

Interim Report
On Financial Results
31.12.2016
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	21,909,495	28,050,284
1.2	Standard bank precious metal bullions and coins		443	476
1.3	Due from banks and other financial institutions	14	22,965,243	7,460,606
1.4	Held for trade financial assets			
1.4		15	1,765	
1.5	Loans and advances provided to customers			
1.5		16	75,231,112	59,175,240
1.6	Available-for-sale assets	17	2,879,255	338,213
1.6.1	Securities pledged under repurchase agreement	17.1	13,169,605	8,527,788
1.7	Prepayments on profit tax			97,099
1.8	Investments in the chartered capital of controlled entities			
1.8		19		
1.9	Non-current assets held for sale		75,000	
1.10	Fixed assets	20	8,437,062	4,133,786
1.10.1	Intangible assets	20	231,263	83,116
1.11	Deferred tax assets	11		105,444
1.12	Other assets	21	1,479,513	423,136
	Total assets		146,379,756	108,395,188
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	44,301,222	26,047,228
2.2	Liabilities to Customers	23	66,801,778	61,978,762
2.3	Subordinate borrowing	23.1	5,400,172	4,425,604
2.4	Liabilities on current taxes		14,116	
2.5	Securities issued by the Bank	24		
2.6	Held for trading financial liabilities	25	1,306	693
2.7	Amounts payable	26	111,155	70,065
2.8	Deferred tax liabilities	11	1,068,891	
2.9	Other liabilities	27	972,060	872,760
	Total liabilities		118,670,700	93,395,112
3	Capital			
3.1	Chartered capital	28	4,631,333	2,333,338
3.2	Emission income		9,110,850	
	Advances from share emission			4,001,688
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,516,414	-96,295
3.4	Undistributed profit(loss)		3,450,459	2,761,345
	Total capital		27,709,056	15,000,076
	Total liabilities and capital		146,379,756	108,395,188

Chairman of the Executive Board (General Manager)

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 13.01.2017

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ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Item	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	3,145,800	12,340,789	2,817,419	9,858,009
Interest and similar expenses	3	(1,583,461)	(6,229,320)	(1,318,536)	(5,317,086)
Net interest and similar income		1,562,339	6,111,469	1,498,883	4,540,923
Income as commissions and other fees	4	437,886	1,637,018	409,737	1,460,908
Expenses as commissions and other fees	4	(114,234)	(449,514)	(152,924)	(386,072)
Net commission and other fees		323,652	1,187,504	256,813	1,074,836
Dividend income				-	292
Net commercial income	5	415,193	1,157,520	161,059	649,620
Other operational income	6	260,107	581,903	146,782	397,704
Operational income		2,561,291	9,038,396	2,063,537	6,663,375
Net allocations to possible asset loss provisions	7	(148,109)	(611,067)	(104,284)	(353,978)
Total administrative expenses	8	(1,552,240)	(5,488,434)	(479,310)	(3,726,211)
Other operational income	9	(644,100)	(1,750,284)	(1,107,052)	(1,979,338)
Operational profit		216,842	1,188,611	372,891	603,848
Profit/ loss from associated company	10	-		-	9,694
Profit/loss before taxation		216,842	1,188,611	372,891	613,542
Profit tax expenses(compensation)	11	(32,806)	(282,025)	(123,578)	(164,276)
Profit for period		184,036	906,586	249,313	449,266

Chairman of the Executive Board (General Manager)

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Chief Accountant

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Approval date: 13.01.2017

Interim Report
 On Other Comprehensive Financial Results
 31.12.2016
 ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Current interim perio	Accounting period	Previous comparable current interim period	Previous period
Other comprehensive financial results					
Revaluation of financial assets available for sale		195,056	1,685,340	(195,940)	(448,198)
Hedging of cash flows		-	-	-	
Profit from revaluation of non- current assets		50,025	4,137,161	-	
Profit tax on other comprehensive income		(49,016)	(1,164,500)	39,188	89,251
Revaluation of associated company's financial assets available for sale		-		1,943	388
Other comprehensive financial result after taxation		196,065	4,658,001	(154,809)	(358,559)
Comprehensive financial result		380,101	5,564,587	94,504	90,707

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Approval date: 13.01.2017

Interim Report
On Equity Changes
31.12.2016
ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

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Equity elements	Chartered capital			Emission income/loss	Main reserve	Revaluation of financial assets available for sale	Profit from revaluation of non-current assets	Undistributed profit/(loss)	Total	Uncontrolled share	Total capital			
	Chartered capital	Advances from share emission	Net amount											
Articles	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)														
<i>Balance as of the beginning of the previous financial year 1 January 2015 (audited)</i>	2,333,338		2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	-	-	11,071,015		
Comprehensive income	2,333,338	-	2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	-	-	11,071,015		
Comprehensive income	-	-	-	-	-	(358,559)	-	449,266	90,707	-	-	90,707		
Dividends	-	-	-	-	-	-	-	(163,334)	(163,334)	-	-	(163,334)		
Other increase(decrease) of equity elements including:	-	4,001,688	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease of derivative instruments classified as equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments for shares emission	-	4,001,688	-	-	-	-	-	-	-	-	-	-	-	-
Internal movements including:	-	-	-	-	594,867	-	-	(594,867)	-	-	-	-	-	-
Deductions to main reserve	-	-	-	-	594,867	-	-	(594,867)	-	-	-	-	-	-
<i>Balance as of the end of the comparable interim period of the previous financial year 31.12.2015. (unaudited)</i>	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	-	15,000,076		
Interim period of the current year (ascending from the beginning of the year) (II table)														
<i>Balance as of the beginning of the financial year 01 January 2016(audited)</i>	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	-	15,000,076		
Recalculated balance	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	-	15,000,076		
Transactions with shares(stock) with shareholders (owners) including:	2,297,995	-	2,297,995	9,110,850	-	-	-	180,259	11,589,104	-	-	11,589,104		
Investments in chartered capital and other increase of chartered capital	1,195,030	-	1,195,030	4,919,583	-	-	-	-	6,114,613	-	-	6,114,613		
Increase in capital due to the consolidation with BTA BANK	1,102,965	-	1,102,965	4,191,267	-	-	-	180,259	5,474,491	-	-	5,474,491		
Comprehensive income	-	-	-	-	-	1,348,272	3,309,729	906,586	5,564,587	-	-	5,564,587		
Dividends	-	-	-	-	-	-	-	(443,023)	(443,023)	-	-	(443,023)		
Other increase(decrease) of equity elements including:	-	(4,001,688)	(4,001,688)	-	-	-	-	-	(4,001,688)	-	-	(4,001,688)		
Prepayments for shares emission	-	(4,001,688)	(4,001,688)	-	-	-	-	-	(4,001,688)	-	-	(4,001,688)		
Internal movements including:	-	-	-	-	-	-	-	(45,292)	45,292	-	-	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	(45,292)	45,292	-	-	-	-	-
<i>Balance as of the end of the interim accounting period 31.12.2016 (unaudited)</i>	4,631,333	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,450,459	27,709,056	-	-	27,709,056		

Chairman of the Executive Board (General Manager))

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 13.01.2017

Interim Report
On the Cash Flows

31.12.2016

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Accounting period (unaudited)	Previous period (audited)
1. Cash flows from operations			
<i>Net cash flows from operations before changes in operational assets or liabilities</i>		2,825,200	1,406,084
Interest received		12,521,035	9,345,327
Interest paid		(5,998,448)	(5,270,327)
Fees earned		2,008,093	1,782,680
Fees paid		(470,299)	(333,706)
Gain/ loss from financial assets held for commercial purposes)		(20,168)	(12,905)
Gain/ loss from foreign exchange		718,006	768,188
Recovery of previously written-off assets		381,894	242,609
Paid salaries and similar payments		(3,740,288)	(3,316,055)
Other income received from operations and other expenses paid		(2,574,625)	(1,799,727)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(22,841,488)	(10,204,841)
Due from financial institutions		(6,301,153)	(697,559)
Loans and advances to customers		(9,543,789)	(8,003,530)
Securities held for commercial purposes and available for sale		(5,352,388)	(2,744,205)
Other operational assets		(1,644,158)	1,240,453
Increase/ decrease in operational assets		8,268,066	8,710,222
Liabilities to financial institutions		1,758,630	4,513,396
Liabilities to customers		6,150,413	5,297,932
Decrease in other operational liabilities		359,024	(1,101,106)
Net cash flows from operations before profit tax		(11,748,221)	(88,535)
Paid profit tax		(60,201)	(349,676)
Net cash flows from operations		(11,808,422)	(438,211)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(581,280)	(234,194)
Acquisition of fixed assets and intangible assets		(595,077)	(316,950)
Disposal of fixed assets and intangible assets		1,043,755	46,102
Net cash flows from other investments		1,145,316	(1,145,316)
Net cash flows from investments		1,012,714	(1,650,358)
3. Cash flows from financial operations			
Dividends paid		(450,669)	(147,063)
Increase/ decrease of borrowings from the Central Bank Of Armenia		257,621	348,459
Increase/ decrease of borrowings from banks		114,640	1,631,773
Increase/ decrease of other borrowings		11,880,995	4,623,314
Shareholders' investments in chartered capital		6,114,613	-
Net cash flows from other financial operations		(1,145,316)	1,145,316
Net cash flows from financial operations		16,771,883	7,601,799
Impact of foreign exchange on cash and equivalents		59,913	(317,127)
Net increase/decrease of cash and equivalents thereof		5,976,175	5,513,230
Cash and equivalents thereof as of the beginnne of the period	13.2	27,550,590	22,354,455
Cash and equivalents thereof as of the end of the period	13.2	33,586,678	27,550,558

Chairman of the Executive Board (General Manager)

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Approval date: 13.01.2017

Note 3: "Net Interest and Similar Income"



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Interest and similar income	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	(183,635)	116,283	39,275	156,633
Interest income from loans and advances to customers	2,763,535	9,928,624	2,275,276	8,219,769
Interest income from debt securities	455,705	1,733,001	423,872	1,068,269
Interest income from REPO agreements	102,113	545,540	78,983	413,252
Other interest income	8,082	17,341	13	86
Total	3,145,800	12,340,789	2,817,419	9,858,009
Interest and Similar Expenses				
Interest expenses from the attracted funds of the CBA	-	150,486	-	-
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	483,671	1,694,137	338,962	1,314,860
Interest expenses on terms deposits and current accounts of customers	799,465	3,048,266	660,753	2,573,520
Interest expenses on securities issued by the Bank	-	-	-	-
Interest expenses under REPO agreements	140,011	708,973	221,363	1,033,870
Interest expenses on subordinate borrowings	160,314	612,305	97,458	394,836
Other interest expense	-	15,153	-	-
Total	1,583,461	6,229,320	1,318,536	5,317,086
Net interest and similar income	1,562,339	6,111,469	1,498,883	4,540,923

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

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Commission and Other Fee Income and Expenses	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Cashier's operations	45,110	147,549	56,203	155,648
Settlement services	291,799	1,139,302	275,104	698,022
Guarantees, warranties, letters of credit operations, trust management operations	11,299	31,850	5,018	13,467
Foreign currency and security operations	1,186	7,704	6,488	23,635
Payment card servicing	33,210	116,562	40,174	441,285
Loan operations	5,331	24,258	-	-
Other commission fees	49,952	169,794	26,750	128,851
Total	437,886	1,637,018	409,737	1,460,908
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	613	3,855	2,793	4,549
Expenses for payment card operations	39,121	142,797	61,734	194,613
Guarantees, warranties, letter of credit operations, trust management operations	7,345	26,509	-	-
Foreign currency and security operations	11,983	48,338	10,329	23,383
Other commission fees*	55,172	228,015	78,068	163,527
Total	114,234	449,514	152,924	386,072
Net commission and other fees received	323,652	1,187,504	256,813	1,074,836

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

Note 5 : Net Income from Commercial Operations*

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Held-for-trading investments	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Net income from sale/purchase of held-for-trading investments, including:	(8,997)	(17,691)	(963)	(38,083)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	(8,412)	(17,691)	(963)	(38,083)
Net income from changes in real value of available for sale investments	(1,202)	30,988	(59,570)	(206,204)
Total	(10,199)	13,297	(60,533)	(244,287)
Available for sale investments				
Net income from sale/purchase of available for sale investments including:	230,518	295,841	5,019	6,347
Shares	95,052	95,052	-	-
Debt securities	135,466	200,789	5,019	6,347
Derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	197,885	-	-
Total	230,518	493,726	5,019	6,347
Foreign currency operations				
Net income from foreign currency sale/purchase	192,933	718,006	212,546	768,188
Net income from foreign currency revaluation	1,941	(67,543)	3,884	117,403
Net income from the sale/purchase of precious standardized bullions and coins	-	28	148	1,523
Net income from revaluation of precious standardized bullions and coins	-	6	(5)	446
Total	194,874	650,497	216,573	887,560
Net income from commercial operations	415,193	1,157,520	161,059	649,620

Note 6 : "Other Operational Income"



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	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Other operational expenses				
Income from penalties and fines	113,273	443,970	126,651	290,758
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	129,317	82,573	143	(4,625)
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income*	17,517	55,360	19,988	111,571
Total	260,107	581,903	146,782	397,704

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

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

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	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Due from banks (Note 14)				
Initial balance	-	-	-	23,873
Net deductions to reserve	-	-	-	(23,873)
Increase due to the consolidation with BTA BANK	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	-	-	-	-
Due from financial institutions (Note 14)				
Initial balance	3,151	5,049	3,687	8,506
Net deductions to reserve	3,061	944	1,362	(3,457)
Increase due to the consolidation with BTA BANK	-	219	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	6,212	6,212	5,049	5,049
From loans and advances to customers (Note 16)				
Initial balance	1,337,934	1,002,391	929,200	736,558
Net deductions to reserve	156,345	617,979	101,986	385,930
Increase due to consolidation with BTA BANK	-	296,283	-	-
Return of amounts previously charged to off balance item	60,699	215,102	102,082	237,938
Usage of reserve	(206,757)	(783,534)	(130,877)	(358,035)
Summary balance	1,348,221	1,348,221	1,002,391	1,002,391
On investments (Note 17)				
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve	-	-	-	-
Increase due to consolidation with BTA BANK	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	4,690	4,690	4,690	4,690
On other assets (Note 21)				
Initial balance	9,807	3,167	2,377	3,435
Net deductions to reserve	(11,297)	(7,856)	936	(4,622)
Increase due to consolidation with BTA BANK	-	3,581	-	-
Return of amounts previously charged to off balance item	13,417	16,255	156	4,671
Usage of reserve	(85)	(3,305)	(301)	(316)
Summary balance	11,842	11,842	3,168	3,168
Post-balance sheet items containing loan exposures (note 30)				
Initial balance	-	-	-	-
Net deductions to reserve	-	-	-	-
Increase due to consolidation with BTA BANK	-	-	-	-
Summary balance	-	-	-	-
Total net deductions to reserves	148,109	611,067	104,284	353,978

Note 8: "Total administrative expenses"



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Total administrative expenses	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Salary and similar payments	1,081,079	3,774,933	863,409	3,336,896
Allocations to social insurance state fund	480	1,850	390	1,383
Training and tutorship expenses	-	240	140	304
Business trip expenses	4,022	48,404	16,239	44,700
Operational leases expenses	135,411	481,037	78,817	274,344
Insurance costs	24,110	97,125	22,011	84,999
Servicing and maintenance of the Bank's equipment	53,537	180,685	28,270	200,615
Maintenance and safekeeping of Bank buildings	67,711	235,991	49,887	67,379
Audit and consulting services	7,424	27,622	10,000	15,459
Communication and transmission costs	29,718	126,981	24,025	96,876
Transportation costs	32,594	109,977	27,204	104,177
Taxes (except income tax) penalties and other mandatory payments	66,420	248,391	50,781	198,049
Office and organizational expenses	32,895	94,157	28,299	81,981
Expenses from loan provision and recovery	-	170	-	-
Other administrative expenses	16,839	60,871	11,192	44,531
Total	1,552,240	5,488,434	1,210,664	4,551,693

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

	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Average number of Bank employees	942	883	856	865
Monthly average salary falling to a single employee (thousand AMD)	374	326	377	318

Note 9: "Other Operational Expenses"

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Other operational expenses	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Paid fines and penalties	-	307	87	87
Payments made for collection	86,249	304,683	67,000	258,371
Advertising and representative expenses	293,053	492,075	125,587	296,702
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	146,588	552,970	97,512	387,628
Losses from depreciation of assets	-	-	-	-
Deductions to the Fund of Recovery of Deposits	41,074	104,876	17,242	67,887
Other expenses	77,136	295,373	68,270	143,181
Total	644,100	1,750,284	375,698	1,153,856

In other Expenses line of other operational expenses, mainly quarterly fees for VISA admission and costs of acquisition of payment cards are included.

Note 10: "Net Gain/Losses from Investments in Controlled Units"

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Net income from investments in the controlled units	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Income from investments in associated organizations		(0)	(0)	9,694

Note 11: "Profit Tax Expenses (Reimbursement)"



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Profit tax expenses	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Current tax expenses	(31,946)	221,304	100,249	144,049
Corrections of current taxes for the previous period recognized in the current period	-	6,314	499	499
Deferred tax expenses	64,752	54,407	22,830	19,728
Total	32,806	282,025	123,578	164,276
		(32,806)		

	01.10.2016-31.12.2016	Efficient rate(%)	01.01.2016-31.12.2016	Efficient rate(%)	01.10.2015-31.12.2015	Efficient rate (%)	01.01.2015-31.12.2015	Efficient rate (%)
Profit before taxation	216,842		1,188,611		372,891		613,542	
Profit tax with rate	43,368	20	237,722	20	74,578	20	122,708	20
Corrections of income and expenses for taxation purposes against non temporary								
Non-taxable income	(25)	(0.01)	(101)	(0.01)	(25)	(0.01)	(101)	(0.02)
Non-deductible expenses	(7,137)	(3.29)	37,254	3.13	60,330	16.18	79,973	13.03
Unevaluated tax loss		-		n		-		-
Foreign currency negative/positive difference	(387)	(0.18)	13,509	1.14	(687)	(0.18)	(23,481)	(3.83)
Verification of tax expenses calculated previous year		-	6,314	1		-		-
Other privileges	(3,073)	(0.39)	(9,660)	0.81	(1,475)	(0.46)	(4,205)	(1.75)
Profit tax expenses	32,746	15.10	285,038	23.98	37,703	10.11	40,698	6.63

Calculation of deferred tax on temporary differences

thous. AMD				
	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	138,364	(8,190)	-	130,174
Loans and borrowings to customers	31,958	(18,502)		13,456
Other liabilities	106,406	10,312		116,718
Deferred tax liabilities, including:	(32,918)	(46,217)	(1,119,930)	(1,199,065)
Available for sale securities	(3,856)		(309,139)	(312,995)
Fixed assets	(3,581)	(6,758)		(10,339)
Revaluation of fixed assets			(810,791)	(810,791)
Contingent liabilities	(11,005)	(4,495)		(15,500)
Claims to banks and other financial institutions	(14,476)	(34,964)		(49,440)
Net deferred tax asset/liability	105,446	(54,407)	(1,119,930)	(1,068,891)

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

thous. AMD				
Basic profit falling to a single share	01.10.2016-31.12.2016	01.01.2016-31.12.2016	01.10.2015-31.12.2015	01.01.2015-31.12.2015
Net profit of the accounting period after taxation	184,036	906,586	249,313	449,266
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	184,036	906,586	168,839	368,787
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533	933,335	933,335
Basic profit falling to a single share	0.10	0.49	0.18	0.40

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	31.12.2016	31.12.2015
Cash monetary funds	6,065,937	5,458,077
Other money placements	2,778,649	3,675,879
Correspondent accounts with the CBA*	10,044,520	16,251,012
Deposit accounts with the CBA	1,500,000	1,145,316
Funds deposited with the CBA**	1,520,000	1,520,000
Other liabilities to the CBA		
Accrued interests	389	
Cash and balances with the CBA	21,909,495	28,050,284

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

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

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

thous. AMD

Cash, cash equivalents and balances with the CBA	31.12.2016	31.12.2015
Cash monetary funds	8,844,589	9,133,956
Other money placements	10,044,520	16,251,012
Correspondent accounts with the CBA*	1,500,389	
Funds deposited with the CBA**	3,494	19,744
Other liabilities to the CBA	13,193,686	2,145,878
Accrued interests	33,586,678	27,550,590
Cash and balances with the CBA		

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

thous. AMD

Current accounts	31.12.2016	31.12.2015
with RA banks	3,494	19,744
with banks having BBB(Baa3) and higher ratings	10,049,675	1,312,479
with banks having ratings lower than BBB (Baa3) or no rating at	3,143,735	833,004
Accrued interest	276	395
Total	13,197,180	2,165,622
with RA banks		
Loans and deposits	1,747,023	3,386,309
Other	251,575	272,478
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with the banks having a rating lower than BBB(Baa3) or no rating at all		
Other	106,758	154,291
Accrued interest	1,002	4,208
Total	2,106,358	3,817,286
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	15,303,538	5,982,908

Loans and deposits with Financial Institutions and other receivables	31.12.2016	31.12.2015
with RA Financial Institutions:		
Loans and deposits	2,461,135	193,493
REPO (re-purchase) agreements	4,547,541	831,086
Other	183,901	65,062
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		53,553
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	455,811	337,267
Accrued interest	19,529	2,286
Total	7,661,917	1,482,747
Possible loss provision for receivables due to Financial Institutions (Note 7)	(6,212)	(5,049)
Net receivables to Financial Institutions	7,661,705	1,477,698
Net receivables to banks and Financial Institutions	22,965,243	7,460,606

**As of 31.12.2015 and 31.12.2016 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD110.704 (AMD 53.553 thousand on 31.12.15, AMD 52.627 thousand on 30.09.2016) in Visa International and USD 134,495 (AMD 65.062 on 31.12.2015 and AMD 130.175 on 31.12.2016) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 15: "Financial assets held for commercial purposes"

thous. AMD

Financial assets held for commercial purposes	31.12.2016	31.12.2015
Derivative Instruments		
Forward	90	
Swap	1,675	
Total	1,765	-

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

thous. AMD

Provided Loans and other Borrowings	31.12.2016	31.12.2015
Loans, including:	68,878,672	53,837,927
Mortgage loans	4,140,142	3,197,090
Credit cards	7,087,347	5,929,696
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	613,314	410,008
Total loans	76,579,333	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,348,221)	(1,002,390)
Net total loans	75,231,112	59,175,241

thous. AMD

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	31.12.2016		31.12.2015	
	Amount	Quantity	Amount	Quantity
Loans and advances, including:	76,579,333	39,170	60,177,631	31,707
performing loans	73,876,919	38,412	58,782,404	31,307
depreciated (non- performing) loans and borrowings, including:	2,702,414	758	1,395,227	400
overdue	261,904	680	126,202	378
restructured	404,396	3	449,952	4
refinanced				
Total loans	76,579,333	39,170	60,177,631	31,707
Reserve for possible loss of customer loans and advances (note 7)	(1,348,221)		(1,002,390)	
Net total loans	75,231,112		59,175,241	

thous. AMD

Analyses of provided loans and advances per customers	31.12.2016	31.12.2015
State industries	267,373	15,356
Private industries, including:	40,855,397	31,076,443
major enterprises	15,870,998	7,952,557
small and medium enterprises	24,984,399	23,123,886
including business cards	56,881	210,762
Individuals, including:	31,185,074	25,157,434
consumer loans	16,202,417	13,002,460
mortgage loans	4,140,142	3,197,093
credit cards	7,030,466	5,717,560
Private entrepreneurs	3,658,172	3,518,390
Accrued interest	613,314	410,008
Total loans	76,579,330	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,348,221)	(1,002,390)
Net total loans	75,231,109	59,175,241

thous. AMD

Loan liabilities on 20 major borrowers and related parties	31.12.2016	31.12.2015
Balance sheet	33,533,512	22,563,199
Balance of off-balance sheet contingent liabilities	3,721,428	2,381,598
Total	37,254,940	24,944,797
Loan investments	75,231,112	59,175,240
Percentage ratio in loan portfolio	50%	42%
Total normative capital	30,161,410	13,271,388
Percentage correlation to capital	124%	188%

Loan Investments through International programs	31.12.2016	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	3,141,109	263
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	93,019	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing	-	
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	317,165	26
The World Bank Loan Program		
The Russian Federation Economic stability program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME	2,500,686	423
EBRD micro lending program	-	-
Atlantic Forfaitierungs AG loan program	205,004	4
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	301,849	12
BLUE ORCHARD SME loan program	535,462	28
EBRD trade promotion program	94,354	6
MSMEBondsSA/MSME	341,015	21
Mortgage Loans	34,069	17
including:	34,069	17
GAF		
IFC	7,563,732	801

Loan Investments	31.12.2015	
	Loan Investments	Quantity
GAF micro and small private enterprises loan	2,682,224	233
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	119,595	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing		
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	669,161	38
The World Bank Loan Program		
The Russian Federation Economic stability program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME	3,789,531	519
EBRD micro lending program		
Atlantic Forfaitierungs AG loan program	451,769	7
Mortgage Loans	79,180	41
including:	79,180	41
GAF		
IFC		
Total	7,791,460	839

thous. AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	31.12.2016	Percentage	31.12.2015	Percentage
Industry	14,008,241	18	9,206,365	15
Agriculture	1,386,537	2	1,939,788	3
Construction	4,866,213	6	4,268,964	7
Transportation and communication	393,848	1	299,963	0
Commerce	11,343,638	15	10,716,641	18
Consumer	24,554,329	32	20,195,447	34
Mortgage loans	4,162,002	5	3,216,236	5
Service	10,340,194	14	7,915,305	13
Other	5,524,331	7	2,418,922	4
Total	76,579,333	100	60,177,631	100

Breakdown of loan portfolio per customer residency	31.12.2016	Percentage	31.12.2015	Percentage
RA residents	74,615,437	100	58,761,493	100
Residents of countries with Baa33 and higher ratings including*	-	-	-	-
Germany	-	-	3,740	0
Residents of countries with Baa33 and lower ratings or no rating at all	2,358			
Russia	2,358			
Accrued Interest	613,314		410,008	
Total	75,231,109	100	59,175,241	100

Note 17: "Held for trading financial assets"

	thous. AMD	
	31.12.2016	31.12.2015
T-bills		
RA Governmental T-bills		
Treasury bonds	2,379,734	84,751
Total T-bills	2,379,734	84,751

	thous. AMD			
RA non-state securities	31.12.2016		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	416,305			
Short term debt instruments				
Capital instruments			83,971	256,200
Total non-state securities of RA	416,305	83,971	-	256,200
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,690)
Net investments in RA non-state securities	416,305	79,280	-	251,510

	thous. AMD			
Non governmental securities of other countries	31.12.2016		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		3,936		1,953
Total non-state securities of other countries	-	3,936	-	1,953
Total available-for-sale securities	2,796,039	83,216	84,751	253,463

Investments in share capital of other entities as of 31.12.2016

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

The balance sheet and real values of available-for-sale assets (except investments into capital instruments) correspond to each other. The investments into capital instruments in RA are not quoted in any exchange and have a limited market. There are no definite accepted principles and methods to precisely decide the real value of those instruments, and therefore those securities are accounted in their cost price, deducted the reserve amount for depreciation.

Note 17.1 : "Securities pledged under repurchase agreement"

	thous. AMD	
	31.12.2016	31.12.2015
Asset		
Total pledged securities	13,819,298	9,384,574
including:		
pledged securities	13,169,605	8,527,788
pledged securities under REPO agreement	649,693	856,786
Liabilities		
Resources attracted under REPO agreement	13,224,755	9,104,678

Note 18: "Held-to maturity Investments"

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

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

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

Intangible Assets

thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of the previous period	37,544	129,083	50	14,357	-	181,034
Increase		3,731	-		-	3,731
Disposal						-
Written-off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
Balance at the end of the previous period	37,544	132,814	50	14,357	-	184,765
Increase		52,005				52,005
Increase due to consolidation with BTA BANK	123,819	28,888		38,360		191,067
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Revaluation						-
Depreciation	-	-	-		-	-
Adjustment of amortization from revaluation	-	-	-		-	-
Balance at the end of accounting period	161,158	213,407	50	51,661	-	426,276
Accumulated amortization						
Balance at the beginning of the previous period	21,710	57,194	29	7,080	-	86,013
Increase	2,248	12,187	5	1,196		15,636
Including: 01.10.2015 - 31.12.2015	554	3,092	1	302		3,949
Disposal						-
Written-off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of the previous period	23,958	69,381	34	8,276	-	101,649
Increase	4,647	14,062	6	1,839		20,554
Including: 01.07.2016 - 30.09.2016	2,283	4,256	2	756		7,297
Increase due to consolidation with BTA BANK ³	37,997	14,482	-	21,892		74,371
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	66,397	97,625	40	30,951	-	195,013
Net balance sheet value						
At the end of the accounting period	94,761	115,782	10	20,710	-	231,263
At the end of the previous accounting period	13,586	63,433	16	6,081	-	83,116

As of 31.12.2016, AMD 381, 270 thousand total amount worth out-of-use assets were put into use.

As of 31.12.2016, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous.,

As of 31.12.2016, the value of fully worn-off assets included in the fixed assets was AMD 1180752 thousand, AMD 272693 thous. of which was transferred because of the consolidation of BTA BANK (31.12.2015: AMD 958,058 thous.)

Note 21: "Other Assets"



thous. AMD

	31.12.2016	31.12.2015
Amounts receivable from bank operations		
Amounts receivable from other operations	37,647	19,789
Total	37,647	19,789
Reserve for possible loss provision from bank operations (note 7)	(3,344)	(201)
Net amounts receivable from bank operations	34,303	19,588
Debtor liabilities and prepayments	31.12.2016	31.12.2015
Debtor liabilities on the budget	134	175
Debtor liabilities to suppliers		
Prepayments to employees	64	8
Prepayments to suppliers	537,666	51,978
Prepayments on the budget and mandatory social insurance payments	628	10
Other debtor liabilities and prepayments	37,545	55,288
Total	576,037	107,459
Reserve for possible loss provision on other assets (note 7)	(5,733)	(1,758)
Total	570,304	105,701
Other assets		
Reserve	178,469	127,570
Sequestered pledge and available-for-sale assets	548,274	83,100
Future period expenses	107,933	64,820
Other assets	42,995	23,566
Reserve for possible loss provision on other assets (note 7)	(2,765)	(1,210)
Total	874,906	297,846
Total other assets	1,479,513	423,135

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

thous. AMD

	31.12.2016	31.12.2015
Current accounts		
RA Banks	11,588	34,251
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	2,144	35,654
Accrued interest		
Total	13,732	69,905
Interbank loans and deposits, other		
RA CB		
Loans	2,971,840	2,714,219
REPO (re-purchase) agreements	800,000	9,100,000
Other		
RA Banks		
Loans and deposits	3,959,850	4,144,375
REPO (re-purchase) agreements	12,417,488	
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other	3,869	3,848
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	3,279,956	3,047,243
Other	38,666	45,418
Accrued interest	83,741	169,406
Total	23,555,410	19,224,509
Financial Institutions		
Current accounts	260,013	447,548
Loans and deposits	20,174,983	6,227,568
REPO (re-purchase) agreements		
Other	25,731	9,741
Accrued interest	271,353	67,957
Total	20,732,080	6,752,814
Total liabilities to banks and financial institutions	44,301,222	26,047,228

In the chart below the amounts of financing realized under various projects International Financial Institutions, included in the loans received from the CBA and interest accrued on those amounts are given.

thous. AMD

Project	31.12.2016		31.12.2015	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	35,874	146	70,814	289
GAF /German Armenian Fund " Micro and small business development program"	2,820,659	7,543	2,510,521	41,206
GAF / "Renewable energy development" program	115,306	2,985	132,884	3,684
GAF / " Access to finance for SMEs " program				
Total	2,971,839	10,674	2,714,219	45,179

Note 23: "Liabilities to Customers"

thous. AMD

	31.12.2016	31.12.2015
RA Government and local authorities		
Loan		
Other	6,488	4,775
Accrued interest		
Total	6,488	4,775
RA resident corporate entities and institutions		
Current accounts	13,165,390	20,256,892
Term deposits	7,237,588	5,742,147
REPO (repurchase) agreements		
Other	35,919	50,635
Accrued interest	56,534	38,223
Total	20,495,431	26,087,897
Non-resident corporate entities, institutions		
Current accounts	59,965	10,058
Other	2	
Accrued interest		
Total	59,967	10,058
RA resident private entrepreneurs		
Current accounts	204,656	148,967
Term deposits		6,000
Other	3,945	3,824
Accrued interest		11
Total	208,601	158,802
RA resident individuals		
Current accounts	12,546,085	11,728,877
Term deposit	29,952,451	22,911,392
Other	632,064	432,497
Accrued interest	183,812	126,147
Total	43,314,412	35,198,913
Non-resident private entrepreneur		
Current accounts	564,011	224,861
Term deposit	2,106,835	261,739
Other	32,500	29,610
Accrued interest	13,533	2,107
Total	2,716,879	518,317
Total liabilities to customers	66,801,778	61,978,762

As of 31.12.16, the amount necessary to secure obligations was AMD 1.864.930 thousand.

As of 31.12.16, the amount frozen by court order and tax authorities was AMD 245,775 thousand.

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 5,400,172 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital.

Note 24: "Deposit Certificate Issued by the Bank"

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

Note 25: "Liabilities held for Commercial Purposes"

thous. AMD

Liability held for commercial purposes	31.12.2016	31.12.2015
Derivative instruments held for commercial purposes		
Other	1,306	
Swap	-	693
Total	1,306	-

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	31.12.2016	31.12.2015
Dividends	72,789	52,823
For insurance of deposit	38,366	17,242
Total	111,155	70,065

Note 27: " Other Liabilities"

thous. AMD

Other liabilities	31.12.2016	31.12.2015
On income tax of non-resident	16,973	2,158
On VAT	2,606	6,972
On other taxes and penalties	158,274	139,791
On social insurance payments		
Salary liabilities to employees	524,833	474,496
Credit debts to suppliers	59,448	90,535
Credit debts to chartered capital increase		
Other liabilities	209,926	158,808
Balance at the end of the period	972,060	713,952

Note 28: "Chartered capital"

The Bank's registered and fully paid share capital totals AMD 4,631,333 thous., including 1,852,533 common shares with a nominal value of AMD 2500 per share. The emission income amounts to AMD 9,110,850 including AMD 4,191,267 from the consolidation of BTA BANK .

During the accounting period the chartered capital has increased with AMD 2,297,995 thousand, as well as with AMD 1,102.965 due to the consolidation of BTA BANK . No decrease on the account of repurchased and out of circulation shares is made by the Bank.

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

thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert		31.32	
Sukiasyan Khachatur Albert		13.77	
Sukiasyan Robert Albert		11.59	
Sukiasyan Eduard Albert		10.64	
EBRD		7.56	financial

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 31.12.2016, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 31.12.2016 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

The Bank's contingent liabilities on off balance sheet items containing credit risks

	thous. AMD	
	31.12.2016	31.12.2015
Unutilized credit lines	5,749,194	4,547,262
Provided guarantees	2,003,652	929,707
Provided letters of credit		25,377
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

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

Note 31 : "Transactions with Related Parties"

In the context of the present note the Bank's related parties are the Bank management, shareholders, entities related to them in the prescribed order set forth by RA law on the "Banks and Banking".

The Bank management comprises the Chairman of the Bank's Board, Deputy Chairman of the Board and the members of the Board, the Chief Executive Officer, the Deputy Chief Executive Officer, Chief Accountant, Deputy Chief Accountant, Head of Internal Audit Department, employees of Internal Audit Department, members of the Bank administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank's subdivisions, heads of the Bank's administration, departments and divisions.

The transactions with the Bank related parties have been made on the basis of the current market conditions and interest rates.

	thous. AMD	
Loans and advances to customers	31.12.2016	31.12.2015
Initial balance	2,224,782	1,437,436
Loans and advances provided over the year	3,302,350	2,102,675
Bank shareholder	224,512	194,142
Shareholder related entity	1,929,188	1,351,479
Bank manager	1,072,084	521,595
Manager related entity	76,565	35,457
Loans and advances repaid over the year	1,504,207	1,315,329
Bank shareholder	204,012	172,812
Shareholder related entity	578,844	754,613
Bank manager	677,005	356,045
Manager related entity	44,347	31,858
Summary balance *	4,022,925	2,224,782

	thous. AMD	
Item	31.12.2016	31.12.2015
Interest income	130,566	320,835

thous. AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2015	401,807	6,420,559
Amounts received over the accounting period (for 12 months of 2016), including:	42,615,462	2,055,231
Bank shareholder	17,185,980	1,403,873
Shareholder related entity	22,344,966	106,326
Bank manager	1,865,844	358,384
Bank manager related entity	1,218,672	186,647
Amounts received over the accounting period (for 12 months of 2016), including:	42,676,444	1,439,318
Bank shareholder	17,230,240	985,402
Shareholder related entity	22,348,220	141,444
Bank manager	1,849,838	193,883
Bank manager related entity	1,248,145	118,589
Exchange rate difference (+/-)	(4,773)	(61,390)
Balance as of 31.12.2016	336,052	-
Interest expense as of 12 months of 2016	1,303	552,367

thous. AMD

Salary or Similar Payment to the Bank Management	31.12.2016	31.12.2015
Board	153,753	132,172
Salary	140,563	122,052
Awarding	13,190	10,120
Executive body	205,707	201,300
Salary	191,127	184,930
Awarding	14,580	16,370
Internal Audit	87,233	84,172
Salary	80,178	77,587
Awarding	7,055	6,585
Total	446,693	417,644

Note 32 : "Minimum Revelations on Financial Risks"

1) The Bank's own definition of credit risk

The credit risk is the possible danger of delay or non-repayment of the loan, accrued interest or a part of it conditioned by the deterioration of the financial state of the borrower, pledge depreciation and other similar reasons, which can cause financial losses.

2) The methods of measurement and assessment of credit risk

A loan risk assessment and management methodology has been elaborated at the bank, which gives a possibility to assess the risks connected with the loan based on the calculation results of the relevant model. By simultaneous consideration of mathematical and economic arguments the credit risks assessment model provides a complex risk assessment approach, resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables. During the preliminary analysis of the borrower's creditworthiness the bank finds out the potential borrower's conformity to the general criteria set forth by its credit policy and if the outcome is positive a scrupulous analysis of factors of creditworthiness is made.

3) Description of models (if available).

In addition to the above mentioned methodology, the Bank applies the "stress test" method, that envisages calculation of the Bank's losses in case of occurrence of various considered shock scenes.

When applying "stress tests", a number of scenarios concerning the risk are being examined and in case of each scenario losses of the Bank are calculated through the relevant method. For the loan risk assessment the following shock scenarios are applied:

1. Written-off of the classified loans to the extent of X%,
2. Classification of Y% of doubtful loans to bad loans,
3. Classification of Z% of standard loans to watchlist,
4. Classification of U% foreign currency standard loans to watchlist,
5. The fact of the loan becoming bad as a result of major borrower's bankruptcy,
6. Classification of K% of total loans to bad loans,
7. Transformation of L% of post-balance sheet conditional liabilities and post-balance sheet term operations into balance sheet items,
8. The scene of simultaneous occurrence of the first (except those classified as doubtful), second, third and seventh scenes, where the parameters of X,Y,Z,K scenes are (figures from 1-100)

As a result of the application of stress tests, the impact of the mentioned shock situations on the minimum size of the Bank's general capital adequacy standard (N1) is calculated, the possibilities and sizes of breach of those standards, the size of surplus amount transferable to reserve fund are assessed.

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios (for different values of each scenario parameter) which are used for the purpose of analysis of possible scenarios drafted on the basis of previous period data. The analysis of more possible scenarios enables to assess the riskiness of loan portfolio undertake measures for the insurance of the minimum level of risk. The analysis of the written-off scenarios of a certain percent of doubtful, standard, and general loans classified on the basis of the minimum size of the Bank's equity and adequacy standards include determination of critical points of breach of a standard which enables to assess the probability (risk) of a breach of a standard on the given date.

4) Determination of the allowable level of loan risk: quantitative analysis and assessment of risk

While generating its loan portfolio, the Bank records and tabulates statistics on centralization of certain types of loans:

- V per sectors of economy,
- V per regions
- V per a single Borrower and related Parties
- V per Loan terms
- V per pledge,etc.

5) Loan risk regulation, works performed on mitigation and elimination of credit risk impact

The loan policy adopted by the Bank pursues a goal to maximize the efficiency of allocation of attracted funds as loan providing relevant liquidity and risk diversification under conditions of necessary profitability.

The Bank's loan risk management is performed via procedures regulating this process that set forth the criteria of assessment of the borrower's creditworthiness presented to the borrower, assessment of loan security level, analysis of pledge disposal, restrictions on extension of large loans, forecast of external environmental changes, credit monitoring, control, supervision, etc.

31.12.2016

thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	21,909,054		441		21,909,495
Due from banks and other financial institutions	9,541,012	2,674,625	10,219,108	530,498	22,965,243
Standard bank precious metal bullions and coins	443				443
Held for trade financial assets		1,765			1,765
Loans and advances provided to customers	75,228,754	2,358			75,231,112
Available-for-sale securities	2,875,319		3,936		2,879,255
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	13,169,605				13,169,605
Other assets	37,267	2			37,269
Total assets	122,761,454	2,678,750	10,223,485	530,498	136,194,187
Off-balance sheet items containing credit risks	7,752,845				7,752,845
Liabilities					
Liabilities to banks and other financial institutions	26,030,956	2,507,151	15,652,675	110,440	44,301,222
Liabilities to customers	64,031,079	525,226	221,727	2,023,746	66,801,778
Total liabilities	90,062,035	3,032,377	15,874,402	2,134,186	111,103,000
Net position	32,699,419	(353,627)	(5,650,917)	(1,603,688)	25,091,187

31.12.2015

thous. AMD

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	28,050,284				28,050,284
Due from banks and other financial institutions	5,070,224	447,281	1,449,492	493,609	7,460,606
Standard bank precious metal bullions and coins	476				476
Held for trade financial assets	-				-
Loans and advances provided to customers	59,171,497		3,743		59,175,240
Available-for-sale securities	336,260		1,953		338,213
Investments in the chartered capital of controlled entities					-
Securities pledged under repurchase agreement	8,527,788				8,527,788
Other assets	19,644	2			19,646
Total assets	101,176,173	447,283	1,455,188	493,609	103,572,253
Off-balance sheet items containing credit risks	5,502,347				5,502,347
Liabilities					
Liabilities to banks and other financial institutions	18,747,585	2,562,707	4,685,659	51,277	26,047,228
Liabilities to customers	61,450,385	195,653	230,068	102,656	61,978,762
Total liabilities	80,197,970	2,758,360	4,915,727	153,933	88,025,990
Net position	20,978,203	(2,311,077)	(3,460,539)	339,676	15,546,263

Loans allocated in the territory of RA per RA
regions:

thous. AMD

RA regions	31.12.2016	31.12.2015
Yerevan	62,405,483	46,583,462
Ararat	764,053	985,704
Armavir	1,136,665	1,261,595
Kotayk	2,044,922	2,042,771
Shirak	1,222,667	1,132,805
Lori	1,452,500	1,456,720
Aragatsotn	3,535,225	3,308,602
Syunik	1,492,318	1,082,775
Tavush	316,438	309,941
Gegharquniq	405,721	438,660
Vayots Dzor	287,823	457,039
Artsakh	167,298	115,168
Total	75,231,112	59,175,241

Analysis of credit portfolio as per regions and risk level

31.12.2016

thous. AMD

Assets	Performing		Non- Performing		
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	73,062,955	1,139,834	921,902	104,063	5,505,969
2. Residents of CIS countries (per countries)	2,358				401
Russia	2,358				401
3. Residents of OECD countries (per countries)					
Germany					-
4. Residents on non-OECD countries (per countries)					
5. Total	73,065,313	1,139,834	921,902	104,063	5,506,370

31.12.2015

thous. AMD

Assets	Performing		Non- Performing		
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	58,130,421	497,970	446,323	96,784	3,356,226
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)	3,743				
Germany	3,743				
4. Residents on non-OECD countries (per countries)					
5. Total	58,134,164	497,970	446,323	96,784	3,356,627

Credit Risk Analysis

1-2) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 31.12.2016 did not exceed 13.34%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 31.12.2016, loan investments without reserves amounted to AMD 76,579,333. Non-performing loans as of 30.09.2016 amounted to AMD 3,343,149. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 1.66%, 1.56% and 0.31%.

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

5) The volume of repo transactions (except extensions) affected in the 4th quarter 2016 was AMD 61,053,392 against AMD 117,063,438 of the same period of the previous year. Reverse repo transactions in the 4th quarter 2016 totaled AMD 19,726,149 against AMD 15,448,520 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

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

3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before the extension of the consecutive installment or the new loan.

4. Changes related to suppliers, consumer structure, and raw material prices.

5. Other ratio describing the financial state of the Borrower.

During the monitoring process, the relevant specialist discovers cases of non-purposeful usage of loan or provision of untrue information by the Borrower, the Bank may terminate further lending in case the lending is by installments, or may terminate the Loan Agreement and perform preterm repayment of principal, credit line provided for commercial purposes and accrued interest based on its rights under the Pledge Agreement.

The assessment of pledge is made by a specialized company with a license for assessment. The assessment of property reflects the market situations, taking into account the forecast of property prices.

The loan and pledge agreements signed with the customers contain a provision on mandatory security

Collection of written-off loans is made by special units of the Bank, jointly with the problematic loan division and security department.

8) Lending process at "ARMECONOMBAK" OJSC includes all relevant impetus for the detection of credit risks.

Credit risk management at the Bank is performed by the following main procedures.

1. Prudential discovery process of lending object,
2. Collection of standard portfolio of loan documentation,
3. Loan monitoring,
4. Problematic loan repayment process.

As result of the above mentioned processes, the following data are discovered and assessed: Borrower's competency, loan purpose, Borrower's creditworthiness and loan repayment sources, risks connected with the Borrower's related parties, Borrower's loan history, experience of entrepreneurial activities, market position, conformity of the pledge object.

The business activity of the customers' finances by the Bank is in many cases interconnected, which enables the Bank to check the correctness of the information presented by the customer comparing that information with the information by another bank customer who acts as a supplier, buyer or competitor of the first.

Indicator	Amount	Indicator	Amount	Correlation
31.12.15				
Non-performing loans	1,997,780	Total loans	59,175,240	3.4%
31.12.16				
Non-performing	2,715,161	Total loans	75,231,112	3.6%
31.12.15				
Provisions for non-performing	309,255	Total capital	15,000,076	2.1%
31.12.16				
Provisions for non-performing	549,362	Total capital	27,709,056	2.0%
31.12.15				
Reserve for loans	1,002,390	Total loans	59,220,140	1.7%
31.12.16				
Reserve for loans	1,348,221	Total loans	75,231,112	1.8%
31.12.15				
Possible loss provisions	1,002,390	Non-performing	1,350,332	74.2%
31.12.16				
Possible loss provisions	1,348,221	Non-performing	2,715,161	49.7%
31.12.15				
Write-offs-Reimbursements	-120,097	Average total loans	53,428,174	-0.2%
31.12.16				
Write-offs-Reimbursements	-568,432	Average total loans	62,911,171	-0.9%
31.12.15				
Reimbursements	237,938	Loan losses	358,035	66.5%
31.12.16				
Reimbursements	215,102	Loan losses	-568,432	-37.8%
31.12.15				
Profit coverage ratio = (net operational income+provisioning expenses)	813,901	Net loan loss	-120,097	-677.7%
31.12.16				
Profit coverage ratio = (net operational income+provisioning expenses)	1,799,678	Net loan loss	-568,432	-316.6%
31.12.15				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,465,923	Loan investments	59,175,240	7.5%
31.12.16				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	6,679,901	Loan investments	75,231,112	8.9%
31.12.15				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
31.12.16				
Major borrowings	37,254,940	Capital	27,709,056	134.5%

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2016. III Q	765.42	176.95	113.98	248.36	55.41	315.10	994.95	203.07	1.47	1,354.34
2016. IV Q	553.53	285.72	201.99	161.47	46.91	292.19	734.12	160.36		1,039.75
growth/decrease	-211.89	108.77	88.01	-86.89	-8.51	-22.91	-260.83	-42.71	-1.47	-314.59

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

31.12.2016

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	14,719,690	6,429,677	760,128	21,909,495
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	4,709,514	17,676,829	578,900	22,965,243
Held for trading financial instruments	1,765			1,765
Loans and advances provided to customers	36,306,091	38,886,923	38,098	75,231,112
Available-for-sale financial assets	2,879,255	-	-	2,879,255
Investments in the chartered capital of controlled entities				-
Securities pledged under repurchase agreements	13,169,605			13,169,605
Other assets	31,776	5,491	2	37,269
Total assets	71,818,139	62,998,920	1,377,128	136,194,187
Liabilities				
Liabilities to banks and other financial institutions	22,380,986	21,900,539	19,697	44,301,222
Liabilities to Customers	26,772,990	39,337,089	691,699	66,801,778
Subordinate borrowing	2,722,721	2,677,451		5,400,172
Held for trading financial liabilities	1,306			1,306
Liabilities on current taxes	14,116			
Amounts payable	111,155			111,155
Deferred tax liabilities	1,068,891			1,068,891
Other liabilities	789,121	176,186	6,513	971,820
Total liabilities	53,861,286	64,091,265	717,909	118,656,344
Net position	17,956,853	(1,092,345)	659,219	17,523,727

31.12.2015

thous. AMD

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

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 4th quarter of 2016 (accumulated gap of the sensitive assets and liabilities against the interest rate) is negative forming AMD -909,551 thousand against AMD 1,256,448 thousand of the same period of the previous year by decreasing in absolute value by AMD 346,897 or 27.6%, that is in average the Bank was sensitive to liabilities in the 4th quarter of 2016. In the 4th quarter of 2016, the average accumulated disbalance has decreased in absolute value by AMD 2,270,399.0 thousand or 71.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 4th quarter of 2016 has decreased by 2.6 %, forming 99.2% against 101.8 % average value of the 4th quarter of 2015, that is in 4th quarter of 2016 the assets sensitive to interest rate changes have formed 99.2% of the liabilities sensitive to interest rate changes.

The duration of liabilities as of the end of the 4th quarter of 2016 was 1.256 year (against 1.194 year of the 4th quarter of 2015) increasing by 0.062 year or 5.2%. In correlation with the end of the previous quarter (1.284 year) the indicator has decreased by 0.028 year or 2.2%.

The duration gap as of the end of the 4th quarter of 2016 was 0.661 year (against 0.488 of the 4th quarter of 2015) increasing by 0.0120 or 4.6%. In correlation with the previous quarter (0.567) the indicator has increased by 0.041 or 7.2%.

The duration gap as of the end of the 4th quarter of 2016 was 0.678 (against 0.744 of the end of the 4th quarter of 2015) decreasing by 0.066 year or 8.9 % . In correlation with the end of the previous quarter(0.766) the mentioned indicator has decreased by 0.088 year or 11.5 %.

Assets and Liabilities with changing interest rates 31.12.2016

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				256,690		558,606		202,614				
Total	-	-	-	256,690	-	558,606	-	202,614	-	-	-	-
Net position	-	-	-	(256,690)	-	(558,606)	-	-202,614	-	-	-	-

31.12.2015

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

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

Item	Interest rates of accounting period: 30.09.2016		Interest rates of accounting period 31.12.2015	
	AMD	Foreign	AMD	Foreign
Assets				
Balance at CBA	4.86	-	-	-
Receivables to banks and other financial institutions, including:	7.99	1.76	11.61	3.62
- Interbank loans		1.76	0.00	3.62
- Interbank repo	7.13		10.95	0.00
Loans and advances provided to customers	16.95	11.37	20.40	12.57
Held for trading and available for sale securities	13.68		14.32	
Liabilities				
Liabilities to banks and other financial institutions	8.51	5.52	8.64	6.80
Liabilities to Customers	4.99	5.74	5.29	4.44

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

The evaluation of the interest rate risk is made via the application of the "Model of gap in assets and liabilities sensitive to interest rate changes" ("GAP model") and the "Duration model", which enable to assess the impact of interest rate changes on the Bank's net interest income and economic value of capital. The GAP indicator (gap) is calculated as a difference between the assets and liabilities sensitive to interest rate changes. The calculations are made each month for evaluation of the impact of the interest rate changes on the net interest income during the upcoming 3 months period.

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

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

The Bank's sensitivity to the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the "GAP model". In case of the duration model, the impact of interest rate changes on the economic value of capital is evaluated as of the end of accounting period.

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

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

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

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

Price Risk

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

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

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

Liquidity Risk

1)The Bank's definition of Liquidity Risk

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

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

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

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

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

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

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

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the

The methodology of maturity gaps of assessment of liquidity risk enables to assess and analyze the Bank's liquidity risk, as well as to maintain the satisfactory level of liquidity of the Bank's policy. On this purpose the maturity gaps of the Bank's assets and liabilities are discovered, the liquidity indicators are calculated and the Bank's liquidity management quality is assessed. In the present methodology of liquidity assessment separation of instant, up to 90 days accumulative and general (up to one year) liquidities is made, also time series of liquidity indicators are considered for assessment of the bank liquidity management quality.

By floating interest rate				110,822	674,631	29,843	202,614			1,017,910
By fixed interest rate	-	-	14,884,020	31,229,884	7,734,718	15,709,196	19,798,992	627,845	-	89,984,655
Non-interest	-	-	14,333,495	499,087	2,793,836	4,654,473	21,267	5,361,670	4,067	27,667,895
Net liquidity gap	1,579,096	186,623	3,081,888	1,078,539	(2,281,597)	(12,065,458)	16,583,430	5,661,537	2,197,517	17,523,730
Including:										
I group foreign currency	888,517	96,480	11,394,096	(6,343,518)	(2,421,466)	(11,246,947)	3,331,303	3,027,128	182,062	(1,092,345)
II group foreign currency	-	-	1,084,892	23,195	(96,156)	(38,598)	(264,729)		-	659,219
Floating interest rate	-	-	-	(110,822)	(674,631)	(29,843)	(202,614)	-	-	(1,017,910)
Fixed interest rate	1,440,383	140,386	(14,768,414)	(28,979,831)	459,373	(7,483,812)	16,493,676	9,321,145	1,702,062	(21,675,032)
Accumulative liquidity gap	1,579,096	1,765,719	4,847,607	5,926,146	3,644,549	(8,420,909)	8,162,521	13,824,058	16,021,575	

Previous accounting period

31.12.2015

thous. AMD

Item	Non-performing		Repayment date in			3- 6months	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			26,892,406	-	-	-	-	-	-	1,520,000	28,412,406
Standardized precious metal bullions			476								476
Receivables to banks and other financial institutions			2,250,576	2,673,783	2,418,814					117,429	7,460,602
Held- for trade financial assets											-
Loans and advances provided to customers	702,775	73,337	-	7,762,241	8,814,266	5,811,851	29,389,768	6665902	-		59,220,140
Securities, including:				8,527,788	-	-				338,213	8,866,001
- held for commercial purposes											-
- available for sale										338,213	338,213
- held to maturity											-
- sold by repo agreements				8,527,788							8,527,788
Other receivables	-	-		19,646	-						19,646
Contractual receivables**											-
Total	702,775	73,337	29,143,458	18,983,458	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642		103,979,271
including:											
I group foreign currency	480,563	52,086	12,371,412	3,757,783	8,532,342	2,097,316	16,426,955	4,982,221	117,429		48,818,107
II group foreign currency	-	-	634,609	296,070	-	-	-	-	-		930,679
Including:											
Floating interest rate											-
Fixed interest rate	702,775	73,337	21,631	18,288,424	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642		74,162,410
Non- interest	-	-	29,121,827	695,034							29,816,861
On maturity of liabilities repayment											
Liabilities to banks and other financial institutions	-	-	2,365,791	14,743,087	1615847	5,513,890	4,375,972	289,013			28,903,600
Liabilities to customers, including:	-	-	32,872,087	8,187,121	6,463,162	12,300,002	1,989,595	165,760	1,035		61,978,762
- On-demand deposits			31,058,915						1,035		31,059,950
- Term deposits	-	-		8,187,121	6,437,657	12,300,002	1,989,595	165,760			29,080,135
- Other	-	-	1,813,172		25,505						1,838,677
Held for trade liability			693								693
Subordinate borrowing				32,479				4,393,125			4,425,604
Liabilities on current taxes											-
Amounts payable			70,065								70,065
Deferred tax liabilities											-
Other liabilities			2,142,496	234,599	1,814	540					2,379,449
Off-balance sheet contingent liabilities	-	-	1,102,175	410,055	1,317,280	2,752,840	13,782,380				19,364,730
Contractual liabilities											-
Total	-	-	37,451,132	23,197,286	8,080,823	17,814,432	6,365,567	4,847,898	1,035		97,758,173
Including:											
I group foreign currency	-	-	16,368,107	9,623,341	5,645,751	13,584,961	2,647,482	1,823,878			49,693,520
II group foreign currency	-	-	334,564	229,697	46,913	150,914	166				762,254
Major" liabilities			5,983,998	10,104,335	48,308	2,084,633	2,054,826				20,276,100
Including:											
By floating interest rate				817,108	1,401,945	131,327	230,086				2,580,466
By fixed interest rate	-	-	13,782,380	22,145,579	6,677,064	17,682,565	6,135,481	4,847,898	1,035		71,272,002
Non-interest	-	-	23,668,752	234,599	1,814	540					23,905,705
Net liquidity gap	702,775	73,337	(8,307,674)	(4,213,828)	3,152,257	(12,002,581)	23,024,201	1,818,004	1,974,607		6,221,098

Including:										
I group foreign currency	480,563	52,086	(3,996,695)	(5,865,558)	2,886,591	(11,487,645)	13,779,473	3,158,343	117,429	(875,413)
II group foreign currency	-	-	300,045	66,373	(46,913)	(150,914)	(166)		-	168,425
By floating interest rate	-	-	-	(817,108)	(1,401,945)	(131,327)	(230,086)	-	-	(2,580,466)
By fixed interest rate	702,775	73,337	(13,760,749)	(3,857,155)	4,556,016	(11,870,714)	23,254,287	1,818,004	1,974,607	2,890,408
Accumulative liquidity gap	702,775	776,112	(7,531,562)	(11,745,390)	(8,593,133)	(20,595,714)	2,428,487	4,246,491	6,221,098	

The Bank does not have defined internal requirements for the capital level. The Central Bank of RA set forth a 12% capital adequacy ratio to risk weighted Risk weight for all Armenian banks. The Central bank of Armenia has also defined a minimum amount for total capital forming AMD 5,000,000 thousand. During the accounting period, the Bank has met the established standard requirements on the capital level.

We present the structure of balance sheet capital:

	thous. AMD	
	31.12.2016	31.12.2015
Chartered capital	4,631,333	2,333,338
Emission income/loss	9,110,850	-
Undistributed shares emission		
Repurchased shares		
Reserves:	13,680,889	6,019,090
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,516,414	19,090
Undistributed profit/loss	3,164,475	2,695,989
Total capital	27,423,072	11,048,417

We hereby present the core and general capitals applied for calculation of the main prudential standards defined by the CBA and the capital adequacy indicators per months during the accounting period, with their comparison with the standard requirements.

thous. AMD							
2016.0	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	1	2	3 (1+2)				
January	9,095,261	4,373,962	13,469,223	76,128,312	1,133,562	15.74	12
February	9,042,546	4,410,062	13,452,608	76,241,571	1,150,107	15.67	12
March	11,108,092	4,515,227	15,623,319	76,837,377	1,089,318	18.18	12
April	13,185,015	6,326,860	19,511,875	85,471,098	1,131,265	20.56	12
May	13,297,342	6,460,828	19,758,170	86,883,725	1,280,648	20.25	12
June	13,656,500	6,430,162	20,086,662	87,238,818	1,394,010	20.32	12
July	13,282,766	6,486,383	19,769,149	90,403,480	1,479,717	19.24	12
August	14,762,811	6,941,684	21,704,495	91,497,364	1,593,435	20.72	12
September	19,069,896	7,779,145	26,849,041	104,227,870	1,703,260	22.67	12
October	19,446,037	8,016,628	27,462,665	101,511,172	1,885,466	23.43	12
November	20,035,190	8,131,950	28,167,140	106,815,870	1,830,603	23.08	12
December	21,661,334	8,500,076	30,161,410	109,568,985	1,835,212	24.16	12

thous. AMD							
2015.0	Involved in calculation standards			Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital				
	1	2	3 (1+2)				
January	8,961,578	315,720	9,277,298	64,010,658	1,100,894	12.68	12
February	8,850,801	317,154	9,167,955	63,430,008	1,031,514	12.73	12
March	8,834,583	566,517	9,401,100	63,851,005	923,726	13.14	12
April	8,861,599	2,881,854	11,743,453	63,430,662	904,915	16.55	12
May	8,690,543	4,339,342	13,029,885	65,375,536	905,698	17.87	12
June	8,543,774	4,271,887	12,815,661	66,343,559	1,013,455	17.14	12
July	8,465,605	4,232,803	12,698,408	68,799,608	951,992	16.55	12
August	8,491,341	4,245,671	12,737,012	69,726,632	1,036,429	16.25	12
September	8,552,040	4,276,020	12,828,060	70,302,089	1,044,853	16.24	12
October	8,751,103	4,374,563	13,125,666	70,991,207	1,053,149	16.46	12
November	8,720,463	4,334,249	13,054,712	71,588,268	1,049,062	16.25	12
December	8,885,655	4,385,733	13,271,388	72,821,970	1,089,637	16.20	12

We hereby present the weight of risks of 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 31.12.2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	40,406,217	269,458		-
10%	4,506,902			450,690
20%	8,115,862			1,623,172
30%	2,880,019			864,006
35%	1,295,603			453,461
50%	3,072,346			1,536,173
75%	394,898			296,174
100%	45,070,996	2,581,781		47,652,777
110%				-
150%	41,862,054	1,663,522	8,197	65,300,660
Total	147,604,897	4,245,303	8,197	118,177,112

thous. AMD				
As of 31.12.2015				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	42,502,077			-
10%	823,845			82,385

20%	814,385			162,877
30%	2,405,084			721,525
50%	1,839,353	207,003		1,023,178
75%	8,251,066	143,926		6,296,244
100%	24,094,429	634,959		24,729,388
110%	289,072	23,487		343,815
150%	27,547,852	1,636,536	10,884	43,792,908
Total	108,567,163	2,645,911	10,884	77,152,320

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

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

The fair value of Financial Instruments is the amount by which the asset may be exchanged or the liability may be repaid by well-informed and willing parties during "extended hand distance" deal.

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

As of 31.12.16 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

Cash and Balances with the CBA

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

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

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

Resources attracted from banks and other financial institutions

The balance sheet value is close to the fair value.

Customer deposits and bank accounts

The balance sheet value is close to the fair value.

As of 31.12.16, the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 31.12.16 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 31.12.16 there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

We hereby present the assets and warranties accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

thous. AMD

Collateral type	31.12.2016		31.12.2015	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	30,857,019	137,609,539	24,487,793	112,429,200
Car	2,320,991	10,787,240	3,589,140	13,799,855
Equipment	209,980	1,357,839	170,700	593,850
Ready made products	717,281	2,332,566	298,970	1,078,045
Guarantee	23,073,944	116,615,964	18,067,258	81,612,860
Monetary funds	227,411	1,864,929	722,726	3,132,672
Gold items	7,062,796	9,092,622	5,794,657	7,296,004
Standard golds				
State securities				
Securities issued by the CBA	-	-	-	-
Other securities				
Other pledge	1,895,428	560,584	9,266	41,812
No collateral available	10,214,483		7,037,121	
Total	76,579,333	280,221,283	60,177,631	219,984,298

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

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

Chairman of the Executive Board

A. Galstyan

Chief Accountant

D. Azatyan

Approval date: 20.01.2017