,751,103	4,374,563	13,125,666	70,991,207	1,053,149	16.46	12
November	8,720,463	4,334,249	13,054,712	71,588,268	1,049,062	16.25	12
December	8,885,655	4,385,733	13,271,388	72,821,970	1,089,637	16.20	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.

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As of 30.09.2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	32,842,368	139,465		-
10%	4,589,028			458,903
20%	1,824,447			364,889
30%	3,615,352			1,084,606
50%	1,696,239	206,973		951,606
75%	7,871,858	114,199		5,989,543
100%	28,791,906	808,694		29,600,600
110%	268,548	24,988		322,890
150%	31,779,090	1,689,121	1,244	50,204,183
Total	113,278,836	2,843,975	1,244	88,977,219

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

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

The real value of Financial Instruments is the amount by which the asset may be exchanged or the liability may be repaid by well-

informed and willing parties during "extended hand distance "deal.

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

As of 30.09.2016 the following methods and assessments were used by the Bank during the evaluation of real value of each class of financial instrument.

Cash and Balances with the CBA

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

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

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

Resources attracted from banks and other financial institutions

The balance sheet value is close to the real value.

Customer deposits and bank accounts

The balance sheet value is close to the real value.

As of 30.09.2016, the Bank had no financial assets accounted for by the amount exceeding their real values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.09.2016 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.09.2016 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 warranties accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

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Collateral type	30.09.2016		31.12.2015	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	29,027,764	123,868,690	24,487,793	112,429,200
Car	2,740,064	11,160,780	3,589,140	13,799,855
Equipment	245,516	1,281,669	170,700	593,850
Ready made products	1,002,736	1,126,045	298,970	1,078,045
Guarantee	22,492,826	106,470,345	18,067,258	81,612,860
Monetary funds	295,381	1,858,790	722,726	3,132,672
Gold items	6,553,062	8,028,554	5,794,657	7,296,004
Standard golds				
State securities		239,487		
Securities issued by the CBA	-	-	-	-
Other securities	46,800	80,000	-	-
Other pledge	93,857	45,813	9,266	41,812
No collateral available	6,252,641		7,037,121	
Total	68,750,647	254,160,173	60,177,631	219,984,298

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. Galstyan

Chief Accountant

D. Azatyan

Approval date: 20 October 2016