

Interim Report
On Financial Results
31.12. 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	35,975,312	21,909,495
1.2	Standard bank precious metal bullions and coins		18,356	443
1.3	Due from banks and other financial institutions	14	17,176,991	22,947,481
1.4	Held for trade financial assets			1,765
1.5	Loans and advances provided to customers	16	104,216,554	75,047,659
1.6	Available-for-sale assets	17	2,036,091	2,879,255
1.6.1	Securities pledged under repurchase agreement	17.1	19,619,097	13,169,605
1.7	Prepayments on profit tax	17.2		38,826
1.7	Held to maturity investments	18	49,618	
1.9	Non-current assets held for sale		75,000	75,000
1.10	Fixed assets	20	9,304,697	8,437,062
1.10.1	Intangible assets	20	321,118	231,263
1.12	Other assets	21	2,010,252	1,444,504
	Total assets		190,803,086	146,182,358
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	59,037,257	44,301,222
2.2	Liabilities to Customers	23	92,709,749	66,801,778
2.3	Subordinate borrowing	23.1	6,409,601	5,400,172
2.4	Liabilities on current taxes		373,529	
2.5	Securities issued by the Bank	24	1,068,764	
2.6	Held for trading financial liabilities	25	7,706	1,306
2.7	Amounts payable	26	155,684	111,155
2.8	Deferred tax liabilities	11	1,096,003	1,025,222
2.8	Reserves	30		
2.9	Other liabilities	27	916,185	972,085
	Total liabilities		161,774,478	118,612,940
3	Capital			
3.1	Chartered capital	28	13,708,745	4,631,333
3.2	Emission income		33,438	9,110,850
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		4,689,054	4,516,414
3.4	Undistributed profit(loss)		4,597,371	3,310,821
	Total capital		29,028,608	27,569,418
	Total liabilities and capital		190,803,086	146,182,358

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 12 January 2018

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Item	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	3,896,392	14,121,977	3,145,800	11,359,949
Interest and similar expenses	3	(1,866,447)	(7,141,799)	(1,583,461)	(5,856,079)
Net interest and similar income		2,029,944	6,980,178	1,562,339	5,503,870
Income as commissions and other fees	4	676,743	2,041,823	437,886	1,479,985
Expenses as commissions and other fees	4	(288,237)	(601,361)	(114,234)	(365,689)
Net commission and other fees		388,507	1,440,462	323,652	1,114,296
Dividend income		-	1,172		-
Net commercial income	5	512,038	1,365,618	415,193	945,412
Other operational income	6	91,622	440,061	260,107	540,513
Operational income		3,022,111	10,227,491	2,561,291	8,104,091
Net allocations to possible asset loss provisions	7	156,991	(155,679)	(148,109)	(560,712)
Total administrative expenses	8	(1,750,557)	(5,887,469)	(1,552,240)	(4,016,905)
Other operational income	9	(534,229)	(2,149,665)	(644,100)	(2,750,562)
Operational profit		894,316	2,034,678	216,842	775,912
Profit/ loss from associated company	10	-	-	-	-
Profit/loss before taxation		894,316	2,034,678	216,842	775,912
Profit tax expenses(compensation)	11	(324,435)	(485,259)	(32,806)	(185,541)
Profit for period		569,881	1,549,419	184,036	590,371

Chairman of the Executive Board(CEO)

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Interim Report
On Other Comprehensive Financial Results
31.12.2017.

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Current interim period	Accounting period	Previous comparable current interim period	Previous period
Other comprehensive financial results					
Revaluation of financial assets available for sale		171,114	349,125	195,056	1,685,340
Hedging of cash flows		-	-	-	-
Profit from revaluation of non- current assets		0	296	50,025	4,137,161
Profit tax on other comprehensive income		(34,223)	(69,884)	(49,016)	(1,164,500)
Revaluation of associated company's financial assets available for sale				-	
Other comprehensive financial result after taxation		136,891	279,537	196,065	4,658,001
Comprehensive financial result		706,772	1,828,956	380,101	5,248,372

Chairman of the Executive Board(CEO)
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Approval date: 12 January 2018

Interim Report
On Equity Changes
31.12.2017
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Equity elements	Chartered capital			Emission Income/loss	Main reserve	Revaluation of financial assets available for sale	Profit from revaluation of non-current assets	Undistributed profit/(loss)	Total	Total capital
	Chartered capital	Advances from share emission	Net amount							
Articles	1		3	4	5	7	9	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)										
31/12/2016	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			-	-	-	-	-	-	-	-
Recalculated balance	2,333,338	4,001,688	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	15,000,076
Transactions with shareholders (owners) regarding to shares, including:	2,297,995	-	2,297,995	9,110,850	-	-	-	356,836	11,765,681	11,765,681
Investments in chartered capital and other increase of chartered capital	1,195,030		1,195,030	4,919,583	-	-	-		6,114,613	6,114,613
Equity increase as a result of consolidation with BTA BANK	1,102,965	-	1,102,965	4,191,267	-	-	-	356,836	5,651,068	5,651,068
Comprehensive income			-	-	-	1,348,272	3,309,729	590,371	5,248,372	5,248,372
Dividends			-	-	-	-	-	(443,023)	(443,023)	(443,023)
Other Increase(decrease) of equity elements including:	-	(4,001,688)	(4,001,688)	-	-	-	-	-	(4,001,688)	(4,001,688)
Prepayments for shares emission		(4,001,688)	(4,001,688)						(4,001,688)	(4,001,688)
Internal movements including:			-	-	-	-	(45,287)	45,287		
Decrease of value from revaluation of fixed assets and intangible assets							(45,287)	45,287		
Balance as of the end of the interim accounting period 31.12.2016 (audited)	4,631,333	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,442	3,310,816	27,569,418	27,569,418
Interim period of the current year (ascending from the beginning of the year) (II table)										
Balance as of the beginning of the financial year as of 01 January 2017p. (audited)	4,631,333	-	4,631,333	9,110,850	6,000,000	1,251,977	3,264,437	3,310,821	27,569,418	27,569,418
Overall result of the amendments of accounting policy and adjustments of main errors	-		-	-	-	-	-	-	-	-
Comprehensive income			-	-	-	279,300	237	1,549,419	1,828,956	1,828,956
Dividends			-	-	-	-	-	(370,507)	(370,507)	(370,507)
Other Increase (decrease) of equity elements including	-	-	-	-	-	-	-	-	-	-
Prepayments for shares emission			-	-	-	-	-	-	-	-
Internal movements including:	9,077,412	-	9,077,412	(9,077,412)	-	-	(106,897)	107,638	741	741
Decrease of value from revaluation of fixed assets and intangible assets			-	-	-	-	(106,897)	106,897		
Internal movements of other equity elements	9,077,412		9,077,412	(9,077,412)				741	741	741
Balance as of the end of the interim accounting period 31.12.2017 (unaudited)	13,708,745	-	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608	29,028,608

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M. Poghosyan

Approval date: 12 January 2018

Interim Report
On the Cash Flows
31.12.2017թ
ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

Thous. AMD

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		3,253,819	2,825,200
Interest received		13,529,470	12,521,035
Interest paid		(6,605,182)	(5,998,448)
Fees earned		2,542,689	2,008,093
Fees paid		(531,442)	(470,299)
Gain/ loss from financial assets held for commercial purposes)		(29,728)	(20,168)
Gain/ loss from foreign exchange		769,643	718,006
Recovery of previously written-off assets		597,495	381,894
Paid salaries and similar payments		(3,772,596)	(3,740,288)
Other income received from operations and other expenses paid		(3,246,530)	(2,574,625)
Cash flows from changes in operational assets or liabilities			
Decrease/(increase) in operational assets		(38,773,148)	(24,368,337)
Due from financial institutions		(4,259,087)	(7,828,002)
Loans and advances to customers		(29,830,756)	(9,543,789)
Securities held for commercial purposes and available for sale		(4,637,734)	(5,352,388)
Other operational assets		(45,571)	(1,644,158)
Increase/ decrease in operational assets		31,487,400	8,268,066
Liabilities to financial institutions		10,217,379	1,758,630
Liabilities to customers		21,181,775	6,150,413
Decrease in other operational liabilities		88,246	359,024
Net cash flows from operations before profit tax		(4,031,929)	(13,275,070)
Paid profit tax		(123,986)	(60,201)
Net cash flows from operations		(4,155,915)	(13,335,271)
2. Cash flows from investments increase(decrease)			
Capital investments in fixed assets and intangible assets		(533,378)	(581,280)
Acquisition of fixed assets and intangible assets		(1,128,425)	(595,077)
Disposal of fixed assets and intangible assets		81,359	1,043,755
Net cash flows from other investments		-	1,145,316
Net cash flows from investments		(1,580,444)	1,012,714
3. Cash flows from financial operations			
Dividends paid		(354,828)	(450,669)
Increase(decrease) of borrowings from the Central Bank Of Armenia		1,412,163	257,621
Increase (decrease) of borrowings from banks		(2,154,139)	114,640
Increase (decrease) of other borrowings		8,944,646	11,880,995
Increase(decrease) of securities issued by the Bank		1,066,350	-
Shareholders' investments in chartered capital			6,114,613
Net cash flows from other financial operations			(1,145,316)
Net cash flows from financial operations		8,914,192	16,771,883
Impact of foreign exchange on cash and equivalents		587,167	59,913
Net increase(decrease) of cash and equivalents thereof		3,177,833	4,449,326
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	35,824,829	32,059,829

Chairman of the Executive Board(CEO)

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Approval date: 12 January 2018

M. Poghosyan

Note 3: "Net Interest and Similar Income"



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	01/10/2017- 31/12/2017	01/01/2017- 31/12/2017	01/10/2016- 31/12/2016	01/01/2016- 31/12/2016
Interest and similar income				
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	100,667	346,915	75,112	139,121
Interest income from loans and advances to customers	3,154,768	11,317,743	2,504,789	9,408,361
Interest income from debt securities	562,418	2,118,183	455,705	1,463,126
Interest income from REPO agreements	74,672	307,528	102,112	337,872
Other interest income	3,866	31,608	8,082	11,469
Total	3,896,391	14,121,977	3,145,800	11,359,949
Interest and Similar Expenses				
Interest expenses from the Banks' current accounts deposits and loans allocated in banks and other financial institution	539,685	2,259,449	483,671	1,228,814
Interest expenses on terms deposits and current accounts of customers	866,454	3,252,389	799,465	3,103,752
Interest expenses on securities issued by the Bank	-	-	-	-
Interest expenses under REPO agreements	246,408	853,694	140,011	658,428
Interest expenses on subordinate borrowings	196,623	734,976	160,314	612,305
Interest expenses against the interest securities issued by the Bank.	15,962	15,962	-	-
Other interest income	1,315	25,329	-	15,153
Total	1,866,447	7,141,799	1,583,461	5,856,079
Net interest and similar income	2,029,944	6,980,178	1,562,339	5,503,870

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

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	01/10/2017- 31/12/2017	01/01/2017- 31/12/2017	01/10/2016- 31/12/2016	01/01/2016- 31/12/2016
Commission and Other Fee Income and Expenses				
Cashier's operations	61,031	178,594	45,110	152,409
Settlement services	358,079	1,208,080	291,799	1,181,605
Guarantees, warranties, letters of credit operations, trust management operations	39,595	98,957	11,299	31,890
Foreign currency and security operations	566	3,318	1,186	6,839
Payment card servicing	37,397	114,799	33,210	106,232
Loan operations	-	-	5,331	-
Other commission fees	180,078	438,076	49,952	1,010
Total	676,746	2,041,824	437,886	1,479,985
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	1,040	1,726	613	5,024
Expenses for payment card operations	47,998	157,504	39,121	302,321
Guarantees, warranties, letter of credit operations, trust management operations	30,981	69,833	7,345	-
Foreign currency and security operations	17,872	40,451	11,983	39,666
Other commission fees*	190,348	331,848	55,172	18,678
Total	288,239	601,362	114,234	365,689
Net commission and other fees received	388,507	1,440,462	323,652	1,114,296

* 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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	01/10/2017- 31/12/2017	01/01/2017- 31/12/2017	01/10/2016- 31/12/2016	01/01/2016- 31/12/2016
Held-for-trading investments				
Net income from sale/purchase of held-for-trading investments, including:	24,644	38,321	(8,997)	(17,691)
Derivatives	24,644	38,321	(8,412)	(17,691)
Net income from changes in real value of available for sale investments	(159,495)	(269,982)	(1,202)	(132,568)
Total	(134,851)	(231,661)	(10,199)	(150,259)
Available for sale investments				
Net income from sale/purchase of available for sale investments including:	223,094	533,283	230,518	295,841
Derivatives	-	-	95,052	95,052
Debt securities	223,094	533,283	135,466	200,789
Net income from changes in real value of available for sale investments	-	-	-	197,885
Total	223,094	533,283	230,518	493,726
Foreign currency operations				
Net income from foreign currency sale/purchase	245,519	769,641	192,933	659,504
Net income from foreign currency sale/purchase	167,582	276,643	1,941	(57,559)
Net income from the sale/purchase of precious standardized bullions and coins	10,003	10,965	-	27
Net income from revaluation of precious standardized bullions and coins	691	6,747	-	6
Total	423,795	1,063,996	194,874	601,978
Net income from commercial operations	512,038	1,365,618	415,193	945,445

Note 6 : "Other Operational Income"



	Thous. AMD			
	01/10/2017- 31/12/2017	01/01/2017- 31/12/2017	01/10/2016- 31/12/2016	01/01/2016- 31/12/2016
Other operational expenses				
Income from penalties and fines	69,886	365,300	113,273	404,075
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	(3,677)	(17,969)	129,317	82,573
Net income from revaluation of intangible assets and reversal of depreciation	-	-	-	-
Other income*	25,413	92,730	17,517	53,832
Total	91,622	440,061	260,107	540,480

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

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

	Thous. AMD			
	01/10/2017- 31/12/2017	01/01/2017- 31/12/2017	01/10/2016- 31/12/2016	01/01/2016- 31/12/2016
Due from banks (Note 14)				
Initial balance			-	
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance				
Due from financial institutions (Note 14)				
Initial balance	11,223	23,974	3,151	5,049
Net deductions to reserve	(5,465)	14,039	(3,151)	(5,049)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve		(32,255)		
Summary balance	5,758	5,758	-	-
From loans and advances to customers (Note 16)				
Initial balance	1,622,392	1,546,483	1,337,934	1,002,391
Net deductions to reserve	(150,345)	138,604	162,557	569,311
Return of amounts previously charged to off balance item	203,282	592,207	60,699	519,122
Usage of reserve	(70,209)	(672,174)	(378,822)	(908,456)
Summary balance	1,605,120	1,605,120	1,182,368	1,182,368
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	16,833	13,854	11,673	3,167
Net deductions to reserve	(1,181)	3,036	(11,297)	(3,550)
Return of amounts previously charged to off balance item		85		759
Usage of reserve	(12)	(1,335)		
Summary balance	15,640	15,640	376	376
Post-balance sheet items containing loan exposures (note 30)				
Initial balance				
Initial balance				
Summary balance	-	-	-	-
Total net deductions to reserves	(156,991)	155,679	148,109	560,712

Note 8: "Total administrative expenses"



Thous. AMD

Total administrative expenses	01/10/2017-31/12/2017	01/01/2017-31/12/2017	01/10/2016-31/12/2016	01/01/2016-31/12/2016
Salary and similar payments	1,148,014	3,787,976	1,081,079	3,303,682
Allocations to social insurance state fund	-	159	480	1,850
Training and tutorship expenses	2,901	8,741	-	240
Business trip expenses	13,611	77,241	4,022	48,404
Operational leases expenses	156,680	584,034	135,411	481,037
Insurance costs	32,886	112,136	24,110	97,125
Servicing and maintenance of the Bank's equipment	64,381	215,562	53,537	180,685
Maintenance and safekeeping of Bank buildings	139,379	373,958	67,711	235,991
Audit and consulting services	26,114	79,246	7,424	27,622
Communication and transmission costs	22,249	98,972	29,718	126,981
Transportation costs	40,044	134,758	32,594	109,977
Taxes (except income tax) penalties and other mandatory payments	61,314	264,505	66,420	248,391
Office and organizational expenses	24,782	78,476	32,895	94,157
Expenses from loan provision and recovery	-	-	-	170
Other administrative expenses	18,202	71,705	16,839	60,871
Total	1,750,557	5,887,469	1,552,240	5,017,183

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

	01/10/2017-31/12/2017	01/01/2017-31/12/2017	01/10/2016-31/12/2016	01/01/2016-31/12/2016
Average number of Bank employees	872	937	942	883
Monthly average salary falling to a single employee (thousand AMD)	424	331	374	326

Note 9: "Other Operational Expenses"

Other operational expenses	01/10/2017-31/12/2017	01/01/2017-31/12/2017	01/10/2016-31/12/2016	01/01/2016-31/12/2016
Paid fines and penalties	-	439	-	307
Payments made for collection	86,250	345,000	86,249	304,683
Advertising and representative expenses	144,492	689,670	293,053	492,075
Expenses from factoring	-	-	-	-
Amortization costs of fixed assets and intangible assets	168,076	614,535	146,588	552,970
Losses from depreciation of assets	-	-	-	-
Allocations to the Fund of Recovery of Deposits	50,773	172,232	41,074	104,876
Other expenses	84,638	327,789	77,136	295,373
Total	534,229	2,149,665	644,100	1,750,284

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

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

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

Note 11: "Profit Tax Expenses (Reimbursement)"



Thous. AMD				
Profit tax expenses	01/10/2017-31/12/2017	01/01/2017-31/12/2017	01/10/2016-31/12/2016	01/01/2016-31/12/2016
Current tax expenses	335,800	539,376	56,289	213,055
Corrections of current taxes for the previous period recognized in the current period	-	(82,996)	-	6,314
Deferred tax expenses	(11,365)	28,879	(23,483)	(33,828)
Total	324,435	485,259	32,806	185,541

	01/10/2017-31/12/2017	Efficient rate(%)	01/01/2017-31/12/2017	Efficient rate(%)	01/10/2016-31/12/2016	Efficient rate(%)	01/01/2016-31/12/2016	Efficient rate(%)
Profit before taxation	894,316		2,034,678		216,842		775,912	
Profit tax with rate	178,863	20	406,936	20	(39,171)	20	155,182	20
Corrections of income and expenses for taxation purposes against non temporary differences								
Non-taxable income	234	0.03	234	0.01	(25)	0.01	(101)	(0.01)
Non-deductible expenses	182,751	20.27	203,437	9.87	75,402	(38.50)	23,310	3.00
Unevaluated tax loss						-		-
Foreign currency negative/positive difference	(33,654)	(3.60)	(56,678)	(2.65)	(387)	0.20	11,510	1.74
Profit from other revaluations						-		-
Corrections of calculated tax expenses of the previous year	-	-	(55,692)	(3)	-	-	8,313	1
Other privileges	(3,759)	(0.42)	(12,978)	(0.64)	(3,013)	1.54	(12,673)	(1.63)
Profit tax expenses	324,435	34.90	485,259	23.85	32,806	(16.75)	185,541	23.91

Calculation of deferred tax on temporary differences

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	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	182,792	(30,713)	-	152,079
Loans and borrowings to customers	77,825	(52,867)		24,958
Other liabilities	104,967	22,154		127,121
Deferred tax liabilities, including:	(1,208,014)	1,834	(41,902)	(1,248,082)
Available for sale securities	(340,918)		(41,902)	(382,820)
Fixed assets	(10,339)	14,560		4,221
Revaluation of fixed assets	(825,976)	36,535		(789,441)
Held- to maturity investments		(194)		(194)
Contingent liabilities	(13,805)	(32,076)		(45,881)
Claims to banks and other financial institutions	(16,976)	(16,991)		(33,967)
Net deferred tax asset/liability	(1,025,222)	(28,879)	(41,902)	(1,096,003)

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

Thous. AMD				
Basic profit falling to a single share	01/10/2017-31/12/2017	01/01/2017-31/12/2017	01/10/2016-31/12/2016	01/01/2016-31/12/2016
Net profit of the accounting period after taxation	569,881	1,549,419	184,036	590,371
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	569,881	1,549,419	184,036	590,371
Net weighted average number of common shares in circulation during the given period	1,852,533	1,852,533	1,852,533	1,852,533
Basic profit falling to a single share	0.31	0.84	0.10	0.32

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

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

Thous. AMD

Cash, cash equivalents and balances with the CBA	31/12/2017	31/12/2016
Cash monetary funds	7,706,567	6,065,937
Other money placements	1,730,888	2,778,649
Correspondent accounts with the CBA*	25,017,857	10,044,520
Deposit accounts with the CBA		1,500,000
Funds deposited with the CBA**	1,520,000	1,520,000
Other liabilities to the CBA		
Accrued interests		389
Cash and balances with the CBA	35,975,312	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 and Cash Equivalents	31/12/2017	31/12/2016
Cash and cash equivalent payment documents	9,437,455	8,818,129
Correspondent accounts with the CBA	25,017,857	10,044,520
Deposit accounts with the CBA		-
Correspondent accounts with resident banks	9,633	3,494
Correspondent accounts with non- resident banks	1,359,884	13,193,686
Total cash and cash equivalents	35,824,829	32,059,829

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

Thous. AMD

Current accounts	31/12/2017	31/12/2016
with RA banks	9,633	3,494
with banks having BBB(Baa3) and higher ratings	549,134	10,049,675
with banks having ratings lower than BBB (Baa3) or no rating at all	810,434	3,143,735
Accrued interest	318	276
Total	1,369,519	13,197,180
with RA banks		
Loans and deposits	6,343,868	1,747,023
REPO (re-purchase) agreements		
Other	255,982	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	399,882	106,758
Accrued interest	2,763	1,002
Total	7,002,495	2,106,358
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	8,372,014	15,303,538

Loans and deposits with Financial Institutions and other receivables	31/12/2017	31/12/2016
with RA Financial Institutions:		
Loans and deposits	3,851,953	2,461,135
REPO (re-purchase) agreements	4,290,108	4,547,541
Other	124,641	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	525,273	455,811
Accrued interest	18,760	19,529
Total	8,810,735	7,667,917
Possible loss provision for receivables due to Financial Institutions (Note 7)	(5,758)	(23,974)
Net receivables to Financial Institutions	8,804,977	7,643,943
Net receivables to banks and Financial Institutions	17,176,991	22,947,481

** As of 31.12.2016 and 31.12.2017 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 111.277 (AMD 53.726 thousand on 31.12.16, AMD 53.869 thousand on 31.12.2017) in Visa International and USD 146.192 (AMD 130.175 on 31.12.2016 and AMD 70.772 on 31.12.2017) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

'Financial assets held for commercial purposes'

Thous. AMD

Financial assets held for commercial purposes	31/12/2017	31/12/2016
Derivative Instruments		
Forward		90
Swap		1,675
Total		1,765

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

Thous. AMD

Provided Loans and other Borrowings	31/12/2017	31/12/2016
Loans, including:	94,533,268	68,878,672
Mortgage loans	6,436,464	4,140,142
Credit cards	10,514,788	7,087,347
Factoring		
with re-purchase agreements		
Accrued interest on the mentioned items	773,618	613,314
Total loans	105,821,674	76,579,333
Reserve for possible loss of customer loans and advances (note 7)	(1,605,120)	(1,531,674)
Net total loans	104,216,554	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	31/12/2017		31/12/2016	
	Amount	Quantity	Amount	Quantity
Loans and advances, including:	105,821,674	77,382	76,594,142	39,170
performing loans	103,780,769	76,885	73,891,728	38,412
depreciated (non- performing) loans and borrowings, including:	2,040,905	497	2,702,414	758
overdue	295,092	474	261,904	680
restructured	411,281	8	404,396	3
refinanced				
Total loans	105,821,674	77,382	76,594,142	39,170
Reserve for possible loss of customer loans and advances (note 7)	(1,605,120)		(1,546,483)	
Net total loans	104,216,554		75,047,659	

Thous. AMD

Analyses of provided loans and advances per customers	31/12/2017	31/12/2016
State industries	601,881	267,373
Private industries, including:	51,729,388	40,855,400
major enterprises	25,887,334	15,870,998
small and medium enterprises	25,842,054	24,984,399
small and medium enterprises	62,710	56,881
Individuals, including:	48,605,916	31,199,883
consumer loans	29,409,643	16,217,226
mortgage loans	6,436,464	4,140,142
credit cards	10,452,078	7,030,466
Private entrepreneurs	4,110,871	3,658,172
Accrued interest	773,618	613,314
Total loans	105,821,674	76,594,142
Reserve for possible loss of customer loans and advances (note 7)	(1,605,120)	(1,546,483)
Net total loans	104,216,554	75,047,659

Thous. AMD

Loan liabilities on 20 major borrowers and related parties	31/12/2017	31/12/2016
Balance sheet	41,196,154	33,533,512
Balance of off-balance sheet contingent liabilities	17,023,207	3,721,428
Total	58,219,361	37,254,940
Loan investments	104,216,554	75,047,659
Percentage ratio in loan portfolio	56%	50%
Total normative capital	32,270,581	30,161,410
Percentage correlation to capital	180%	124%

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

Loan Investments	31/12/2016	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan	3,141,109	263
GAF micro and small private enterprises loan program of RA Government		
GAF "Renewable Energy Development" program	93,019	1
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program		
Co-financing		
IFC		
EBRD "Syndicated loan" 1st loan program		
EBRD "Syndicated loan" 2nd loan program	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 վարկալին ծրագիր	205,004	4
Asian Development Bank commercial financing program		
ADB/TFP/IBA/RCA ADB/TFP/IBA/RCA	301,849	12
BLUE ORCHARD SME loan program	535,462	28
EBRD trade promotion program	94,354	6
MSMEBondsSA/MSME	341,015	21
Mortgage Loans, 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)	31/12/2017	Percentage	31/12/2016	Percentage
Industry	17,376,611	16.42	14,008,241	18.29
Agriculture	942,959	0.89	1,386,537	1.81
Construction	6,520,193	6.16	4,866,213	6.35
Transportation and communication	443,497	0.42	393,848	0.51
Commerce	16,555,614	15.64	11,343,638	14.81
Consumer	41,531,676	39.25	24,569,138	32.08
Mortgage loans	6,468,965	6.11	4,162,002	5.43
Service	11,372,761	10.75	10,340,194	13.50
Other	4,609,398	4.36	5,524,331	7.21
Total	105,821,674	-	76,594,142	100

Breakdown of loan portfolio per customer residency	31/12/2017	Percentage	31/12/2016	Percentage
RA residents	103,410,682	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	32,254	0	2,358	0
Russia	32,254	0	2,358	0
Accrued Interest	773,618	1	613,314	1
Total	104,216,554	100	75,045,301	100

Note 17: "Held for trading financial assets"



	Thous. AMD	
	31/12/2017	31/12/2016
T-bills		
RA Governmental T-bills		
Treasury bonds	1,532,076	2,379,734
Total T-bills	1,532,076	2,379,734

	Thous. AMD			
	31/12/2017		31/12/2016	
	listed	unlisted	listed	unlisted
RA non-state securities				
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	419,621		416,305	
Short term debt instruments				
Capital instruments		83,971		83,971
Total non-state securities of RA	419,621	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	419,621	79,280	416,305	79,280

	Thous. AMD			
	31/12/2017		31/12/2016	
	listed	unlisted	listed	unlisted
Non-governmental securities of other countries				
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	1,951,697	84,394	2,796,039	83,216

Investments in share capital of other entities as of 31.12.2017

	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	ՀՀ	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	
	31/12/2017	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	20,511,989	13,224,755

Note 18: "Held-to maturity Investments"

	31/12/2017	31/12/2016
RA banks	49,618	
Total	49,618	

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 at the end of the previous period 31/12/2016	6,531,197	2,142,794	635,197	1,775,950	328,420	216,011	11,629,569
Increase	182,362	384,310	178,689	254,588	467,858	65,520	1,533,327
Disposal			(99,328)				(99,328)
Reclassification	412,965	4,721		(6,021)	(398,626)	(13,039)	-
Written-off**		(134,836)		(86,755)		(6,418)	(228,009)
Balance at the end of the previous period 31/12/2017	7,126,524	2,396,989	714,558	1,937,762	397,652	262,074	12,835,559
Balance of accumulated amortization at the end of the previous period 31/12/2016	118,019	1,617,140	177,176	1,208,900	-	71,272	3,192,507
Increase	172,568	176,559	74,881	143,340		8,286	575,634
Disposal			(33,266)				(33,266)
Written-off		(121,348)		(76,566)		(6,099)	(204,013)
Balance of accumulated amortization at the end of the accounting period 31/12/2017	290,587	1,672,351	218,791	1,275,674	-	73,459	3,530,862
Net balance sheet value							-
at the end of the accounting period	6,835,937	724,638	495,767	662,088	397,652	188,615	9,304,697
at the end of the 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 the previous period 31/12/2016	161,158	213,407	50	51,661	-	426,276
Increase	28,050	100,707				128,757
Disposal						
Written-off						-
Balance at the end of accounting period 30/09/2017	189,208	314,114	50	51,661	-	555,033
Balance of accumulated amortization at the end of previous period 31/12/2016	66,397	97,625	40	30,951	-	195,013
Increase	9,233	26,648	5	3,015		38,901
Disposal						-
Written-off						-
Balance of accumulated amortization at the end of accounting period 31/12/2017	75,630	124,273	45	33,966	-	233,914
Net balance sheet value						
At the end of the accounting period	113,578	189,841	5	17,695	-	321,119
At the end of the previous accounting period	94,761	115,782	10	20,710	-	231,263

As of 31.12.2017, AMD 499264 thousand total amount worth out-of-use assets were put into use.

As of 31.12. 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 31.12.2017, the value of fully worn-off assets included in the fixed assets was AMD 1097187 thousand, AMD 287812 thous. of which was transferred because of the consolidation of BTA BANK (31.12.2016: AMD 1180752 thous.)

Thous. AMD

	31/12/2017	31/12/2016
Amounts receivable from bank operations		
Amounts receivable from other operations	92,157	37,647
Total	92,157	37,647
Reserve for possible loss provision from bank operations (note 7)	(931)	(3,344)
Net amounts receivable from bank operations	91,226	34,303
Debtor liabilities and prepayments	43,100	42,735
Debtor liabilities on the budget	123	134
Debtor liabilities to suppliers		
Prepayments to employees	114	64
Prepayments to suppliers	919,660	537,666
Prepayments on the budget and mandatory social insurance payments	1,033	628
Other debtor liabilities and prepayments	57,668	37,545
Total	978,598	576,037
Reserve for possible loss provision on other assets (note 7)	(9,786)	(5,733)
Total	968,812	570,304
Other assets		
Reserve	292,446	178,469
Sequestered pledge and available-for-sale assets	283,961	555,100
Future period expenses	245,128	107,933
Other assets	133,602	3,172
Reserve for possible loss provision on other assets (note 7)	(4,923)	(4,777)
Total	950,214	839,897
Total other assets	2,010,252	1,444,504

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

Thous. AMD

	31/12/2017	31/12/2016
Current accounts		
RA Banks	16,931	11,588
Banks having BBB(Baa3) and higher rating		
Banks having rating lower than BBB(Baa3) or no rating at all	2,036	2,144
Accrued interest		
Total	18,967	13,732
Interbank loans and deposits, other		
RA CB		
Loans	4,384,002	2,971,840
REPO (re-purchase) agreements		800,000
Other		
RA Banks		
Loans and deposits	3,143,835	3,959,850
REPO (re-purchase) agreements	19,504,356	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	2,063,894	3,279,956
Other	51,482	38,666
Accrued interest	53,855	83,741
Total	29,201,424	23,555,410
Financial Institutions		
Current accounts	589,927	260,013
Loans and deposits	28,614,348	20,174,983
REPO (re-purchase) agreements		
Other	51,504	25,731
Accrued interest	561,087	271,353
Total	29,816,866	20,732,080
Total liabilities to banks and financial institutions	59,037,257	44,301,222

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

Thous. AMD

Project	31/12/2017		31/12/2016	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	5,667	23	35,874	146
GAF /German Armenian Fund " Micro and small business development program"	4,123,694	10,999	2,820,659	7,543
GAF / "Renewable energy development" program	79,730	2,187	115,306	2,985
GAF / " Access to finance for SMEs " program	174,912	730		
Total	4,384,003	13,939	2,971,839	10,674

Note 23: "Liabilities to Customers"

Thous. AMD

	31/12/2017	31/12/2016
RA Government and local authorities		
Loan		
Other	13,686	6,488
Accrued interest		
Total	13,686	6,488
RA resident corporate entities and institutions		
Current accounts	19,819,695	13,165,390
Term deposits	9,779,836	7,237,588
REPO (repurchase) agreements	991,303	
Other	49,102	35,919
Accrued interest	87,663	56,534
Total	30,727,599	20,495,431
Non-resident corporate entities, institutions		
Current accounts	1,776,082	59,965
Other	50,833	2
Accrued interest	199	
Total	1,827,114	59,967
RA resident private entrepreneurs		
Current accounts	390,186	204,656
Term deposits		
Other	3,935	3,945
Accrued interest		
Total	394,121	208,601
RA resident individuals		
Current accounts	15,027,161	12,546,085
Term deposits	40,132,867	29,952,451
Other	607,271	632,064
Accrued interest	489,252	183,812
Total	56,256,551	43,314,412
non-resident private entrepreneurs		
Current accounts	807,161	564,011
Term deposit	2,609,284	2,106,835
Other	54,773	32,500
Accrued interest	19,460	13,533
Total	3,490,678	2,716,879
Total liabilities to customers	92,709,749	66,801,778

As of 31.12.17, the amount necessary to secure obligations was AMD 2.453.502 thousand.

As of 31.12.17, the amount frozen by court order and tax authorities was AMD 128.725 thousand

Note 23.1 : "Subordinate Borrowing"

The Bank attracted AMD 6.362.550 subordinate borrowing from the shareholder, which participates in the account of additional regulatory capital.

Note 24: "Securities issued by the Bank"

	31/12/2017	31/12/2016
Interest securities issued by the Bank	1,068,764	
Total	1,068,764	-

Note 25: "Liabilities held for Commercial Purposes"

thous. AMD

Liability held for commercial purposes	31/12/2017	31/12/2016
Derivative instruments held for commercial purposes		
Swap		-
Forward		
Other	7,706	1,306
Total	7,706	1,306

Note 26: "Amounts Payable"

thous. AMD

Amounts payable	31/12/2017	31/12/2016
Dividends	104,911	72,789
For insurance of deposit	50,773	38,366
Total	155,684	111,155

Note 27: "Other Liabilities"

thous. AMD

Other liabilities	31/12/2017	31/12/2016
On income tax of non-resident	27,685	16,973
On VAT	1,605	2,606
On other taxes and penalties	168,334	158,274
On social insurance payments		
Salary liabilities to employees	558,840	524,833
Credit debts to suppliers	77,031	59,448
Credit debts to chartered capital increase		
Other liabilities	82,690	209,951
Balance at the end of the period	916,185	972,085

Note 28: "Chartered capital"

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

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

thous. AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	3,882,920.6	28.32	
Sukiasyan Khachatur Albert	1,887,851.0	13.77	
Sukiasyan Robert Albert	1,952,978.4	14.25	
Sukiasyan Eduard Albert	1,460,900.6	10.66	
EBRD	690,671.6	5.04	financial

Note 29: "Other Equity Components"

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

Note 30: "Reserves, Contingencies, Potential Liabilities"



The Bank's legal liabilities: as of 31.12.2017, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 31.12.2017 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

thous. AMD

	31/12/2017	31/12/2016
Unutilized credit lines	16,312,810	5,749,194
Provided guarantees	6,627,763	2,003,652
Provided letters of credit		
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

thous. AMD

Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		653,511
1-5 years		2,357,997
more than 5 years		19,480
Total		3,030,988

Note 31 : "Transactions with Related Parties"

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

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

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

thous. AMD

Loans and advances to customers	31/12/2017	31/12/2016
Initial balance	4,022,925	2,224,782
Loans and advances provided over the year	3,124,640	3,302,350
Bank shareholder	334,472	224,512
Shareholder related entity	1,502,151	1,929,188
Bank manager	1,135,177	1,072,084
Manager related entity	152,840	76,565
Loans and advances repaid over the year	2,947,426	1,504,207
Bank shareholder	279,251	204,012
Shareholder related entity	1,481,377	578,844
Bank manager	1,087,996	677,005
Manager related entity	98,802	44,347
Summary balance *	4,200,139	4,022,925

thous. AMD

Item	31/12/2017	31/12/2016
Interest income	465,556	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 12 months of 2017), including:	27,764,961	2,010,736
Bank shareholder	10,345,660	1,487,351
Shareholder related entity	24,185,201	60,038
Bank manager	2,637,288	363,838
Bank manager related entity	1,124,940	346,460
Amounts received over the accounting period (for 12 months of 2017), including:	27,357,877	2,004,554
Bank shareholder	9,881,933	1,643,706
Shareholder related entity	23,881,924	8,600
Bank manager	2,661,900	336,828
Bank manager related entity	1,103,178	209,137
Exchange rate difference (+/-)	20,833	3,087
Balance as of 31/12/2017p.	1,121,039	7,590,964
Interest expense as of 12 months of 2017	398	829,682

thous. AMD		
Salary or Similar Payment to the Bank Management	31/12/2017	31/12/2016
Board	181,364	153,753
Salary	167,464	140,563
Awarding	13,900	13,190
Executive body	237,136	204,707
Salary	218,136	190,127
Awarding	19,000	14,580
Internal Audit	83,865	87,233
Salary	78,520	80,178
Awarding	5,345	7,055
Total	502,365	445,693

Note 32 : "Minimum Revelations on Financial Risks"

1) The Bank's own definition of credit risk

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

2) The methods of measurement and assessment of credit risk

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

3) Description of models (if available),

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

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

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

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

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

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

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

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

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

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

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

31/12/2017						thous. AMD
Item	RA	CIS countries	OECD* countries*	Non-OECD* countries†	Total	
Assets						
Cash and balances with the CBA	35,975,312				35,975,312	
Due from banks and other financial institutions	15,151,002	1,067,036	866,862	92,091	17,176,991	
Standard bank precious metal bullions and coins	18,356				18,356	
Loans and advances provided to customers	104,184,466	32,088			104,216,554	
Available-for-sale securities	2,030,977		5,114		2,036,091	
Held-to maturity Investments	49,618				49,618	
Securities pledged under repurchase agreement	19,619,097				19,619,097	
Other assets	89,669		1,726		91,395	
Total assets	177,118,497	1,099,124	873,702	92,091	179,183,414	
Off-balance sheet items containing credit risks	22,940,572				22,940,572	
Liabilities						
Liabilities to banks and other financial institutions	35,127,697	42,780	23,761,122	105,658	59,037,257	
Liabilities to customers	87,391,958	1,142,813	3,793,782	381,196	92,709,749	
Total liabilities	122,519,655	1,185,593	27,554,904	486,854	151,747,006	
Net position	54,598,842	(86,469)	(26,681,202)	(394,763)	27,436,408	

31.12.2016						thous. AMD
Item	RA	CIS countries	OECD* countries*	Non-OECD* countries†	Total	
Ավտոհմն						
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	
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:

RA regions	thous. AMD	
	31/12/2017	31/12/2016
Yerevan	80,386,839	62,222,030
Aragatsotn	1,468,600	764,053
Ararat	2,250,197	1,136,665
Armavir	2,333,453	2,044,922
Gegharquniq	2,234,862	1,222,667
Lori	4,635,412	1,452,500
Kotayk	4,407,069	3,535,225
Shirak	3,721,685	1,492,318
Syunik	1,164,788	316,438
Vayots Dzor	645,453	405,721
Tavush	665,049	287,823
Artsakh	303,147	167,298
Total	104,216,554	75,047,659

Analysis of assets containing credit risk per economic segments riskiness:

31/12/2017

thous. AMD

Assets	Performing		Non- Performing							
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	102,625,506	76,885	819,273	302	655,287	112	116,488	83	5,548,085	1,575
Loans provided to non-residents	32,088	1							401	1
Loans provided to residents, including:	102,593,418	76,884	819,273	302	655,287	112	116,488	83	5,547,684	1,574
Industry	17,173,515	180			1,218	1	11,241	1	1,227,094	38
Agriculture	924,081	1,678	180	1					5,728	55
Construction	6,454,991	34							41,040	7
Transport and communication	439,061	15							217,892	10
Trade	15,529,045	842	34,033	8	543,208	5	48,448	1	538,768	99
Public catering and other service fields	11,259,034	94							102,101	5
Consumer loans	40,549,545	73,153	229,420	280	73,795	103	39,274	80	1,459,003	1,170
Other sectors of economy	3,973,893	239	535,602	9					1,717,957	174
Mortgage (housing loans)	6,290,253	649	20,038	4	37,066	3	17,525	1	238,101	16
Debtor liabilities	1,433,980	933	16	5	9	3	5	9	177,928	442
Collection Securities	132,804	8								
Post-balance sheet items, including:	22,940,575	154								
Guarantees	6,627,763	86								
LCs										

31/12/2016

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Assets	Performing		Non- Performing							
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	72,881,860	38,412	1,139,834	414	921,902	225	104,063	119	5,506,370	1,298
Loans provided to non-residents	2,358	2							401	1
Loans provided to residents, including:	72,879,502	38,410	1,139,834	414	921,902	225	104,063	119	5,505,969	1,297
Industry	13,794,070	182	31,772	6	6,001	2	12,493	5	1,237,165	23
Agriculture	1,352,859	4,654	3,341	22	166	1			85,336	88
Construction	4,817,551	31							40,967	6
Transport and communication	347,645	29	38,422	1					218,415	12
Trade	10,362,452	834	36,490	24	631,063	12	4,315	12	521,226	91
Public catering and other service fields	10,221,827	92	634	4	11,388	1			102,683	4
Consumer loans	23,115,944	31,908	429,302	334	243,027	202	77,600	98	1,364,078	883
Other sectors of economy	4,832,658	138	573,308	7	3,763	1	540	1	1,608,989	173
Mortgage (housing loans)	4,034,496	542	26,565	16	26,494	6	9,115	3	327,110	17
Debtor liabilities	752,742	663	139	5	127	4	1,383	4	180,687	18
Collection Securities	87,907	4								
Post-balance sheet items, including:	7,752,846	95								
Guarantees	2,003,652	46								
LCs										

Analysis of credit portfolio as per regions and risk level

31/12/2017

thous. AMD

Assets	Performing	Non- Performing			
	Standard/not risky	Watched/Risky	Non-standard/Medium	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	102,593,418	891,825	655,287	116,488	5,547,684
2. Residents of CIS countries (per countries)	32,088				401
Russia	32,088				401
3. Residents of OECD countries (per countries)					
Germany					
4. Residents on non-OECD countries (per countries)					
5. Total	102,625,506	891,825	655,287	116,488	5,548,085

31/12/2016

thous. AMD

Assets	Performing	Non- Performing			
	Standard/not risky	Watched/Risky	Non-standard/Medium	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)					
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) To rise the efficiency of loan portfolio security, loans at the bank are provided to the extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan loan/pledge ratio factor decreases. The assessment of pledged properties is made by specialized companies with a license for assessment in AMD, loans are also provided in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of Borrower liabilities on the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 31.12.2017 did not exceed 12.11%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 31.12.2017, loan investments without reserves amounted to AMD 105.821.674 Non-performing loans as of 31.12.2017 amounted to AMD 2.040.905. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 0.86%, 0.81% and 0.26% percent.

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

5) The volume of repo transactions (except extensions) affected in the 4th quarter of 2017 was AMD 982,668,280 against AMD 61,053,392 of the same period of the previous year. Reverse repo transactions in the 4th quarter 2017 totalled AMD 429,019,251 against AMD 19,726,149 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

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
31.12.17				
Non-performing loans	2,715,161	Total capital	75,047,659	3.6%
31.12.17				
Non-performing loans	1,591,048	Total capital	104,216,554	1.5%
31.12.16				
Provisions for non-performing	549,362	Total capital	27,569,418	2.0%
31.12.17				
Provisions for non-performing	447,124	Total capital	29,028,608	1.5%
31.12.16				
Reserve for loans	1,546,483	Total loans	75,047,659	2.1%
31.12.17				
Reserve for loans	1,605,120	Total loans	104,216,554	1.5%
31.12.16				
Possible loss provisions	1,546,483	Non-performing	2,715,161	57.0%
31.12.17				
Possible loss provisions	1,605,120	Non-performing	2,038,172	78.8%
31.12.16				
Write-offs-Reimbursements	914,262	Average total loans	94,631,628	1.0%
31.12.17				
Write-offs-Reimbursements	(79,967)	Average total loans	91,436,653	-0.1%
31.12.16 p				
Reimbursements	617,979	Loan losses	914,262	67.6%
31.12.17				
Reimbursements	592,207	Loan losses	- 79,967	-740.6%
31.12.16				
Profit coverage ratio = (net operational income+provisioning expenses)	1,799,678	Net loan loss	914,262	196.8%
31.12.17				
Profit coverage ratio = (net operational income+provisioning expenses)	2,190,357	Net loan loss	(79,967)	-2739.1%
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%
31.12.17				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	7,060,145	Capital	104,216,554	6.8%
31.12.16				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
31.12.17				
Major borrowings	58,219,361	Capital	29,028,608	200.6%

Market Risk

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

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

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

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

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Accounting period	USD	GBP	EUR	CHF	KZT	AED	RUB	GEL	XAU	Gross VAR
2017 III Q	335.43	241.99	130.50	193.65	23.93	169.74	840.99	153.21	5.35	1,035.53
2017 IV Q	484.43	332.69	116.75	182.41	23.98	63.07	586.83	198.42	4.35	1,019.05
growth/decrease	149.00	90.69	-13.75	-11.24	0.06	-106.68	-254.16	45.21	-1.00	-16.48

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

31/12/2017

thous. AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Անհրաժեշտ				
Cash and balances with the CBA	17,018,221	18,123,695	833,396	35,975,312
Bank standardized bullions of precious metals and coins	443	17,913	-	18,356
Receivables to banks and other financial institutions	4,310,025	12,141,328	725,638	17,176,991
Held for trading financial instruments				-
Loans and advances provided to customers	54,195,056	50,020,020	1,478	104,216,554
Available-for-sale financial assets	1,937,530	98,561	-	2,036,091
Held-to maturity investments		49,618		49,618
Securities pledged under repurchase agreements	19,619,097	-	-	19,619,097
Other assets	44,147	47,012	236	91,395
Total assets	97,124,519	80,498,147	1,560,748	179,183,414
Liabilities				
Liabilities to banks and other financial institutions	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
Securities issued by the Bank	100,100	968,664		
Held for trading financial liabilities	7,706			7,706
Liabilities on current taxes	373,529			373,529
Amounts payable	155,684			155,684
Deferred tax liabilities	1,096,003			1,096,003
Other liabilities	814,964	71,140	30,081	916,185
Total liabilities	71,540,809	78,724,309	1,547,631	150,743,985
Net position	25,583,710	1,773,838	13,117	27,370,665

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: RUR, GEL, and AED

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of disbalance shows that the average accumulated disbalance of the 4th quarter of 2017 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 18,264,758 thousand against AMD -909,551 thousand of the same period of the previous year by increasing in absolute value by AMD 17,355,208 or 19 times, that is in average the Bank was sensitive to liabilities in the 4th quarter of 2017. In the 4th quarter of 2017, the average accumulated disbalance has increased in absolute value by AMD 4,500,289 thousand or by 32.7% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 4th quarter of 2017 has increased by 16.4 percentage point, forming 115.6% against 99.2% average value of the 4th quarter of 2016, that is in 4th quarter of 2017 the assets sensitive to interest rate changes have formed 115.6% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 4th quarter of 2017 was 1.442 year (against the 1.256 year as of the 4th quarter of 2016) as it increased by 0.186 year or by 14.8%, as compared with the end of the previous quarter (1.417 year) the mentioned indicator has decreased by 0.025 year or 1.8%.

The duration of liabilities as of the end of the 4th quarter of 2017 was 0.853 year (against 0.661 year of the 4th quarter of 2016) increasing by 0.192 year or 29.1%. In correlation with the end of the previous quarter (0.748) the indicator has increased by 0.105 year or 14.1%.

The duration gap as of the end of the 4th quarter of 2017 was 0.675 (against 0.678 of the 4th quarter of 2016) decreasing by 0.003 or 0.4%. In correlation with the previous quarter (0.754) the indicator has decreased by 0.079 or 10.4%.

Assets and Liabilities with changing interest rates

31/12/2017

thous. AMD

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

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

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

Item	Interest rates of accounting period: 31/12/2017		Interest rates of accounting period 31/12/2016p.	
	AMD	Foreign	AMD	Foreign currency
Assets				
Balance at CBA			4.86	-
Receivables to banks and other financial institutions, including:	7.8	2.0	7.99	1.76
Interbank loans	0.0	2.1		1.76
Interbank REPO	7.0	0.0	7.13	
Loans and advances provided to customers	15.0	9.4	16.95	11.37
Held for trading and available for sale securities	12.3	6.8	13.68	
Liabilities				
Liabilities to banks and other financial institutions	9.5	1.8	8.51	5.52
Liabilities to Customers	5.8	4.0	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 correlation of assets and liabilities accumulative gap to assets.

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

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

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

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

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

Price Risk

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

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

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

Liquidity Risk

1) The Bank's definition of Liquidity Risk

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

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

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

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

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

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

1. Preterm withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities
3. Withdrawal of 25% of all on-demand liabilities.
- 4.4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.

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

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 4th quarter of 2017, the instant liquidity and up to 90 day accumulative liquidity indicators has increased by 13.08 and 21.95 percentage point respectively, and general (up to one year) liquidity indicator has decreased by 2.21 percentpoint.

Accounting period

31/12/2017

thous. AMD

Item	Non-performing		Repayment date in		3- 6 months	6-12 months	1- 5 years	more than 5 years	Termless	Total
	Term	Overdue	On -demand	up to 3 months						
On maturity terms of assets										35,975,312
Cash and cash equivalents, balances with the CBA			34,455,312		-	-	-	-	1,520,000	35,975,312
Standardized precious metal bullions			18,356							18,356
Receivables to banks and other financial institutions			1,435,905	10,629,560	1,647,844	677,740	2,662,547	123,395		17,176,991
Loans and advances provided to customers	898,069	188,363		10,780,643	13,083,705	11,473,465	49,000,242	18792067	-	104,216,554
Securities, including:				1,462,083	1,194	49,618	5,547,014	14,140,881	504,016	21,704,806
- held for commercial purposes										-
- available for sale				364,623	1,194		617,160	549,098	504,016	2,036,091
- held to maturity						49,618				49,618
- sold by repo agreements				1,097,460			4,929,854	13,591,783		19,619,097
Other receivables	-	-		5,167	86,228		-	-		91,395
Total	898,069	188,363	35,909,573	22,877,453	14,818,971	12,200,823	57,209,803	33,056,343	2,024,016	179,183,414
including:										
I group foreign currency	505,836	128,805	19,164,002	8,643,068	9,523,169	5,472,114	26,582,709	10,355,049	123,395	80,498,147
II group foreign currency	1,174	283	1,260,549	298,742				-	-	1,560,748
including:										
By floating interest rate			369,500							369,500
By fixed interest rate	898,069	188,363	2,477,351	20,287,181	14,817,573	12,200,823	56,794,152	33,055,819	291,536	141,010,867
Non-interest			33,062,722	2,590,272	1,398	-	415,651	524	1,732,480	37,803,047
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	711,780	23,120,250	2644661	6,818,603	24,592,550	1,149,413		59,037,257
Liabilities to customers, including	-	-	38,336,996	9,533,698	10,634,916	22,376,395	9,923,984	1,903,760	-	92,709,749
- On-demand deposits	-	-	37,457,203	277,951		236				37,735,390
- Term deposits	-	-	17,443	9,255,747	10,634,916	22,376,159	9,923,984	1,903,760		54,112,009
- Other	-	-	862,350							862,350
Held for trade liability				7,706						7,706
Subordinate borrowings				47,051				6,362,550		6,409,601
Liability on current tax				373,529						373,529
Amounts payable				563			1,068,200			1,068,763
Amounts payable				155,684						155,684
Deferred tax liabilities				1,096,003						1,096,003
Other liabilities	-	-	669,562	233,815	127	12,681				916,185
Off-balance sheet contingent liabilities	-	-		2,354,494	8,628,407	4,517,715	7,050,245	389,711	-	22,940,572
Total	-	-	39,718,338	34,567,736	13,279,704	29,207,679	34,516,534	9,415,723	-	160,705,714
including:										
I group foreign currency	-	-	16,178,944	8,961,913	7,218,455	23,084,668	19,729,881	4,524,730		79,698,591
II group foreign currency	-	-	586,649	368,478	229,155	407,969	33,676		-	1,625,927
Major Liabilities										-
including:										
By floating interest rate				357,824	2,791,308					3,149,132
By fixed interest rate	-	-	6,357,518	32,018,173	10,488,269	29,194,762	34,516,534	3,053,173	-	115,628,429
Non-interest	-	-	33,360,820	2,191,739	127	12,917	-	6,362,550	-	41,928,153
Net liquidity gap	898,069	188,363	(3,808,765)	(11,690,283)	1,539,267	(17,006,856)	22,693,269	23,640,620	2,024,016	18,477,700
including:										
I group foreign currency	505,836	128,805	2,985,058	(318,845)	2,304,714	(17,612,554)	6,852,828	5,830,319	123,395	799,556
II group foreign currency	1,174	283	(69,736)	(229,155)	(407,969)	(33,676)				(65,179)
Floating interest rate	-	-	369,500	(357,824)	(2,791,308)	-	-	-	-	(2,779,632)
Fixed interest rate	898,069	188,363	(3,880,167)	(11,730,992)	4,329,304	(16,993,939)	22,277,618	30,002,646	291,536	25,382,438
Accumulative liquidity gap	898,069	1,086,432	(2,722,333)	(14,412,616)	(12,873,349)	(29,880,205)	(7,186,936)	16,453,684	18,477,700	(30,159,554)

Previous accounting period

31/12/2016

thous. AMD

Item	Non-performing		Repayment date in				3- 6□ months	6 -12 months	1- 5years	more than 5 years	Termless	Total
	Term	Overdue	On -demand	up to 3 months								
On maturity terms of assets												
Cash and cash equivalents, balances with the CBA			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		
including:												-
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												-
including:												-
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
including:												
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

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

We present the structure of balance sheet capital:

	thous. AMD	
	31/12/2017	31/12/2016
Chartered capital	13,708,745	4,631,333
Emission income/loss	33,438	9,110,850
Reserves:	14,925,058	13,680,889
Main reserve	6,000,000	6,000,000
Revaluation reserve	4,689,053	4,516,414
Undistributed profit/loss	4,236,005	3,164,475
Total capital	28,667,241	27,423,072

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

thous. AMD							
2017	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
October	22,082,789	9,708,799	31,791,588	156,140,389	2,433,273	18.02	12
November	22,211,330	9,893,378	32,104,708	156,744,674	2,612,508	17.99	12
December	22,419,472	9,851,109	32,270,581	160,533,903	2,723,741	17.61	12
Նորմատիվների հարվարկին մասնակցող							
2016	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.

thous. AMD				
As of 31/12/2017				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	66,153,836			-
10%	4,262,528			426,253
20%	1,577,452			315,490
30%	260,072			78,022
35%	1,933,595			676,758
50%	517,727			258,864
75%	757,276			567,957
100%	70,756,794	4,901,348		75,658,142
110%				-
150%	45,924,058	7,844,858	43,575	80,718,737
Total	192,143,338	12,746,206	43,575	158,700,222

thous. AMD				
As of 31/12/2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	40,406,217	269,458		-
10%	4,506,902			450,690
20%	8,115,862			1,623,172
30%	2,880,019			864,006
35%	1,295,603			453,461
50%	3,072,346			1,536,173
75%	394,898			296,174
100%	45,070,996	2,581,781		47,652,777
110%				-
150%	41,862,054	1,663,522	8,197	65,300,660
Total	147,604,897	4,514,761	8,197	118,177,112

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

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

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

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

As of 31.12.17 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 31.12.17, 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 31.12.17 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 31.12.17 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.

Thous.AMD

Collateral type	31/12/2017		31/12/2016	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	41,318,815	164,093,759	30,857,019	137,609,539
Car	1,383,903	7,104,370	2,320,991	10,787,240
Equipment	657,784	4,394,184	209,980	1,357,839
Ready made products	613,011	2,041,778	717,281	2,332,566
Guarantee	30,914,066	140,550,946	23,073,944	116,615,964
Monetary funds	1,097,010	2,249,478	227,411	1,864,929
Gold items	8,302,797	10,425,868	7,062,796	9,092,622
Standard golds				
State securities				
Securities issued by the CBA			-	-
Other securities	104,632	418,211		
Other pledge	8,612,831	12,289,630	1,895,428	560,584
No collateral available	12,816,825		10,214,483	
Total	105,821,674	343,568,224	76,579,333	280,221,283

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

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

Chairman of the Executive Board(CEO)

A. Khachatryan

Chief Accountant

M.Poghosyan