

**Appendix 5 Approved by Resolution N205 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 2018 “ARMECONOMBANK” OJSC 23/1 Amiryan
Str., Yerevan**

Note1. “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 27 branches are located in Yerevan, another 23 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

Members of the Board

A. Naljyan

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

I. Yabbarova

Structure and Members of the Bank’s Management

CEO

A. Khachatryan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Deputy CEO

A. Arakelyan

Deputy CEO

A. Manrikyan

Deputy CEO

A. Pilosyan

Financial Director- Chief Accountant

M. Poghosyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department
V.Jhangiryan

Head of Credit Department
V. Sargsyan

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

As of 31.03.2018, the Chartered capital is AMD 13,708,745. It includes 1,852,533 common shares each with AMD 7,400 nominal value.

Main Participants

Sukiasyan Saribek Albert	28.32 %
Sukiasyan Khachatur Albert	16.29%
Sukiasyan Robert Albert	14.28%
Sukiasyan Eduard Albert	10.66%
European Bank for Reconstruction and Development	2.52%

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.

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 in 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 other systems 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.

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, loans and debtor debts at fair value accounted by other comprehensive financial results, financial assets accounted for amortized value. 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).

Unrealized gains and losses arising from changes in the fair value of financial assets at fair value accounted through other comprehensive financial results are directly reflected in the equity, until the mentioned financial asset is sold or recognized as depreciated. The profit or loss accumulated at that moment, which previously recognized in the equity, shall be recognized in the statement on financial results of the accounting period. In any case, interests are calculated in the statement on financial results through the effective interest rate method. 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 accounted for real value reappraised by profit/loss.

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.

Financial assets calculated for amortized value - when the bank has the positive intention and ability to hold those investments to maturity. The mentioned investments are calculated at amortized value 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.

Pursuant to IFRS 9 :

The establishment of loan portfolio reserve assumes assessment of loan risk based on the behavior of time series of sub-portfolios of the loan portfolio and the macroeconomic factors affecting them. “Staging” (loan classification per overdue days) is applied for the assessment.

The size of a reserve for each sub-portfolio is determined through the following formula:

$$\text{RESERVE}=\text{BALANCE} * \text{EAD} * \text{PD} * \text{LGD}$$

Where:

BALANCE- balance amount of the given loan sub-portfolio

$RESERVE = BALANCE * EAD * PD * LGD$

where

BALANCE – sub-portfolio balance amount of the given loan

EAD – (exposure-at-default) ratio, through which sub-portfolio balance value is adjusted

PD – (probability of default) likelihood of default, that is which part of the sub-portfolio is inclined to default, where the default is equivalent to 90+ overdue days

LGD – (loss-given-default) loss-given value based on the effective interest rate, when the loan becomes default

EAD30 and EAD90 indicators are calculated for the loans included in Stage 1 and Stage 2 classes respectively.

For the calculation of loan reserve appraisal of the loans included in Stage 1 and Stage classes PD12Month and PDLifetime are applied respectively.

The creation of State bond portfolio reserve is implemented based on PD and LGD rates given by Moody’s rating agency to Armenia.

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 is 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.

From 1 January 2018, the Bank defines the following terms of useful services:

	Terms of useful services (years)	Annual interest rate (%)
Building	50	2
Computers	5	20
Transportation means	8	12.5
Other fixed assets, transportation means	8	12.5
UPS batteries, ATMs, property, office equipment, Other computer equipment (printers, scanners, copying devices), POS terminals, modems, Network devices	3	33.3
	5	20
Fixed assets and intangible assets costing up to AMD 50.000	Up to the end of the given year	

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 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 the residual term of the asset’s useful life. The capital expenses on leased buildings 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.

For the determination of the cost of inventory the Bank accepts and applies first in first out (FIFO) formula. According to FIFO formula the inventory units acquired first are sold, used or disposed of first, therefore the assets that remain in inventory by the end of the accounting period are the most recently purchased. The cost of the short-life items is written off at the beginning of their utilization.

Settlements between the Bank and Branches

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

Share Capital and Treasury Stock

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

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

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

In cases set forth by legislation the Bank prepares consolidated financial statements in accordance with 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
"31" March 2018
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	29,222,732	35,975,312
1.2	Standard bank precious metal bullions and coins		44,312	18,356
1.3	Due from banks and other financial institutions	14	13,526,187	17,176,991
1.4	Financial assets rated at actual value through profit or loss	15	10,862	
1.5	Loans and advances provided to customers at amortized value	16	118,435,745	104,216,554
1.6	Financial assets at fair value rated through other comprehensive financial results	17	3,762,327	2,036,091
1.6.1	Securities pledged under repurchase agreement	17.1	19,199,617	19,619,097
1.7	Prepayments on profit tax	17.2		
1.7	Other financial assets at amortized value	18	48,907	49,618
1.9	Non-current assets held for sale		75,000	75,000
1.10	Fixed assets	20	9,469,393	9,304,697
1.10.1	Intangible assets	20	359,682	321,118
1.12	Other assets	21	1,794,255	2,010,252
	Total assets		195,949,019	190,803,086
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	67,889,450	59,037,257
2.2	Liabilities to Customers	23	88,325,746	92,709,749
2.3	Subordinate borrowing	23.1	6,387,069	6,409,601
2.4	Liabilities on current taxes		416,637	373,529
2.5	Securities issued by the Bank	24	1,060,668	1,068,764
2.6	Financial liabilities at fair value through profit or loss	25	15,765	7,706
2.7	Amounts payable	26	153,017	155,684
2.8	Deferred tax liabilities	11	1,114,267	1,096,003
2.8	Reserves	30	101,221	
2.9	Other liabilities	27	812,227	916,185
	Total liabilities		166,276,067	161,774,478
3	Capital			
3.1	Chartered capital	28	13,708,745	13,708,745
3.2	Emission income		33,438	33,438
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,904,324	4,689,054
3.4	Undistributed profit(loss)		5,026,444	4,597,371
	Total capital		29,672,951	29,028,608
	Total liabilities and capital		195,949,018	190,803,086

Chairman of the Executive Board(CEO)

A. Khachatryan

Financial Director- Chief Accountant

M. Poghosyan

Approval date: 13 April 2018

Interim Report
On Financial Results
31 March 2018
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Item	Note	Accounting period	Previous period
Interest and similar income	3	3,932,400	3,208,937
Interest and similar expenses	3	(2,159,478)	(1,687,938)
Net interest and similar income		1,772,922	1,520,999
Income as commissions and other fees	4	666,027	362,760
Expenses as commissions and other fees	4	(127,535)	(98,471)
Net commission and other fees		538,492	264,289
Dividend income			
Net commercial income	5	312,307	154,438
Other operational income	6	68,614	128,286
Operational income		2,692,335	2,068,012
Net allocations to possible asset loss provisions	7	(73,095)	(199,579)
Total administrative expenses	8	(1,578,101)	(1,396,987)
Other operational income	9	(552,261)	(446,158)
Operational profit		488,878	25,288
Profit/ loss from associated company	10	-	
Profit/loss before taxation		488,878	25,288
Profit tax expenses(compensation)	11	(51,267)	46,835
Profit for period		437,612	72,123

Chairman of the Executive Board(CEO)

A. Khachatryan

Financial Director- Chief Accountant

M. Poghosyan

Approval date: 13 April 2018

Interim Report
 On Other Comprehensive Financial Results
 31 March 2018
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Accounting period	Previous period
Other comprehensive financial results			
Revaluation of financial assets at fair value rated through other comprehensive financial results		317,539	89,856
Hedging of cash flows		-	-
Profit from revaluation of non- current assets		(18,936)	
Profit tax on other comprehensive income		(59,721)	(17,971)
Other comprehensive financial result after taxation		238,882	71,885
Comprehensive financial result		676,494	144,008

Chairman of the Executive Board(CEO)

A. Khachatryan

Financial Director- Chief Accountant

M. Poghosyan

Approval date: 13 April 2018

Interim Report
On Equity Changes
31 March 2018
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

thous. AMD

Equity elements	Chartered capital			Emission income/loss	Main reserve	Revaluations of financial assets at fair value rated through other comprehensive financial results	Profit from revaluation of non-current assets	Undistributed profit/(loss)	Total	Total capital
	Chartered capital	Advances from share emission	Net amount							
Articles	1	2	3	4	5	7	9	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)										
Balance as of the beginning of the financial year as of 01 January 2017ⁿ (audited)	4,631,333		4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
Recalculated balance	4,631,333	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
Comprehensive income			-	-	-	71,884		72,123	144,007	144,007
Internal movements including:										
Decrease of value from revaluation of fixed assets and intangible assets							(42,390)	42,390	-	-
Balance as of the end of the interim accounting period 31/03/2016 (unaudited)	4,631,333	-	4,631,333	9,110,850	6,000,000	1,323,861	3,222,047	3,425,334	27,713,425	27,713,425
Interim period of the current year (ascending from the beginning of the year) (II table)										
Balance as of the beginning of the financial year as of 01 January 2018 (unaudited)	13,708,745	-	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608	29,028,608
Amount of reserves arising from changes in IFRS	-		-	-	-	-	-	(32,151)	(32,151)	(32,151)
Recalculated balance	13,708,745	-	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,565,220	28,996,457	28,996,457
Comprehensive income			-	-	-	254,031	(15,149)	437,612	676,494	676,494
Internal movements including:										
Decrease of value from revaluation of fixed assets and intangible assets			-				(23,612)	23,612	-	-
Balance as of the end of the interim accounting period 31.03.2018 (unaudited)	13,708,745	-	13,708,745	33,438	6,000,000	1,785,308	3,119,016	5,026,444	29,672,951	29,672,951

Chairman of the Executive Board(CEO)

A. Khachatryan

Financial Director- Chief Accountant

M. Poghosyan

Approval date: 13 April 2018

Interim Report
On the Cash Flows
31-Mar-18

ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thous. AMD

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		839,578	477,180
Interest received		3,426,833	2,793,329
Interest paid		(1,634,948)	(1,334,551)
Fees earned		767,225	470,028
Fees paid		(147,892)	(113,717)
Gain/ loss from financial assets held for commercial purposes)		(1,716)	1,412
Gain/ loss from foreign exchange		176,521	137,783
Recovery of previously written-off assets		78,280	124,692
Paid salaries and similar payments		(884,316)	(863,633)
Other income received from operations and other expenses paid		(940,411)	(738,163)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(10,912,752)	(2,232,539)
Due from financial institutions		4,000,564	2,698,054
Loans and advances to customers rated at amortized value		(15,564,854)	(5,301,540)
Available for sale securities rated at fair value though profit or loss		(860,975)	(788,527)
Other operational assets		1,512,512	1,159,475
Increase/ decrease in operational liabilities		(2,125,120)	3,881,149
Liabilities to financial institutions		1,519,137	(44,266)
Liabilities to customers		(4,010,707)	3,791,423
Decrease in other operational liabilities		366,451	133,991
Net cash flows from operations before profit tax		(12,198,294)	2,125,790
Paid profit tax		(41,220)	(26)
Net cash flows from operations		(12,239,514)	2,125,764
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(343,934)	(97,547)
Acquisition of fixed assets and intangible assets		(123,570)	(367,317)
Disposal of fixed assets and intangible assets		78,423	227,152
Net cash flows from investments		(389,081)	(237,712)
3. Cash flows from financial operations			
Dividends paid		(690)	(2,715)
Increase(decrease) of borrowings from the Central Bank Of Armenia		729,946	441,490
Increase (decrease) of borrowings from banks		479,182	(2,930,640)
Increase (decrease) of other borrowings		4,880,696	2,958,432
Net cash flows from financial operations		6,089,133	466,567
Impact of foreign exchange on cash and equivalents		(18,833)	123,771
Net increase(decrease) of cash and equivalents thereof		(6,539,462)	2,354,619
Cash and equivalents thereof as of the beginning of the period	13 2	35,824,830	33,586,678
Cash and equivalents thereof as of the end of the period	13 2	29,266,535	36,065,069

Chairman of the Executive Board(CEO)

A. Khachatryan

Financial Director- Chief Accountant
Approval date: 13 April 2018

M. Poghosyan

Note 3: "Net Interest and Similar Income"



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	01/01/2018- 31/03/2018	01/01/2017- 31/03/2017
Interest and similar income		
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	113,270	81,001
Interest income from loans and advances to customers	3,162,978	2,559,946
Interest income from debt securities	583,301	477,404
Interest income from REPO agreements	67,537	81,948
Other interest income	5,313	8,638
Total	3,932,399	3,208,937
Interest and Similar Expenses		
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	759,363	545,806
Interest expenses on terms deposits and current accounts of customers	930,518	780,634
Interest expenses on securities issued by the Bank	-	-
Interest expenses under REPO agreements	244,396	188,651
Interest expenses on subordinate borrowings	191,958	158,166
Interest expenses against the interest securities issued by the Bank.	16,832	-
Other interest income	16,410	14,681
Total	2,159,477	1,687,938
Net interest and similar income	1,772,922	1,520,999

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

	Thous. AMD	
	01/01/2018- 31/03/2018	01/01/2017- 31/03/2017
Commission and Other Fee Income and Expenses		
Cashier's operations	39,245	28,221
Settlement services	303,440	240,812
Guarantees, warranties, letters of credit operations, trust management operations	39,899	9,850
Foreign currency and security operations	385	473
Payment card servicing	23,299	22,857
Loan operations	-	-
Other commission fees	259,758	60,547
Total	666,026	362,760
Commission and Other Fee Expenses:		
Commission fee from correspondent and other accounts	1,196	598
Expenses for payment card operations	42,413	32,774
Guarantees, warranties, letter of credit operations, trust management operations	32,699	6,847
Foreign currency and security operations	11,053	4,491
Other commission fees *	40,173	53,761
Total	127,534	98,471
Net commission and other fees received	538,492	264,289

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

Note 5 : Financial assets rated at fair value through profit or loss

thous. AMD

Financial assets rated at fair value through profit or loss	01/01/2018- 31/03/2018	01/01/2017- 31/03/2017
Net income from sale/ purchase of financial assets rated at fair value through profit or loss, including	24,194	(3,595)
-Derivatives	24,194	(3,595)
Net income from changes in real value of financial assets rated at fair value through profit or loss	(208,139)	(11,187)
Total	(183,945)	(14,782)
Investments at fair value rated through other comprehensive financial assets		
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results	113,935	14,618
Net income from sale/purchase of investments at fair value rated through other comprehensive financial results, including:	113,935	14,618
Debt securities		
Net income from changes in fair value of investments rated at fair value through other comprehensive financial results	(6,390)	
Total	107,545	14,618
Foreign currency operations		
Net income from foreign currency sale/purchase	176,522	137,785
Net income from foreign currency sale/purchase	203,217	16,817
Net income from the sale/purchase of precious standardized bullions and coins	9,500	
Net income from revaluation of precious standardized bullions and coins	(532)	
Total	388,707	154,602
Net income from commercial operations	312,307	154,438

Note 6 : "Other Operational Income"

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Other operational expenses	01/01/2018- 31/03/2018	01/01/2017- 31/03/2017
Income from penalties and fines	50,539	106,509
Income from factoring		
Net income from disposal of fixed and intangible assets	(6,810)	4,023
Net income from disposal of fixed and intangible assets		
Other income *	24,885	17,754
Total	68,614	128,286

The main sources of generation of other income* are the amounts charged for provision of statement, check and deposit books, certificates and from such services for which no special income accounts are envisaged.



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

Thous. AMD

	01/01/2018- 31/03/2018	01/01/2017- 31/03/2017
Due from banks (Note 14)		
Initial balance	-	
Net deductions to reserve	4,571	
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	4,571	-
Due from financial institutions (Note 14)		
Initial balance	5,758	23,974
Net deductions to reserve	(93)	12,343
Return of amounts previously charged to off balance item		(32,256)
Usage of reserve		
Summary balance	5,665	4,061
From loans and advances to customers (Note 16)		
Initial balance	1,302,780	1,348,221
Net deductions to reserve	60,361	185,804
Return of amounts previously charged to off balance item	77,675	122,951
Usage of reserve	(57,179)	(122,872)
Summary balance	1,383,637	1,534,104
Financial assets rated at fair value through other comprehensive financial assets (Note 17)		
Initial balance	213,366	-
Net deductions to reserve	10,066	
Return of amounts previously charged to off balance item		
Usage of reserve		
Summary balance	223,432	-
On other assets (Note 21)		
Initial balance	15,640	11,842
Net deductions to reserve	380	1,432
Return of amounts previously charged to off balance item	605	1,741
Usage of reserve	(14)	(1,161)
Summary balance	16,611	13,854
Post-balance sheet items containing loan exposures (note 30)		
Initial balance	103,411	
Initial balance	(2,190)	
Summary balance	101,221	-
Total net deductions to reserves	73,095	199,579

Note 8: "Total administrative expenses"



Thous. AMD

Total administrative expenses	01/01/2018-31/03/2018	01/01/2017-31/03/2017
Salary and similar payments	919,608	892,534
Allocations to social insurance state fund		159
Training and tutorship expenses	2,876	73
Business trip expenses	6,438	13,309
Operational leases expenses	160,475	131,264
Insurance costs	31,872	31,257
Servicing and maintenance of the Bank's equipment	112,459	41,253
Maintenance and safekeeping of Bank buildings	177,298	104,439
Audit and consulting services	16,497	20,872
Communication and transmission costs	24,690	25,989
Transportation costs	35,306	29,857
Taxes (except income tax) penalties and other mandatory payments	60,940	76,374
Office and organizational expenses	21,785	15,408
Expenses from loan provision and recovery		
Other administrative expenses	7,857	14,199
Total	1,578,101	1,396,987

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

	01/01/2018-31/03/2018	01/01/2017-31/03/2017
Average number of Bank employees	782	943
Monthly average salary falling to a single employee (thousand AMD)	370	301

Note 9: "Other Operational Expenses"

Thous. AMD

Other operational expenses	01/01/2018-31/03/2018	01/01/2017-31/03/2017
Paid fines and penalties	-	22
Payments made for collection	86,250	86,250
Advertising and representative expenses	160,439	104,216
Expenses from factoring	-	-
Amortization costs of fixed assets and intangible assets	174,560	143,534
Losses from depreciation of assets	-	-
Allocations to the Fund of Recovery of Deposits	48,314	39,361
Other expenses	82,698	72,775
Total	552,261	446,158

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"

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

Note 11: "Profit Tax Expenses (Reimbursement)"



Thous. AMD				
	-	01/01/2018- 31/03/2018	-	01/01/2017- 31/03/2017
Profit tax expenses				
Current tax expenses		104,628		46,509
Corrections of current taxes for the previous period recognized in the current period		(20,410)		(52,973)
Deferred tax expenses		(32,951)		(40,372)
Total		51,267		(46,836)

	-	Efficient rate(%)	01/01/2018- 31/03/2018	Efficient rate(%)	01/01/2017- 31/03/2017	Efficient rate(%)
Profit before taxation			488,878		25,288	
Profit tax with rate			97,776	20	5,058	20
Non-taxable income			(2,736)	(0.56)	(25)	(0.10)
Non-deductible expenses			20,396	4.17	7,576	29.96
Foreign currency negative/positive difference			(40,644)	(8.31)	(3,364)	(13.30)
Profit from other revaluations						
Corrections of calculated tax expenses of the previous year			(20,410)	(4.17)	(52,973)	(209)
Other privileges			(3,115)	(0.64)	(3,108)	(12.29)
Profit tax expenses			51,267	10.49	(46,836)	(185)

Calculation of deferred tax on temporary differences

Thous. AMD				
	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	152,079	(13,693)	-	138,386
Loans and borrowings to customers	24,958	(68,717)		(43,759)
Other liabilities	127,121	10,338		137,459
Securities		44,686		44,686
Deferred tax liabilities, including:	(1,248,082)	46,644	(59,225)	(1,252,653)
Securities rated at fair value through other comprehensives financial results	(382,820)		(63,508)	(446,328)
Fixed assets	4,221	323		4,544
Revaluation of fixed assets	(789,441)	5,447	4,283	(779,711)
Other financial assets rated at amortized value	(194)	2		(192)
Contingent liabilities	(45,881)	40,330		(5,551)
Claims to banks and other financial institutions	(33,967)	8,552		(25,415)
Deferred tax adjustments arising from the application of IFRS 9	-	(8,010)	8,010	-
Net deferred tax asset/liability	(1,096,003)	32,951	(59,225)	(1,114,267)

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

Thous. AMD				
	-	01/01/2018- 31/03/2018	-	01/01/2017- 31/03/2017
Basic profit falling to a single share				
Net profit of the accounting period after taxation		437,612		72,123
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares		437,612		72,123
Net weighted average number of common shares in circulation during the given period		1,852,533		1,852,533
Basic profit falling to a single share		0.24		0.04

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

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

Thous. AMD

Cash, cash equivalents and balances with the CBA	31/03/2018	31/12/2017
Cash monetary funds	6,262,931	7,706,567
Other money placements	1,896,905	1,730,888
Correspondent accounts with the CBA*	20,032,202	25,017,857
Reserves with CBA from correspondent accounts	(4,306)	
Deposit accounts with the CBA		
Funds deposited with the CBA**	1,035,000	1,520,000
Other liabilities to the CBA		
Accrued interests		
Cash and balances with the CBA	29,222,732	35,975,312

* Correspondent accounts with the CBA include mandatory provisioning funds calculated against the Bank's attracted funds according to the RA Bank Legislation.

** Funds deposited with the CBA is a guarantee deposit for mutual settlements made via the ArCa payment system.

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

Thous. AMD

Cash and Cash Equivalents	31/03/2018	31/12/2017
Cash and cash equivalent payment documents	8,159,836	9,437,455
Correspondent accounts with the CBA	20,032,202	25,017,857
Deposit accounts with the CBA		
Correspondent accounts with resident banks	22,697	9,633
Correspondent accounts with non- resident banks	1,051,800	1,359,884
Total cash and cash equivalents	29,266,535	35,824,829

Note 14. "Due to Banks and other Financial Institutio

Thous. AMD

Current accounts	31/03/2018	31/12/2017
with RA banks	22,697	9,633
with banks having BBB(Baa3) and higher ratings	581,625	549,134
with banks having ratings lower than BBB (Baa3) or no rating at all	469,932	810,434
Accrued interest	242	318
Possible loss provision for amounts due from banks (note 7)	(24)	
Total	1,074,472	1,369,519
with RA banks		
Loans and deposits	2,448,252	6,343,868
REPO (re-purchase) agreements		
Other	90,053	255,982
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with banks having ratings lower than BBB (Baa3) or no rating at all		
Other	135,228	399,882
Accrued interest	14,431	2,763
Total	2,687,964	7,002,495
Possible loss provision for amounts due from banks (note 7)	(241)	
Net receivables to banks	3,762,195	8,372,014

Loans and deposits with Financial Institutions and other receivables	31/03/2018	31/12/2017
with RA Financial Institutions:		
Loans and deposits	3,924,468	3,851,953
REPO (re-purchase) agreements	5,209,648	4,290,108
Other	70,325	124,641
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	545,621	525,273
Accrued interest	19,594	18,760
Total	9,769,656	8,810,735
Possible loss provision for receivables due to Financial Institutions (Note 7)	(5,665)	(5,758)
Net receivables to Financial Institutions	9,763,991	8,804,977
Net receivables to banks and Financial Institutions	13,526,186	17,176,991

** As of 31.12.2017 and 31.03.2018 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 111.277 (AMD 53.869 thousand on 31.12.17, AMD 53.420 thousand on 31.03.2018) in Visa International and USD 146.491 (AMD 70.772 on 31.12.2017 and AMD 70.325 on 31.03.2018) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 15. "Financial assets recalculated at fair value through profit/loss"

Thous. AMD

Other financial assets recalculated at fair value through profit/loss	31/03/2018	31/12/2017
Derivative Instruments		
Forward		
Swap	10,862	
Total	10,862	-

Possible loss provision for financial assets recalculated at fair rate through profit/loss (Note 7)

Note 16: “Loans and advances to customers calculated at amortized value”

Thous. AMD

Loans and advances calculated at amortized value	31/03/2018	31/12/2017
Loans, including:	107,588,755	94,533,268
Mortgage loans	6,510,254	6,436,464
Credit cards	11,416,627	10,514,788
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	814,000	773,618
Total loans	119,819,382	105,821,674
Reserve for possible loss of customer loans and advances (note 7)	(1,383,637)	(1,605,120)
Total loans and advances at amortized value	118,435,745	104,216,554

The structure of customers' loans and advances calculated at amortized value per classification stages	31/03/2018
Loans and advances, including:	119,819,382
Stage 1	119,412,786
Stage 2	194,733
Stage 3	211,863
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,383,637)
Total loans and advances at amortized value	118,435,745

The chart was filled in compliance with IFRS 9 requirements

Thous. AMD

Analyses of provided loans and advances per customers	31/03/2018	31/12/2017
State industries	354,907	601,881
Private industries, including:	63,885,273	51,729,388
major enterprises	31,779,242	25,887,334
small and medium enterprises	32,106,031	25,842,054
including business cards	126,083	62,710
Individuals, including:	49,959,785	48,605,916
consumer loans	31,224,203	29,409,643
mortgage loans	6,510,254	6,436,464
credit cards	11,248,233	10,452,078
Private entrepreneurs	4,805,417	4,110,871
Accrued interest	814,000	773,618
Total loans	119,819,382	105,821,674
Reserve for customers' loans and advances calculated at amortized value (note7)	(1,383,637)	(1,605,120)
Total loans and advances at amortized value	118,435,745	104,216,554

Thous. AMD

Loan liabilities on 20 major borrowers and related parties /without reserve/	31/03/2018	31/12/2017
Customers' loans and advances calculated at amortized value	52,075,073	41,196,154
Balance of off-balance sheet contingent liabilities	1,700,688	17,023,207
Total	53,775,761	58,219,361

Loan Investments through International programs	31/03/2018	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	4,749,355	482
GAF micro and small private enterprises loan program of RA Government	59,798	1
DEG/SME	484,211	23
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	169,268	6
BLUE ORCHARD SME loan program	1,924,774	68
MSMEBondsSA/MSME	914,048	31
Total	8,301,454	611

Loan Investments	31/12/2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	4,263,713	407
GAF micro and small private enterprises loan program of RA Government	66,442	1
EBRD micro, small and middle lending program EBRD/MSME	28,358	7
Atlantic Forfaitierungs AG Loan Program	34,456	1
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	292,012	8
BLUE ORCHARD SME loan program	2,056,537	69
MSMEBondsSA/MSME	917,051	30
Mortgage Loans, including:	13,904	6
GAF	13,904	6
Total	7,672,473	529

Thous. AMD

Gaps of extended loans and advances calculated at amortized value per lending sectors (without taking into consideration the reserves for possible loan losses)	31/03/2018	Percentage	31/12/2017	Percentage
Industry	26,207,374	16.42	17,376,611	16.42
Agriculture	998,977	0.89	942,959	0.89
Construction	7,874,139	6.16	6,520,193	6.16
Transportation and communication	461,143	0.42	443,497	0.42
Commerce	19,239,642	15.64	16,555,614	15.64
Consumer	42,718,958	39.25	41,531,676	39.25
Mortgage loans	6,544,022	6.11	6,468,965	6.11
Service	10,992,303	10.75	11,372,761	10.75
Other	4,782,824	4.36	4,609,398	4.36
Total	119,819,382	100	105,821,674	100

Breakdown of loan portfolio per customer residency	31/03/2018	Percentage	31/12/2017	Percentage
RA residents	117,589,783	99	103,410,682	99
Residents of countries with Baa33 and higher ratings including*	-	-	-	-
Germany	-	-	-	-
Residents of countries with Baa33 and lower ratings or no rating at all	31,962	0	32,254	0
Russia	31,962	0	32,254	0
Accrued Interest	814,000	1	773,618	1
Total	118,435,745	100	104,216,554	100

Note 17 : "Financial assets rated at fair value through other comprehensive financial results"



Thous. AMD		
Government securities	31/03/2018	31/12/2017
RA Governmental T-bills	3,103,035	1,532,076
Reserve for RA Governmental T-bills	(30,019)	
Total	3,073,016	1,532,076

Thous. AMD				
RA non-state securities	31/03/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	606,089		419,621	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	606,089	83,971	419,621	83,971
Investments in RA non-governmental securities (reserve for possible losses)	(5,863)			(4,691)
Net Investments in RA non-governmental securities	600,226	83,971	419,621	79,280

Thous. AMD				
Non-governmental securities of other countries	31/03/2018		31/12/2017	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,114		5,114
Total non-state securities of other countries	-	5,114	-	5,114
Financial assets rated at fair value through other comprehensive financial assets	3,673,242	89,085	1,951,697	84,394

Investments in share capital of other entities as of 31.03.2018

Thous. AMD					
Name	Main activity	Country of registration	Investment date	Investment (thousand) AMD	Share%
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	5,114	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	60,716	6.20
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	23,255	4.58
Total				89,085	

The balance sheet and real values of the financial assets rated at fair value through other comprehensive financial results (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		
Asset	31/03/2018	31/12/2017
Total pledged securities	22,619,157	21,110,686
including:		
pledged securities	19,387,168	19,619,097
pledged securities under REPO agreement	3,231,989	1,491,589
Reserve for pledged securities	(187,551)	
Total	19,199,617	19,619,097
Resources attracted under REPO agreement	21,574,688	20,511,989

Note 18: "Financial assets calculated at amortized value"

	31/03/2018	31/12/2017
RA banks	48,907	49,618
Total	48,907	49,618

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

here 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
Balance at the end of the previous period 31/12/2017	7,126,524	2,396,989	714,558	1,937,762	397,652	262,074	12,835,559
Increase		17,087		56,804	300,160	43,774	417,825
Disposal	(67,500)		(17,733)				(85,233)
Reclassification	132,678			1,058	(133,736)		-
Revaluation *	(21,449)						(21,449)
Written-off**		(7,517)					(7,517)
Balance of fixed assets at the end of accounting period 31/03/2018	7,170,253	2,406,559	696,825	1,995,624	564,076	305,848	13,139,185
Balance of accumulated amortization at the end of the previous period 31/12/2017	290,587	1,672,351	218,791	1,275,674	-	73,459	3,530,862
Increase	44,488	54,326	21,118	39,747		3,765	163,444
Disposal	(2,017)		(14,981)				(16,998)
Written-off		(7,517)					(7,517)
Balance of accumulated amortization at the end of the accounting period 31/03/2018	333,058	1,719,160	224,928	1,315,421	-	77,224	3,669,791
Net balance sheet value							-
at the end of the accounting period	6,837,195	687,399	471,897	680,203	564,076	228,624	9,469,394
at the end of the previous accounting period	6,835,937	724,638	495,767	662,088	397,652	188,615	9,304,697

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 end of the previous period 31/12/2017	189,208	314,114	50	51,661	-	555,033
Increase	49,679					49,679
Disposal		(338)				(338)
Written-off						-
Balance at the end of accounting period 31/03/2018	238,887	313,776	50	51,661	-	604,374
Balance of accumulated amortization at the end of previous period 31/12/2017	75,630	124,273	45	33,966	-	233,914
Increase	3,224	7,141	1	750		11,116
Disposal						-
Written-off		(338)				(338)
Balance of accumulated amortization at the end of accounting period 31/03/2018	78,854	131,076	46	34,716	-	244,692
Net balance sheet value						
At the end of the accounting period	160,033	182,700	4	16,945	-	359,682
At the end of the previous accounting period	113,578	189,841	5	17,695	-	321,119

As of 31.03.2018, AMD 113598 thousand total amount worth out-of-use assets were put into use.

As of 31.03. 2018, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

As of 31.03.2018, the value of fully worn-off assets included in the fixed assets was AMD 1086332 thousand.

Note 21: "Other Assets"



Thous. AMD

	31/03/2018	31/12/2017
Amounts receivable from bank operations		
Amounts receivable from other operations	56,611	92,157
Total	56,611	92,157
Reserve for possible loss provision from bank operations (note 7)	(575)	(931)
Net amounts receivable from bank operations	56,036	91,226
Debtor liabilities and prepayments		
Debtor liabilities on the budget	53	123
Debtor liabilities to suppliers		
Prepayments to employees	31	114
Prepayments to suppliers	721,078	919,660
Prepayments on the budget and mandatory social insurance payments	4,953	1,033
Other debtor liabilities and prepayments	40,399	57,668
Total	766,514	978,598
Reserve for possible loss provision on other assets (note 7)	(10,624)	(9,786)
Total	755,890	968,812
Other assets		
Reserve	342,748	292,446
Sequestered pledge and available-for-sale assets	288,327	283,961
Future period expenses	221,505	245,128
Other assets	135,161	133,602
Reserve for possible loss provision on other assets (note 7)	(5,412)	(4,923)
Total	982,329	950,214
Total other assets	1,794,255	2,010,252

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

Thous. AMD

	31/03/2018	31/12/2017
Current accounts		
RA Banks	18,528	16,931
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	1,066	2,036
Accrued interest		
Total	19,594	18,967
Interbank loans and deposits, other		
RA CB		
Loans	5,113,948	4,384,002
REPO (re-purchase) agreements	4,000,000	
Other		
RA Banks		
Loans and deposits	4,143,081	3,143,835
REPO (re-purchase) agreements	17,505,417	19,504,356
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other		
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	1,582,299	2,063,894
Other	55,899	51,482
Accrued interest	150,352	53,855
Total	32,550,996	29,201,424
Financial Institutions		
Current accounts	957,402	589,927
Loans and deposits	33,468,992	28,614,348
REPO (re-purchase) agreements	55,010	
Other	39,648	51,504
Accrued interest	797,810	561,087
Total	35,318,862	29,816,866
Total liabilities to banks and financial institutions	67,889,452	59,037,257

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	31/03/2018		31/12/2017	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program			5,667	23
GAF /German Armenian Fund " Micro and small business development program"	4,836,854	98,795	4,123,694	10,999
GAF / "Renewable energy development" program	66,436	831	79,730	2,187
GAF / " Access to finance for SMEs " program	210,658	4,162	174,912	730
Total	5,113,948	103,787	4,384,003	13,939

Note 23: "Liabilities to Customers"

Thous. AMD

RA Government and local authorities	31/03/2018	31/12/2017
Loan		
Other	13,846	13,686
Accrued interest		
Total	13,846	13,686
RA resident corporate entities and institutions	31/03/2018	31/12/2017
Current accounts	15,809,335	19,819,695
Term deposits	9,787,446	9,779,836
REPO (repurchase) agreements		991,303
Other	580,223	49,102
Accrued interest	128,738	87,663
Total	26,305,742	30,727,599
Non-resident corporate entities, institutions	31/03/2018	31/12/2017
Current accounts	1,873,666	1,776,082
Other	50,408	50,833
Accrued interest	224	199
Total	1,924,298	1,827,114
RA resident private entrepreneurs	31/03/2018	31/12/2017
Current accounts	410,907	390,186
Term deposits		
Other	4,839	3,935
Accrued interest		
Total	415,746	394,121
RA resident individuals	31/03/2018	31/12/2017
Current accounts	13,977,214	15,027,161
Term deposits	40,965,311	40,132,867
Other	550,731	607,271
Accrued interest	612,545	489,252
Total	56,105,801	56,256,551
non-resident private entrepreneurs	31/03/2018	31/12/2017
Current accounts	867,240	807,161
Term deposit	2,618,453	2,609,284
Other	53,505	54,773
Accrued interest	21,115	19,460
Total	3,560,313	3,490,678
Total liabilities to customers	88,325,746	92,709,749

As of 31.03.18, the amount necessary to secure obligations was AMD 2.631.672 thousand.

As of 31.03.18, the amount frozen by court order and tax authorities was AMD 165.564 thousand

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 6.340.150 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital.

Note 24: "Securities issued by the Bank"

	31/03/2018	31/12/2017
Interest securities issued by the Bank	1,060,668	1,068,764
Total	1,060,668	1,068,764

Note 25 : "Financial liabilities at fair value re-measured through profit/loss"

thous. AMD

Financial liability at fair value re-measured through profit/loss	31/03/2018	31/12/2017
Derivative instruments		
Swap	15,765	-
Forward		
Other		7,706
Total	15,765	7,706

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	31/03/2018	31/12/2017
Dividends	105,439	104,911
For insurance of deposit	47,578	50,773
Total	153,017	155,684

Note 27: "Other Liabilities"

thous. AMD

Other liabilities	31/03/2018	31/12/2017
On income tax of non-resident	35,139	27,685
On VAT	1,748	1,605
On other taxes and penalties	59,164	168,334
On social insurance payments	599,631	558,840
Credit debts to suppliers	87,788	77,031
Other liabilities	28,757	82,690
Balance at the end of the period	812,227	916,185

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD 13,708,745 thous., including 1,852,533 common shares with a nominal value of AMD 7400 per share. The emission income amounts to AMD 33,438.

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	3,882,920.6	28.3	
Sukiasyan Khachatur Albert	2,233,186.8	16.3	
Sukiasyan Robert Albert	1,957,588.6	14.3	
Sukiasyan Eduard Albert	1,460,900.6	10.7	
EBRD	345,335.8	2.5	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 31.03.2018, 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 31.03.2018, 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	
	31/03/2018	31/12/2017
Unutilized credit lines	6,037,049	16,312,810
Provided guarantees	6,860,530	6,627,763
Provided letters of credit		
Reserve on the mentioned items (note 7)	(101,221)	

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		680,791
1-5 years		2,352,074
more than 5 years		18,267
Total		3,051,132

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	
Customers' loans and advances rated at amortized value	31/03/2018	31/12/2017
Initial balance	4,200,139	4,022,925
Loans and advances provided over the year	495,419	3,124,640
Bank shareholder	99,122	334,472
Shareholder related entity	103,647	1,502,151
Bank manager	234,946	1,135,177
Manager related entity	57,704	152,840
Loans and advances repaid over the year	491,627	2,947,426
Bank shareholder	72,468	279,251
Shareholder related entity	139,085	1,481,377
Bank manager	241,752	1,087,996
Manager related entity	38,322	98,802
Summary balance *	4,203,932	4,200,139

	Thous. AMD	
Item	31/03/2018	31/12/2017
Interest income as of 3 months of 2018	108,091	465,556

	Thous. AMD	
Liabilities to Customers	on-demand	term
Balance as of 31.12.2017	1,121,039	7,590,964
Amounts received over the accounting period (or 3 months of 2018), including:	6,780,318	135,754
Bank shareholder	1,545,588	337
Shareholder related entity	4,493,506	1,289
Bank manager	542,575	56,870
Bank manager related entity	198,650	77,258
Amounts paid over the accounting period (for 3 months of 2018), including:	6,977,689	105,822
Bank shareholder	1,806,842	-
Shareholder related entity	4,376,467	-
Bank manager	540,067	84,819
Bank manager related entity	260,074	49,837
Exchange rate difference (+/-)	(5,761)	(28,834)
Balance as of 31/03/2018	917,907	7,592,062
Interest expense as of 3 months of 2018	18	211,944

	Thous. AMD	
Salary or Similar Payment to the Bank Management	31/03/2018	31/12/2017
Board	42,309	41,554
Salary	42,309	41,554
Awarding		
Executive body	68,342	46,399
Salary	68,342	46,399
Awarding		
Internal Audit	19,357	22,530
Salary	19,057	22,530
Awarding	300	
Total	130,008	110,483

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

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 premiere 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,U, K, L 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.

31/03/2018						Thous. AMD
Item	RA	CIS countries	OECD* countries*	Non-OECD* countries†	Total	
Assets						
Cash and balances with the CBA	29,222,732				29,222,732	
Due from banks and other financial institutions	12,043,478	770,075	636,921	75,712	13,526,187	
Standard bank precious metal bullions and coins	44,312				44,312	
Financial assets at fair value recalculated through profit/loss	10,862				10,862	
Customers' loans and advances rated at amortized value	118,404,239	31,506			118,435,745	
Securities at fair value rated through other comprehensive financial results	3,757,213		5,114		3,762,327	
Financial assets calculated at amortized value	48,907				48,907	
Securities pledged under repurchase agreement	19,199,617				19,199,617	
Other assets	54,838		1,066		55,904	
Total assets	182,786,198	801,581	643,101	75,712	184,306,593	
Off-balance sheet items containing credit risks	12,897,578				12,897,578	
Liabilities						
Liabilities to banks and other financial institutions	39,748,596	56,551	27,971,933	112,370	67,889,450	
Liabilities to customers	82,841,135	1,044,034	421,439	4,019,138	88,325,746	
Total liabilities	122,589,731	1,100,585	28,393,372	4,131,508	156,215,196	
Net position	60,196,467	(299,004)	(27,750,271)	(4,055,796)	28,091,397	

31.12.2017						Thous. AMD
Item	RA	CIS countries	OECD* countries*	Non-OECD* countries†	Total	
Assets						
Cash and balances with the CBA	35,975,312				35,975,312	
Due from banks and other financial institutions	15,151,002	1,067,036	866,862	92,091	17,176,991	
Standard bank precious metal bullions and coins	18,356				18,356	
Financial assets at fair value recalculated through profit/loss					-	
Customers' loans and advances rated at amortized value	104,184,466	32,088			104,216,554	
Securities at fair value rated through other comprehensive financial results	2,030,977		5,114		2,036,091	
Other financial assets rated at amortized value	49,618				49,618	
Securities pledged under repurchase agreement	19,619,097				19,619,097	
Other assets	89,669		1,726		91,395	
Total assets	177,118,497	1,099,124	873,702	92,091	179,183,414	
Off-balance sheet items containing credit risks	22,940,572				22,940,572	
Liabilities						
Liabilities to banks and other financial institutions	35,127,697	42,780	23,761,122	105,658	59,037,257	
Liabilities to customers	87,391,958	1,142,813	3,793,782	381,196	92,709,749	
Total liabilities	122,519,655	1,185,593	27,554,904	486,854	151,747,006	
Net position	54,598,842	(86,469)	(26,681,202)	(394,763)	27,436,408	

Loans allocated in the territory of RA per RA regions:

RA regions	Thous. AMD	
	31/03/2018	31/12/2017
Yerevan	90,349,658	80,386,839
Aragatsotn	1,232,611	1,468,600
Ararat	2,452,905	2,250,197
Armavir	2,691,803	2,333,453
Gegharkunig	2,738,821	2,234,862
Lori	4,984,007	4,635,412
Kotayk	5,960,098	4,407,069
Shirak	3,887,609	3,721,685
Syunik	1,419,618	1,164,788
Vayots Dzor	739,155	645,453
Tavush	738,995	665,049
Artsakh	1,240,464	303,147
Total	118,435,745	104,216,554

Credit Risk Analysis

1) 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.

2) It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 31.03.2018 did not exceed 17.05%. 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 31.03.2018, loan investments without reserves amounted to AMD 119.819.382. As of 31.03.2018, the volume of loans in the Stage 2, Stage 3 amounted to AMD 406, 596.

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 of 2018 was AMD 68,108,048 against AMD 56,293,080 of the same period of the previous year. Reverse repo transactions in the 1st quarter of 2018, made AMD 8,647,505 against AMD 17,955,501 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

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.

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

2) Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2017 IV Q	484.43	332.69	116.75	182.41	23.98	63.07	586.83	198.42	4.35	1,019.05
2018 I Q	746.01	402.85	263.43	158.39	21.74	1.68	399.44	181.48	3.73	1,253.21
growth/decrease	261.58	70.16	146.68	-24.02	-2.24	-61.38	-187.39	-16.94	-0.62	234.16

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

31/03/2018

thous. AMD

	AMD	I group foreign currency *	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	20,098,839	8,263,021	860,872	29,222,732
Bank standardized bullions of precious metals and coins	443	43,869	-	44,312
Receivables to banks and other financial institutions	5,202,852	7,908,733	414,602	13,526,187
Financial instruments rated at fair value through profit/loss	10,862			10,862
Loans and advances to customers calculated at amortized value	56,233,299	62,201,515	931	118,435,745
Financial assets at real value rated through other comprehensive financial results	3,585,695	176,632		3,762,327
Other financial assets calculated at amortized value	-	48,907		48,907
Securities pledged under repurchase agreements	19,199,617	-	-	19,199,617
Other assets	42,649	13,255	-	55,904
Total assets	104,374,256	78,655,932	1,276,405	184,306,593
Liabilities				
Liabilities to banks and other financial institutions	39,752,007	28,081,452	55,991	67,889,450
Liabilities to Customers	39,167,875	47,636,475	1,521,396	88,325,746
Subordinate borrowing	3,731,099	2,655,970		6,387,069
Securities issued by the Bank	100,098	960,570		1,060,668
Financial liabilities at fair value recalculated through profit/loss	15,765			15,765
Liabilities on current taxes	416,637			416,637
Amounts payable	153,017			153,017
Deferred tax liabilities	1,114,267			1,114,267
Other liabilities	779,563	32,612	50	812,225
Total liabilities	85,230,328	79,367,079	1,577,437	166,174,844
Net position	19,143,928	(711,147)	(301,032)	18,131,749

31/12/2017

Thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	17,018,221	18,123,695	833,396	35,975,312
Bank standardized bullions of precious metals and coins	443	17,913	-	18,356
Bank standardized bullions of precious metals and coins	4,310,025	12,141,328	725,638	17,176,991
Financial instruments at fair value recalculated through profit/loss				-
Loans and advances to customers at amortized value	54,195,056	50,020,020	1,478	104,216,554
Financial assets at real value rated through other comprehensive financial results	1,937,530	98,561	-	2,036,091
Investments in the chartered capital of controlled entities		49,618		49,618
Securities pledged under repurchase agreements	19,619,097	-	-	19,619,097
Other assets	44,147	47,012	236	91,395
Total assets	97,124,519	80,498,147	1,560,748	179,183,414
Liabilities				
Liabilities to banks and other financial institutions	34,826,526	23,923,001	287,730	59,037,257
Liabilities to Customers	39,344,226	52,057,407	1,308,116	92,709,749
Subordinate borrowing	3,731,222	2,678,379		6,409,601
Securities issued by the Bank	100,100	968,664		1,068,764
Financial liabilities at fair value recalculated through profit/loss	7,706			7,706
Liabilities on current taxes	373,529			373,529
Amounts payable	155,684			155,684
Deferred tax liabilities	1,096,003			1,096,003
Other liabilities	814,964	71,140	30,081	916,185
Total liabilities	80,449,960	79,698,591	1,625,927	160,858,293
Net position	16,674,559	799,556	(65,179)	17,408,936

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

** "II group foreign currency" comprises: RUR, KZT, 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 2018 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 16,834,671 thousand against AMD 1,683,738 thousand of the same period of the previous year by increasing in absolute value by AMD 15,150,933 or 9.0 times, that is in average the Bank was sensitive to liabilities in the 1st quarter of 2018. In the 1st quarter of 2018, the average accumulated disbalance has decreased in absolute value by AMD 1,430,087 thousand or by 7.8 % against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 1st quarter of 2018 has increased by 11.1 percentage point, forming 112.8% against 101.7% average value of the 1st quarter of 2016, that is in 1st quarter of 2018 the assets sensitive to interest rate changes have formed 112.8% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 1st quarter of 2018 was 1.451 year (against the 1.251 year as of the 1st quarter of 2017) as it increased by 0.200 year or by 16.0%, as compared with the end of the previous quarter (1.442 year) the mentioned indicator has increased by 0.009 year or 0.6%.

The duration of liabilities as of the end of the 1st quarter of 2018 was 0.873 year (against 0.722 year of the 1st quarter of 2017) increasing by 0.151 year or 20.9%. In correlation with the end of the previous quarter (0.853) the indicator has increased by 0.020 year or 2.3%.

The duration gap as of the end of the 1st quarter of 2018 was 0.665 (against 0.630 of the 1st quarter of 2017) increasing by 0.035 or 5.6%. In correlation with the end of previous quarter (0.675) the indicator has decreased by 0.010 or .5%.

Assets and Liabilities with changing interest rates 31.03.2018

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				2,797,424		5,089,703						
Total	-	-	-	2,797,424	-	5,089,703	-	-	-	-	-	-
Net position	-	-	-	(2,797,424)	-	(5,089,703)	-	0	-	-	-	-

31/12/2017

Thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers rated at amortized value												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
Loans				357,824		2,791,308						
Total	-	-	-	357,824	-	2,791,308	-	-	-	-	-	-
Net position	-	-	-	(357,824)	-	(2,791,308)	-	0	-	-	-	-

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: 31/03/2018		Interest rates of accounting period 31/12/2017	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Balance at CBA		-		-
Receivables to banks and other financial institutions, including:	7.4	2.5	7.79	2.01
Interbank loans	0.0	2.8	0.00	2.07
Interbank REPO	6.6	0.0	6.96	0.00
Loans and advances provided to customers rated at amortized value	14.4	8.6	15.04	9.44
Available for sale securities at fair value recalculated through profit/loss	12.1	6.2	12.34	6.81
Liabilities				
Liabilities to banks and other financial institutions	8.4	1.2	9.45	1.78
Liabilities to Customers	6.1	4.2	5.85	3.99

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

Price Risk

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

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

- V Analysis of dynamics of structure, volume and price indicators of financial market and liquidity of separate financial instruments, discovery of the existing tendencies
- V Assessment of possible losses,
- V 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. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.

5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities).
The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches

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.

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

Liquidity Risk Assessment



Over the 1st quarter of 2018, the instant liquidity and general (up to 1 year accumulative) liquidity indicators has decreased by 9.63 and 2.55 percentage point respectively, and up to 90 days accumulative liquidity indicator has increased by 5.69 percentage point.

Accounting period		31/03/2018								thous. AMD	
Item	Non-performing		Repayment date in		3 -6 months	6- 12 months	1 - 5 years	more than 5 years	Termless	Total	
	Term	Overdue	On -demand	up to 3 months							
On maturity terms of assets											
Cash and cash equivalents, balances with the CBA			28,192,039		-	-	-	-	1,035,000	29,227,039	
Standardized precious metal bullions			44,312							44,312	
Receivables to banks and other financial institutions			1,141,332	8,906,626		960,120	2,400,293		123,744	13,532,115	
Loans and advances provided to customers rated at amortized value	867,528	228,796		25,302,312	9,986,598	11,993,503	52,431,225	19009420	-	119,819,382	
Securities, including:				1,267,163	-	-	5,223,614	11,882,083	4,861,422	23,234,282	
- held for commercial purposes										-	
- available for sale				74,026			1,502,480	1,526,528	695,174	3,798,208	
other financial assets calculated at amortized value				48,907						48,907	
- sold by repo agreements				1,144,230			3,721,134	10,355,555	4,166,248	19,387,167	
Other receivables	-	-		55,846			-	764		56,610	
Total	867,528	228,796	29,377,683	35,542,809	9,986,598	12,953,623	60,055,132	30,892,267	6,020,166	185,924,602	
including:											
I group foreign currency	539,959	162,056	9,079,427	21,274,832	4,407,536	5,850,410	27,732,066	10,399,419	123,744	79,569,449	
II group foreign currency	338	1,319	1,163,171	112,436				-	-	1,277,264	
including:											
By floating interest rate			226,291							226,291	
By fixed interest rate	867,528	228,796	-	34,855,963	9,986,598	12,953,623	60,055,132	30,891,503	4,861,422	154,700,565	
Non-interest			29,151,392	686,846				764	1,158,744	30,997,746	
On maturity of liabilities repayment	-	-	-	-	-	-	-	-	-	-	
Liabilities to banks and other financial institutions	-	-	1,075,067	27,903,387	3342367	3,762,280	28,678,142	3,128,207		67,889,450	
Liabilities to customers, including	-	-	34,144,399	12,902,317	8,742,634	22,784,097	7,850,509	1,899,063	2,727	88,325,746	
- On-demand deposits	-	-	32,879,777	71,598	236				2,727	32,954,338	
- Term deposits	-	-	24,920	12,830,719	8,742,398	22,784,097	7,850,509	1,899,063		54,131,706	
- Other	-	-	1,239,702					-		1,239,702	
Liabilities at fair value recalculated through profit/loss				15,765						15,765	
Subordinate borrowings				46,919				6,340,150		6,387,069	
Liability on current tax				416,637						416,637	
Securities issued by the Bank				548			1,060,120			1,060,668	
Amounts payable				153,017						153,017	
Deferred tax liabilities				1,114,267						1,114,267	
Other liabilities	-	-	650,084	143,749	15,512	2,880				812,225	
Off-balance sheet contingent liabilities	-	-	-	1,236,186	3,401,057	2,685,898	5,137,303	437,135	-	12,897,579	
Total	-	-	35,869,550	42,696,058	12,100,513	26,549,257	36,528,651	11,367,420	2,727	165,114,176	
including:											
I group foreign currency	-	-	12,653,877	10,514,093	8,543,380	20,277,259	19,826,168	3,775,587		75,590,364	
II group foreign currency	-	-	481,278	483,055	209,562	347,386	56,120		-	1,577,401	
Major Liabilities				4,381,181	103,787	12,088	4,724,287			9,221,343	
including:											
By floating interest rate				2,797,424	5,089,703					7,887,127	
By fixed interest rate	-	-	9,543,428	37,924,645	6,866,890	26,533,745	36,525,771	11,367,420	2,727	128,764,626	
Non-interest	-	-	26,326,122	1,973,989	143,920	15,512	2,880			28,462,423	
Net liquidity gap	867,528	228,796	(6,491,867)	(7,153,249)	(2,113,915)	(13,595,634)	23,526,481	19,524,847	6,017,439	20,810,426	
including:											
I group foreign currency	539,959	162,056	(3,574,450)	10,760,739	(4,135,844)	(14,426,849)	7,905,898	6,623,832	123,744	3,979,085	
II group foreign currency	338	1,319	681,893	(370,619)	(209,562)	(347,386)	(56,120)			(300,137)	
Floating interest rate	-	-	226,291	(2,797,424)	(5,089,703)	-	-	-	-	(7,660,836)	
Fixed interest rate	867,528	228,796	(9,543,428)	(3,068,682)	3,119,708	(13,580,122)	23,529,361	19,524,083	4,858,695	25,935,939	
Accumulative liquidity gap	867,528	1,096,324	(5,395,543)	(12,548,792)	(14,662,707)	(28,258,341)	(4,731,860)	14,792,987	20,810,426	(28,029,978)	

Previous accounting period

31/12/2017

Thous. AMD

Item	Non-performing		Repayment date in		3- 6 months	6 -12 months	1- 5years	more than 5 years	Termless	Total
	Term	Overdue	On -demand	up to 3 months						
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			34,455,312		-	-	-	-	1,520,000	35,975,312
Standardized precious metal bullions			18,356							18,356
Receivables to banks and other financial institutions			1,435,905	10,629,560	1,647,844	677,740	2,662,547	123,395		17,176,991
Financial assets at fair value recalculated through profit/loss										-
Loans and advances provided to customers rated at amortized value	898,069	188,363		10,780,643	13,083,705	11,473,465	49,000,242	18792067	-	104,216,554
Securities, including:				1,462,083	1,194	49,618	5,547,014	14,140,881	504,016	21,704,806
- held for commercial purposes										-
- available for sale				364,623	1,194		617,160	549,098	504,016	2,036,091
- other financial assets calculated at amortized value						49,618				49,618
- sold by repo agreements				1,097,460			4,929,854	13,591,783		19,619,097
Other receivables	-	-		5,167	86,228		-	-		91,395
Contractual receivables**										-
Total	898,069	188,363	35,909,573	22,877,453	14,818,971	12,200,823	57,209,803	33,056,343	2,024,016	179,183,414
including:										
I group foreign currency	505,836	128,805	19,164,002	8,643,068	9,523,169	5,472,114	26,582,709	10,355,049	123,395	80,498,147
II group foreign currency	1,174	283	1,260,549	298,742				-	-	1,560,748
including:										
Floating interest rate			369,500							369,500
Fixed interest rate	898,069	188,363	2,477,351	20,287,181	14,817,573	12,200,823	56,794,152	33,055,819	291,536	141,010,867
Non- interest			33,062,722	2,590,272	1,398	-	415,651	524	1,732,480	37,803,047
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	711,780	23,120,250	2644661	6,818,603	24,592,550	1,149,413		59,037,257
Liabilities to customers, including:	-	-	38,336,996	9,533,698	10,634,916	22,376,395	9,923,984	1,903,760	-	92,709,749
- On-demand deposits			37,457,203	277,951		236				37,735,390
- Term deposits	-	-	17,443	9,255,747	10,634,916	22,376,159	9,923,984	1,903,760		54,112,009
- Other	-	-	862,350					-		862,350
Liabilities at fair value recalculated through profit/loss				7,706						7,706
Subordinate borrowing				47,051				6,362,550		6,409,601
Liabilities on current taxes				373,529						373,529
Amounts payable				563			1,068,200			1,068,763
Deferred tax liabilities				155,684						155,684
Other liabilities				1,096,003						1,096,003
Off-balance sheet contingent liabilities	-	-	669,562	233,815	127	12,681				916,185
Contractual liabilities	-	-	2,354,494	8,628,407	4,517,715	7,050,245	389,711		-	22,940,572
Total										-
including:										
I group foreign currency	-	-	16,178,944	8,961,913	7,218,455	23,084,668	19,729,881	4,524,730		79,698,591
II group foreign currency	-	-	586,649	368,478	229,155	407,969	33,676		-	1,625,927
Major Liabilities										-
including:										
By floating interest rate				357,824	2,791,308					3,149,132
By fixed interest rate	-	-	(33,360,820)	(11,198,529)	(13,426,224)	(22,376,395)	(10,992,184)	(8,266,310)	-	(99,620,462)
Non-interest	-	-	33,360,820	10,840,705	10,634,916	22,376,395	10,992,184	8,266,310	-	96,471,330
Net liquidity gap	898,069	188,363	(3,808,765)	(11,690,283)	1,539,267	(17,006,856)	22,693,269	23,640,620	2,024,016	18,477,700
including:										
I group foreign currency	505,836	128,805	2,985,058	(318,845)	2,304,714	(17,612,554)	6,852,828	5,830,319	123,395	799,556
II group foreign currency	1,174	283	673,900	(69,736)	(229,155)	(407,969)	(33,676)			(65,179)
By floating interest rate			369,500	(357,824)	(2,791,308)					(2,779,632)
By fixed interest rate	898,069	188,363	(3,880,167)	(11,730,992)	4,329,304	(16,993,939)	22,277,618	30,002,646	291,536	25,382,438
Accumulative liquidity gap	898,069	1,086,432	(2,722,333)	(14,412,616)	(12,873,349)	(29,880,205)	(7,186,936)	16,453,684	18,477,700	(30,159,554)

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

We present the structure of balance sheet capital:

	thous. AMD	
	31.03.2018	31.12.2017
Chartered capital	13,708,745	13,708,745
Emission income/loss	33,438	33,438
Reserves:	15,662,414	14,925,058
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,904,324	4,689,053
Undistributed profit/loss	4,758,090	4,236,005
Total capital	29,404,597	28,667,241

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							
Involved in calculation standards							
2018.0	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	22,237,931	8,895,172	31,133,103	162,604,603	2,964,793	16.62	12
February	22,372,558	8,949,023	31,321,581	164,993,021	2,881,752	16.57	12
March	22,394,302	8,957,721	31,352,023	167,283,611	2,932,572	16.35	12
Involved in calculation standards							
2017.0	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	21,861,831	8,574,191	30,436,022	113,280,494	1,922,054	23.54	12
February	21,716,419	8,525,349	30,241,768	112,847,591	2,117,346	23.18	12
March	21,712,679	8,577,987	30,290,666	119,382,327	2,013,526	22.25	12
April	21,875,537	9,019,296	30,894,833	116,733,043	2,167,424	22.92	12
May	22,063,011	9,895,885	31,958,896	120,818,311	2,147,759	23.04	12
June	22,011,258	9,827,185	31,838,443	127,841,690	2,421,169	21.51	12
July	21,671,221	9,700,332	31,371,553	146,589,188	2,337,423	18.89	12
August	21,952,445	9,623,357	31,575,802	149,820,578	2,396,141	18.60	12
September	22,089,828	9,580,000	31,669,828	155,296,711	2,399,452	18.07	12
October	22,082,789	9,708,799	31,791,588	156,140,389	2,433,273	18.02	12
November	22,211,330	9,893,378	32,104,708	156,744,674	2,612,508	17.99	12
December	22,419,472	9,851,109	32,270,581	160,533,903	2,723,741	17.61	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 31.03.2018				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	57,680,631	280,156		-
10%	5,204,701			520,470
20%	1,762,027			352,405
30%	110,108		25,059	40,550
35%	1,927,715			674,700
50%	578,227			289,114
75%	844,285			633,214
100%	81,344,922	4,736,056		86,080,978
110%				-
150%	48,339,112	4,610,208	126,118	79,613,157
Total	197,791,728	9,626,420	151,177	168,204,588

Thous. AMD				
As of 31/12/2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	66,153,836	273,320		-
10%	4,262,528			426,253
20%	1,577,452			315,490
30%	260,072			78,022
35%	1,933,595			676,758
50%	517,727			258,864
75%	757,276			567,957
100%	70,756,794	4,901,348		75,658,142
110%				-
150%	45,924,058	7,844,858	43,575	80,718,737
Total	192,143,338	13,019,526	43,575	158,700,222

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 31.03.18 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 31.03.18 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 31.03.18 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 31.03.2018 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.

Thous. AMD

Collateral type	31/03/2018		31/12/2017	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	42,117,747	169,456,659	41,318,815	164,093,759
Car	1,194,874	6,401,730	1,383,903	7,104,370
Equipment	760,676	4,590,368	657,784	4,394,184
Ready made products	1,299,169	3,645,282	613,011	2,041,778
Guarantee	34,239,870	155,036,134	30,914,066	140,550,946
Monetary funds	812,482	2,464,471	1,097,010	2,249,478
Gold items	9,212,470	11,405,386	8,302,797	10,425,868
Standard golds				
State securities				
Securities issued by the CBA				
Other securities	373,817	720,203	104,632	418,211
Other pledge	9,379,713	14,201,531	8,612,831	12,289,630
No collateral available	20,428,564		12,816,825	
Total	119,819,382	367,921,764	105,821,674	343,568,224

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(CEO)

A. Khachatryan

Financial Director- Chief Accountant

M.Poghosyan