

Interim Report
On Financial Results
30.09.2017

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

thous. AMD

	Item	Note	As of the end of the current interim period (unaudited)	As of the end of the previous financial year (audited)
1	Assets			
1.1	Cash and balances with the CBA	13	30,526,236	21,909,495
1.2	Standard bank precious metal bullions and coins		168,949	443
1.3	Due from banks and other financial institutions	14	15,341,895	22,947,481
1.4	Held for trade financial assets			
1.4		15	13,168	1,765
1.5	Loans and advances provided to customers			
1.5		16	101,377,029	75,047,659
1.6	Available-for-sale assets	17	584,646	2,879,255
1.6.1	Securities pledged under repurchase agreement	17.1	19,399,545	13,169,605
1.7	Prepayments on profit tax			38,826
	Held to maturity investments		49,326	
1.9	Non-current assets held for sale		75,000	75,000
1.10	Fixed assets	20	8,984,748	8,437,062
1.10.1	Intangible assets	20	304,845	231,263
1.12	Other assets	21	1,699,337	1,444,504
	Total assets		178,524,724	146,182,358
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	58,616,187	44,301,222
2.2	Liabilities to Customers	23	83,202,701	66,801,778
2.3	Subordinate debt	23.1	6,375,990	5,400,172
2.4	Liabilities on current taxes		106,515	
2.5	Securities issued by the Bank	24		
2.6	Held for trading financial liabilities	25	4,979	1,306
2.7	Amounts payable	26	154,669	111,155
2.8	Deferred tax liabilities	11	1,045,841	1,025,222
2.9	Other liabilities	27	696,007	972,085
	Total liabilities		150,202,889	118,612,940
3	Capital			
3.1	Chartered capital	28	4,631,333	4,631,333
3.2	Emission income		9,110,850	9,110,850
	Advances from share emission			
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,573,741	4,516,414
3.4	Undistributed profit(loss)		4,005,911	3,310,821
	Total capital		28,321,835	27,569,418
	Total liabilities and capital		178,524,724	146,182,358

Chief executive officer

A. Khachatryan

Chief Accountant

M.Poghosyan

Approval date: 13.10. 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	3,608,220	10,225,585	4,091,817	9,194,989
Interest and similar expenses	3	(1,830,505)	(5,275,352)	(1,901,234)	(4,645,859)
Net interest and similar income		1,777,716	4,950,234	2,190,583	4,549,130
Income as commissions and other fees	4	561,690	1,365,080	529,281	1,199,132
Expenses as commissions and other fees	4	(126,500)	(313,124)	(168,760)	(335,280)
Net commission and other fees		435,189	1,051,955	360,521	863,852
Dividend income		-	1,172	-	-
Net commercial income	5	432,047	853,580	400,420	742,327
Other operational income	6	87,862	348,439	125,601	321,796
Operational income		2,732,814	7,205,380	3,077,125	6,477,105
Net allocations to possible asset loss provisions	7	157,678	(312,670)	(193,294)	(462,958)
Total administrative expenses	8	(1,337,050)	(4,136,912)	(1,609,094)	(3,936,194)
Other operational income	9	(581,891)	(1,615,436)	(490,575)	(1,106,184)
Operational profit		971,551	1,140,362	784,162	971,769
Profit/ loss from associated company	10				
Profit/loss before taxation		971,551	1,140,362	784,162	971,769
Profit tax expenses(compensation)	11	(157,576)	(160,824)	(178,140)	(249,219)
Profit for period		813,975	979,538	606,022	722,550

Chief executive officer

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Chief Accountant

M.Poghosyan

Approval date: 13.10. 2017

Interim Report
On Other Comprehensive Financial Results
30.09.2017
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Current Interim perio	Accounting period	Previous comparable current Interim period	Previous period
Other comprehensive financial results					
Revaluation of financial assets available for sale		(147,917)	178,011	777,902	1,490,284
Hedging of cash flows		-	-	-	-
Profit from revaluation of non- current assets		0	296	(7,511)	4,087,136
Profit tax on other comprehensive income		29,583	(35,661)	(154,078)	(1,115,484)
Revaluation of associated company's financial assets available for sale				-	
Other comprehensive financial result after taxation		(118,333)	142,646	616,313	4,461,936
Comprehensive financial result		695,642	1,122,184	1,222,335	5,184,486

Chief executive officer

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Approval date: 13.10.2017

Interim Report
On Equity Changes
30.09.2017
ARMECONOMBANK OJSC 23/1 Amiryun Str., 0002 Yerevan

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Equity elements	Chartered capital				Emission income/loss	Main reserve	Revaluation of financial assets available for sale	Profit from revaluation of non-current assets	Undistributed profit/(loss)	Total	Uncontrolled share	Total capital
	Chartered capital	Advances from share emission	Repurchased capital	Net amount								
Articles	1	2	3	4	5	7	9	10	12	13	14	
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)												
<i>Balance as of the beginning of the previous financial year 1 January 2016 (audited)</i>	2,333,338	4,001,688	-	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	15,000,076
Overall result of the amendments of accounting policy and adjustments of main errors	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive Income	2,333,338	4,001,688	-	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	-	15,000,076
Transactions with shareholders (owners) regarding to shares, including:	1,936,650	-	-	1,936,650	7,361,940	-	-	-	180,259	9,478,849	-	9,478,849
Investments in chartered capital and other increase of chartered capital	833,685	-	-	833,685	3,170,673	-	-	-	-	4,004,358	-	4,004,358
Decrease of chartered capital, including repurchased and out of circulation shares	1,102,965	-	-	1,102,965	4,191,267	-	-	-	180,259	5,474,491	-	5,474,491
Comprehensive Income	-	-	-	-	-	-	1,192,227	3,269,709	722,549	5,184,485	-	5,184,485
Dividends	-	(4,001,688)	-	(4,001,688)	-	-	-	-	(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:	-	-	-	-	-	-	-	-	-	-	-	-
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	(45,287)	45,287	-	-	-
Balance as of the end of the comparable interim period of the previous financial year 30.09.2016. (unaudited)	4,269,988	-	-	4,269,988	7,361,940	6,000,000	1,095,932	3,224,422	3,266,417	25,218,699	-	25,218,699
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 01.2017(audited)</i>	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	-	27,569,418
Recalculated balance	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	-	27,569,418
Comprehensive income	-	-	-	-	-	-	142,408	237	979,638	1,122,183	-	1,122,183
Dividends	-	-	-	-	-	-	-	-	(370,507)	(370,507)	-	(370,507)
Other increase(decrease) of equity elements including:	-	-	-	-	-	-	-	-	(85,318)	86,059	741	741
Decrease of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	-	(85,318)	85,318	-	-
Internal movements of other equity elements	-	-	-	-	-	-	-	-	741	741	-	-
Balance as of the end of the interim accounting period 31.03.2017 (unaudited)	4,631,333	-	-	4,631,333	9,110,850	6,000,000	1,394,385	3,179,356	4,005,911	28,321,835	-	28,321,835

Chief executive officer

A.Khachatryan

Chief Accountant

M.Poghosya

Approval date: 13.10. 2017

Interim Report
On the Cash Flows
30.09.2017

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Accounting period (unaudited)	Previous period (audited)
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		2,035,598	1,299,893
Interest received		9,433,878	7,731,073
Interest paid		(4,607,302)	(4,124,141)
Fees earned		1,726,370	1,292,860
Fees paid		(357,843)	(283,728)
Gain/ loss from financial assets held for commercial purposes)		(18,221)	5,053
Gain/ loss from foreign exchange		524,118	462,440
Recovery of previously written-off assets		392,452	127,272
Paid salaries and similar payments		(2,653,064)	(2,392,199)
Other income received from operations and other expenses paid		(2,404,790)	(1,518,737)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(31,216,204)	(13,301,404)
Due from financial institutions		421,639	(3,055,873)
Loans and advances to customers		(28,581,100)	(6,598,017)
Securities held for commercial purposes and available for sale		(3,111,720)	(4,483,488)
Other operational assets		54,977	835,974
Increase/ decrease in operational assets		23,830,763	(144,311)
Liabilities to financial institutions		10,422,056	(2,310,791)
Liabilities to customers		13,443,167	860,721
Decrease in other operational liabilities		(34,460)	1,305,759
Net cash flows from operations before profit tax		(5,349,843)	(12,145,822)
Paid profit tax		(82,798)	(60,171)
Net cash flows from operations		(5,432,641)	(12,205,993)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(425,609)	(366,538)
Acquisition of fixed assets and intangible assets		(728,499)	(358,820)
Disposal of fixed assets and intangible assets		85,035	343,705
Net cash flows from other investments		-	1,145,316
Net cash flows from investments		(1,069,073)	763,663
3. Cash flows from financial operations			
Dividends paid		(348,281)	(432,790)
Increase/decrease of borrowings from the Central Bank Of Armenia		762,247	328,764
Increase/ decrease of borrowings from banks		1,505,745	(2,635,903)
Increase/ decrease of other borrowings		4,559,267	5,694,865
Shareholders' investments in chartered capital			4,004,358
Net cash flows from other financial operations			2,041,971
Net cash flows from financial operations		6,478,978	9,001,265
Impact of foreign exchange on cash and equivalents		212,565	(124,227)
Net increase/decrease of cash and equivalents thereof		(22,736)	(2,441,066)
Cash and equivalents thereof as of the beginning of the period	13.2	32,059,829	27,550,590
Cash and equivalents thereof as of the end of the period	13.2	32,249,658	24,985,297

Chief executive officer

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 13.10.2017

Note 3: "Net Interest and Similar Income"



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Interest and similar income	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	83,244	246,248	220,116	299,918
Interest income from loans and advances to customers	2,894,359	8,162,975	2,739,064	7,165,087
Interest income from debt securities	548,404	1,555,765	817,256	1,277,296
Interest income from REPO agreements	72,863	232,856	311,153	443,427
Other interest income	9,350	27,742	4,230	9,262
Total	3,408,429	6,617,366	2,569,389	5,103,170
Interest and Similar Expenses				
Interest expenses from the attracted funds of the CBA				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institutions	602,346	1,719,764	486,139	1,210,466
Interest expenses on terms deposits and current accounts of customers	813,818	2,385,935	866,484	2,248,802
Interest expenses on securities issued by the Bank	-	-	-	-
Interest expenses under REPO agreements	218,320	607,286	388,772	719,448
Interest expenses on subordinate borrowings	196,020	538,353	159,841	451,991
Other interest expense	-	24,014	-	15,153
Total	1,830,504	5,275,352	1,901,236	4,645,860
Net interest and similar income	1,777,716	4,950,234	2,190,583	4,549,130

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

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Commission and Other Fee Income and Expenses	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Cashier's operations	47,055	117,563	37,492	102,439
Settlement services	324,279	850,001	385,308	847,503
Guarantees, warranties, letters of credit operations, trust management operations	37,991	59,362	9,660	20,551
Foreign currency and security operations	643	2,752	2,798	6,518
Payment card servicing	27,821	77,402	33,435	83,352
Loan operations	-	-	18,927	18,927
Other commission fees	123,900	257,998	41,663	119,845
Total	561,689	1,365,078	529,283	1,199,135
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	24	686	2,064	3,242
Expenses for payment card operations	39,339	109,506	38,499	103,676
Guarantees, warranties, letter of credit operations, trust management operations	24,387	38,852	7,217	19,164
Foreign currency and security operations	11,237	22,579	12,031	36,355
Other commission fees*	51,513	141,500	108,951	172,846
Total	126,500	313,123	168,762	335,283
Net commission and other fees received	435,189	1,051,955	360,521	863,852

* 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	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Net income from sale/purchase of held-for-trading investments, including:	9,277	13,677	(4,914)	(8,694)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	9,277	13,677	(5,499)	(9,279)
Net income from changes in real value of available for sale investments	(30,047)	(110,487)	(4,973)	32,190
Total	(20,770)	(96,810)	(9,887)	23,496
Available for sale investments				
Net income from sale/purchase of available for sale investments including:	208,857	310,189	(8,953)	65,324
Shares	-	-	-	-
Debt securities	208,857	310,189	(3,546)	65,324
Derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	-	197,885	197,885
Total	208,857	310,189	188,932	263,209
Foreign currency operations				
Net income from foreign currency sale/purchase	216,508	524,122	228,086	525,072
Net income from foreign currency revaluation	20,434	109,061	(6,711)	(69,484)
Net income from the sale/purchase of precious standardized bullions and coins	962	962	-	28
Net income from revaluation of precious standardized bullions and coins	6,056	6,056	-	6
Total	243,960	640,201	221,375	455,622
Net income from commercial operations	432,047	853,580	400,420	742,327

Note 6 : "Other Operational Income"



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	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Other operational expenses				
Income from penalties and fines	68,862	295,414	139,436	330,697
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	1,114	(14,292)	(29,259)	(46,744)
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income*	17,886	67,317	15,424	37,843
Total	87,862	348,439	125,601	321,796

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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	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Due from banks (Note 14)				
Initial balance	-	-	-	-
Net deductions to reserve	-	-	-	-
Increase due to the consolidation with BTA BANK	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	-	-	-	-
Due from financial institutions (Note 14)				
Initial balance	6,797	23,974	3,713	5,049
Net deductions to reserve	4,426	19,504	(1,036)	(2,117)
Increase due to the consolidation with BTA BANK	-	-	474	219
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	(32,255)	-	-
Summary balance	11,223	11,223	3,151	3,151
From loans and advances to customers (Note 16)				
Initial balance	1,755,458	1,546,483	1,170,464	1,002,391
Net deductions to reserve	(161,957)	292,391	191,728	455,559
Increase due to the consolidation with BTA BANK	-	-	169,782	296,283
Return of amounts previously charged to off balance item	170,678	388,925	312,220	272,471
Usage of reserve	(141,787)	(605,407)	(506,698)	(689,208)
Summary balance	1,622,392	1,622,392	1,337,496	1,337,496
On investments (Note 17)				
Initial balance	4,691	4,691	4,691	4,691
Net deductions to reserve	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	4,691	4,691	4,691	4,691
On other assets (Note 21)				
Initial balance	15,950	13,854	10,054	3,167
Net deductions to reserve	(147)	775	2,602	9,516
Increase due to the consolidation with BTA BANK	-	-	3,606	3,581
Return of amounts previously charged to off balance item	1,171	3,527	2,838	2,838
Usage of reserve	(141)	(1,323)	(9,293)	(9,295)
Summary balance	16,833	16,833	9,807	9,807
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	(157,678)	312,670	193,294	462,958

Note 8: "Total administrative expenses"



	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Total administrative expenses				
Salary and similar payments	852,878	2,639,962	1,045,775	2,693,854
Allocations to social insurance state fund	-	159	485	1,370
Training and tutorship expenses	59	5,840	240	240
Business trip expenses	27,185	63,630	13,769	44,382
Operational leases expenses	155,140	427,354	180,606	345,626
Insurance costs	24,446	79,250	29,273	73,015
Servicing and maintenance of the Bank's equipment	57,381	151,181	65,904	127,148
Maintenance and safekeeping of Bank buildings	64,612	234,579	71,447	168,280
Audit and consulting services	3,713	53,132	5,677	20,198
Communication and transmission costs	25,916	76,723	49,057	97,263
Transportation costs	33,453	94,714	29,561	77,383
Taxes (except income tax) penalties and other mandatory payments	60,586	203,191	74,404	181,971
Office and organizational expenses	17,821	53,694	32,364	61,262
Expenses from loan provision and recovery	-	-	170	170
Other administrative expenses	13,860	53,503	10,362	44,032
Total	1,337,050	4,136,912	1,609,094	3,936,194

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

	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Average number of Bank employees	957	950	853	851
Monthly average salary falling to a single employee (thousand AMD)	301	301	301	300

Note 9: "Other Operational Expenses"

	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Other operational expenses				
Paid fines and penalties	290	439	-	306
Payments made for collection	86,250	258,750	84,434	218,434
Advertising and representative expenses	207,226	545,178	107,389	199,022
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	152,994	446,459	182,290	406,382
Losses from depreciation of assets	-	-	-	-
Deductions to the Fund of Recovery of Deposits	43,313	121,459	28,274	63,802
Other expenses	91,818	243,151	88,188	218,238
Total	581,891	1,615,436	490,575	1,106,184

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"

	01/07/2017- 30/09/2017	01/01/2017- 30/09/2017	01/07/2016- 30/09/2016	01/01/2016- 30/09/2016
Net income from investments in the controlled units				
Income from investments in associated organizations		(0)	(0)	-

Note 11: "Profit Tax Expenses (Reimbursement)"


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Profit tax expenses	01/07/2017-30/09/2017	01/01/2017-30/09/2017	01/07/2016-30/09/2016	01/01/2016-30/09/2016
Current tax expenses	132,488	203,576	156,110	253,250
Corrections of current taxes for the previous period recognized in the current period	(5,273)	(55,692)	-	6,314
Deferred tax expenses	30,361	12,940	22,030	(10,345)
Total	157,576	160,824	178,140	249,219

	01/07/2017-30/09/2017	Efficient rate(%)	01/01/2017-30/09/2017	Efficient rate(%)	01/07/2016-30/09/2016	Efficient rate (%)	01/01/2016-30/09/2016	Efficient rate (%)
Profit before taxation	194,310	20	228,072	20	156,832	20.00	194,354	20.00
Profit tax with rate								
Corrections of income and expenses for taxation purposes against non temporary					(25)	0.00	(76)	(0.01)
Non-taxable income	(25,325)	23.12	20,686	1.81	23,063	2.89	44,391	4.57
Non-deductible expenses								
Unevaluated tax loss	(5,298)	(10)	(23,023)	(2)	1,343	0	13,896	1
Foreign currency negative/positive difference							6,314	0.65
Profit from other revaluations			(55,692)	(30)				
Other privileges	(6,111)		(9,219)	(1.84)	(3,073)	(0.39)	(9,660)	0.99
Profit tax expenses	157,576	34.90	160,824	14.10	178,140	22.67	249,219	25.65

Calculation of deferred tax on temporary differences

thous. AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	182,792	(32,765)	-	150,027
Loans and borrowings to customers	77,825	(47,178)		30,647
Other liabilities	104,967	14,413		119,380
Deferred tax liabilities, including:	(1,208,014)	19,825	(7,679)	(1,195,868)
Available for sale securities	(340,918)		(7,679)	(348,597)
Fixed assets	(10,339)	11,703		1,364
Revaluation of fixed assets	(825,976)	31,137		(794,839)
Held- to maturity investments		(192)		(192)
Contingent liabilities	(13,805)	(11,004)		(24,809)
Claims to banks and other financial institutions	(16,976)	(11,819)		(28,795)
Net deferred tax asset/liability	(1,025,222)	(12,940)	(7,679)	(1,045,841)

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

thous. AMD

Basic profit falling to a single share	01/07/2017-30/09/2017	01/01/2017-30/09/2017	01/07/2016-30/09/2016	01/01/2016-30/09/2016
Net profit of the accounting period after taxation	813,975	979,538	606,022	722,550
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	813,975	979,538	606,022	722,550
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533	1,707,995	1,707,995
Basic profit falling to a single share	0.44	0.53	0.35	0.42

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

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

thous. AMD

Cash, cash equivalents and balances with the CBA	30/09/2017	31/12/2016
Cash monetary funds	6,431,968	6,065,937
Other money placements	1,753,026	2,778,649
Correspondent accounts with the CBA*	21,571,242	10,044,520
Deposit accounts with the CBA		1,500,000
Funds deposited with the CBA**	770,000	1,520,000
Other liabilities to the CBA		
Accrued interests		389
Cash and balances with the CBA	30,526,236	21,909,495

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

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

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

thous. AMD

Cash, cash equivalents and balances with the CBA	30/09/2017	31/12/2016
Cash monetary funds	8,184,994	8,818,129
Correspondent accounts with the CBA*	21,571,242	10,044,520
Deposit accounts with the CBA		-
Correspondent accounts with resident banks	36,426	3,494
Correspondent accounts with non-resident banks	2,456,996	13,193,686
Total cash and cash equivalents	32,249,658	32,059,829

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

thous. AMD

Current accounts	30/09/2017	31/12/2016
with RA banks	36,426	3,494
with banks having BBB(Baa3) and higher ratings	1,632,999	10,049,675
with banks having ratings lower than BBB (Baa3) or no rating at all	823,516	3,143,735
Accrued interest	480	276
Total	2,493,421	13,197,180
with RA banks		
Loans and deposits	2,698,406	1,747,023
REPO (re-purchase) agreements		
Other	183,347	251,575
with banks having BBB(Baa3) and higher ratings		
Loans and deposits		
with banks having ratings lower than BBB (Baa3) or no rating at all		
Other	1,336,893	106,758
Accrued interest	669	1,002
Total	4,219,315	2,106,358
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	6,712,736	15,303,538
Loans and deposits with Financial Institutions and other receivables	30/09/2017	31/12/2016
with RA Financial Institutions:		
Loans and deposits	2,755,161	2,461,135
REPO (re-purchase) agreements	4,635,320	4,547,541
Other	123,127	183,901
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	1,110,374	455,811
Accrued interest	16,400	19,529
Total	8,640,382	7,667,917
Possible loss provision for receivables due to Financial Institutions (Note 7)	(11,223)	(23,974)
Net receivables to Financial Institutions	8,629,159	7,643,943
Net receivables to banks and Financial Institutions	15,341,895	22,947,481

**As of 31.12.2016 and 30.09.2017 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD111.277 (AMD 53.726 thousand on 31.12.16, AMD 53.236 thousand on 30.09.2017) in Visa International and USD 269.142 (AMD 130.175 on 31.12.2016 and AMD 69.891 on 30.09.2017) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note 15: "Financial assets held for commercial purposes"

thous. AMD

Financial assets held for commercial purposes	30/09/2017	thous. AMD
Derivative Instruments		
Forward	472	90
Swap		1,675
Total	43,480	1,765

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

Note 16: "Loans and Advances to Customers"



thous. AMD

Provided Loans and other Borrowings	30/09/2017	31/12/2016
Loans, including:	92,051,631	68,878,672
Mortgage loans	5,642,101	4,140,142
Credit cards	10,173,872	7,087,347
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	773,918	613,314
Total loans	102,999,421	76,579,333
Reserve for possible loss of customer loans and advances (note 7)	(1,622,392)	(1,531,674)
Net total loans	101,377,029	75,047,659

thous. AMD

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30/09/2017		31.12.2015	
	Amount	Quantity	Amount	Quantity
Loans and advances, including:	102,999,421	60,862	76,594,142	39,170
performing loans	100,775,226	60,287	73,891,728	38,412
depreciated (non- performing) loans and borrowings, including:	2,224,195	575	2,702,414	758
overdue	308,535	532	261,904	680
restructured	414,139	20	404,396	3
refinanced				
Total loans	102,999,421	60,862	76,594,142	39,170
Reserve for possible loss of customer loans and advances (note 7)	(1,622,392)		(1,546,483)	
Net total loans	101,377,029		75,047,659	

thous. AMD

Analyses of provided loans and advances per customers	30/09/2017	31/12/2016
State industries	377,224	267,373
Private industries, including:	56,683,079	40,855,400
major enterprises	30,680,412	15,870,998
small and medium enterprises	26,002,667	24,984,399
including business cards	46,937	56,881
Individuals, including:	41,250,136	31,199,883
consumer loans	24,457,953	16,217,226
mortgage loans	5,642,101	4,140,142
credit cards	10,026,935	7,030,466
Private entrepreneurs	3,915,064	3,658,172
Accrued interest	773,918	613,314
Total loans	102,999,421	76,594,142
Reserve for possible loss of customer loans and advances (note 7)	(1,622,392)	(1,546,483)
Net total loans	101,377,029	75,047,659

thous. AMD

Loan liabilities on 20 major borrowers and related parties	30/09/2017	31/12/2016
Balance sheet	47,778,206	33,533,512
Balance of off-balance sheet contingent liabilities	8,062,708	3,721,428
Total	55,840,914	37,254,940
Loan investments	101,377,029	75,047,659
Percentage ratio in loan portfolio	55%	50%
Total normative capital	31,669,828	30,161,410
Percentage correlation to capital	176%	124%

Loan Investments through International programs	30/09/2017	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	4,041,398	350
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	73,086	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing	-	
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2		
The World Bank Loan Program		
IFC loan program (IFC FMO)		
EBRD micro, small and middle lending program EBRD/MSME	35,826	9
EBRD micro lending program	-	-
Atlantic Forfaitierungs AG loan program	56,759	1
Asian Development Bank commercial financing program ADB/TFP/IBA/RCA	366,159	16
BLUE ORCHARD SME loan program	1,916,950	66
EBRD trade promotion program	26,729	5
MSMEBondsSA/MSME	680,813	28
Mortgage Loans, including:	16,432	8
GAF	16,432	8
IFC		
Total	7,214,152	484

Loan Investments	31/12/2016	
	Loan Investments	Quantity
GAF micro and small private enterprises loan	3,141,109	263
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	93,019	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing		
IFC		
Black Sea Bank Loan Program 1		
Black Sea Bank Loan Program 2	317,165	26
The World Bank Loan Program		
EBRD micro, small and middle lending program EBRD/MSME	2,500,686	423
EBRD micro lending program		
Atlantic Forfaitierungs AG loan program	205,004	4
Asian Development Bank commercial financing program	301,849	12
BLUE ORCHARD SME loan program	535,462	28
EBRD trade promotion program	94,354	6
MSMEBondsSA/MSME	341,015	21
Mortgage Loans, including:	34,069	17
GAF	34,069	17
EBRD		
IFC		
Total	7,563,732	801

thous. AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30/09/2017	Percentage	31.12.2016	Percentage
Industry	23,632,514	23	14,008,241	18
Agriculture	1,090,291	1	1,386,537	2
Construction	6,292,461	6	4,866,213	6
Transportation and communication	443,642	0	393,848	1
Commerce	15,887,028	15	11,343,638	15
Consumer	34,709,255	34	24,569,138	32
Mortgage loans	5,679,618	6	4,162,002	5
Service	10,576,805	10	10,340,194	13
Other	4,687,807	5	5,524,331	7
Total	102,999,421	100	76,594,142	100

Breakdown of loan portfolio per customer residency	30/09/2017	Percentage	31/12/2016	Percentage
RA residents	100,549,529	99	74,431,987	99
Residents of countries with Baa33 and higher ratings including*	-	-	-	-
Germany	-	-	-	-
Residents of countries with Baa33 and lower ratings or no rating at all	53,582	0	2,358	0
Russia	53,582	0	2,358	0
Accrued Interest	773,918	1	613,314	1
Total	101,377,029	100	75,045,301	100

Note 17: "Held for trading financial assets"

	thous. AMD	
	30/09/2017	31/12/2016
T-bills		
RA Governmental T-bills		
Treasury bonds	73,969	2,379,734
Total T-bills	73,969	2,379,734

	thous. AMD			
RA non-state securities	30/09/2017		31.12.2016	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	426,283		416,305	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	426,283	83,971	416,305	83,971
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,691)
Net investments in RA non-state securities	426,283	79,280	416,305	79,280

	thous. AMD			
Non governmental securities of other countries	30/09/2017		12.31.2016	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		5,114		3,936
Total non-state securities of other countries	-	5,114	-	3,936
Total available-for-sale securities	500,252	84,394	2,796,039	83,216

Investments in share capital of other entities as of 30.09.2017

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

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

Note 17.1 : "Securities pledged under repurchase agreement"

	thous. AMD	
	30/09/2017	31.12.2016
Asset		
Total pledged securities	21,442,135	13,819,298
including:		
pledged securities	19,399,545	13,169,605
pledged securities under REPO agreement	2,042,590	649,693
Liabilities		
Resources attracted under REPO agreement	21,442,135	13,819,298

Note 18: "Held-to maturity Investments"

	30/09/2017	31/12/2016
RA Banks	49,326	
Total	49,326	

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

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

Note 20 : "Fixed assets and intangible assets"

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets.	Total
Balance of fixed assets at the end of the previous period 31/12/2016	6,531,197	2,142,794	635,197	1,772,320	328,420	216,011	11,625,939
Increase	182,362	180,231	94,625	169,474	406,594	19,015	1,052,301
Disposal							-
Depreciation			(99,328)				(99,328)
Written-off**	408,057	4,439		(4,439)	(393,717)	(14,340)	-
Revaluation*		(114,607)		(86,731)		(6,418)	-
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
The Balance of the fixed assets at the end of accounting period 30.06.2017	7,121,616	2,212,857	630,494	1,850,624	341,297	214,268	12,371,156
Accumulated depreciation at the end of the previous period 31.12.2016	118,019	1,617,140	177,176	1,205,270	-	71,272	3,188,877
Increase	128,016	127,635	53,886	103,648		5,049	418,234
Disposal			(33,266)				(33,266)
Written-off**		(104,790)		(76,547)		(6,099)	(187,436)
Devaluation							-
Reclassification							-
Revaluation							-
Accumulated depreciation at the end of accounting period 30.06.2017	246,035	1,639,985	197,796	1,232,371	-	70,222	3,386,409
Net balance sheet value							-
At the end of accounting period	6,875,581	572,872	432,698	618,253	341,297	144,046	8,984,747
At the end of previous accounting period	6,413,178	525,654	458,021	567,050	328,420	144,739	8,437,062

Intangible Assets

thous. AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the end of previous period 31.12.2016	161,158	213,407	50	51,661	-	426,276
Increase	1,100	100,707				101,807
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Devaluation						-
Adjustment of amortization from revaluation						-
Balance at the end of accounting period 30/06/2017	162,258	314,114	50	51,661	-	528,083
Balance of the accumulated depreciation of fixed assets at the end of previous period 31/12/2016	66,397	97,625	40	30,951	-	195,013
Increase	6,606	19,356	4	2,259		28,225
Disposal						-
Written-off						-
Devaluation						-
Reclassification						-
Revaluation						-
Balance of the accumulated depreciation of fixed assets at the end of previous accounting period 30/06/2017	73,003	116,981	44	33,210	-	223,238
At the end of previous accounting period	94,761	115,782	10	20,710	-	231,263

As of 30.09.2017, AMD 344625 thousand total amount worth out-of-use assets were put into use.

As of 30.09.2017, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 750 thous., residual value AMD 0.

As of 30.09.2017 the value of fully worn-off assets included in the fixed assets was AMD 1088059 thousand, AMD 278 482thous. of which was transferred because of the consolidation of BTA BANK (31.12.2016: AMD 1180752 thous.)

Note 21: "Other Assets"



thous. AMD

	30/09/2017	31/12/2016
Amounts receivable from bank operations		
Amounts receivable from other operations	27,839	37,647
Total	27,839	37,647
Reserve for possible loss provision from bank operations (note 7)	(284)	(3,344)
Net amounts receivable from bank operations	27,555	34,303
Debtor liabilities and prepayments	43,008	42,735
Debtor liabilities on the budget	95	134
Debtor liabilities to suppliers		
Prepayments to employees	17	64
Prepayments to suppliers	1,066,278	537,666
Prepayments on the budget and mandatory social insurance payments	1,964	628
Other debtor liabilities and prepayments	37,205	37,545
Total	1,105,559	576,037
Reserve for possible loss provision on other assets (note 7)	(13,077)	(5,733)
Total	1,092,482	570,304
Other assets		
Reserve	207,607	178,469
Sequestered pledge and available-for-sale assets	161,361	555,100
Future period expenses	111,135	107,933
Other assets	102,668	3,172
Reserve for possible loss provision on other assets (note 7)	(3,472)	(4,777)
Total	579,299	839,897
Total other assets	1,699,336	1,444,504

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

thous. AMD

	30/09/2017	31/12/2016
Current accounts		
RA Banks	15,870	11,588
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	2,231	2,144
Accrued interest		
Total	18,101	13,732
Interbank loans and deposits, other		
RA CB		
Loans	3,734,087	2,971,840
REPO (re-purchase) agreements	3,000,000	800,000
Other		
RA Banks		
Loans and deposits	6,798,299	3,959,850
REPO (re-purchase) agreements	17,337,404	12,417,488
Other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
Other		3,869
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	1,963,376	3,279,956
Other	744,353	38,666
Accrued interest	130,407	83,741
Total	33,707,926	23,555,410
Financial Institutions		
Current accounts	372,715	260,013
Loans and deposits	23,830,807	20,174,983
REPO (re-purchase) agreements	149,621	
Other	15,522	25,731
Accrued interest	521,495	271,353
Total	24,890,160	20,732,080
Total liabilities to banks and financial institutions	58,616,187	44,301,222

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

thous. AMD

Project	30/09/2017		31/12/2016	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	8,225	32	35,874	146
GAF /German Armenian Fund " Micro and small business development program"	3,503,401	66,208	2,820,659	7,543
GAF / "Renewable energy development" program	87,830	1,266	115,306	2,985
GAF / " Access to finance for SMEs " program	134,631	3,025		
Total	3,734,087	70,531	2,971,839	10,674

Note 23: "Liabilities to Customers"

thous. AMD

RA Government and local authorities	30/09/2017	31.12.2016
Loan		
Other	10,873	6,488
Accrued interest		
Total	10,873	6,488
RA resident corporate entities and institutions	30/09/2017	31.12.2016
Current accounts	22,378,377	13,165,390
Term deposits	6,026,174	7,237,588
REPO (repurchase) agreements		
Other	36,273	35,919
Accrued interest	161,993	56,534
Total	28,602,817	20,495,431
Non-resident corporate entities, institutions	30/09/2017	31.12.2016
Current accounts	687,299	59,965
Other	50,235	2
Accrued interest		
Total	737,534	59,967
RA resident private entrepreneurs	30/09/2017	31.12.2016
Current accounts	289,947	204,656
Term deposits		
Other	3,428	3,945
Accrued interest		
Total	293,375	208,601
RA resident individuals	30/09/2017	31.12.2016
Current accounts	15,223,903	12,546,085
Term deposit	34,262,854	29,952,451
Other	441,933	632,064
Accrued interest	391,206	183,812
Total	50,319,896	43,314,412
Non-resident private entrepreneur	30/09/2017	31.12.2016
Current accounts	768,854	564,011
Term deposit	2,400,791	2,106,835
Other	51,684	32,500
Accrued interest	16,877	13,533
Total	3,238,206	2,716,879
Total liabilities to customers	83,202,701	66,801,778

As of 30.09.17, the amount necessary to secure obligations was AMD 2.425.721 thousand.

As of 30.09.17, the amount frozen by court order and tax authorities was AMD 208.576 thousand

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 6.331.255 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital.

Note 24: "Deposit Certificate Issued by the Bank"

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

Note 25: "Liabilities held for Commercial Purposes"

thous. AMD

Liability held for commercial purposes	30/09/2017	31/12/2016
Derivative instruments held for commercial purposes		
Other	4444.0	-
Forward	123.0	
Swap	412.0	1,306
Total	4,979	1,306

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	30/09/2017	31/12/2016
Dividends	111,356	72,789
For insurance of deposit	43,313	38,366
Total	154,669	111,155

Note 27: " Other Liabilities"

thous. AMD

Other liabilities	30/09/2017	31/12/2016
On income tax of non-resident	2,751	16,973
On VAT	1,704	2,606
On other taxes and penalties	53,721	158,274
On social insurance payments		
Salary liabilities to employees	527,003	524,833
Credit debts to suppliers	71,910	59,448
Credit debts to chartered capital increase		
Other liabilities	38,918	209,951
Balance at the end of the period	696,007	972,085

Note 28: "Chartered capital"

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

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

thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	1,311,797.5	28.32	
Sukiasyan Khachatur Albert	637,787.5	13.77	
Sukiasyan Robert Albert	658,312.5	14.21	
Sukiasyan Eduard Albert	493,547.5	10.66	
EBRD	233,335.0	5.04	financial

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.09.2017, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.09.2017 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

	thous. AMD	
	30/09/2017	31/12/2016
Unutilized credit lines	6,010,098	5,749,194
Provided guarantees	6,302,370	2,003,652
Provided letters of credit	91,831	
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

	thous. AMD	
Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		630,318
1-5 years		2,149,867
more than 5 years		0
Total		2,780,185

Note 31 : "Transactions with Related Parties"

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

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

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

	thous. AMD	
Loans and advances to customers	30/09/2017	31/12/2016
Initial balance	4,022,925	2,224,782
Loans and advances provided over the year	1,981,604	3,302,350
Bank shareholder	297,751	224,512
Shareholder related entity	752,857	1,929,188
Bank manager	819,486	1,072,084
Manager related entity	111,510	76,565
Loans and advances repaid over the year	1,869,912	1,504,207
Bank shareholder	215,651	204,012
Shareholder related entity	793,031	578,844
Bank manager	786,162	677,005
Manager related entity	75,068	44,347
Summary balance *	4,134,617	4,022,925

	thous. AMD	
Item	30/09/2017	30/09/2016
Interest income	354,148	279,849

thous. AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2016	336,052	7,528,461
Amounts received over the accounting period (for 6 months of 2017), including:	27,764,961	2,010,736
Bank shareholder	8,327,255	1,487,017
Shareholder related entity	16,553,255	135,080
Bank manager	1,998,236	140,717
Bank manager related entity	886,216	247,922
Amounts received over the accounting period (for 6 months of 2017), including:	27,357,877	2,004,554
Bank shareholder	8,117,491	1,632,566
Shareholder related entity	16,346,955	83,619
Bank manager	2,017,484	110,594
Bank manager related entity	875,947	177,775
Exchange rate difference (+/-)	9,434	(37,712)
Balance as of 30.06.2017	752,571	7,496,931
Interest expense as of 6 months of 2017	404	612,987

thous. AMD

Salary or Similar Payment to the Bank Management	30/09/2017	30/09/2016
Board	125,713	97,076
Salary	125,713	97,076
Awarding	-	-
Executive body	162,262	150,443
Salary	162,262	150,443
Awarding	-	-
Internal Audit	63,062	60,250
Salary	63,062	60,250
Awarding	-	-
Total	351,037	307,769

Note 32 : "Minimum Revelations on Financial Risks"

1) The Bank's own definition of credit risk

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

2) The methods of measurement and assessment of credit risk

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

3) Description of models (if available).

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

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

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

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

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

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

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

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

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

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

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

30.09.2017

Item	RA	CIS countries	OECD* countries*	Non-OECD* countries*	Total
Assets					
Cash and balances with the CBA	30,526,236				30,526,236
Due from banks and other financial institutions	11,366,918	524,061	3,072,383	378,533	15,341,895
Standard bank precious metal bullions and coins	168,949				168,949
Held for trade financial assets		13,168			13,168
Loans and advances provided to customers	101,322,806	54,223			101,377,029
Available-for-sale securities	579,532		5,114		584,646
Held-to maturity investments	49,326				49,326
Securities pledged under repurchase agreement	19,399,545				19,399,545
Other assets	31,652		714		32,366
Total assets	163,444,964	591,452	3,078,211	378,533	167,493,160
Off-balance sheet items containing credit risks	12,404,299				12,404,299
Liabilities					
Liabilities to banks and other financial institutions	38,875,278	45,519	19,594,002	101,388	58,616,187
Liabilities to customers	79,226,961	765,332	326,729	2,883,679	83,202,701
Total liabilities	118,102,239	810,851	19,920,731	2,985,067	141,818,888
Net position	45,342,725	(219,399)	(16,842,520)	(2,606,534)	25,674,272

31.12.2016

thous. AMD

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

Loans allocated in the territory of RA per RA regions:

thous. AMD

RA regions	30/09/2017	31/12/2016
Yerevan	81,342,210	62,222,030
Aragatsotn	1,241,974	764,053
Ararat	1,625,690	1,136,665
Armavir	2,133,803	2,044,922
Gegharqunig	1,732,578	1,222,667
Lori	4,092,683	1,452,500
Kotayk	3,891,162	3,535,225
Shirak	3,349,651	1,492,318
Syunik	697,751	316,438
Vayots Dzor	504,862	405,721
Tavush	561,611	287,823
Artsakh	203,054	167,298
Total	101,377,029	75,047,659

Analysis of credit portfolio as per regions and risk level

30/09/2017						thous. AMD
Assets	Performing	Non- Performing				
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/ Highly risky	Lost	
Loans, including:						
1. RA residents	99,595,259	891,825	698,657	137,065	5,694,949	
2. Residents of CIS countries (per countries)	54,223				401	
Russia	54,223				401	
3. Residents of OECD countries (per countries)						
Germany					-	
4. Residents on non-OECD countries (per countries)						
5. Total	99,649,482	891,825	698,657	137,065	5,695,350	

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

Credit Risk Analysis

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

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.09.2017 did not exceed 17.27%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.09.2017, loan investments without reserves amounted to AMD 102.999.421 Non-performing loans as of 30.09.2017 amounted to AMD 2.485.773 . . The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 0.96%, 0.88% and 0.31%: percent.

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

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

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicator	Amount	Indicator	Amount	Correlation
31.12.16				
Non-performing loans	2,715,161	Total loans	75,047,659	3.6%
30.09.17				
Non-performing	2,224,199	Total loans	101,377,029	2.2%
31.12.16				
Provisions for non-performing	549,362	Total capital	27,569,418	2.0%
30.09.17				
Provisions for non-performing	496,652	Total capital	28,321,835	1.8%
31.12.16				
Reserve for loans	1,546,483	Total loans	75,047,659	2.1%
30.09.17				
Reserve for loans	1,622,392	Total loans	101,377,029	1.6%
31.12.16				
Possible loss provisions	1,546,483	Non-performing	2,715,161	57.0%
30.09.17				
Possible loss provisions	1,622,392	Non-performing	2,224,199	72.9%
31.12.16				
Write-offs-Reimbursements	914,262	Average total loans	62,911,171	1.5%
30.09.17				
Write-offs-Reimbursements	(216,419)	Average total loans	91,436,653	-0.2%
31.12.16				
Reimbursements	617,979	Loan losses	914,262	67.6%
31.03.17				
Reimbursements	388,925	Loan losses	- 216,419	-179.7%
31.12.16				
Profit coverage ratio = (net operational income+provisioning expenses)	1,799,678	Net loan loss	914,262	196.8%
30.09.17				
Profit coverage ratio = (net operational income+provisioning expenses)	1,453,032	Net loan loss	(216,419)	-671.4%
31.12.16				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	- 759,824	Loan investments	75,047,659	-1.0%
30.09.17				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	5,166,653	Loan investments	101,377,029	5.1%
31.12.16				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
30.09.17				
Major borrowings	55,840,914	Capital	28,321,835	197.2%

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

thous. AMD

Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2017. II Q	724.19	167.41	74.18	194.74	26.66	171.72	637.25	247.61	0.00	1,038.46
2017. III Q	335.43	241.99	130.50	193.65	23.93	169.74	840.99	153.21	5.35	1,035.53
growth/decrease	-388.76	74.59	56.31	-1.09	-2.73	-1.97	203.74	-94.39	5.35	-2.94

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

30.09.2017

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	17,562,969	11,683,173	1,280,094	30,526,236
Bank standardized bullions of precious metals and coins	443	168,506	-	168,949
Receivables to banks and other financial institutions	4,821,384	10,006,793	513,718	15,341,895
Held for trading financial instruments	13,168			13,168
Loans and advances provided to customers	46,322,697	55,051,868	2,464	101,377,029
Available-for-sale financial assets	584,646	-	-	584,646
Held-to maturity investments	49,326			49,326
Securities pledged under repurchase agreements	19,399,545			19,399,545
Other assets	20,883	11,480	3	32,366
Total assets	88,775,061	76,921,820	1,796,279	167,493,160
Liabilities				
Liabilities to banks and other financial institutions	33,372,949	25,203,329	39,909	58,616,187
Liabilities to Customers	31,890,071	49,834,989	1,477,641	83,202,701
Subordinate borrowing	3,729,803	2,646,187	-	6,375,990
Held for trading financial liabilities	4,979			4,979
Liabilities on current taxes	106,515			106,515
Amounts payable	154,669			154,669
Deferred tax liabilities	1,045,841			1,045,841
Other liabilities	663,283	36,034	(3,310)	696,007
Total liabilities	70,968,110	77,720,539	1,514,240	150,202,889
Net position	17,806,951	(798,719)	282,039	17,290,271

31.12.2016

thous. AMD

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

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 3rd quarter of 2017 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 13,764,469 thousand against AMD - 3,179,949 thousand of the same period of the previous year by decreasing in absolute value by AMD 10,584,520 or 272.3%, that is in average the Bank was sensitive to liabilities in the 3rd quarter of 2017. In the 3rd quarter of 2017, the average accumulated disbalance has increased in absolute value by AMD 6,206,879 thousand or 82,1% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 3rd quarter of 2017 has increased by 8.5 %, forming 112.3% against 103.7% average value of the 3rd quarter of 2016, that is in 3rd quarter of 2017 the assets sensitive to interest rate changes have formed 112.3% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 3rd quarter of 2017 was 1.417 year (against the 1.284 year as of the 3rd quarter of 2016) as it increased by 0.133 year or by 10.4%, as compared with the end of the previous quarter (1.383 year) the mentioned indicator has decreased by 0.034 year or 2.5%.

The duration of liabilities as of the end of the 3rd quarter of 2017 was 0.741 year (against 0.608 year of the 3rd quarter of 2016) increasing by 0.140 year or 23.0%. In correlation with the end of the previous quarter (0.731) the indicator has increased by 0.017 year or 2.3%.

The duration gap as of the end of the 3rd quarter of 2017 was 0.754 (against 0.766 of the 3rd quarter of 2016) increasing by 0.012 or 1.6%. In correlation with the previous quarter (0.747) the indicator has decreased by 0.007 or 0.9%.

Assets and Liabilities with changing interest rates 30/09/2017

thous. AMD

Item	up to 1 month		1-3 months		3- 6 months		6 months to 1 year		1-5 years		more than 5 years	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Facilities placed												
Loans and advances provided to customers												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Resources attracted												
Liabilities to banks and other financial institutions, including:												
- loans		29,502		188,190				403,449		1,094,048		
Total	-	29,502	-	188,190	-	-	-	403,449	-	1,094,048	-	-
Net position	-	(29,502)	-	(188,190)	-	-	-	(403,449)	-	(1,094,048)	-	-

31.12.2016p

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

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

Item	Interest rates of accounting period: 30.09.2017		Interest rates of accounting period 31.12.2016	
	AMD	Foreign	AMD	Foreign
Assets				
Balance at CBA		-	4.86	-
Receivables to banks and other financial institutions, including:	7.4	1.9	7.99	1.76
- Interbank loans		1.8		1.76
- Interbank repo	6.5		7.13	
Loans and advances provided to customers	16.2	9.6	16.95	11.37
Held for trading and available for sale securities	13.2	6.8	13.68	
Liabilities				
Liabilities to banks and other financial institutions	9.1	3.9	8.51	5.52
Liabilities to Customers	6.0	4.2	4.99	5.74

3)Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

The Bank's sensitivity to the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the

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

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

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

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

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

Price Risk

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

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

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

Liquidity Risk

1)The Bank's definition of Liquidity Risk

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

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

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

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

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

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

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

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

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

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



Liquidity Risk Assessment

Over the 3rd quarter of 2017, the instant liquidity indicator has decreased by 7.54, up to 90 day accumulative liquidity indicators and general (up to one year) liquidity indicators have decreased by 34.74 and 12.48 percent respectively.

Accounting period

30/06/2017

thous. AMD

Item	Non-performing		Repayment date in					Termless	Total	
	Term	Overdue	On -demand	up to 3 months	3- 6months	6 -12 months	1- 5 years			more than 5 years
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			29,756,237		-	-	-	-	770,000	30,526,237
Standardized precious metal bullions			168,949							168,949
Receivables to banks and other financial institutions			2,565,557	10,258,075	99,999		2,296,368	-	121,896	15,341,895
Held- for trade financial assets				13,168						13,168
Loans and advances provided to customers	944,671	210,343		16,023,459	6,103,891	16,503,196	45,153,425	16438044	-	101,377,029
Securities, including:				-	358,991	1,365,361	12,222,978	6,001,793	84,394	20,033,517
- held for commercial purposes										-
- available for sale						11,863	488,389		84,394	584,646
- held to maturity						49,326				49,326
- sold by repo agreements					358,991	1,304,172	11,734,589	6,001,793		19,399,545
Other receivables	-	-		32,366	-		-	-		32,366
Total	944,671	210,343	32,490,743	26,313,900	6,562,881	17,868,557	59,672,771	22,439,837	976,290	167,493,161
including:										
I group foreign currency	587,211	123,580	14,042,345	14,576,362	1,851,097	10,571,737	25,469,204	9,578,388	121,896	76,921,820
II group foreign currency	-	-	1,601,048	193,927	973	331		-	-	1,796,279
By floating interest rate										-
By fixed interest rate	944,671	180,164	72,873	24,981,438	6,538,986	17,816,111	59,344,487	22,260,162	-	132,138,892
Non-interest		30,179	32,417,870	1,345,630	23,895	52,446	328,284	179,675	976,290	35,354,269
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	1,002,341	28,776,751	1370057	5,137,275	21,423,853	905,910		58,616,187
Liabilities to customers, including	-	-	40,403,151	10,556,723	5,510,200	16,714,768	9,804,344	201,265	12,250	83,202,701
- On-demand deposits			39,509,361	25,436	110	236			12,250	39,547,393
- Term deposits	-	-	37,290	10,531,287	5,510,090	16,714,532	9,804,344	201,265		42,798,808
- Other	-	-	856,500					-		856,500
Held for trade liability				4,979						4,979
Subordinate borrowings				44,735				6,331,255		6,375,990
Liability on current tax				106,515						106,515
Amounts payable				154,669						154,669
Deferred tax liabilities				1,045,841						1,045,841
Other liabilities	-	-	568,675	107,895	10,017	9,403	17	-	-	696,007
Off-balance sheet contingent liabilities	-	-		2,927,257	793,098	4,705,846	3,851,269	126,829		12,404,299
Total	-	-	41,974,167	40,798,108	6,890,274	21,861,446	31,228,214	7,438,430	12,250	150,202,889
including:										
I group foreign currency	-	-	21,459,317	15,424,963	5,097,130	14,831,632	18,114,213	2,793,284		77,720,539
II group foreign currency	-	-	596,308	396,608	208,969	256,525	55,830		-	1,514,240
Major Liabilities			550,295	8,372,566	478,410					9,401,271
By floating interest rate				217,692		403,449	1,094,048			1,715,189
By fixed interest rate	-	-	7,977,506	40,447,027	6,880,147	21,448,358	30,134,149	7,438,430	-	114,325,617
Non-interest	-	-	33,996,661	133,389	10,127	9,639	17	-	12,250	34,162,083
Net liquidity gap	944,671	210,343	(9,483,424)	(14,471,040)	(327,393)	(3,992,889)	28,444,557	15,001,407	964,040	17,290,272
I group foreign currency	587,211	123,580	(7,416,972)	(848,601)	(3,246,033)	(4,259,895)	7,354,991	6,785,104	121,896	(798,719)
II group foreign currency	-	-	1,004,740	(202,681)	(207,996)	(256,194)	(55,830)		-	282,039
Floating interest rate	-	-	-	(217,692)	-	(403,449)	(1,094,048)		-	(1,715,189)
Fixed interest rate	944,671	180,164	(7,904,633)	(15,465,589)	(341,161)	(3,632,247)	29,210,338	14,821,732	-	17,813,275
Accumulative liquidity gap	944,671	1,155,014	(8,328,410)	(22,799,450)	(23,126,843)	(27,119,732)	1,324,825	16,326,232	17,290,272	(44,333,421)

Previous accounting period

31.12.2016

thous. AMD

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

Note 33: "Capital and Capital Adequacy Ratio"

The Bank does not have defined internal requirements for the capital level. The Central Bank of RA set forth a 12% capital adequacy ratio to risk weighted Risk weight for all Armenian banks. The Central bank of Armenia has also defined a minimum amount for total capital forming AMD 30,000,000 thousand. During the accounting period, the Bank has met the established standard requirements on the capital level.

We present the structure of balance sheet capital:

	30/09/2017	31/12/2016
Chartered capital	4,631,333	4,631,333
Emission income/loss	9,110,850	9,110,850
Undistributed shares emission		
Repurchased shares		
Reserves:	14,336,061	13,680,889
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,573,741	4,516,414
Undistributed profit/loss	3,762,320	3,164,475
Total capital	28,078,244	27,423,072

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

2017.0	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	21,861,831	8,574,191	30,436,022	113,280,494	1,922,054	23.54	12
February	21,716,419	8,525,349	30,241,768	112,847,591	2,117,346	23.18	12
March	21,712,679	8,577,987	30,290,666	119,382,327	2,013,526	22.25	12
April	21,875,537	9,019,296	30,894,833	116,733,043	2,167,424	22.92	12
May	22,063,011	9,895,885	31,958,896	120,818,311	2,147,759	23.04	12
June	22,011,258	9,827,185	31,838,443	127,841,690	2,421,169	21.51	12
July	21,671,221	9,700,332	31,371,553	146,589,188	2,337,423	18.89	12
August	21,952,445	9,623,357	31,575,802	149,820,578	2,396,141	18.60	12
September	22,089,828	9,580,000	31,669,828	155,296,711	2,399,452	18.07	12

2016.0	Involved in calculation standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	9,095,261	4,373,962	13,469,223	76,128,312	1,133,562	15.74	12
February	9,042,546	4,410,062	13,452,608	76,241,571	1,150,107	15.67	12
March	11,108,092	4,515,227	15,623,319	76,837,377	1,089,318	18.18	12
April	13,185,015	6,326,860	19,511,875	85,471,098	1,131,265	20.56	12
May	13,297,342	6,460,828	19,758,170	86,883,725	1,280,648	20.25	12
June	13,656,500	6,430,162	20,086,662	87,238,818	1,394,010	20.32	12
July	13,282,766	6,486,383	19,769,149	90,403,480	1,479,717	19.24	12
August	14,762,811	6,941,684	21,704,495	91,497,364	1,593,435	20.72	12
September	19,069,896	7,779,145	26,849,041	104,227,870	1,703,260	22.67	12
October	19,446,037	8,016,628	27,462,665	101,511,172	1,885,466	23.43	12
November	20,035,190	8,131,950	28,167,140	106,815,870	1,830,603	23.08	12
December	21,661,334	8,500,076	30,161,410	109,568,985	1,835,212	24.16	12

We hereby present the weight of risks of Risk weight and off-balance sheet contingent liabilities, incomplete term operations as of the end of current and previous accounting periods, per the classes of risk weights under Charter 2 approved by the Board of CBA

As of 30.09.2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	54,582,420	313,089		-
10%	4,636,770			463,677
20%	2,077,370			415,474
30%	220,745			66,224
35%	1,775,298			621,354
50%	2,396,167			1,198,084
75%	723,329			542,497
100%	54,363,504	4,078,770		58,442,274
150%	59,062,688	4,541,164	88,683	95,538,803
Total	179,838,291	8,933,023	88,683	157,288,386

As of 31.12.2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	40,406,217	269,458		-
10%	4,506,902			450,690
20%	8,115,862			1,623,172
30%	2,880,019			864,006
35%	1,295,603			453,461
50%	3,072,346			1,536,173
75%	394,898			296,174
100%	45,070,996	2,581,781		47,652,777

150%	41,862,054	1,663,522	8,197	65,300,660
Total	147,604,897	4,514,761	8,197	118,177,112

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

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

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

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

As of 30.09.17 the following methods and assessments were used by the Bank during the evaluation of fair value of each class of financial instrument.

Cash and Balances with the CBA

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

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

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

Resources attracted from banks and other financial institutions

The balance sheet value is close to the fair value.

Customer deposits and bank accounts

The balance sheet value is close to the fair value.

As of 30.09.17, the Bank had no financial assets accounted for by the amount exceeding their fair values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.09.17 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.09.17 there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

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

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Collateral type	30/09/2017		31/12/2016	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	38,877,390	157,061,399	30,857,019	137,609,539
Car	1,599,779	8,298,670	2,320,991	10,787,240
Equipment	565,740	4,391,548	209,980	1,357,839
Ready made products	864,796	2,037,253	717,281	2,332,566
Guarantee	29,551,733	129,019,861	23,073,944	116,615,964
Monetary funds	478,042	2,314,498	227,411	1,864,929
Gold items	8,023,385	10,573,892	7,062,796	9,092,622
Standard golds				
State securities				
Securities issued by the CBA			-	-
Other securities	134,965	381,990		
Other pledge	5,119,547	7,719,355	1,895,428	560,584
No collateral available	17,784,042		10,214,483	
Total	102,999,419	321,798,466	76,579,333	280,221,283

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

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

Chief executive officer

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 13.10. 2017