

Interim Report
On Financial Results
30.06.2017
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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	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	26,386,424	21,909,495
1.2	Standard bank precious metal bullions and coins		443	443
1.3	Due from banks and other financial institutions	14	13,401,165	22,947,481
1.4	Held for trade financial assets			
1.4		15	472	1,765
1.5	Loans and advances provided to customers			
1.5		16	93,920,267	75,047,659
1.6	Available-for-sale assets	17	789,485	2,879,255
1.6.1	Securities pledged under repurchase agreement	17.1	900,779	13,169,605
1.7	Prepayments on profit tax			38,826
	Held to maturity investments		49,827	
1.8	Investments in the chartered capital of controlled entities			
1.8		19		
1.9	Non-current assets held for sale		75,000	75,000
1.10	Fixed assets	20	8,819,581	8,437,062
1.10.1	Intangible assets	20	310,767	231,263
1.11	Deferred tax assets	11		
1.12	Other assets	21	1,557,378	1,444,504
	Total assets		146,211,588	146,182,358
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	33,164,902	44,301,222
2.2	Liabilities to Customers	23	76,675,233	66,801,778
2.3	Subordinate borrowing	23.1	6,387,385	5,400,172
2.4	Liabilities on current taxes		20,546	
2.5	Securities issued by the Bank	24		
2.6	Held for trading financial liabilities	25	69,390	1,306
2.7	Amounts payable	26	466,727	111,155
2.8	Deferred tax liabilities	11	1,045,063	1,025,222
2.9	Other liabilities	27	756,148	972,085
	Total liabilities		118,585,394	118,612,940
3	Capital			
3.1	Chartered capital	28	4,631,333	4,631,333
3.2	Emission income		9,110,850	9,110,850
	Advances from share emission			
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,713,655	4,516,414
3.4	Undistributed profit(loss)		3,170,356	3,310,821
	Total capital		27,626,194	27,569,418
	Total liabilities and capital		146,211,588	146,182,358

The Acting Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

D. Azatyan

Approval date: 14.07.2017

Interim Report
On Financial Results
30.06.2017

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Item	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	3,408,428	6,617,365	2,569,390	5,103,172
Interest and similar expenses	3	(1,756,909)	(3,444,847)	(1,400,760)	(2,744,625)
Net interest and similar income		1,651,519	3,172,518	1,168,630	2,358,547
Income as commissions and other fees	4	440,630	803,390	347,326	669,851
Expenses as commissions and other fees	4	(88,153)	(186,624)	(79,462)	(166,520)
Net commission and other fees		352,477	616,766	267,864	503,331
Dividend income		1,172	1,172	-	-
Net commercial income	5	267,095	421,533	186,319	341,907
Other operational income	6	132,291	260,577	112,859	196,195
Operational income		2,404,554	4,472,566	1,735,672	3,399,980
Net allocations to possible asset loss provisions	7	(270,769)	(470,348)	(136,149)	(269,664)
Total administrative expenses	8	(1,402,875)	(2,799,862)	(1,205,351)	(2,327,100)
Other operational income	9	(587,387)	(1,033,545)	(342,032)	(615,609)
Operational profit		143,523	168,811	52,140	187,607
Profit/ loss from associated company	10				
Profit/loss before taxation		143,523	168,811	52,140	187,607
Profit tax expenses(compensation)	11	(50,083)	(3,248)	(40,107)	(71,079)
Profit for period		93,440	165,563	12,033	116,528

The Acting Chairman of the Executive Board(CEO)

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Interim Report
On Other Comprehensive Financial Results
30.06.2017
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Current interim perio	Accounting period	Previous comparable current interim period	Previous period
Other comprehensive financial results					
Revaluation of financial assets available for sale		236,072	325,928	586,589	712,382
Hedging of cash flows		-	-	-	-
Profit from revaluation of non- current assets		296	296	59,801	4,094,647
Profit tax on other comprehensive income		(47,274)	(65,245)	(129,278)	(961,406)
Revaluation of associated company's financial assets available for sale					
Other comprehensive financial result after taxation		189,094	260,979	517,112	3,845,623
Comprehensive financial result		282,534	426,542	529,145	3,962,151

The Acting Chairman of the Executive Board(CEO)

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Approval date: 14.07.2017

Interim Report
On Equity Changes
30.06.2017

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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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 share	Total capital
	Chartered capital	Advances from share emission	Repurchased capital	Net amount								
Articles	1	2	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)												
<i>Balance as of the beginning of the previous financial year 1 January 2016 (audited)</i>	2,333,338	4,001,688	-	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	15,000,076
Overall result of the amendments of accounting policy and adjustments of main errors	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive Income	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 shareholders (owners) regarding to shares, including:	833,685	-	(2,568)	831,117	3,158,247	-	-	-	-	3,989,364	-	3,989,364
Investments in chartered capital and other increase of chartered capital	833,685	-	-	833,685	3,158,247	-	-	-	-	3,991,932	-	3,991,932
Decrease of chartered capital, including repurchased and out of circulation shares	-	-	(2,568)	(2,568)	-	-	-	-	-	(2,568)	-	(2,568)
Comprehensive Income	-	-	-	-	-	-	569,905	3,275,718	116,528	3,962,151	-	3,962,151
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)
Increase/decrease of derivative instruments classified as equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments for shares emission	-	(4,001,688)	-	(4,001,688)	-	-	-	-	-	(4,001,688)	-	(4,001,688)
Internal movements including:	-	-	-	-	-	-	-	(30,029)	30,029	-	-	-
Deductions to main reserve	-	-	-	-	-	-	-	-	-	-	-	-
Coverage of loss accumulated on the main reserve	-	-	-	-	-	-	-	-	-	-	-	-
Coverage of emission loss	-	-	-	-	-	-	-	-	-	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	(30,029)	30,029	-	-	-
Internal movements of other equity elements	-	-	-	-	-	-	-	-	-	-	-	-
<i>Balance as of the end of the comparable interim period of the previous financial year 31.12.2016. (unaudited)</i>	3,167,023	-	(2,568)	3,164,455	3,158,247	6,000,000	473,610	3,245,689	2,464,879	18,506,880	-	18,506,880
Interim period of the current year (ascending from the beginning of the year) (II table)												
<i>Balance as of the beginning of the financial year 01 03 2017(audited)</i>	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	-	27,569,418
Overall result of the amendments of accounting policy and adjustments of main errors	-	-	-	-	-	-	-	-	-	-	-	-
Recalculated balance	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	-	27,569,418
Transactions with shares(stock) with shareholders (owners) including:	-	-	-	-	-	-	-	-	-	-	-	-
Investments in chartered capital and other increase of chartered capital	-	-	-	-	-	-	-	-	-	-	-	-
Increase in capital due to the consolidation with BTA BANK	-	-	-	-	-	-	-	-	-	-	-	-
Decrease of chartered capital, including repurchased and out of circulation shares	-	-	-	-	-	-	260,742	237	165,563	426,542	-	426,542
Comprehensive income	-	-	-	-	-	-	-	-	(370,507)	(370,507)	-	(370,507)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Other increase(decrease) of equity elements including:	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease of derivative instruments classified as equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments for shares emission	-	-	-	-	-	-	-	(63,738)	64,479	741	-	741
Internal movements including:	-	-	-	-	-	-	-	-	-	-	-	-
Deductions to main reserve	-	-	-	-	-	-	-	-	-	-	-	-
Coverage of loss accumulated on the main reserve	-	-	-	-	-	-	-	-	-	-	-	-
Coverage of emission loss	-	-	-	-	-	-	-	(63,738)	63,738	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	-	741	741	-	-
Internal movements of other equity elements	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,512,719	3,200,936	3,170,356	27,626,194	-	27,626,194
<i>Balance as of the end of the interim accounting period 31.03.2017 (unaudited)</i>	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	2,940,314	27,198,911	-	27,198,911

The Acting Chairman of the Executive Board (CEO)

A.Khachatryan

Chief Accountant

D. Azatyan

Approval date: 14.04.2017

Interim Report
On the Cash Flows
30.06.2017

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Accounting period (unaudited)	Previous period (audited)
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		1,240,769	1,002,882
Interest received		6,228,774	5,024,581
Interest paid		(3,006,508)	(2,615,225)
Fees earned		1,050,491	851,145
Fees paid		(219,291)	(178,301)
Gain/ loss from financial assets held for commercial purposes)		(12,116)	411
Gain/ loss from foreign exchange		307,616	296,987
Recovery of previously written-off assets		220,603	86,253
Paid salaries and similar payments		(1,743,300)	(1,540,910)
Other income received from operations and other expenses paid		(1,585,501)	(922,059)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(20,313,021)	(9,772,321)
Due from financial institutions		1,723,495	(2,044,212)
Loans and advances to customers		(20,682,138)	(6,432,561)
Securities held for commercial purposes and available for sale		(2,879,536)	(1,980,425)
Other operational assets		1,525,158	684,877
Increase/ decrease in operational assets		11,999,929	(3,648,124)
Liabilities to financial institutions		5,187,835	(2,596,063)
Liabilities to customers		6,901,589	(1,573,297)
Decrease in other operational liabilities		(89,495)	521,237
Net cash flows from operations before profit tax		(7,072,323)	(12,417,563)
Paid profit tax		(41,553)	(60,157)
Net cash flows from operations		(7,113,876)	(12,477,720)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(321,052)	(241,506)
Acquisition of fixed assets and intangible assets		(517,369)	(282,435)
Disposal of fixed assets and intangible assets		47,206	340,549
Net cash flows from other investments		-	1,145,316
Net cash flows from investments		(791,215)	961,924
3. Cash flows from financial operations			
Dividends paid		(9,204)	(976)
Increase/decrease of borrowings from the Central Bank Of Armenia		156,874	73,237
Increase/ decrease of borrowings from banks		103,046	(1,173,998)
Increase/ decrease of other borrowings		3,929,092	3,133,156
Shareholders' investments in chartered capital			3,989,364
Net cash flows from other financial operations			(1,145,316)
Net cash flows from financial operations		4,179,808	4,875,467
Impact of foreign exchange on cash and equivalents		190,245	(109,243)
Net increase/decrease of cash and equivalents thereof		(3,725,282)	(6,640,329)
Cash and equivalents thereof as of the beginning of the period	13.2	32,059,829	27,550,590
Cash and equivalents thereof as of the end of the period	13.2	28,524,791	20,801,018

The Acting Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

D. Azatyan

Approval date: 14.07.2017

Note 3: "Net Interest and Similar Income"



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Interest and similar income	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	82,003	163,004	46,486	79,802
Interest income from loans and advances to customers	2,708,670	5,268,616	2,256,371	4,426,023
Interest income from debt securities	529,957	1,007,361	179,250	460,040
Interest income from REPO agreements	78,045	159,993	86,510	132,274
Other interest income	9,754	18,392	772	5,031
Total	3,408,429	6,617,366	2,569,389	5,103,170
Interest and Similar Expenses				
Interest expenses from the attracted funds of the CBA				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	571,612	1,117,418	382,070	724,327
Interest expenses on terms deposits and current accounts of customers	791,483	1,572,117	705,279	1,382,318
Interest expenses on securities issued by the Bank	-	-	-	-
Interest expenses under REPO agreements	200,315	388,966	147,754	330,676
Interest expenses on subordinate borrowings	184,167	342,333	157,774	292,150
Other interest expense	9,333	24,014	7,882	15,152
Total	1,756,910	3,444,848	1,400,759	2,744,623
Net interest and similar income	1,651,519	3,172,518	1,168,630	2,358,547

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

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Commission and Other Fee Income and Expenses	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016
Cashier's operations	42,287	70,508	39,356	64,947
Settlement services	284,910	525,722	237,861	462,195
Guarantees, warranties, letters of credit operations, trust management operations	11,521	21,371	5,452	10,891
Foreign currency and security operations	1,636	2,109	1,843	3,720
Payment card servicing	26,724	49,581	25,876	49,917
Loan operations				
Other commission fees	73,551	134,098	36,939	78,182
Total	440,629	803,389	347,327	669,852
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	64	662	609	1,178
Expenses for payment card operations	37,393	70,167	33,076	65,177
Guarantees, warranties, letter of credit operations, trust management operations	7,618	14,465	6,900	11,947
Foreign currency and security operations	6,851	11,342	5,857	24,324
Other commission fees*	36,226	89,987	33,021	63,895
Total	88,152	186,623	79,463	166,521
Net commission and other fees received	352,477	616,766	267,864	503,331

* 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"

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Held-for-trading investments	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016
Net income from sale/purchase of held-for-trading investments, including:	7,995	4,400	(1,833)	(3,780)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	7,995	4,400	(1,833)	(3,780)
Net income from changes in real value of available for sale investments	(69,253)	(80,440)	(3,072)	37,163
Total	(61,258)	(76,040)	(4,905)	33,383
Available for sale investments				
Net income from sale/purchase of available for sale investments including:	86,714	101,332	41,042	74,277
Shares	-	-	-	-
Debt securities	86,714	101,332	(29,689)	3,546
Derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	-	-	-
Total	86,714	101,332	41,042	74,277
Foreign currency operations				
Net income from foreign currency sale/purchase	169,829	307,614	157,809	296,986
Net income from foreign currency revaluation	71,810	88,627	(7,627)	(62,773)
Net income from the sale/purchase of precious standardized bullions and coins	-	-	-	28
Net income from revaluation of precious standardized bullions and coins	-	-	-	6
Total	241,639	396,241	150,182	234,247
Net income from commercial operations	267,095	421,533	186,319	341,907

Note 6 : "Other Operational Income"



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	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016
Other operational expenses				
Income from penalties and fines	120,043	226,552	118,060	191,261
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	(19,429)	(15,406)	(18,379)	(17,485)
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income*	31,677	49,431	13,178	22,419
Total	132,291	260,577	112,859	196,195

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"

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	01/04/2017- 30/06/2017	01/01/2017- 30/06/2017	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016
Due from banks (Note 14)				
Initial balance	-	-	-	-
Net deductions to reserve	-	-	-	-
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	4,061	23,974	3,814	5,049
Net deductions to reserve	2,736	15,079	(101)	(1,336)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	(32,256)	3,713	3,713
Summary balance	6,797	6,797	7,426	7,426
From loans and advances to customers (Note 16)				
Initial balance	1,534,104	1,546,483	1,063,512	1,002,391
Net deductions to reserve	268,543	454,347	131,461	264,111
Return of amounts previously charged to off balance item	95,296	218,247	57,818	86,253
Usage of reserve	(142,485)	(463,619)	(82,327)	(182,291)
Summary balance	1,755,458	1,755,458	1,170,464	1,170,464
On investments (Note 17)				
Initial balance	4,691	4,691	4,691	4,691
Net deductions to reserve	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	4,691	4,691	4,691	4,691
On other assets (Note 21)				
Initial balance	13,854	13,854	5,267	3,167
Net deductions to reserve	(510)	922	4,789	6,889
Return of amounts previously charged to off balance item	615	2,356	-	-
Usage of reserve	1,991	(1,182)	(2)	(2)
Summary balance	15,950	15,950	10,054	10,054
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	270,769	470,348	136,149	269,664

Note 8: "Total administrative expenses"



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Total administrative expenses	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Salary and similar payments	894,550	1,787,084	850,137	1,648,079
Allocations to social insurance state fund	-	159	453	885
Training and tutorship expenses	5,708	5,781	-	-
Business trip expenses	23,136	36,445	22,752	30,613
Operational leases expenses	140,950	272,214	83,693	165,020
Insurance costs	23,547	54,804	22,198	43,742
Servicing and maintenance of the Bank's equipment	52,547	93,800	33,081	61,244
Maintenance and safekeeping of Bank buildings	65,528	169,967	40,821	96,833
Audit and consulting services	28,547	49,419	3,661	14,521
Communication and transmission costs	24,818	50,807	22,859	48,206
Transportation costs	31,404	61,261	26,200	47,822
Taxes (except income tax) penalties and other mandatory payments	66,231	142,605	53,574	107,567
Office and organizational expenses	20,465	35,873	14,991	28,898
Expenses from loan provision and recovery	-	-	-	-
Other administrative expenses	25,444	39,643	30,931	33,670
Total	1,402,875	2,799,862	1,205,351	2,327,100

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

	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Average number of Bank employees	957	950	853	851
Monthly average salary falling to a single employee (thousand AMD)	301	301	301	300

Note 9: "Other Operational Expenses"

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Other operational expenses	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Paid fines and penalties	127	149	306	306
Payments made for collection	86,250	172,500	67,000	134,000
Advertising and representative expenses	233,736	337,952	62,600	91,633
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	149,931	293,465	126,923	224,092
Losses from depreciation of assets	-	-	-	-
Deductions to the Fund of Recovery of Deposits	38,785	78,146	18,186	35,528
Other expenses	78,558	151,333	67,017	130,050
Total	587,387	1,033,545	342,032	615,609

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	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Income from investments in associated organizations		(0)	(0)	-

Note 11: "Profit Tax Expenses (Reimbursement)"



thous. AMD

Profit tax expenses	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Current tax expenses	24,579	71,088	72,140	97,140
Corrections of current taxes for the previous period recognized in the current period	2,554	(50,419)	(309)	6,314
Deferred tax expenses	22,950	(17,421)	(31,724)	(32,375)
Total	50,083	3,248	40,107	71,079

	01/04/2017-30/06/2017	Efficient rate(%)	01/01/2017-30/06/2017	Efficient rate(%)	01/04/2016-30/06/2016	Efficient rate (%)	01/01/2016-30/06/2016	Efficient rate (%)
Profit before taxation	143,523		168,811		52,140		187,607	
Profit tax with rate	28,705	20	33,762	20	10,428	20	37,521	20
Corrections of income and expenses for taxation purposes against non temporary								
Non-taxable income					(25)	(0.05)	(51)	(0.03)
Non-deductible expenses	33,185	23.12	40,738	24.13	1,006	1.93	21,328	11.37
Unevaluated tax loss								
Foreign currency negative/positive difference	(14,361)	(10.01)	(17,725)	(10.50)	1,525	2.92	12,553	6.69
Profit from other revaluations	2,554	2	(50,419)	(30)	(307)	(1)	6,314	3
Other privileges			(3,108)	(1.84)	27,480	52.70	(6,587)	(3.51)
Profit tax expenses	50,083	34.90	3,248	1.92	40,107	76.92	71,078	37.89

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:	182,792	(6,524)	-	176,268
Loans and borrowings to customers	77,825	(27,138)		50,687
Other liabilities	104,967	20,614		125,581
Deferred tax liabilities, including:	(1,208,014)	23,945	(37,262)	(1,221,331)
Available for sale securities	(340,918)		(37,262)	(378,180)
Fixed assets	(10,339)	11,287		948
Revaluation of fixed assets	(825,976)	25,742		(800,234)
Held- to maturity investments		(192)		(192)
Contingent liabilities	(13,805)	(3,578)		(17,383)
Claims to banks and other financial institutions	(16,976)	(9,314)		(26,290)
Net deferred tax asset/liability	(1,025,222)	17,421	(37,262)	(1,045,063)

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

thous. AMD

Basic profit falling to a single share	01/04/2017-30/06/2017	01/01/2017-30/06/2017	01/04/2016-30/06/2016	01/01/2016-30/06/2016
Net profit of the accounting period after taxation	93,440	165,563	12,033	116,528
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	93,440	165,563	12,033	116,528
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533	1,265,782	1,265,782
Basic profit falling to a single share	0.05	0.09	0.01	0.09

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.

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

thous. AMD

Cash, cash equivalents and balances with the CBA	30/06/2017	31/12/2016
Cash monetary funds	6,446,294	6,065,937
Other money placements	1,790,206	2,778,649
Correspondent accounts with the CBA*	17,379,924	10,044,520
Deposit accounts with the CBA		1,500,000
Funds deposited with the CBA**	770,000	1,520,000
Other liabilities to the CBA		
Accrued interests		389
Cash and balances with the CBA	26,386,424	21,909,495

* 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, cash equivalents and balances with the CBA	30/06/2017	31/12/2016
Cash monetary funds	8,236,499	8,818,129
Correspondent accounts with the CBA*	17,379,924	10,044,520
Deposit accounts with the CBA		-
Correspondent accounts with resident banks	7,841	3,494
Correspondent accounts with non-resident banks	2,900,527	13,193,686
Total cash and cash equivalents	28,524,791	32,059,829

Note 14. "Due to Banks and other Financial Institution"

thous. AMD

Current accounts	30/06/2017	31/12/2016
with RA banks	7,841	3,494
with banks having BBB(Baa3) and higher ratings	1,903,808	10,049,675
with banks having ratings lower than BBB (Baa3) or no rating at all	996,440	3,143,735
Accrued interest	278	276
Total	2,908,367	13,197,180
with RA banks		
Loans and deposits	1,734,496	1,747,023
REPO (re-purchase) agreements		
Other	117,531	251,575
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with banks having ratings lower than BBB (Baa3) or no rating at all		
Other	123,168	106,758
Accrued interest	748	1,002
Total	1,975,943	2,106,358
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	4,884,310	15,303,538
Loans and deposits with Financial Institutions and other receivables	30/06/2017	31/12/2016
with RA Financial Institutions:		
Loans and deposits	2,978,905	2,461,135
REPO (re-purchase) agreements	4,832,948	4,547,541
Other	129,314	183,901
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	568,346	455,811
Accrued interest	14,138	19,529
Total	8,523,651	7,667,917
Possible loss provision for receivables due to Financial Institutions (Note 7)	(6,797)	(23,974)
Net receivables to Financial Institutions	8,516,854	7,643,943
Net receivables to banks and Financial Institutions	13,401,164	22,947,481

**As of 31.12.2016 and 30.06.2017 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD111.277 (AMD 53.726 thousand on 31.12.16, AMD 53.465 thousand on 30.06.2017) in Visa International and USD 269.142 (AMD 130.175 on 31.12.2016 and AMD 129.314 on 30.06.2017) 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	30/06/2017	thous. AMD
Derivative Instruments		
Forward	472	90
Swap		1,675
Total	43,388	1,765

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	30/06/2017	31/12/2016
Loans, including:	86,213,916	68,878,672
Mortgage loans	4,927,978	4,140,142
Credit cards	8,716,074	7,087,347
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	745,735	613,314
Total loans	95,675,725	76,579,333
Reserve for possible loss of customer loans and advances (note 7)	(1,755,458)	(1,531,674)
Net total loans	93,920,267	75,047,659

thous. AMD

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30/06/2017		31.12.2015	
	Amount	Quantity	Amount	Quantity
Loans and advances, including:	95,675,725	52,880	76,594,142	39,170
performing loans	93,189,952	52,283	73,891,728	38,412
depreciated (non- performing) loans and borrowings, including:	2,485,773	597	2,702,414	758
overdue	290,709	561	261,904	680
restructured	401,783	4	404,396	3
refinanced				
Total loans	95,675,725	52,880	76,594,142	39,170
Reserve for possible loss of customer loans and advances (note 7)	(1,755,458)		(1,546,483)	
Net total loans	93,920,267		75,047,659	

thous. AMD

Analyses of provided loans and advances per customers	30/06/2017	31/12/2016
State industries	209,711	267,373
Private industries, including:	53,240,784	40,855,400
major enterprises	28,241,837	15,870,998
small and medium enterprises	24,998,947	24,984,399
including business cards	55,414	56,881
Individuals, including:	37,879,648	31,199,883
consumer loans	22,004,060	16,217,226
mortgage loans	4,927,978	4,140,142
credit cards	8,660,660	7,030,466
Private entrepreneurs	3,599,847	3,658,172
Accrued interest	745,735	613,314
Total loans	95,675,725	76,594,142
Reserve for possible loss of customer loans and advances (note 7)	(1,755,458)	(1,546,483)
Net total loans	93,920,267	75,047,659

thous. AMD

Loan liabilities on 20 major borrowers and related parties	30/06/2017	31/12/2016
Balance sheet	45,177,816	33,533,512
Balance of off-balance sheet contingent liabilities	4,116,267	3,721,428
Total	49,294,083	37,254,940
Loan investments	93,920,267	75,047,659
Percentage ratio in loan portfolio	52%	50%
Total normative capital	31,838,440	30,161,410
Percentage correlation to capital	155%	124%

Loan Investments through International programs	30/06/2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	3,477,624	301
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	79,730	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing	-	
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2		
The World Bank Loan Program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME	60,643	13
EBRD micro lending program	-	-
Atlantic Forfaitierungs AG loan program	68,405	1
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	404,967	16
BLUE ORCHARD SME loan program	1,233,889	45
EBRD trade promotion program	60,981	6
MSMEBondsSA/MSME	537,574	26
Mortgage Loans, including:	18,717	9
GAF	18,717	9
IFC		
Total	5,942,530	418

Loan Investments	12.31.2016	
	Loan Investments	Quantity
GAF micro and small private enterprises loan	3,141,109	263
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	93,019	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing		
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	317,165	26
The World Bank Loan Program		
EBRD micro, small and middle lending program EBRD/MSME	2,500,686	423
EBRD micro lending program		
Atlantic Forfaitierungs AG loan program	205,004	4
Asian Development Bank commercial financing program	301,849	12
BLUE ORCHARD SME loan program	535,462	28
EBRD trade promotion program	94,354	6
MSMEBondsSA/MSME	341,015	21
Mortgage Loans, including:	34,069	17
GAF	34,069	17
EBRD		
IFC		
Total	7,563,732	801

thous. AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30/06/2017	Percentage	31.12.2016	Percentage
Industry	23,636,842	25	14,008,241	18
Agriculture	1,322,070	1	1,386,537	2
Construction	5,941,049	6	4,866,213	6
Transportation and communication	341,484	0	393,848	1
Commerce	13,374,647	14	11,343,638	15
Consumer	31,912,366	33	24,569,138	32
Mortgage loans	4,956,967	5	4,162,002	5
Service	9,510,501	10	10,340,194	13
Other	4,679,799	5	5,524,331	7
Total	95,675,725	100	76,594,142	100

Breakdown of loan portfolio per customer residency	30/06/2017	Percentage	31/12/2016	Percentage
RA residents	93,174,532	99	74,431,987	99
Residents of countries with Baa33 and higher ratings including*	-	-	-	-
Germany	-	-	-	-
Residents of countries with Baa33 and lower ratings or no rating at all	-	-	2,358	0
Russia	-	-	2,358	0
Accrued Interest	745,735	1	613,314	1
Total	93,920,267	100	75,045,301	100

Note 17: "Held for trading financial assets"

	thous. AMD	
	30/06/2017	31/12/2016
T-bills		
RA Governmental T-bills		
Treasury bonds	286,486	2,379,734
Total T-bills	286,486	2,379,734

	thous. AMD			
RA non-state securities	30/06/2017		31.12.2016	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	418,605		416,305	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	418,605	83,971	416,305	83,971
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,691)
Net investments in RA non-state securities	418,605	79,280	416,305	79,280

	thous. AMD			
Non governmental securities of other countries	30/06/2017		12.31.2016	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,114		3,936
Total non-state securities of other countries	-	5,114	-	3,936
Total available-for-sale securities	705,091	84,394	2,796,039	83,216

Investments in share capital of other entities as of 30.06.2017

thous. AMD					
Name	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share%
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	3,936	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	60,715	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58
Total				87,906	

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	
	30/06/2017	31.12.2016
Asset		
Total pledged securities	900,779	13,819,298
including:		
pledged securities	900,779	13,169,605
pledged securities under REPO agreement		649,693
Liabilities		
Resources attracted under REPO agreement	17,411,919	13,224,755

Note 18: "Held-to maturity Investments"

	30/06/2017	31/12/2016
RA Banks	49,827	
Total	49,827	

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

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

Note 20 : "Fixed assets and intangible assets"

thous. AMD

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets.	Total
Balance of fixed assets at the end of the previous period 31/12/2016	6,531,197	2,142,794	635,197	1,772,320	328,420	216,011	11,625,939
Increase	182,362	66,059	59,703	111,639	321,052		740,815
Disposal			(93,417)				(93,417)
Depreciation	317,227	4,064		(4,064)	(317,227)		-
Written-off**		(114,607)		(86,731)		(528)	(201,866)
Revaluation*							-
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
The Balance of the fixed assets at the end of accounting period 30.06.2017	7,030,786	2,098,310	601,483	1,793,164	332,245	215,483	12,071,471
Accumulated depreciation at the end of the previous period 31.12.2016	118,019	1,617,140	177,176	1,205,270	-	71,272	3,188,877
Increase	83,629	84,306	34,922	66,455		6,052	275,364
Disposal			(30,805)				(30,805)
Written-off**		(104,790)		(76,547)		(209)	(181,546)
Devaluation							-
Reclassification							-
Revaluation							-
Accumulated depreciation at the end of accounting period 30.06.2017	201,648	1,596,656	181,293	1,195,178	-	77,115	3,251,890
Net balance sheet value							
At the end of accounting period	6,829,138	501,654	420,190	597,986	332,245	138,368	8,819,581
At the end of previous accounting period	6,413,178	525,654	458,021	567,050	328,420	144,739	8,437,062

Intangible Assets

thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
					զծով կապ. ներդ.	
Initial value						
Balance at the end of previous period 31.12.2016	161,158	213,407	50	51,661	-	426,276
Increase	1,100	96,506				97,606
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Devaluation						-
Adjustment of amortization from revaluation						-
Balance at the end of accounting period 30/06/2017	162,258	309,913	50	51,661	-	523,882
Balance of the accumulated depreciation of fixed assets at the end of previous period 31/12/2016	66,397	97,625	40	30,951	-	195,013
Increase	4,440	12,158	2	1,503		18,103
Disposal						-
Written-off						-
Devaluation						-
Reclassification						-
Revaluation						-

	70,837	109,783	42	32,454	-	213,116
Balance of the accumulated depreciation of fixed assets at the end of previous accounting period 30/06/2017						
At the end of previous accounting period	94,761	115,782	10	20,710	-	231,263

As of 30.06.2017, AMD 241534 thousand total amount worth out-of-use assets were put into use.

As of 30.06.2017, 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 0.

As of 30.06.2017 the value of fully worn-off assets included in the fixed assets was AMD 1188085 thousand , AMD 274493 thous. of which was transferred because of the consolidation of BTA BANK (31.12.2016: AMD 1180752 thous.)

Note 21: "Other Assets"



thous. AMD

	30/06/2017	31/12/2016
Amounts receivable from bank operations		
Amounts receivable from other operations	25,719	37,647
Total	25,719	37,647
Reserve for possible loss provision from bank operations (note 7)	(279)	(3,344)
Net amounts receivable from bank operations	25,440	34,303
Debtor liabilities and prepayments	42,916	42,735
Debtor liabilities on the budget	318	134
Debtor liabilities to suppliers		
Prepayments to employees	6	64
Prepayments to suppliers	967,586	537,666
Prepayments on the budget and mandatory social insurance payments	4,860	628
Other debtor liabilities and prepayments	30,882	37,545
Total	1,003,652	576,037
Reserve for possible loss provision on other assets (note 7)	(12,602)	(5,733)
Total	991,050	570,304
Other assets		
Reserve	250,245	178,469
Sequestered pledge and available-for-sale assets	115,575	555,100
Future period expenses	97,994	107,933
Other assets	80,144	3,172
Reserve for possible loss provision on other assets (note 7)	(3,070)	(4,777)
Total	540,888	839,897
Total other assets	1,557,378	1,444,504

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

thous. AMD

	30/06/2017	31/12/2016
Current accounts		
RA Banks	15,936	11,588
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	828	2,144
Accrued interest		
Total	16,764	13,732
Interbank loans and deposits, other		
RA CB		
Loans	3,128,714	2,971,840
REPO (re-purchase) agreements		800,000
Other		
RA Banks		
Loans and deposits	3,911,872	3,959,850
REPO (re-purchase) agreements		12,417,488
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other		3,869
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	3,445,525	3,279,956
Other	32,001	38,666
Accrued interest	153,892	83,741
Total	10,672,004	23,555,410
Financial Institutions		
Current accounts	294,527	260,013
Loans and deposits	21,769,168	20,174,983
REPO (re-purchase) agreements		
Other	15,021	25,731
Accrued interest	397,418	271,353
Total	22,476,134	20,732,080
Total liabilities to banks and financial institutions	33,164,902	44,301,222

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.

thous. AMD

Project	30/06/2017		31/12/2016	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	11,910	46	35,874	146
GAF /German Armenian Fund " Micro and small business development program"	2,881,054	7,114	2,820,659	7,543
GAF / "Renewable energy development" program	235,749	2,974	115,306	2,985
GAF / " Access to finance for SMEs " program				
Total	3,128,714	10,134	2,971,839	10,674

Note 23: "Liabilities to Customers"

thous. AMD

RA Government and local authorities	30/06/2017	31.12.2016
Loan		
Other	10,376	6,488
Accrued interest		
Total	10,376	6,488
RA resident corporate entities and institutions	30/06/2017	31.12.2016
Current accounts	21,789,290	13,165,390
Term deposits	5,929,465	7,237,588
REPO (repurchase) agreements		
Other	61,880	35,919
Accrued interest	128,445	56,534
Total	27,909,080	20,495,431
Non-resident corporate entities, institutions	30/06/2017	31.12.2016
Current accounts	188,335	59,965
Other	50,451	2
Accrued interest		
Total	238,786	59,967
RA resident private entrepreneurs	30/06/2017	31.12.2016
Current accounts	307,457	204,656
Term deposits		
Other	3,812	3,945
Accrued interest		
Total	311,269	208,601
RA resident individuals	30/06/2017	31.12.2016
Current accounts	12,647,940	12,546,085
Term deposit	31,948,866	29,952,451
Other	579,374	632,064
Accrued interest	305,070	183,812
Total	45,481,250	43,314,412
Non-resident private entrepreneur	30/06/2017	31.12.2016
Current accounts	612,307	564,011
Term deposit	2,032,271	2,106,835
Other	67,705	32,500
Accrued interest	12,189	13,533
Total	2,724,472	2,716,879
Total liabilities to customers	76,675,233	66,801,778

As of 30.06.17, the amount necessary to secure obligations was AMD 2,197,905 thousand.

As of 30.06.17, the amount frozen by court order and tax authorities was AMD 314,737 thousand

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 6,342,585 subordinate borrowing from the shareholder, which participates in the account of additional regulatory 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

Liability held for commercial purposes	30/06/2017	31/12/2016
Derivative instruments held for commercial purposes		
Other	68,950	-
Swap	440	1,306
Total	69,390	1,306

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	30/06/2017	31/12/2016
Dividends	427,942	72,789
For insurance of deposit	38,785	38,366
Total	466,727	111,155

Note 27: " Other Liabilities"

thous. AMD

Other liabilities	30/06/2017	31/12/2016
On income tax of non-resident	31,403	16,973
On VAT	2,085	2,606
On other taxes and penalties	64,506	158,274
On social insurance payments		
Salary liabilities to employees	576,539	524,833
Credit debts to suppliers	51,422	59,448
Credit debts to chartered capital increase		
Other liabilities	30,193	209,951
Balance at the end of the period	756,148	972,085

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD 4,631,333 thous., including 1,852,533 common shares with a nominal value of AMD 2500 per share. The emission income amounts to AMD 9,110,850 .

The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	145,737.5	31.32	
Sukiasyan Khachatur Albert	655,492.5	13.77	
Sukiasyan Robert Albert	637,787.5	14.16	
Sukiasyan Eduard Albert	492,665.0	10.64	
EBRD	233,335.0	5.04	financial

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.06.2017, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.06.2017 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

	thous. AMD	
	30/06/2017	31/12/2016
Unutilized credit lines	5,067,977	5,749,194
Provided guarantees	3,623,443	2,003,652
Provided letters of credit		
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		630,318
1-5 years		2,149,867
more than 5 years		0
Total		2,780,185

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.

	thous. AMD	
Loans and advances to customers	30/06/2017	31/12/2016
Initial balance	4,022,925	2,224,782
Loans and advances provided over the year	1,179,795	3,302,350
Bank shareholder	127,497	224,512
Shareholder related entity	496,397	1,929,188
Bank manager	522,134	1,072,084
Manager related entity	33,767	76,565
Loans and advances repaid over the year	1,109,945	1,504,207
Bank shareholder	165,879	204,012
Shareholder related entity	417,808	578,844
Bank manager	490,159	677,005
Manager related entity	36,099	44,347
Summary balance *	4,092,775	4,022,925

	thous. AMD	
Item	30/06/2017	30/06/2016
Interest income	236,563	164,036

thous. AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2016	336,052	7,528,461
Amounts received over the accounting period (for 6 months of 2017), including:	20,268,174	1,807,719
Bank shareholder	6,086,003	1,486,690
Shareholder related entity	12,388,248	113,279
Bank manager	1,395,223	123,273
Bank manager related entity	398,700	84,477
Amounts received over the accounting period (for 6 months of 2017), including:	20,176,845	1,582,309
Bank shareholder	6,090,372	1,279,873
Shareholder related entity	12,294,242	111,063
Bank manager	1,394,273	111,053
Bank manager related entity	397,959	80,320
Exchange rate difference (+/-)	6,568	(22,539)
Balance as of 30.06.2017	433,948	7,731,333
Interest expense as of 6 months of 2017	306	394,857

thous. AMD

Salary or Similar Payment to the Bank Management	30/06/2017	30/06/2016
Board	87,437	63,539
Salary	87,437	63,539
Awarding	-	-
Executive body	95,043	103,217
Salary	95,043	103,217
Awarding	-	-
Internal Audit	46,099	39,309
Salary	46,099	39,309
Awarding	-	-
Total	228,579	206,065

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.

30.06.2017

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	26,386,424				26,386,424
Due from banks and other financial institutions	10,088,265	664,082	2,260,072	388,746	13,401,165
Standard bank precious metal bullions and coins	443				443
Held for trade financial assets		472			472
Loans and advances provided to customers	93,920,267				93,920,267
Available-for-sale securities	784,371		5,114		789,485
Held-to maturity investments	49,827				49,827
Securities pledged under repurchase agreement	900,779				900,779
Other assets	25,436				25,436
Total assets	132,155,812	664,554	2,265,186	388,746	135,474,298
Off-balance sheet items containing credit risks	8,691,419				8,691,419
Liabilities					
Liabilities to banks and other financial institutions	12,135,375	2,558,383	18,437,500	33,644	33,164,902
Liabilities to customers	73,711,975	195,459	633,577	2,134,222	76,675,233
Total liabilities	85,847,350	2,753,842	19,071,077	2,167,866	109,840,135
Net position	46,308,462	(2,089,288)	(16,805,891)	(1,779,120)	25,634,163

31.12.2016

thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	21,909,054		441		21,909,495
Due from banks and other financial institutions	9,523,250	2,674,625	10,219,108	530,498	22,947,481
Standard bank precious metal bullions and coins	443				443
Held for trade financial assets		1,765			1,765
Loans and advances provided to customers	75,045,301	2,358			75,047,659
Available-for-sale securities	2,875,319		3,936		2,879,255
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	13,169,605				13,169,605
Other assets	37,268	2			37,270
Total assets	122,560,240	2,678,750	10,223,485	530,498	135,992,973
Off-balance sheet items containing credit risks	7,752,845				7,752,845
Liabilities					
Liabilities to banks and other financial institutions	26,030,956	2,507,151	15,652,675	110,440	44,301,222
Liabilities to customers	64,031,079	525,226	221,727	2,023,746	66,801,778
Total liabilities	90,062,035	3,032,377	15,874,402	2,134,186	111,103,000
Net position	32,498,205	(353,627)	(5,650,917)	(1,603,688)	24,889,973

Loans allocated in the territory of RA per RA regions:

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RA regions	30/06/2017	31/12/2016
Yerevan	77,369,390	62,222,030
Aragatsotn	847,948	764,053
Ararat	1,452,279	1,136,665
Armavir	2,096,953	2,044,922
Gegharqunig	1,696,451	1,222,667
Lori	3,626,127	1,452,500
Kotayk	3,523,015	3,535,225
Shirak	1,841,266	1,492,318
Syunik	398,073	316,438
Vayots Dzor	453,689	405,721
Tavush	423,101	287,823
Artsakh	191,975	167,298
Total	93,920,267	75,047,659

Analysis of credit portfolio as per regions and risk level

30/06/2017						thous. AMD
Assets	Performing	Non- Performing				
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost	
Loans, including:						
1. RA residents	92,003,599	1,001,887	734,117	180,664	5,736,420	
2. Residents of CIS countries (per countries)					401	
Russia					401	
3. Residents of OECD countries (per countries)						
Germany					-	
4. Residents on non-OECD countries (per countries)						
5. Total	92,003,599	1,001,887	734,117	180,664	5,736,821	

31.12.2016						thous. AMD
Assets	Performing	Non- Performing				
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost	
Loans, including:						
1. RA residents	72,879,502	1,139,834	921,902	104,063	5,505,969	
2. Residents of CIS countries (per countries)	2,358				401	
Russia	2,358				401	
3. Residents of OECD countries (per countries)						
Germany					-	
4. Residents on non-OECD countries (per countries)						
5. Total	72,881,860	1,139,834	921,902	104,063	5,506,370	

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 31.03.2017 did not exceed 15.53%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 31.03.2017, loan investments without reserves amounted to AMD 80,546,766. Non-performing loans as of 31.03.2017 amounted to AMD 2,835,259. . The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 1.60%, 1.22% and 0.70% percent.

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

5) The volume of repo transactions (except extensions) affected in the 1st quarter 2017 was AMD 56,293,080 against AMD 80,027,393 of the same period of the previous year. Reverse repo transactions in the 1st quarter 2017 totalled AMD 17,955,501 against AMD 13,757,373 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

2. Information on the changes in the Borrower's market position (competitors, price fluctuations, realization, etc.)

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.

Indicator	Amount	Indicator	Amount	Correlation
31.12.16				
Non-performing loans	2,715,161	Total loans	75,231,112	3.6%
31.03.17				
Non-performing	2,835,259	Total loans	79,012,662	3.6%
31.12.16				
Provisions for non-performing	549,362	Total capital	27,701,450	2.0%
31.03.17				
Provisions for non-performing	674,343	Total capital	27,845,457	2.4%
31.12.16				
Reserve for loans	1,348,221	Total loans	75,231,112	1.8%
31.03.17				
Reserve for loans	1,534,104	Total loans	79,012,662	1.9%
31.12.16				
Possible loss provisions	1,348,221	Non-performing	2,715,161	49.7%
31.03.17				
Possible loss provisions	1,534,101	Non-performing	2,835,259	54.1%
31.12.16				
Write-offs-Reimbursements	914,262	Average total loans	62,911,171	1.5%
31.03.17				
Write-offs-Reimbursements	79	Average total loans	79,012,662	0.0%
31.12.16				
Reimbursements	617,979	Loan losses	914,262	67.6%
31.03.17				
Reimbursements	122,951	Loan losses	79	155634.2%
31.12.16				
Profit coverage ratio = (net operational income+provisioning expenses)	1,799,678	Net loan loss	914,262	196.8%
31.03.17				
Profit coverage ratio = (net operational income+provisioning expenses)	224,867	Net loan loss	79	284641.8%
31.12.16				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	- 759,824	Loan investments	75,231,112	-1.0%
31.03.17				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	1,520,920	Loan investments	79,012,662	1.9%
31.12.16				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
31.03.17				
Major borrowings	39,172,845	Capital	27,845,457	140.7%

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2017. I Q	714.00	316.16	76.45	194.36	33.78	270.57	740.68	168.08	0.00	1,179.25
2017. II Q	724.19	167.41	74.18	194.74	26.66	171.72	637.25	247.61	0.00	1,038.46
growth/decrease	10.18	-148.75	-2.27	0.38	-7.12	-98.85	-103.43	79.53	0.00	-140.78

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

30.06.2017

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	15,043,428	10,601,831	741,165	26,386,424
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	5,009,743	7,982,243	409,179	13,401,165
Held for trading financial instruments	472			472
Loans and advances provided to customers	42,318,916	51,597,815	3,536	93,920,267
Available-for-sale financial assets	789,485	-	-	789,485
Held-to maturity investments	49,827			49,827
Securities pledged under repurchase agreements	900,779			900,779
Other assets	19,237	6,192	7	25,436
Total assets	64,132,330	70,188,081	1,153,887	135,474,298
Liabilities				
Liabilities to banks and other financial institutions	10,491,510	22,653,607	19,785	33,164,902
Liabilities to Customers	29,818,307	45,767,322	1,089,604	76,675,233
Subordinate borrowing	3,729,803	2,657,582	-	6,387,385
Held for trading financial liabilities	69,390			69,390
Liabilities on current taxes	20,546			20,546
Amounts payable	466,727			466,727
Deferred tax liabilities	1,045,063			1,045,063
Other liabilities	728,527	22,762	4,859	756,148
Total liabilities	46,369,873	71,101,273	1,114,248	118,585,394
Net position	17,762,457	(913,192)	39,639	16,888,904

31.12.2016

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	14,719,690	6,429,677	760,128	21,909,495
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	4,709,514	17,659,067	578,900	22,947,481
Held for trading financial instruments	1,765			1,765
Loans and advances provided to customers	36,122,638	38,886,923	38,098	75,047,659
Available-for-sale financial assets	2,879,255	-	-	2,879,255
Investments in the chartered capital of controlled entities				-
Securities pledged under repurchase agreements	13,169,605			13,169,605
Other assets	31,777	5,491	2	37,270
Total assets	71,634,687	62,981,158	1,377,128	135,992,973
Liabilities				
Liabilities to banks and other financial institutions	22,380,986	21,900,539	19,697	44,301,222
Liabilities to Customers	26,772,990	39,337,089	691,699	66,801,778
Subordinate borrowing	2,722,721	2,677,451		5,400,172
Held for trading financial liabilities	1,306			1,306
Liabilities on current taxes	-			-
Amounts payable	111,155			111,155
Deferred tax liabilities	1,068,891			1,068,891
Other liabilities	789,386	176,186	6,513	972,085
Held for trading financial liabilities				-
Total liabilities	53,847,435	64,091,265	717,909	118,656,609
Net position	17,787,252	(1,110,107)	659,219	17,336,364

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 2nd quarter of 2017 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 7,557,590 thousand against AMD - 2,079,040 thousand of the same period of the previous year by decreasing in absolute value by AMD 5,527,660 or 272.3%, that is in average the Bank was sensitive to liabilities in the 2nd quarter of 2017. In the 2nd quarter of 2017, the average accumulated disbalance has increased in absolute value by AMD 5,873,852 thousand or 348.9% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2nd quarter of 2017 has increased by 4.3 %, forming 101.7% against 102.7% average value of the 2nd quarter of 2016, that is in 2nd quarter of 2017 the assets sensitive to interest rate changes have formed 107.0% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 2nd quarter of 2017 was 1.383 year (against the 1.252 year as of the 2nd quarter of 2016) as it increased by 0.131 year or by 10.5% ,as compared with the end of the previous quarter (1.251 year) the mentioned indicator has decreased by 0.132 year or 10.6%.

The duration of liabilities as of the end of the 2nd quarter of 2017 was 0.731 year (against 0.567 year of the 2nd quarter of 2016) increasing by 0.164 year or 28.9%. In correlation with the end of the previous quarter (0.722) the indicator has increased by 0.009 year or 1.2%.

The duration gap as of the end of the 2nd quarter of 2017 was 0.747 (against 0.753 of the 2nd quarter of 2016) increasing by 0.006 or 0.8%. In correlation with the previous quarter (0.678) the indicator has decreased by 0.117 or 18.6%.

Assets and Liabilities with changing interest rates 30/06/2017

thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- loans				55,014		212,336		329,361		790,082		
Total	-	-	-	55,014	-	212,336	-	329,361	-	790,082	-	-
Net position	-	-	-	(55,014)	-	(212,336)	-	-329,361	-	(790,082)	-	-

31.12.2016p

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Receivables to banks and other financial institutions, including:												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including: ^a												
- loans				256,690		558,606		202,614				
Total	-	-	-	256,690	-	558,606	-	202,614	-	-	-	-
Net position	-	-	-	(256,690)	-	(558,606)	-	-202,614	-	-	-	-

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

Item	Interest rates of accounting period: 30.06.2017		Interest rates of accounting period 31.12.2016	
	AMD	Foreign	AMD	Foreign
Assets				
Balance at CBA		-	4.86	-
Receivables to banks and other financial institutions, including:	7.4	1.9	7.99	1.76
- Interbank loans		1.8		1.76
- Interbank repo	6.5		7.13	
Loans and advances provided to customers	16.2	9.6	16.95	11.37
Held for trading and available for sale securities	13.2	6.8	13.68	
Liabilities				
Liabilities to banks and other financial institutions	9.1	3.9	8.51	5.52
Liabilities to Customers	6.0	4.2	4.99	5.74

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

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

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

which reflects the incongruity level of assets and liabilities durations, that is the incongruity of average weighted terms of assets and liabilities future flows. The big value of the duration gap indicates a high level of interest rate risk. The preservation of duration gap low level, that is the preservation of close duration values of assets and liabilities, results in interest rate risk hedging (stability of capital economic value against interest rate changes).

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

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

Price Risk

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

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

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

Liquidity Risk

1)The Bank's definition of Liquidity Risk

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

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

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

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

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

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

1. 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.
- 4.4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. 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

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 2nd quarter of 2017, the instant liquidity indicator has decreased by 12.89, up to 90 day accumulative liquidity indicators and general (up to one year) liquidity indicators have decreased by 34.74 and 12.48 percent respectively.

Accounting period

30/06/2017

thous. AMD

Item	Non-performing		Repayment date in					Termless	Total	
	Term	Overdue	On -demand	up to 3 months	3- 6months	6 -12 months	1- 5 years			more than 5 years
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			25,616,424		-	-	-	-	770,000	26,386,424
Standardized precious metal bullions			443							443
Receivables to banks and other financial institutions			2,989,063	7,635,857	192,943		2,402,350	-	180,952	13,401,165
Held- for trade financial assets				472						472
Loans and advances provided to customers	1,180,715	205,872		10,510,790	13,136,290	13,500,622	39,644,160	15741818	-	93,920,267
Securities, including:				902,105	-	94,519	89,892	150,576	503,000	1,740,092
- held for commercial purposes										-
- available for sale				1,326		44,692	89,892	150,576	503,000	789,486
- held to maturity						49,827				49,827
- sold by repo agreements				900,779						900,779
Other receivables	-	-		25,436	-		-	-		25,436
Contractual receivables**										-
Total	1,180,715	205,872	28,605,930	19,074,188	13,329,233	13,595,141	42,136,402	15,892,394	1,453,952	135,474,299
including:										
I group foreign currency	717,654	116,136	13,181,680	6,402,857	9,391,949	8,836,270	22,122,882	9,237,701	180,952	70,188,081
II group foreign currency	-	-	1,012,800	138,669	1,141	1,277		-	-	1,153,887
By floating interest rate										-
By fixed interest rate	991,298	170,682	445	18,345,126	13,290,931	13,516,907	41,165,493	15,281,427	413,915	103,176,224
Non-interest	189,417	35,190	28,605,485	729,534	38,302	78,234	970,909	610,967	1,040,037	32,298,075
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	358,622	7,043,389	4032101	2,760,031	18,248,634	722,125		42,916,427
Liabilities to customers, including	-	-	36,317,368	8,721,011	8,249,452	14,521,386	8,658,288	207,728		75,368,706
- On-demand deposits			35,455,171	25,969						37,440,980
- Term deposits	-	-	37,016	8,695,042	8,249,452	14,521,386	8,658,288	207,728		36,921,003
- Other	-	-	825,181					-		1,006,723
Held for trade liability			69,390							5,257
Subordinate borrowings				44,800				6,342,585		5,397,567
Liability on current tax			20,546							7,626
Amounts payable			466,727							109,435
Deferred tax liabilities			1,045,063							1,043,160
Other liabilities	-	-	640,317	113,938	177	1,683	33	-	-	763,882
Off-balance sheet contingent liabilities	-	-		613,416	268,199	125,885	42,567		-	7,805,858
Contractual liabilities										
Total	-	-	38,918,033	15,923,138	12,281,730	17,283,100	26,906,955	7,272,438	-	118,585,394
including:										
I group foreign currency	-	-	17,879,584	11,901,792	9,833,959	11,523,100	17,148,300	2,814,538		71,101,273
II group foreign currency	-	-	352,579	193,760	245,713	269,340	52,855		-	1,114,247
Major Liabilities										
By floating interest rate				55,014	212,336	329,361	790,082			1,386,793
By fixed interest rate	-	-	15,339,643	15,754,186	12,069,217	16,952,056	26,116,840	7,272,438	-	93,504,380
Non-interest	-	-	22,784,747	113,938	177	1,683	33	-	-	22,900,578
Net liquidity gap	1,180,715	205,872	(10,312,103)	3,151,522	1,047,503	(3,687,959)	15,229,447	8,619,956	1,453,952	16,888,905
I group foreign currency	717,654	116,136	(4,697,904)	(5,498,935)	(442,010)	(2,686,830)	4,974,582	6,423,163	180,952	(913,192)
II group foreign currency	-	-	660,221	(55,091)	(244,572)	(268,063)	(52,855)		-	39,640
Floating interest rate	-	-	-	(55,014)	(212,336)	(329,361)	(790,082)	-	-	(1,386,793)

Fixed interest rate	991,298	170,682	(15,339,198)	2,590,940	1,221,714	(3,435,149)	15,048,653	8,008,989	413,915	9,671,844
Accumulative liquidity gap	1,180,715	1,386,587	(8,925,516)	(5,773,994)	(4,726,491)	(8,414,450)	6,814,997	15,434,953	16,888,905	13,865,706

Previous accounting period

31.12.2016

thous. AMD

Item	Non-performing		Repayment date in					Termless	Total	
	Term	Overdue	On -demand	up to 3 months	3- 6months	6 -12 months	1- 5years			more than 5 years
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			18,889,106	1,500,390	-	-	-	-	1,520,000	21,909,496
Standardized precious metal bullions			443							443
Receivables to banks and other financial institutions			13,405,027	6,962,010	194,519		2,203,863	-	182,062	22,947,481
Held- for trade financial assets				1,765						1,765
Loans and advances provided to customers	1,579,096	186,623	4,827	12,371,561	8,725,822	8,328,054	33,057,345	10794331	-	75,047,659
Securities, including:				13,346,276	1,247	-	1,345,095	856,721	499,522	16,048,861
- held for commercial purposes										-
- available for sale				176,671	1,247		1,345,095	856,721	499,522	2,879,256
- held to maturity										-
- sold by repo agreements				13,169,605						13,169,605
Other receivables	-	-		37,270	-		-			37,270
Contractual receivables**										-
Total	1,579,096	186,623	32,299,403	34,219,272	8,921,588	8,328,054	36,606,303	11,651,052	2,201,584	135,992,975
including:										
I group foreign currency	888,517	96,480	19,599,826	6,931,282	5,598,079	4,698,788	19,134,188	5,851,936	182,062	62,981,158
II group foreign currency	-	-	1,084,892	257,798	3,414	29,782	1,242	-	-	1,377,128
Including:										
Floating interest rate										-
Fixed interest rate	1,440,383	140,386	115,606	2,250,053	8,194,091	8,225,384	36,292,668	9,948,990	1,702,062	68,309,623
Non- interest	138,713	46,237	32,183,797	32,170,434	727,497	102,670	313,635	1,702,062	499,522	67,884,567
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	273,875	19,360,395	2978387	6,847,507	14,412,928	428,130		44,301,222
Liabilities to customers, including:	-	-	26,996,538	12,226,345	8,223,864	13,541,516	5,609,733	199,715	4,067	66,801,778
- On-demand deposits			26,136,775	28,634			21,055		4,067	26,190,531
- Term deposits	-	-	48,828	11,983,160	8,222,930	13,537,027	5,588,466	199,715		39,580,126
- Other	-	-	810,935	214,551	934	4,489	212	-		1,031,121
Held for trade liability			1,306							1,306
Subordinate borrowing				38,502				5,361,670		5,400,172
Liabilities on current taxes			14,116							14,116
Amounts payable			111,155							111,155
Deferred tax liabilities			1,025,222							1,025,222
Other liabilities	-	-	751,634	214,551	934	4,489	212	-	-	971,820
Off-balance sheet contingent liabilities	-	-	92,559	217,400	2,792,902	4,649,984			-	7,752,845
Contractual liabilities										-
Total	-	-	29,173,846	31,839,793	11,203,185	20,393,512	20,022,873	5,989,515	4,067	118,626,791
I group foreign currency	-	-	8,205,730	13,292,562	8,019,545	15,945,735	15,802,885	2,824,808		64,091,265
II group foreign currency	-	-	-	234,603	99,570	68,380	265,971	49,385	-	717,909
Major Liabilities										
By floating interest rate				110,822	674,631	29,843	202,614			1,017,910
By fixed interest rate	-	-	14,884,020	31,229,884	7,734,718	15,709,196	19,798,992	627,845	-	89,984,655
Non-interest	-	-	14,333,495	499,087	2,793,836	4,654,473	21,267	5,361,670	4,067	27,667,895
Net liquidity gap	1,579,096	186,623	3,125,557	2,379,479	(2,281,597)	(12,065,458)	16,583,430	5,661,537	2,197,517	17,366,184
I group foreign currency	888,517	96,480	11,394,096	(6,361,280)	(2,421,466)	(11,246,947)	3,331,303	3,027,128	182,062	(1,110,107)
II group foreign currency	-	-	1,084,892	23,195	(96,156)	(38,598)	(264,729)		-	659,219
By floating interest rate	-	-	-	(110,822)	(674,631)	(29,843)	(202,614)		-	(1,017,910)
By fixed interest rate	1,440,383	140,386	(14,768,414)	(28,979,831)	459,373	(7,483,812)	16,493,676	9,321,145	1,702,062	(21,675,032)
Accumulative liquidity gap	1,579,096	1,765,719	4,891,276	7,270,755	4,989,158	(7,076,300)	9,507,130	15,168,667	17,366,184	34,732,368

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 Risk weight for all Armenian banks. The Central bank of Armenia has also defined a minimum amount for total capital forming AMD 30,000,000 thousand. During the accounting period, the Bank has met the established standard requirements on the capital level.

We present the structure of balance sheet capital:

	thous. AMD	
	30/06/2017	31/12/2016
Chartered capital	4,631,333	4,631,333
Emission income/loss	9,110,850	9,110,850
Undistributed shares emission		
Repurchased shares		
Reserves:	13,799,998	13,680,889
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,713,655	4,516,414
Undistributed profit/loss	3,086,343	3,164,475
Total capital	27,542,181	27,423,072

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.

thous. AMD							
2017.0	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	1	2	3 (1+2)				
January	21,861,831	8,574,191	30,436,022	113,280,494	1,922,054	23.54	12
February	21,716,419	8,525,349	30,241,768	112,847,591	2,117,346	23.18	12
March	21,712,679	8,577,987	30,290,666	119,382,327	2,013,526	22.25	12
April	21,875,537	9,019,296	30,894,833	116,733,043	2,167,424	22.92	12
May	22,063,011	9,895,885	31,958,896	120,818,311	2,147,759	23.04	12
June	22,011,258	9,827,185	31,838,443	127,841,690	2,421,169	21.51	12

thous. AMD							
2016.0	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	1	2	3 (1+2)				
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
October	19,446,037	8,016,628	27,462,665	101,511,172	1,885,466	23.43	12
November	20,035,190	8,131,950	28,167,140	106,815,870	1,830,603	23.08	12
December	21,661,334	8,500,076	30,161,410	109,568,985	1,835,212	24.16	12

We hereby present the weight of risks of Risk weight 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.

thous. AMD				
As of 30.06.2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	46,580,297			-
10%	5,451,592			545,159
20%	1,670,908			334,182
30%	134,392			40,318
35%	1,579,729			552,905
50%	2,323,270			1,161,635
75%	649,069			486,802
100%	65,165,074	3,431,624		68,596,698
150%	39,810,819	1,968,599	25,908	62,707,989
Total	163,365,150	5,400,223	25,908	134,425,687

thous. AMD				
As of 31.12.2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	40,406,217	269,458		-
10%	4,506,902			450,690
20%	8,115,862			1,623,172
30%	2,880,019			864,006
35%	1,295,603			453,461
50%	3,072,346			1,536,173
75%	394,898			296,174
100%	45,070,996	2,581,781		47,652,777
150%	41,862,054	1,663,522	8,197	65,300,660
Total	147,604,897	4,514,761	8,197	118,177,112

Note 34: "fair value of Financial Assets and Liabilities"

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

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

As of 30.06.17 the following methods and assessments were used by the Bank during the evaluation of fair 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 fair value.

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

The fair 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 fair value.

Customer deposits and bank accounts

The balance sheet value is close to the fair value.

As of 30.06.17, the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.06.17 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.06.17 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	30/06/2017		31/12/2016	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	35,285,208	259,089,784	30,857,019	137,609,539
Car	1,864,506	9,118,800	2,320,991	10,787,240
Equipment	497,761	3,730,508	209,980	1,357,839
Ready made products	508,505	1,703,755	717,281	2,332,566
Guarantee	27,847,772	132,336,353	23,073,944	116,615,964
Monetary funds	515,689	2,197,905	227,411	1,864,929
Gold items	8,249,144	10,530,041	7,062,796	9,092,622
Standard golds				
State securities				
Securities issued by the CBA	289,269	312,000	-	-
Other securities	35,100	80,000		
Other pledge	3,297,715	4,634,203	1,895,428	560,584
No collateral available	17,285,056		10,214,483	
Total	95,675,725	423,733,349	76,579,333	280,221,283

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

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

The Acting Chairman of the Executive Board (CEO)

A. Khachatryan

Chief Accountant

D. Azatyan

Approval date: 14.07. 2017