

Appendix 5 Approved by Resolution N 205 N of the Board of the
Central Bank of Armenia Dated on 10 July 2007

Notes to the interim reports published in the 1st quarter of 2017
“ARMECONOMBANK” OJSC 23/1 Amiryan Str., Yerevan

Note 1. “Legal Field and Corporate Governance”

Legal Field

“ARMECONOMBANK” OJSC (hereinafter the Bank) founded in 1991, is the successor of former USSR “Zhilsotsbank” Armenian Republican Bank (1991-1993 "Armstatecombank) and was reorganized as an open joint stock company in 1995 and operated on the basis of the legislation of the Republic of Armenia (hereinafter RA). The bank was registered by the Central Bank of Armenia (hereinafter the CBA) with No1 License number.

The Head office of the Bank and 25 branches are located in Yerevan, another 21 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

Main Activities

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

Business Environment

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

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

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

Corporate Governance

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

Structure and Members of the Board

Chairman of the Board

S. Sukiasyan

Board Members

A. Naljyan

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

I. Yabbarova

Structure and Members of the Bank's Management

CEO

A. Galstyan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Chief Accountant

D. Azatyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department
V.Jhangiryan

Head of Credit Department
N. Karapetyan

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

As of 31.03.2017, the Chartered capital is AMD 4,631,333. It includes 1,852,533 common shares each with AMD 2500 nominal value.

Main Participants

Sukiasyan Saribek Albert	31.32 %
Sukiasyan Khachatur Albert	13.77%
Sukiasyan Robert Albert	14.16%
Sukiasyan Eduard Albert	10.64%
European Bank for Reconstruction and Development	5.04 %

Remuneration Policy of the Bank's Management

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

Payments to Statutory Auditors

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

Note 2. “Accounting Policy”

Preparation and Submission of “ARMECONOMBANK” OJSC Financial Statements

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

The statements are made in thousands of Armenian drams without decimal units.

The accounting year for financial statements is the period from 1 January to 31 December inclusive.

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

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

Recognition of Income and Expenses

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

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

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

Fees charged for lending (together with corresponding costs) are deferred adjusting the effective interest rate of the loan. Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non- interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

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

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

Foreign Exchange Operations Accounting

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

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

Tax Accounting

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

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

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts are recorded on the last working day of each quarter.

Income tax assets and liabilities are offset when the Bank:

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

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

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

Cash and Cash Equivalents

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

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

Financial Instruments

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

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

The Bank classifies its financial assets into the following categories: financial assets accounted for real value reappraised by profit/loss, financial assets held for trading, available-for-sale financial assets, loans and receivables, held-to-maturity investments. Such classification of investments is made on the moment of their purchase based on the evaluations made by the Bank's management.

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

Available-for-sale investments are those intended by the Bank to be held for an indefinite period of time, which may be sold, arising from liquidity needs or changes in interest rates, exchange rates or equity prices. Realized or unrealized gains and losses arising from changes in the fair value of available-for-sale securities are directly reflected in the equity, until the mentioned financial asset is sold or recognized as depreciated. When the securities are sold, the adjustments of their fair value are recognized in the statement on financial results as profit or loss from classified available-for-sale securities. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into assets-held-for-trading.

Dividends on available-for-sale chief instruments are entered into the statement on financial results, when the Bank becomes entitled to collect the dividends. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques.

The investments in equity instruments, which are not quoted in any exchange and have limited market, are estimated in fair value, less the amount of possible loss provision.

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

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

Held-to-maturity securities -Securities with fixed maturities are classified as held- to-maturity, when the bank has the positive intention and ability to hold those investments to maturity. If the Bank sells any significant amount of held-to-maturity assets the whole class will be reclassified into available-for-sale.

Held-to-maturity investments are carried at amortized cost, using the effective interest rate method, less any possible loan loss provisions.

During its activities, the Bank acts as a party of agreements in derivative instruments that includes futures, forwards, swaps and options. All derivative instruments are classified as ones kept for commercial purposes and their accounting is carried out as per the Policies of Initial Recognition of Financial Instruments to be later re-measured at real value. The real value is established by the pricing in the markets or by applying such models on the basis of which the assessments of the current condition of the markets, the contractual prices of base instruments and other factors lays. The derivative instruments with positive real value are accounted as assets and the ones with negative real value- liabilities. Based on the nature of the derivative instrument, the products from the given operations are accounted as profit or loss from assets or foreign exchange operations kept for commercial purposes.

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

Repurchase Agreements

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

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

Leases

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

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

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

Financial Assets' Possible Loss Provision

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

As the published financial reports are drafted, further corrections of provisions in compliance with IFRS are made.

Intangible Assets

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

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

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

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

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

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

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

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

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

The disclosure of information required by IFRS on internally generated intangible assets in financial statements is performed separately. The depreciation amount of intangible assets, acquired after 1 January 2014, will be calculated in accordance with “Profit Tax” law. The annual amortization interest rate is set by the resolution of the Bank’s Board.

Fixed Assets

The unit of fixed assets that complies with the recognition of the standards of the asset is measured at their initial value (prime cost) in AMD, excluding buildings which are recorded at their revaluated value. The fixed assets purchased in foreign currency are registered as of the day of the purchase at the average exchange rate set

by the Central Bank of Armenia and shall not be re-valued in case of exchange rate change.

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

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

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

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

Building	50 years, 2%
Computers	5 years, 20%

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

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

For fixed assets acquired after 01.01.2013 residual value amounts to 0.1% of their initial value, however not more than AMD 20.000, except buildings and transportation means residual value of which amounts to 1% of their initial value.

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

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

Depreciation is not calculated for land.

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

The expenditures raising the operational efficacy of property, plant and equipment compared with the preliminary evaluated normative indicators are recognized as capital expenditures and are added to the initial value of the asset. The above mentioned expenditures are amortized using the straight-line method over the residual term of the asset's useful life if they don't exceed the residual value of property, plant and equipment as of 1 January of the year; otherwise they are amortized during the whole period of useful life.

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

In case of significant fluctuation of the real (market) value of the Bank's fixed assets (25% during financial year) the latter are reassessed based on the decision of the Bank's Board. The revaluation is conducted by an independent company with relevant license. The results of revaluation are reflected in the Bank's balance sheet and Income statement in the manner prescribed by IFRS. The growth occurred in the outcome of revaluation is charged to the undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

The capital expenses on leased fixed assets are capitalized and amortized by linear method during 20 years.

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

Inventory

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

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

Settlements between the Bank and Branches

Reciprocal accounts of the Bank's Head Office and its branches are compared each day per separate currencies via report received through program. The revealed errors are corrected during that day.

While drafting the balance sheet, the settlement accounts among the Head Office and its branches are brought to zero.

The settlement accounts among the Bank's Head Office and its branches are closed weekly.

Share Capital and Treasury Stock

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

Under certain circumstances and according to procedure established by the RA Legislation the Bank may repurchase its equity share capital. In this case reimbursement paid is deducted from total shareholders' equity and is reflected as treasury stock until it is canceled. When such shares are subset gently sold any reimbursement received is included in shareholders' equity.

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

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

Segment Statements

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

Issued Corporate Bonds

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

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and reimbursed amounts, is reflected in the income and expense statement in the period of circulation of those securities, applying the effective interest method.

Comparable Information

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

After Balance Sheet Date Events

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

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

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

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

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

Interim Report
On Financial Results
30.03.2017
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	34,490,986	21,909,495
1.2	Standard bank precious metal bullions and coins		443	443
1.3	Due from banks and other financial institutions	14	12,162,208	22,947,481
1.4	Held for trade financial assets			
1.5	Loans and advances provided to customers	15	2,389	1,765
1.6	Available-for-sale assets	16	79,012,662	75,231,112
1.6.1	Securities pledged under repurchase agreement	17	3,635,808	2,879,255
1.7	Prepayments on profit tax	17.1	13,468,617	13,169,605
	Held to maturity investments		50,422	
1.8	Investments in the chartered capital of controlled entities	19		
1.9	Non-current assets held for sale		75,000	75,000
1.10	Fixed assets	20	8,607,850	8,437,062
1.10.1	Intangible assets	20	319,198	231,263
1.11	Deferred tax assets	11		
1.12	Other assets	21	1,632,047	1,486,339
	Total assets		153,457,630	146,368,820
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	42,916,427	44,301,222
2.2	Liabilities to Customers	23	75,368,706	66,801,778
2.3	Subordinate borrowing	23.1	5,397,567	5,400,172
2.4	Liabilities on current taxes		7,626	14,116
2.5	Securities issued by the Bank	24		
2.6	Held for trading financial liabilities	25	5,257	1,306
2.7	Amounts payable	26	109,435	111,155
2.8	Deferred tax liabilities	11	1,043,160	1,065,561
2.9	Other liabilities	27	763,995	972,060
	Total liabilities		125,612,173	118,667,370
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		4,545,908	4,516,414
3.4	Undistributed profit(loss)		3,557,366	3,442,853
	Total capital		27,845,457	27,701,450
	Total liabilities and capital		153,457,630	146,368,820

Chairman of the Executive Board (General Manager)

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 01.04. 2017

Interim Report
On Financial Results
30.03.2017

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		3,208,937		2,533,782
Interest and similar expenses	3		(1,687,938)		(1,343,865)
Net interest and similar income			1,520,999	-	1,189,917
Income as commissions and other fees	4		362,760		322,525
Expenses as commissions and other fees	4		(98,471)		(87,058)
Net commission and other fees			264,289	-	235,467
Dividend income					
Net commercial income	5		154,438		155,588
Other operational income	6		128,286		83,336
Operational income			2,068,012	-	1,664,308
Net allocations to possible asset loss provisions	7		(199,579)		(133,515)
Total administrative expenses	8		(1,396,987)		(1,121,749)
Other operational income	9		(446,158)		(273,577)
Operational profit			25,288	-	135,467
Profit/ loss from associated company	10				
Profit/loss before taxation			25,288	-	135,467
Profit tax expenses(compensation)	11		46,835		(30,972)
Profit for period			72,123	-	104,495

Chairman of the Executive Board (General Manager)

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 01.04. 2017

Interim Report
 On Other Comprehensive Financial Results
 30.03.2017
 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			89,856		270,024
Hedging of cash flows		-	-	-	-
Profit from revaluation of non- current assets				-	4,034,846
Profit tax on other comprehensive income		-	(17,971)	-	(860,974)
Revaluation of associated company's financial assets available for sale		-			
Other comprehensive financial result after taxation		-	71,885	-	3,443,896
Comprehensive financial result		-	144,008	-	3,548,391

Chairman of the Executive Board (General Manager

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 01.04.2017

Interim Report
On Equity Changes
30.03.2017
ARMECONOMBANK OJSC 23/1 Amiryán 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	Net amount											
Articles	1	2	3	4	5	6	7	8	9	10	11	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	-	15,000,076
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	-	15,000,076
Comprehensive income	-	-	-	-	-	216,019	3,227,877	24,016	3,467,912	-	-	3,467,912	-	3,467,912
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase(decrease) of equity elements including:	-	(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)	-	-	-	-	-
Internal movements including:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductions to main reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Balance as of the end of the comparable interim period of the previous financial year 31.12.2016. (unaudited)</i>	3,167,023	-	3,167,023	3,168,003	6,000,000	119,724	3,227,877	2,785,361	18,467,988	-	-	18,467,988	-	18,467,988
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	3,442,853	27,701,450	-	-	27,701,450	-	27,701,450
Recalculated balance	4,631,333	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,442,853	27,701,450	-	-	27,701,450	-	27,701,450
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	71,884	-	72,123	144,007	-	-	144,007	-	144,007
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase(decrease) of equity elements including:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments for shares emission	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal movements including:	-	-	-	-	-	-	(42,390)	42,390	-	-	-	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	(42,390)	42,390	-	-	-	-	-	-
<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	1,323,861	3,222,047	3,557,366	27,845,457	-	-	27,845,457	-	27,845,457

Chairman of the Executive Board (General Manager))

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 14.04.2017

Interim Report
On the Cash Flows
30.03.2017

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		477,180	425,768
Interest received		2,793,329	2,415,401
Interest paid		(1,334,551)	(1,241,902)
Fees earned		470,028	392,241
Fees paid		(113,717)	(92,260)
Gain/ loss from financial assets held for commercial purposes)		1,412	
Gain/ loss from foreign exchange		137,783	139,177
Recovery of previously written-off assets		124,692	28,434
Paid salaries and similar payments		(863,633)	(767,728)
Other income received from operations and other expenses paid		(738,163)	(447,594)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(2,232,539)	1,921,103
Due from financial institutions		2,698,054	(98,972)
Loans and advances to customers		(5,301,540)	678,260
Securities held for commercial purposes and available for sale		(788,527)	276,424
Other operational assets		1,159,475	1,065,391
Increase/ decrease in operational assets		3,881,149	(11,392,645)
Liabilities to financial institutions		(44,266)	(4,381,720)
Liabilities to customers		3,791,423	(6,774,629)
Decrease in other operational liabilities		133,991	(236,296)
Net cash flows from operations before profit tax		2,125,790	(9,045,774)
Paid profit tax		(26)	(60,115)
Net cash flows from operations		2,125,764	(9,105,889)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(97,547)	(117,278)
Acquisition of fixed assets and intangible assets		(367,317)	(173,110)
Disposal of fixed assets and intangible assets		227,152	56,667
Net cash flows from other investments			1,145,316
Net cash flows from investments		(237,712)	911,595
3. Cash flows from financial operations			
Dividends paid		(2,715)	(314)
Increase/ decrease of borrowings from the Central Bank Of Armenia		441,490	62,210
Increase/ decrease of borrowings from banks		(2,930,640)	1,992,529
Increase/ decrease of other borrowings		2,958,432	(52,204)
Shareholders' investments in chartered capital			4,001,688
Net cash flows from other financial operations			(1,145,316)
Net cash flows from financial operations		466,567	4,858,594
Impact of foreign exchange on cash and equivalents		123,771	38,683
Net increase/decrease of cash and equivalents thereof		2,354,619	(3,335,700)
Cash and equivalents thereof as of the beginning of the period	13.2	33,586,678	27,912,709
Cash and equivalents thereof as of the end of the period	13.2	36,065,069	24,615,692

Chairman of the Executive Board (General Manager)

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 14.04.2017

Note 3: "Net Interest and Similar Income"



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Interest and similar income	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions		81,001		33,316
Interest income from loans and advances to customers		2,559,946		2,169,652
Interest income from debt securities		477,404		280,790
Interest income from REPO agreements		81,948		45,764
Other interest income		8,638		4,259
Total		3,208,937		2,533,781
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		545,806		342,257
Interest expenses on terms deposits and current accounts of customers		780,634		677,039
Interest expenses on securities issued by the Bank				
Interest expenses under REPO agreements		188,651		182,922
Interest expenses on subordinate borrowings		158,166		134,376
Other interest expense		14,681		7,270
Total		1,687,938		1,343,864
Net interest and similar income		1,520,999		1,189,917

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

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Commission and Other Fee Income and Expenses	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Cashier's operations		28,221		25,591
Settlement services		240,812		224,334
Guarantees, warranties, letters of credit operations, trust management operations		9,850		5,439
Foreign currency and security operations		473		1,877
Payment card servicing		22,857		24,041
Loan operations				
Other commission fees		60,547		41,243
Total		362,760		322,525
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts		598		569
Expenses for payment card operations		32,774		32,101
Guarantees, warranties, letter of credit operations, trust management operations		6,847		5,047
Foreign currency and security operations		4,491		18,467
Other commission fees*		53,761		30,874
Total		98,471		87,058
Net commission and other fees received		264,289		235,467

* 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	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Net income from sale/purchase of held-for-trading investments, including:		(3,595)		(1,947)
Shares				
Debt securities				
Derivatives		(3,595)		(1,947)
Net income from changes in real value of available for sale investments		(11,187)		40,235
Total		(14,782)		38,288
Available for sale investments				
Net income from sale/purchase of available for sale investments including:		14,618		33,235
Shares				
Debt securities		14,618		33,235
Derivatives				
Net income from changes in real value of available for sale investments				
Total		14,618		33,235
Foreign currency operations				
Net income from foreign currency sale/purchase		137,785		139,177
Net income from foreign currency revaluation		16,817		(55,146)
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		154,602		84,065
Net income from commercial operations		154,438		155,588

Note 6 : "Other Operational Income"



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	01.01.2017- 31.03.2017	01.01.2017-31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.03.2016
Other operational expenses				
Income from penalties and fines		106,509		73,201
Income from factoring				
Net income from disposal of fixed and intangible assets		4,023		894
Net income from revaluation of intangible assets and reversal of depreciation				
Other income*		17,754		9,241
Total	-	128,286	-	83,336

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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	01.01.2017- 31.03.2017	01.01.2017-31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.03.2016
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		23,974		5,049
Net deductions to reserve		12,343		(1,235)
Return of amounts previously charged to off balance item				
Usage of reserve		(32,256)		
Summary balance		4,061		3,814
From loans and advances to customers (Note 16)				
Initial balance		1,348,221		957,490
Net deductions to reserve		185,804		132,651
Return of amounts previously charged to off balance item		122,951		(99,964)
Usage of reserve		(122,872)		28,435
Summary balance		1,534,104		1,018,612
On investments (Note 17)				
Initial balance		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
On other assets (Note 21)				
Initial balance		11,842		3,168
Net deductions to reserve		1,432		2,099
Return of amounts previously charged to off balance item		1,741		
Usage of reserve		(1,161)		
Summary balance		13,854		5,267
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	-	199,579	-	133,515

Note 8: "Total administrative expenses"

Total administrative expenses	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Salary and similar payments		892,534		797,942
Allocations to social insurance state fund		159		432
Training and tutorship expenses		73		-
Business trip expenses		13,309		7,861
Operational leases expenses		131,264		81,327
Insurance costs		31,257		21,544
Servicing and maintenance of the Bank's equipment		41,253		28,163
Maintenance and safekeeping of Bank buildings		104,439		56,012
Audit and consulting services		20,872		10,860
Communication and transmission costs		25,989		25,347
Transportation costs		29,857		21,622
Taxes (except income tax) penalties and other mandatory payments		76,374		53,993
Office and organizational expenses		15,408		13,907
Expenses from loan provision and recovery				
Other administrative expenses		14,199		2,739
Total	-	1,396,987	-	1,121,749

Note 9: "The average number of the Bank employees and monthly average salary falling to a single employee"

	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Average number of Bank employees		943		849
Monthly average salary falling to a single employee (thousand AMD)		301		299

Note 9: "Other Operational Expenses"

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Other operational expenses	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Paid fines and penalties		22		
Payments made for collection		86,250		67,000
Advertising and representative expenses		104,216		29,033
Expenses from factoring		-		
Amortization costs of fixed assets and intangible assets		143,534		97,169
Losses from depreciation of assets		-		
Deductions to the Fund of Recovery of Deposits		39,361		17,342
Other expenses		72,775		63,033
Total	-	446,158	-	273,577

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"

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Net income from investments in the controlled units	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Income from investments in associated organizations		(0)	(0)	-

Note 11: "Profit Tax Expenses (Reimbursement)"


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Profit tax expenses	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Current tax expenses		46,509		25,000
Corrections of current taxes for the previous period recognized in the current period		(52,973)		6,621
Deferred tax expenses		(40,372)		(649)
Total	-	(46,836)	-	30,972

	01.01.2017-31.03.2017	Efficient rate(%)	01.01.2017-31.03.2017	Efficient rate(%)	01.01.2016-31.03.2016	Efficient rate (%)	01.01.2016-31.03.2016	Efficient rate (%)
Profit before taxation			25,288				135,467	
Profit tax with rate			5,058	20			27,093	20
Corrections of income and expenses for taxation purposes against non temporary								
Non-taxable income			(25)	(0.10)			(25)	(0.02)
Non-deductible expenses			7,576	29.96			20,322	15.00
Unevaluated tax loss								-
Foreign currency negative/positive difference			(3,363)	(13.30)			11,028	8.14
Verification of tax expenses calculated previous year			(52,973)	(209)			6,621	5
Other privileges			(3,108)	(1.39)			(34,067)	(25.15)
Profit tax expenses			(46,836)	(185.21)			40,698	30.04

Calculation of deferred tax on temporary differences

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	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	129,958	2,402	-	132,360
Loans and borrowings to customers	13,240	(2,447)		10,793
Other liabilities	116,718	4,849		121,567
Deferred tax liabilities, including:	(1,195,519)	37,970	(17,971)	(1,175,520)
Available for sale securities	(312,995)		(17,971)	(330,966)
Fixed assets	(10,339)	10,933		594
Revaluation of fixed assets	(810,791)	5,279		(805,512)
		(193)		(193)
Contingent liabilities	(15,506)	(106)		(15,612)
Claims to banks and other financial institutions	(45,888)	22,057		(23,831)
Net deferred tax asset/liability	(1,065,561)	40,372	(17,971)	(1,043,160)

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

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Basic profit falling to a single share	01.01.2017-31.03.2017	01.01.2017-31.03.2017	01.01.2016-31.03.2016	01.01.2016-31.03.2016
Net profit of the accounting period after taxation		72,123		104,495
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares		72,123		104,495
Net weighted average number of common shares in circulation during the given period		1,852,533		1,266,809
Basic profit falling to a single share	-	0.04	-	0.08

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"

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Cash, cash equivalents and balances with the CBA	31.03.2017	31.12.2016
Cash monetary funds	6,693,185	6,065,937
Other money placements	1,813,680	2,778,649
Correspondent accounts with the CBA*	25,214,121	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	34,490,986	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

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Cash, cash equivalents and balances with the CBA	31.03.2017	31.12.2015
Cash monetary funds	8,506,864	8,844,589
Other money placements	25,214,121	10,044,520
Correspondent accounts with the CBA*		1,500,389
Funds deposited with the CBA**	3,290	3,494
Other liabilities to the CBA	2,340,794	13,193,686
Accrued interests	36,065,069	33,586,678
Cash and balances with the CBA		

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

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Current accounts	31.03.2017	31.12.2015
with RA banks	3,290	3,494
with banks having BBB(Baa3) and higher ratings	1,705,010	10,049,675
with banks having ratings lower than BBB (Baa3) or no rating at all	635,398	3,143,735
Accrued interest	386	276
Total	2,344,084	13,197,180
with RA banks		
Loans and deposits	1,745,254	1,747,023
Other	78,510	251,575
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with the banks having a rating lower than BBB(Baa3) or no rating at all		
Other	310,358	106,758
Accrued interest	1,004	1,002
Total	2,135,126	2,106,358
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	4,479,210	15,303,538

Loans and deposits with Financial Institutions and other receivables	31.03.2017	31.12.2015
with RA Financial Institutions:		
Loans and deposits	2,094,391	2,461,135
REPO (re-purchase) agreements	5,165,638	4,547,541
Other	130,069	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	279,268	455,811
Accrued interest	17,693	19,529
Total	7,687,059	7,667,917
Possible loss provision for receivables due to Financial Institutions (Note 7)	(4,061)	(23,974)
Net receivables to Financial Institutions	7,682,998	7,643,943
Net receivables to banks and Financial Institutions	12,162,208	22,947,481

**As of 31.12.2015 and 31.12.2016 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD110,017 (AMD 53,726 thousand on 31.12.16, AMD 53,672 thousand on 31.03.2017) in Visa International and USD 269,043 (AMD 130,175 on 31.12.2016 and AMD 130,069 on 31.03.2017) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 15: "Financial assets held for commercial purposes"

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Financial assets held for commercial purposes	31.03.2017	31.12.2015
Derivative Instruments		
Forward	2389	90
Swap		1,675
Total	2,389	1,765

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

Note 16: "Loans and Advances to Customers"

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Provided Loans and other Borrowings	31.03.2017	31.12.2015
Loans, including:	72,219,332	68,878,672
Mortgage loans	4,273,397	4,140,142
Credit cards	7,610,285	7,087,347
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	717,149	613,314
Total loans	80,546,766	76,579,333
Reserve for possible loss of customer loans and advances (note 7)	(1,534,104)	(1,348,221)
Net total loans	79,012,662	75,231,112

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The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	31.03.2017		31.12.2015	
	Amount	Quantity	Amount	Quantity
Loans and advances, including:	80,546,766	45,127	76,579,333	39,170
performing loans	77,711,507	44,410	73,876,919	38,412
depreciated (non- performing) loans and borrowings, including:	2,835,259	717	2,702,414	758
overdue	305,409	679	261,904	680
restructured	410,036	4	404,396	3
refinanced				
Total loans	80,546,766	45,127	76,579,333	39,170
Reserve for possible loss of customer loans and advances (note 7)	(1,534,104)		(1,348,221)	
Net total loans	79,012,662		75,231,112	

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Analyses of provided loans and advances per customers	31.03.2017	31.12.2015
State industries	275,081	267,373
Private industries, including:	43,861,564	40,855,400
major enterprises	18,617,530	15,870,998
small and medium enterprises	25,244,034	24,984,399
including business cards	82,952	56,881
Individuals, including:	32,344,032	31,185,074
consumer loans	18,125,011	16,202,417
mortgage loans	4,273,397	4,140,142
credit cards	7,527,333	7,030,466
Private entrepreneurs	3,348,940	3,658,172
Accrued interest	717,149	613,314
Total loans	80,546,766	76,579,333
Reserve for possible loss of customer loans and advances (note 7)	(1,534,104)	(1,348,221)
Net total loans	79,012,662	75,231,112

thous. AMD

Loan liabilities on 20 major borrowers and related parties	31.03.2017	31.12.2015
Balance sheet	35,308,724	33,533,512
Balance of off-balance sheet contingent liabilities	3,864,121	3,721,428
Total	39,172,845	37,254,940
Loan investments	79,012,662	75,231,112
Percentage ratio in loan portfolio	50%	50%
Total normative capital	30,290,666	30,161,410
Percentage correlation to capital	129%	124%

Loan Investments through International programs	31.03.2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	3,161,463	264
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	86,374	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	2,139,333	394
The World Bank Loan Program		
The Russian Federation Economic stability program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME		
EBRD micro lending program	-	-
Atlantic Forfaitierungs AG loan program	163,961	3
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	325,936	14
BLUE ORCHARD SME loan program	516,376	27
EBRD trade promotion program	98,156	7
MSMEBondsSA/MSME	482,933	25
Mortgage Loans	19,988	9
including:	19,988	9
GAF		
IFC	6,994,520	744

Loan Investments	31.12.2016	
	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		
The Russian Federation Economic stability program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME	2,500,686	423
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
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)	31.03.2017	Percentage	31.12.2015	Percentage
Industry	15,099,895	19	14,008,241	18
Agriculture	1,378,971	2	1,386,537	2
Construction	5,733,814	7	4,866,213	6
Transportation and communication	397,916	0	393,848	1
Commerce	12,860,401	16	11,343,638	15
Consumer	26,920,693	33	24,554,329	32
Mortgage loans	4,301,200	5	4,162,002	5
Service	9,606,075	12	10,340,194	14
Other	4,247,801	5	5,524,331	7
Total	80,546,766	100	76,579,333	100

Breakdown of loan portfolio per customer residency	31.03.2017	Percentage	31.12.2015	Percentage
RA residents	78,295,513	99	74,615,440	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	717,149	1	613,314	1
Total	79,012,662	100	75,228,754	100

Note 17: "Held for trading financial assets"

	thous. AMD	
	31.03.2017	31.12.2015
T-bills		
RA Governmental T-bills		
Treasury bonds	3,024,634	2,379,734
Total T-bills	3,024,634	2,379,734

	thous. AMD			
RA non-state securities	31.03.2017		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	527,958		416,305	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	527,958	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	527,958	79,280	416,305	79,280

	thous. AMD			
Non governmental securities of other countries	31.03.2017		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		3,936		3,936
Total non-state securities of other countries	-	3,936	-	3,936
Total available-for-sale securities	3,552,592	83,216	2,796,039	83,216

Investments in share capital of other entities as of 31.12.2016

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	
	31.03.2017	31.12.2015
Asset		
Total pledged securities	13,468,617	9,384,574
including:		
pledged securities	13,468,617	13,169,605
pledged securities under REPO agreement		649,693
Liabilities		
Resources attracted under REPO agreement	13,224,755	9,104,678

Note 18: "Held-to maturity Investments"

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

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

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

Note 20 : "Fixed assets and intangible assets"

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets.	Total
Initial value							
Balance at the beginning of the previous period	3,334,953	1,827,787	554,230	1,431,075	726,140	174,137	8,048,322
Increase	25,107	202,763	198,110	117,094	547,983	33,297	1,124,354
	438,624	115,208	42,887	319,398		8,577	924,694
Disposal	(534,642)	(2,060)	(160,030)	(96,151)	(564,455)		(1,357,338)
Depreciation	381,248	(904)		904	(381,248)		-
Reclassification	(1,277,690)						(1,277,690)
Written-off							-
Revaluation	4,163,597						4,163,597
Balance at the end of the previous period	6,531,197	2,142,794	635,197	1,772,320	328,420	216,011	11,625,939
Increase	182,066	41,143		48,097	97,547		368,853
Disposal			(82,854)				(82,854)
Reclassification	17,479	1,764		(1,764)	(17,479)		-
Written-off*							-
Revaluation*							-
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
Balance at the end of the accounting period	6,730,742	2,185,701	552,343	1,818,653	408,488	216,011	11,911,938
Accumulated amortization							
Balance at the beginning of the previous period	1,354,496	1,263,194	164,974	844,702		47,002	3,674,368
Increase	45,756	159,145	56,896	99,660		10,536	371,993
including: 01.10.2015- 30.09.2015	44,078	150,180	49,106	98,641		8,856	350,861
Disposal			(38,720)				(38,720)
Written-off		(63,759)		(29,161)		(185)	(93,105)
Depreciation							-
Reclassification							-
Revaluation							-
Balance at the end of the accounting period	1,400,252	1,358,580	183,150	915,201	-	57,353	3,914,536
Increase	129,534	166,914	62,924	114,748		10,777	484,897
including: 01.10.2016 - 31.12.2016	40,687	42,998	17,804	35,282		3,057	139,828
Increase due to consolidation with BTA BANK	68,146	93,694	22,359	246,471		3,142	433,812
Disposal	(202,223)	(2,048)	(91,257)	(71,150)			(366,678)
Written-off	(1,277,690)						(1,277,690)
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of the accounting period	118,019	1,617,140	177,176	1,205,270	-	71,272	3,188,877
Net balance sheet value							
at the end of the accounting period	6,612,723	568,561	375,167	613,383	408,488	144,739	8,723,061
at the end of the previous accounting period	5,130,945	784,214	452,047	857,119	328,420	158,658	7,711,403

Intangible Assets

thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of the previous period	37.544	132.814	50	14.357	-	184.765
Increase		52,005	-		-	52,005
	123,819	28,888		38,360		191,067
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Depreciation	-	-	-			-
Reclassification						-
Revaluation						-
Balance at the end of the previous period	161.158	213.407	50	51.661	-	426.276
Increase		96,011				96,011
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Depreciation						-
Adjustment of amortization from revaluation						-
Balance at the end of accounting period	161.158	309.418	50	51.661	-	522.287
Accumulated amortization						
Balance at the beginning of the previous period	21.710	57.194	29	7.080		86.013
Increase	2,248	12,187	5	1,196		15,636
Including: 01.10.2015 - 31.12.2015	554	3,092	1	302		3,949
Disposal						-
Written-off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of the previous period	23.958	69.381	34	8.276	-	101.649
Increase	4,647	14,062	6	1,839		20,554
Including: 01.07.2016 - 30.09.2016	2,283	4,256	2	756		7,297
Increase due to consolidation with BTA BANK ³	37,997	14,482	-	21,892		74,371
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	66.397	97.625	40	30.951	-	195.013
Net balance sheet value						
At the end of the accounting period	94.761	211.793	10	20.710	-	327.274
At the end of the previous accounting period	137.200	144.026	16	43.385	-	324.627

As of 31.03.2017, AMD 62,377 thousand total amount worth out-of-use assets were put into use.

As of 31.03.2017, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous.,

As of 31.03.2017, the value of fully worn-off assets included in the fixed assets was AMD 1.188.085 thousand, AMD 274.493 thous. of which was transferred because of the consolidation of BTA BANK (31.12.2016: AMD 1.180.752 thous.)

Note 21: "Other Assets"



thous. AMD

	31.03.2017	31.12.2015
Amounts receivable from bank operations		
Amounts receivable from other operations	30,387	37,647
Total	30,387	37,647
Reserve for possible loss provision from bank operations (note 7)	(333)	(3,344)
Net amounts receivable from bank operations	30,054	34,303
Debtor liabilities and prepayments	31.03.2017	31.12.2015
Debtor liabilities on the budget	96	134
Debtor liabilities to suppliers		
Prepayments to employees	4	64
Prepayments to suppliers	715,729	537,666
Prepayments on the budget and mandatory social insurance payments	3,760	628
Other debtor liabilities and prepayments	29,661	37,545
Total	749,250	576,037
Reserve for possible loss provision on other assets (note 7)	(9,166)	(5,733)
Total	740,084	570,304
Other assets		
Reserve	289,725	178,469
Sequestered pledge and available-for-sale assets	406,920	555,100
Future period expenses	119,490	107,933
Other assets	50,129	42,995
Reserve for possible loss provision on other assets (note 7)	(4,355)	(2,765)
Total	861,909	881,732
Total other assets	1,632,047	1,486,339

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

thous. AMD

	31.03.2017	31.12.2015
Current accounts		
RA Banks	11,577	11,588
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	2,360	2,144
Accrued interest		
Total	13,937	13,732
Interbank loans and deposits, other		
RA CB		
Loans	3,413,330	2,971,840
REPO (re-purchase) agreements	2,500,000	800,000
Other		
RA Banks		
Loans and deposits	733,450	3,959,850
REPO (re-purchase) agreements	10,277,976	12,417,488
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other	5,421	3,869
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	3,573,676	3,279,956
Other	34,166	38,666
Accrued interest	185,151	83,741
Total	20,723,170	23,555,410
Financial Institutions		
Current accounts	648,004	260,013
Loans and deposits	21,093,526	20,174,983
REPO (re-purchase) agreements		
Other	17,070	25,731
Accrued interest	420,720	271,353
Total	22,179,320	20,732,080
Total liabilities to banks and financial institutions	42,916,427	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	31.03.2017		31.12.2016	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	14,957	61	35,874	146
GAF /German Armenian Fund " Micro and small business development program"	3,181,054	69,677	2,820,659	7,543
GAF / "Renewable energy development" program	217,319	2,872	115,306	2,985
GAF / " Access to finance for SMEs " program				
Total	3,413,330	72,611	2,971,839	10,674

Note 23: "Liabilities to Customers"

thous. AMD

	31.03.2017	31.12.2016
RA Government and local authorities		
Loan		
Other	7,561	6,488
Accrued interest		
Total	7,561	6,488
RA resident corporate entities and institutions		
Current accounts	24,821,575	13,165,390
Term deposits	5,084,723	7,237,588
REPO (repurchase) agreements		
Other	35,214	35,919
Accrued interest	88,943	56,534
Total	30,030,455	20,495,431
Non-resident corporate entities, institutions		
Current accounts	76,402	59,965
Other	50,764	2
Accrued interest		
Total	127,166	59,967
RA resident private entrepreneurs		
Current accounts	182,365	204,656
Term deposits		
Other	3,847	3,945
Accrued interest		
Total	186,212	208,601
RA resident individuals		
Current accounts	12,053,802	12,546,085
Term deposit	29,402,006	29,952,451
Other	609,609	632,064
Accrued interest	237,702	183,812
Total	42,303,119	43,314,412
Non-resident private entrepreneur		
Current accounts	561,981	564,011
Term deposit	2,093,075	2,106,835
Other	44,877	32,500
Accrued interest	14,260	13,533
Total	2,714,193	2,716,879
Total liabilities to customers	75,368,706	66,801,778

As of 31.03.17, the amount necessary to secure obligations was AMD 2.168.703 thousand.

As of 31.03.17, the amount frozen by court order and tax authorities was AMD 284,393 thousand

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 5,358,975 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	31.03.2017	31.12.2016
Derivative instruments held for commercial purposes	70074.0	72789.0
Other	39,361	38,366
Swap	-	693
Total	39,361	38,366

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	31.03.2017	31.12.2016
Dividends	70,074	72,789
For insurance of deposit	39,361	38,366
Total	109,435	111,155

Note 27: " Other Liabilities"

thous. AMD

Other liabilities	31.03.2017	31.12.2016
On income tax of non-resident	2,435	16,973
On VAT	12,742	2,606
On other taxes and penalties	112,888	158,274
On social insurance payments		
Salary liabilities to employees	558,356	524,833
Credit debts to suppliers	49,478	59,448
Credit debts to chartered capital increase		
Other liabilities	28,096	209,926
Balance at the end of the period	763,995	762,134

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 including AMD 4,191,267 from the consolidation of BTA BANK .

During the accounting period, dividends amounting to AMD 443,023 thous. were paid. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

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 31.03.2017, 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 31.03.2017 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	
	31.03.2017	31.12.2016
Unutilized credit lines	5,385,195	5,749,194
Provided guarantees	2,420,663	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		490,033
1-5 years		1,855,302
more than 5 years		0
Total		2,345,335

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	31.03.2017	31.12.2016
Initial balance	4,022,925	2,224,782
Loans and advances provided over the year	534,115	3,302,350
Bank shareholder	22,611	224,512
Shareholder related entity	324,495	1,929,188
Bank manager	179,293	1,072,084
Manager related entity	7,717	76,565
Loans and advances repaid over the year	488,261	1,504,207
Bank shareholder	14,785	204,012
Shareholder related entity	177,223	578,844
Bank manager	275,333	677,005
Manager related entity	20,920	44,347
Summary balance *	4,068,779	4,022,925

	thous. AMD	
Item	31.03.2017	31.12.2016
Interest income	116,633	393,351

thous. AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2015	336,052	7,528,461
Amounts received over the accounting period (for 12 months of 2016), including:	8,468,068	131,413
Bank shareholder	3,251,741	324
Shareholder related entity	4,308,502	82,634
Bank manager	740,038	3,251
Bank manager related entity	167,788	45,204
Amounts received over the accounting period (for 12 months of 2016), including:	7,919,446	1,270,046
Bank shareholder	2,705,927	1,109,789
Shareholder related entity	4,259,009	42,840
Bank manager	768,424	75,714
Bank manager related entity	185,909	38,486
Exchange rate difference (+/-)	178	3,217
Balance as of 31.12.2016	884,852	6,393,044
Interest expense as of 12 months of 2016	165	187,470

thous. AMD

Salary or Similar Payment to the Bank Management	31.03.2017	31.12.2016
Board	41,554	31,250
Salary	41,554	31,250
Awarding	-	-
Executive body	46,399	50,446
Salary	46,399	50,446
Awarding	-	-
Internal Audit	22,530	19,516
Salary	22,530	19,516
Awarding	-	-
Total	110,483	101,212

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.

31.03.2017					
Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	34,490,986				34,490,986
Due from banks and other financial institutions	9,407,356	512,591	1,901,478	340,783	12,162,208
Standard bank precious metal bullions and coins	443				443
Held for trade financial assets		2,389			2,389
Loans and advances provided to customers	79,012,662				79,012,662
Available-for-sale securities	3,631,872		3,936		3,635,808
Investments in the chartered capital of controlled entities	50,422				50,422
Securities pledged under repurchase agreement	13,468,617				13,468,617
Other assets	21,777				21,777
Total assets	140,084,135	514,980	1,905,414	340,783	142,845,312
Off-balance sheet items containing credit risks	7,805,857				7,752,845
Liabilities					
Liabilities to banks and other financial institutions	21,427,785	2,539,748	18,923,782	25,112	44,301,222
Liabilities to customers	72,527,347	2,108,303	259,686	473,370	66,801,778
Total liabilities	93,955,132	4,648,051	19,183,468	498,482	118,285,133
Net position	46,129,003	(4,133,071)	(17,278,054)	(157,699)	24,560,179

31.12.2016					
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	75,228,754	2,358			75,231,112
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	122,743,693	2,678,750	10,223,485	530,498	136,176,426
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	32,681,658	(353,627)	(5,650,917)	(1,603,688)	25,073,426

Loans allocated in the territory of RA per RA regions:

RA regions	thous. AMD	
	31.03.2017	31.12.2016
Yerevan	64,815,736	62,405,483
Ararat	1,278,335	764,053
Armavir	2,125,807	1,136,665
Kotayk	3,859,337	2,044,922
Shirak	1,686,970	1,222,667
Lori	1,684,244	1,452,500
Aragatsotn	772,121	3,535,225
Syunik	360,760	1,492,318
Tavush	337,612	316,438
Gegharquniq	1,467,236	405,721
Vayots Dzor	442,984	287,823
Artsakh	181,521	167,298
Total	79,012,662	75,231,112

Analysis of credit portfolio as per regions and risk level

31.03.2017

thous. AMD

Assets	Performing		Non- Performing		
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	76,851,743	1,155,505	757,495	247,919	5,534,350
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
Germany					-
4. Residents on non-OECD countries					
5. Total	76,851,743	1,155,505	757,495	247,919	5,534,751

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	73,062,955	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	73,065,313	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:

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Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2016. IV Q	553.53	285.72	201.99	161.47	46.91	292.19	734.12	160.36	0.00	1,039.75
2017. I Q	714.00	316.16	76.45	194.36	33.78	270.57	740.68	168.08	0.00	1,179.25
growth/decrease	160.47	30.43	-125.54	32.89	-13.13	-21.62	6.56	7.72	0.00	139.50

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

31.03.2017

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	14,821,313	18,750,324	919,349	34,490,986
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	5,358,235	6,546,455	257,518	12,162,208
Held for trading financial instruments	2,389	-	-	2,389
Loans and advances provided to customers	37,872,720	41,126,315	13,627	79,012,662
Available-for-sale financial assets	3,537,177	98,631	-	3,635,808
Investments in the chartered capital of controlled entities	-	50,422	-	50,422
Securities pledged under repurchase agreements	13,468,617	-	-	13,468,617
Other assets	9,318	12,408	51	21,777
Total assets	75,070,212	66,584,555	1,190,545	142,845,312
Liabilities				
Liabilities to banks and other financial institutions	22,906,749	19,984,809	24,869	42,916,427
Liabilities to Customers	27,625,506	46,742,543	1,000,657	75,368,706
Subordinate borrowing	2,722,784	2,674,783	-	5,397,567
Held for trading financial liabilities	5,257	-	-	5,257
Liabilities on current taxes	7,626	-	-	7,626
Amounts payable	109,435	-	-	109,435
Deferred tax liabilities	1,043,160	-	-	1,043,160
Other liabilities	738,630	23,038	2,214	763,882
Total liabilities	55,159,147	69,425,173	1,027,740	125,612,060
Net position	19,911,065	(2,840,618)	162,805	17,233,252

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	36,306,091	38,886,923	38,098	75,231,112
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	71,818,140	62,981,158	1,377,128	136,176,426
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	14,116	-	-	14,116
Amounts payable	111,155	-	-	111,155
Deferred tax liabilities	1,068,891	-	-	1,068,891
Other liabilities	789,121	176,186	6,513	971,820
Held for trading financial liabilities	-	-	-	-
Total liabilities	53,861,286	64,091,265	717,909	117,587,453
Net position	17,956,854	(1,110,107)	659,219	17,505,966

* "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 1st quarter of 2017 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 1,683,738 thousand against AMD - 2,079,040 thousand of the same period of the previous year by decreasing in absolute value by AMD 395,301 or 19.0 %, that is in average the Bank was sensitive to liabilities in the 1st quarter of 2017. In the 1st quarter of 2017, the average accumulated disbalance has increased in absolute value by AMD 774,188.0 thousand or 85.1% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 1st quarter of 2017 has decreased by 4.6 %, forming 101.7% against 97.1 % average value of the 1st quarter of 2016, that is in 1st quarter of 2017 the assets sensitive to interest rate changes have formed 101.7 % of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 1st quarter of 2017 was 1.251 year (against the 1.174 year as of the 1st quarter of 2016) as it increased by 0.077 year or by 6.6%, as compared with the end of the previous quarter (1.256 year) the mentioned indicator has decreased by 0.005 year or 0.4%.

The duration of liabilities as of the end of the 1st quarter of 2017 was 0.722 year (against 0.547 year of the 1st quarter of 2016) increasing by 0.175 year or 32%. In correlation with the end of the previous quarter (0.661) the indicator has increased by 0.061 year or 9.2%.

The duration gap as of the end of the 1st quarter of 2017 was 0.630 (against 0.686 of the 1st quarter of 2016) increasing by 0.056 or 8.2%. In correlation with the previous quarter (0.678) the indicator has decreased by 0.048 or 7.1 %.

Assets and Liabilities with changing interest rates 31.03.2017p

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				563,530		55,355		29,813		202,926		
Total	-	-	-	563,530	-	55,355	-	29,813	-	202,926	-	-
Net position	-	-	-	(563,530)	-	(55,355)	-	(29,813)	-	(202,926)	-	-

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: 31.03.2017		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:	7.53	1.76	7.99	1.76
- Interbank loans		1.76		1.76
- Interbank repo	6.73		7.13	
Loans and advances provided to customers	16.72	10.81	16.95	11.37
Held for trading and available for sale securities	13.59		13.68	
Liabilities				
Liabilities to banks and other financial institutions	8.68	4.72	8.51	5.52
Liabilities to Customers	5.11	4.29	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



Accounting period

31.03.2017

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			33,720,986		-	-	-	-	770,000	34,490,986
Standardized precious metal bullions			443							443
Receivables to banks and other financial institutions			2,427,169	7,781,874	79,187		1,692,075	-	181,903	12,162,208
Held- for trade financial assets				2,389						2,389
Loans and advances provided to customers	1,464,703	226,769		17,087,048	6,224,884	7,171,706	35,165,027	11672525	-	79,012,662
Securities, including:				13,573,229	1,305	173,404	1,830,651	1,493,040	83,217	17,154,846
- held for commercial purposes										-
- available for sale				104,612	1,305	122,982	1,830,651	1,493,040	83,217	3,635,807
- held to maturity						50,422				50,422
- sold by repo agreements				13,468,617						13,468,617
Other receivables	-	-		20,763	-			1,014		21,777
Contractual receivables**										-
Total	1,464,703	226,769	36,148,598	38,462,914	6,305,376	7,345,110	38,687,753	13,166,579	1,035,120	142,845,311
including:										
I group foreign currency	824,935	113,620	21,054,937	10,753,978	2,710,947	3,390,899	20,347,576	7,205,760	181,903	66,584,555
II group foreign currency	-	-	1,085,798	94,961	3,756	5,686	344	-	-	1,190,545
By floating interest rate										-
By fixed interest rate	1,299,660	187,661	78,294	38,103,206	6,266,490	7,265,448	38,124,516	12,515,095	1,035,120	104,875,490
Non-interest	165,043	39,108	36,070,304	362,097	38,886	79,662	563,237	651,484		37,969,821
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	718,385	16,265,502	5513365	2,289,778	17,583,079	546,318		42,916,427
Liabilities to customers, including	-	-	38,442,675	9,609,691	6,545,922	12,635,541	7,931,459	200,301	3,117	75,368,706
- On-demand deposits			37,403,246	34,219			398		3,117	37,440,980
- Term deposits	-	-	32,706	9,575,472	6,545,922	12,635,541	7,931,061	200,301		36,921,003
- Other	-	-	1,006,723					-		1,006,723
Held for trade liability				5,257						5,257
Subordinate borrowings				38,592				5,358,975		5,397,567
Liability on current tax			7,626							7,626
Amounts payable			109,435							109,435
Deferred tax liabilities			1,043,160							1,043,160
Other liabilities	-	-	588,800	171,124	2,622	1,336		-	-	763,882
Off-balance sheet contingent liabilities	-	-		186,669	299,205	2,609,049	4,592,599	118,336	-	7,805,858
Total	-	-	40,915,338	26,084,909	12,061,909	14,926,655	25,514,538	6,105,594	3,117	125,612,060
including:										
I group foreign currency	-	-	19,477,446	9,082,432	9,251,775	11,293,720	17,492,722	2,827,078		69,425,173
II group foreign currency	-	-	-	365,585	161,703	123,079	352,290	25,083	-	1,027,740
By floating interest rate				34,446	529,084	55,355	29,813	202,926		851,624
By fixed interest rate	-	-	17,119,636	24,398,626	11,361,701	14,868,678	25,483,389	5,902,668	3,117	99,137,815
Non-interest	-	-	23,795,702	1,651,837	171,124	2,622	1,336			25,622,621
Net liquidity gap	1,464,703	226,769	(4,766,740)	12,378,005	(5,756,533)	(7,581,545)	13,173,215	7,060,985	1,032,003	17,233,251
I group foreign currency	824,935	113,620	1,577,491	1,671,546	(6,540,828)	(7,902,821)	2,854,854	4,378,682	181,903	(2,840,618)
II group foreign currency	-	-	1,085,798	(270,624)	(157,947)	(117,393)	(351,946)		-	162,805
Floating interest rate	-	-	-	(34,446)	(529,084)	(55,355)	(29,813)	(202,926)		(851,624)
Fixed interest rate	1,299,660	187,661	(17,041,342)	13,704,580	(5,095,211)	(7,603,230)	12,641,127	6,612,427	1,032,003	5,737,675
Accumulative liquidity gap	1,464,703	1,691,472	(3,075,268)	9,302,737	3,546,204	(4,035,341)	9,137,874	16,198,859	17,230,862	

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	6,979,772	194,519		2,203,863	-	182,062	22,965,243
Held- for trade financial assets				1,765						1,765
Loans and advances provided to customers	1,579,096	186,623	4,827	12,555,014	8,725,822	8,328,054	33,057,345	10794331	-	75,231,112
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	34,420,487	8,921,588	8,328,054	36,606,303	11,651,052	2,201,584	136,194,190
including:										
I group foreign currency	888,517	96,480	19,599,826	6,949,044	5,598,079	4,698,788	19,134,188	5,851,936	182,062	62,998,920
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			1,068,891							1,068,891
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	-	-	29,217,515	31,839,793	11,203,185	20,393,512	20,022,873	5,989,515	4,067	118,670,460
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 ¹ 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	3,081,888	2,580,694	(2,281,597)	(12,065,458)	16,583,430	5,661,537	2,197,517	17,523,730
I group foreign currency	888,517	96,480	11,394,096	(6,343,518)	(2,421,466)	(11,246,947)	3,331,303	3,027,128	182,062	(1,092,345)
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	4,847,607	7,428,301	5,146,704	(6,918,754)	9,664,676	15,326,213	17,523,730	

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 5,000,000 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	
	31.03.2017	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:	13,909,385	13,680,889
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,545,908	4,516,414
Undistributed profit/loss	3,363,477	3,164,475
Total capital	27,651,568	21,476,697

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							
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	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

thous. AMD							
2015.0	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 31.03.2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	53,286,576			-
10%	5,241,164			524,116
20%	2,269,988			453,998
30%	80,089	29,007		32,729
35%	1,457,328			510,065
50%	2,188,083			1,094,042
75%	545,573			409,180
100%	52,554,727	2,599,482		55,154,209
110%				-
150%	35,653,900	1,978,146	31,460	56,495,259
Total	153,277,428	4,577,628	31,460	114,673,597

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
110%				-
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 31.12.16 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 31.12.16, 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 31.12.16 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 31.12.16 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.

Collateral type	thous. AMD			
	31.03.2017		31.12.2016	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	31,692,237	139,128,364	30,857,019	137,609,539
Car	2,045,283	9,843,770	2,320,991	10,787,240
Equipment	356,050	1,887,839	209,980	1,357,839
Ready made products	560,997	2,035,235	717,281	2,332,566
Guarantee	23,731,632	111,105,284	23,073,944	116,615,964
Monetary funds	227,906	1,983,706	227,411	1,864,929
Gold items	7,954,451	10,131,417	7,062,796	9,092,622
Standard golds				
State securities				
Securities issued by the CBA	-	-	-	-
Other securities				
Other pledge	1,466,992	2,086,958	1,895,428	560,584
No collateral available	12,511,218		10,214,483	
Total	80,546,766	278,202,573	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.

Chairman of the Executive Board

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 14.04. 2017