

Interim Report
On Financial Position
30.06.2016

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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	Item	Note	As of the end of current interim period (unaudited)	As of the end of previous fiscal year (audited)
1	Assets			
1.1	Cash and balances with CBA	13	18,695,899	28,050,284
1.2	Standard bank precious metal bullions and coins		443	476
1.3	Due from banks and other financial institutions	14	10,987,966	7,460,606
1.4	Held for trade financial assets	15		
1.5	Loans and advances provided to customers	16	64,096,970	59,175,240
1.6	Financial assets available for sale	17	1,779,931	338,213
1.6.1	Securities pledged under repurchase agreement	17.1	9,757,283	8,527,788
1.7	Prepayment on profit tax		60,117	97,099
1.10	Fixed assets	20	8,164,782	4,133,786
1.10.1	Intangible assets	20	81,076	83,116
1.11	Deferred tax assets	11		105,444
1.12	Other assets	21	540,862	423,136
	Total assets		114,165,329	108,395,188
2	Liabilities			
2.1	Liabilities to banks and financial institutions	22	27,336,508	26,047,228
2.2	Liabilities to customers	23	60,694,362	61,978,762
2.3	Subordinate borrowing	23.1	5,358,267	4,425,604
2.6	Liabilities held for commercial purposes	25	259	693
2.7	Amounts payable	26	513,042	70,065
2.8	Deferred tax liabilities	11	822,698	
2.9	Other liabilities	27	933,313	872,760
	Total liabilities		95,658,449	93,395,112
3	Capital			
3.1	Chartered capital	28	3,164,455	2,333,338
3.2	emission income		3,158,247	
	Advances from share emission			4,001,688
3.3	Reserves			
3.3.1	Main reserve		6,000,000	6,000,000
3.3.2	Revaluation reserve		3,719,299	-96,295
3.4	Undistributed profit(loss)		2,464,879	2,761,345
	Total capital		18,506,880	15,000,076
	Total liabilities and capita		114,165,329	108,395,188

Chairman of the Executive Board (General Manager)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 14.07.2016

Interim Report
On Financial Results
30.06.2016

ARMECONOMBANK OJSC 23/1 Amiryar Str., 0002 Yerevan

Thousand AMD.

Name	Note	Current interim period	Accounting period	Comparable current interim previous period	Previous period
Interest and similar income	3	2,569,390	5,103,172	2,335,451	4,578,394
Interest and similar expenses	3	(1,400,760)	(2,744,625)	(1,330,843)	(2,650,490)
Net interest and similar income		1,168,630	2,358,547	1,004,608	1,927,904
Income as commissions and other fees	4	347,326	669,851	360,073	670,026
Expenses as commissions and other fees	4	(79,462)	(166,520)	(78,422)	(150,849)
Net commission and other fees		267,864	503,331	281,651	519,177
Dividend income		-		292	292
Net commercial income	5	186,319	341,907	159,610	308,807
Other operational income	6	112,859	196,195	69,808	126,306
Operational income		1,735,672	3,399,980	1,515,969	2,882,486
Net allocations to possible asset loss provisions	7	(136,149)	(269,664)	(188,271)	(232,810)
Total administrative expenses	8	(1,205,351)	(2,327,100)	(1,056,745)	(2,163,106)
Other operational income	9	(342,032)	(615,609)	(287,639)	(574,432)
Operational profit		52,140	187,607	(16,686)	(87,862)
Profit/ loss from associated company	10	-	-	-	9,694
Profit/loss before taxation		52,140	187,607	(16,686)	(78,168)
Profit tax expenses(compensation)	11	(40,107)	(71,079)	(7,406)	(2,995)
Profit for period		12,033	116,528	(24,092)	(81,163)

Chairman of the Executive Board (General Manager)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 14.07.2016

Interim Report
 On Other Comprehensive Financial Results
 30.06.2016
 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		586,589	712,382	(81,516)	(252,073)
Hedging of cash flows		-	-		-
Profit from revaluation of non- current assets		59,801	4,094,647		-
Profit tax on other comprehensive income		(129,278)	(961,406)	16,303	50,415
Revaluation of associated company's financial assets available for sale		-		(818)	(1,555)
Other comprehensive financial result after taxation		517,112	3,845,623	(66,031)	(203,213)
Comprehensive financial result		529,145	3,962,151	(90,123)	(284,376)

Chairman of the Executive Board (General Manager)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 14.07.2016

Interim Report
On the Cash Flows
30.06.2016

ARMECONOMBANK OJSC 23/1 Amiryan Str., 0002 Yerevan

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Name	Note	Accounting period (unaudited)	Previous period (unaudited)
1. Cash flows from operations			
Net cash flows from operations before changes in operational assets or liabilities		1,002,882	462,528
Interest received		5,024,581	4,359,599
Interest paid		(2,615,225)	(2,525,923)
Fees earned		851,145	829,450
Fees paid		(178,301)	(156,993)
Gain/ loss from financial assets held for commercial purposes		411	-
Gain/ loss from foreign exchange		296,987	346,760
Recovery of previously written-off assets		86,253	49,653
Paid salaries and similar payments		(1,540,910)	(1,571,732)
Other income received from operations and other expenses paid		(922,059)	(868,286)
Cash flows from changes in operational assets or liabilities			
Decrease/ (increase) in in operational assets		(9,772,321)	(2,531,242)
Due from financial institutions		(2,044,212)	(1,769,096)
Loans and advances to customers		(6,432,561)	498,436
Securities held for commercial purposes and available for sale		(1,980,425)	(1,352,588)
Other operational assets		684,877	92,006
Increase/ decrease in operational assets		(3,648,124)	1,595,543
Liabilities to financial institutions		(2,596,063)	5,269,515
Liabilities to customers		(1,573,297)	(2,779,919)
Decrease in other operational liabilities		521,237	(894,053)
Net cash flows from operations before profit tax		(12,417,563)	(473,172)
Paid profit tax		(60,157)	(227,115)
Net cash flows from operations		(12,477,720)	(700,287)
2. Cash flows from investments(decrease)			
Capital investments in fixed assets and intangible assets		(241,506)	(133,175)
Acquisition of fixed assets and intangible assets		(282,435)	(139,356)
Disposal of fixed assets and intangible assets		340,549	25,843
Net cash flows from other investments		1,145,316	(504,024)
Net cash flows from investments		961,924	(750,712)
3.Cash flows from financial operations			
Dividends paid		(976)	(1,361)
Increase/ decrease of borrowings from the Central Bank Of Armenia		73,237	(325,216)
Increase/ decrease of borrowings from banks		(1,173,998)	1,818,914
Increase/ decrease of other borrowings		3,133,156	3,991,877
Shareholders' investments in chartered capital		3,989,364	
Net cash flows from other financial operations		(1,145,316)	504,024
Net cash flows from financial operations		4,875,467	5,988,238
Impact of foreign exchange on cash and equivalents		(109,243)	(272,260)
Net increase/decrease of cash and equivalents thereof		(6,640,329)	4,537,239
Cash and equivalents thereof as of the beginning of the period	13 2	27,550,590	22,354,455
Cash and equivalents thereof as of the end of the period	13 2	20,801,018	26,619,434

Chairman of the Executive Board (General Manager)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 14.07.2016

Interim Report
On Equity Changes
30.06.2016

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	Repurchased capital	Net amount							
Articles	1		2	3	4	5	7	9	10	12	14
Comparable current interim period of the previous financial year (ascending from the beginning of the year) (I table)											
<i>Balance as of the beginning of the previous financial year 1 January 2015 (audited)</i>	2,333,338		-	2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	11,071,015
Total result of changes and adjustments of accounting policy			-	-	-	-	-	-	-	-	-
Recalculated balance	2,333,338	-	-	2,333,338	-	5,405,133	262,264	-	3,070,280	11,071,015	11,071,015
Comprehensive income	-	-	-	-	-	-	(203,213)	-	(81,163)	(284,376)	(284,376)
Dividends	-	-	-	-	-	-	-	-	(163,334)	(163,334)	(163,334)
Internal movements including:	-	-	-	-	-	594,867	-	-	(594,867)	-	-
Deductions to main reserve	-	-	-	-	-	594,867	-	-	(594,867)	-	-
<i>Balance as of the end of the comparable interim period of the previous financial year 30.06.2015 (un audited)</i>	2,333,338	-	-	2,333,338	-	6,000,000	59,051	-	2,230,916	10,623,305	10,623,305
Interim period of the current year (ascending from the beginning of the year) (II table)											
<i>Balance as of the beginning of the financial year 01 January 2016(audited)</i>	2,333,338	4,001,688	-	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	15,000,076
Recalculated balance	2,333,338	4,001,688	-	6,335,026	-	6,000,000	(96,295)	-	2,761,345	15,000,076	15,000,076
Transactions with shares(stock) with shareholders (owners) including:	833,685	-	(2,568)	831,117	3,158,247	-	-	-	-	3,989,364	3,989,364
Investments in chartered capital and other increase of chartered capital	833,685	-	-	833,685	3,158,247	-	-	-	-	3,991,932	3,991,932
Decrease in chartered capital, including repurchased and out of circulation shares(stock)	-	-	(2,568)	(2,568)	-	-	-	-	-	(2,568)	(2,568)
Comprehensive income	-	-	-	-	-	-	569,905	3,275,718	116,528	3,962,151	3,962,151
Dividends	-	-	-	-	-	-	-	-	(443,023)	(443,023)	(443,023)
Other increase(decrease) of equity elements	-	(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)	-
Internal movements including:	-	-	-	-	-	-	-	(30,029)	30,029	-	-
Increase of value from revaluation of fixed assets and intangible assets	-	-	-	-	-	-	-	(30,029)	30,029	-	-
<i>Balance as of the end of the interim accounting period 30.06.2016 (unaudited)</i>	3,167,023	-	(2,568)	3,164,455	3,158,247	6,000,000	473,610	3,245,689	2,464,879	18,506,880	18,506,880

Chairman of the Executive Board (General Manager)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 14.07.2016

“ARMECONOMBANK” OJSC 2016 2nd Quarter Interim Financial Report

Appendix 5 Approved by Resolution N205N of the Board of the
Central Bank of Armenia Dated on 10 July 2007

Notes to the interim reports published in the 2nd quarter of 2016
“ARMECONOMBANK” OJSC 23/1 Amiryan Str., Yerevan

Note1. “Legal Field and Corporate Governance”

Legal Field

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

The Head office of the Bank and 19 branches are located in Yerevan, another 20 branches in regions, and 1 in NKR. The legal address of the Bank is 23/1 Amiryan Str., Yerevan.

Main Activities

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

Business Environment

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

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

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

Corporate Governance

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

Structure and Members of the Board

Chairman of the Board

S. Sukiasyan

Board Members

A. Melikyan

L. Petrosyan,

R. Hayrapetyan

I. Yabbarova

Structure and Members of the Bank's Management

CEO

A. Naljyan

Deputy CEO-Treasurer

R. Badalyan

Deputy CEO for Corporate and Retail Business

O. Chichyan

Deputy CEO for Operations

A. Arakelyan

Deputy CEO for International Operations and Development

A. Manrikyan

Chief Accountant

D. Azatyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department
V.Jhangiryan

Head of Credit Department
N. Karapetyan

Head of Plastic Cards Department
A.Galstyan

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

As of 30.06.2016, the Chartered capital is AMD 3,164,455. It includes 1,265,782 common shares each with AMD 2500 nominal value. The Bank has 3014 shareholders.

Main Participants

Sukiasyan Saribek Albert	25.9 %
Sukiasyan Khachatur Albert	14.38 %
Sukiasyan Robert Albert	14.97 %
Sukiasyan Eduard Albert	11.18%
European Bank for Reconstruction and Development	11.05 %

Remuneration Policy of the Bank's Management

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

Payments to Statutory Auditors

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

Note2. “Accounting Policy”

Preparation and Submission of “ARMECONOMBANK” OJSC Financial Statements

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

The statements are made in thousands of Armenian drams without decimal units. The accounting year for financial statements is the period from 1 January to 31 December inclusive.

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

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

Recognition of Income and Expenses

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

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

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

Fees charged for lending (together with corresponding costs) are deferred adjusting the effective interest rate of the loan. Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for

vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non-interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

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

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

Foreign Exchange Operations Accounting

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

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

Tax Accounting

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

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

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the

amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, resulting from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax is recorded in the financial statement, except taxes, the transaction results of which have already been recorded in the capital, in which case the tax is also recorded in the capital. Deferred tax amounts on securities are adjusted on a quarterly basis.

Income tax assets and liabilities are offset when the Bank:

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

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

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

Cash and Cash Equivalents

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

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

Financial Instruments

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

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

The Bank classifies its financial assets into the following categories: financial assets held for trading, available-for-sale financial assets, loans and receivables, held-to-maturity investments. Such classification of investments is made on the moment of their purchase

based on the evaluations made by the Bank's management.

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

Available-for-sale investments are those intended by the Bank to be held for an indefinite period of time, which may be sold, arising from liquidity needs or changes in interest rates, exchange rates or equity prices. Realized or unrealized gains and losses arising from changes in the fair value of available-for-sale securities are reflected in the financial results as profit and loss from equity revaluation. When the securities are sold, the adjustments of their fair value are recognized in the statement on financial results as profit or loss from classified available-for-sale securities. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into assets-held-for-trading. Dividends on available-for-sale chief instruments are entered into the statement on financial results, when the Bank becomes entitled to collect the dividends. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The investments in subsidiaries that have no material impact on the bank's financial statements are accounted in their prime value, less the amount of possible loss provision.

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

Held-to-maturity securities -Securities with fixed maturities are classified as held-to-maturity, when the bank has the positive intention and ability to hold those investments to maturity. If the Bank sells any significant amount of held-to-maturity assets the whole class will be reclassified into available-for-sale. Held-to-maturity investments are carried at amortized cost, using the effective interest rate method, less any possible loan loss provisions.

During its activities, the Bank acts as a party of agreements in derivative instruments that includes futures, forwards, swaps and options. All derivative instruments are classified as ones kept for commercial purposes and their accounting is carried out as per the Policies of Initial Recognition of Financial Instruments to be later re-measured at real value. The real value is established by the pricing in the markets or by applying such models on the basis of

which the assessments of the current condition of the markets, the contractual prices of base instruments and other factors lays. The derivative instruments with positive real value are accounted as assets and the ones with negative real value- liabilities. The products from the given operations are accounted as profit or loss from assets or foreign exchange operations kept for commercial purposes.

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

Repurchase Agreements

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

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

Leases

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

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

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

Financial Assets' Possible Loss Provision

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

As the published financial reports are drafted, further corrections of provisions in

compliance with IFRS are made.

Intangible Assets

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

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

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

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

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

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

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

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

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

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

Fixed Assets

The unit of fixed assets that complies with the recognition of the standards of the asset is measured at their initial value (prime cost) in AMD, excluding buildings which are recorded at their revaluated value. The fixed assets purchased in foreign currency are registered as of the day of the purchase at the average exchange rate set by the Central Bank of Armenia and shall not be re-valued in case of exchange rate change.

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

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

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

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

Building	50 years, 2%
Computers	5 years, 20%
Transportation means	8 years, 12.5%
Other fixed assets, transportation means	
UPS batteries, ATMs	8 years, 12.5%
Property, office equipment, etc.	
Other computer equipment	
Printing devices (printers, scanners, copying devices),	
POS terminals, modems, network devices,	3 years, 33.3%
Network devices	5 years, 20 %
Fixed assets costing up to AMD 50.000	1 year, 100%

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

For fixed assets acquired after 01.01.2013 residual value amounts to 0.1% of their initial value, however not more than AMD20.000, except buildings and transportation means residual value of which amounts to 1% of their initial value.

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

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

Depreciation is not calculated for land.

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

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

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

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

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

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

Inventory

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

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

Settlements between the Bank and Branches

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

Share Capital and Treasury Stock

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

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

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

Attracted Funds

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

Provisions, Contingent Assets and Liabilities

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

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

Consolidated Financial Statements

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

Segment Statements

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

Issued Corporate Bonds

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

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

Comparable Information

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

After Balance Sheet Date Events

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

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

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

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

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

Note 3: "Net Interest and Similar Income"

Thousand

	01.04.2016- 30.06.2016	01/01/2016- 30/06/2016	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015
Interest and similar income				
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	46,486	79,802	52,113	84,780
Interest income from loans and advances to customers	2,256,371	4,426,023	1,946,666	3,862,975
Interest income from debt securities	179,250	460,040	213,260	402,683
Interest income from REPO agreements	86,510	132,274	123,412	227,322
Other interest income	772	5,031	-	634
Total	2,569,389	5,103,170	2,335,451	4,578,394
Interest and Similar Expenses				
Interest expenses from the Banks' current accounts deposits and loans allocated from banks and other financial institutions	382,070	724,327	342,383	669,466
Interest expenses on terms deposits and current accounts of customers	705,279	1,382,318	641,515	1,295,643
Interest expenses under REPO agreements	147,754	330,676	228,468	537,005
Interest expenses on subordinate borrowings	157,774	292,150	118,477	124,000
Other interest expenses	7,882	15,153	-	24,376
Total	1,400,759	2,744,624	1,330,843	2,650,490
Net Interest and Similar Income	1,168,630	2,358,546	1,004,608	1,927,904

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

Thousand

	01.04.2016- 30.06.2016	01/01/2016- 30/06/2016	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015
Commission and Other Fee Income from:				
Cashier's operations	39,356	64,947	35,581	60,320
Settlement services	237,861	462,195	254,743	480,942
Guarantees, warranties letters of credit operations trust management operations	5,452	10,891	2,959	5,205
Foreign currency and security operations	1,843	3,720	5,606	9,509
Payment card servicing	25,876	49,917	25,268	40,530
Other commission fees	36,939	78,182	35,916	73,520
Total	347,327	669,852	360,073	670,026
Commission and Other Fee Expenses:				
Commission fee from correspondent and other accounts	609	1,178	620	1,157
Expenses for payment card operations	33,076	65,177	36,374	68,875
Guarantees, warranties, letter of credit operations, trust management operations	6,900	11,947	9,073	17,539
Foreign currency and security operations	5,857	24,324	3,404	7,654
Other commission fees*	33,021	63,895	28,951	55,624
Total	79,463	166,521	78,422	150,849
Net commission and other fees received	267,864	503,331	281,651	519,177

* 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"

Thousand

	01.04.2016- 30.06.2016	01/01/2016- 30/06/2016	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015
Held-for-trading investments				
Net income from sale/purchase of held-for-trading investments, including:	(1,833)	(3,780)	(7,489)	(29,023)
Derivatives	(1,833)	(3,780)	(7,489)	(29,023)
Net income from changes in real value of available for sale investments	(3,072)	37,163	61,811	(158,171)
Total	(4,905)	33,383	54,322	(187,194)
Available for sale investments				
Net income from available for sale investments including:	41,042	74,277	-	1,328
Debt securities	(29,689)	3,546	-	1,328
Total	41,042	74,277	-	1,328
Foreign currency operations				
Net income from foreign currency sale/purchase	157,810	296,987	163,436	346,760

Net income from foreign currency revaluation	(7,627)	(62,773)	(58,363)	146,283
Net income from precious standardized bullions and coins trade	-	28	210	1,164
Net income from revaluation of precious standardized bullions and coins trade	-	6	5	466
Total	150,183	234,248	105,288	494,673
Net income from commercial operations	186,320	341,908	159,610	308,807

Note 6: "Other Operational Income"

Thousand

Other operational income	01.04.2016- 30.06.2016	01/01/2016- 30/06/2016	01.04.2015- 30.06.2015	01/01/2015- 30/06/2015
Income from penalties and fines	118,060	191,261	50,745	97,411
Income from factoring	-	-	-	-
Net income from disposal of fixed and intangible assets	(18,379)	(17,485)	(2,401)	(2,401)
Other income*	13,178	22,419	21,464	31,296
Total	112,859	196,195	69,808	126,306

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"

AMD

Due from banks (Note 14)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015
Initial balance	-	-	23,873	23,873
Net deductions to reserve	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	-	-	23,873	23,873
Due from financial institutions (Note 14)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015
Initial balance	3,814	5,049	4,692	8,504
Net deductions to reserve	(101)	(1,336)	(1,106)	(4,918)
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	3,713	3,713	3,586	3,586
From loans and advances to customers (Note 16)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015
Initial balance	1,063,512	1,002,391	738,358	736,558
Net deductions to reserve	131,461	264,111	184,031	234,318
Return of amounts previously charged to off balance item	57,818	86,253	26,634	46,638
Usage of reserve	(82,327)	(182,291)	(96,496)	(164,987)
Summary balance	1,170,464	1,170,464	852,527	852,527
On investments (Note17)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve	-	-	-	-
Return of amounts previously charged to off balance item	-	-	-	-
Usage of reserve	-	-	-	-
Summary balance	4,690	4,690	4,690	4,690
On other assets (Note 21)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015
Initial balance	5,267	3,167	2,984	3,435
Net deductions to reserve	4,789	6,889	5,346	3,410
Return of amounts previously charged to off balance item	-	-	1,515	3,015
Usage of reserve	(2)	(2)	-	(15)
Summary balance	10,054	10,054	9,845	9,845
Post-balance sheet items containing loan exposures (note 30)	01/04/2016- 30/06/2016	01/01/2016- 30/06/2016	01/04/2015- 30/06/2015	01/01/2015- 30/06/2015

Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
Total net deductions to reserves	136,149	269,664	188,271	232,810

Note8: Total administrative expenses

Thousand

Total administrative expenses	01.04.2016-30.06.2016	01/01/2016-30/06/2016	01.04.2015-30.06.2015	01/01/2015-30/06/2015
Salary and similar payments	850,137	1,648,079	786,420	1,621,001
Allocations to social insurance state fund	453	885	351	675
Training and tutorship expenses	-	-	95	135
Business trip expenses	22,752	30,613	13,760	14,950
Operational leases expenses	83,693	165,020	61,780	123,957
Insurance costs	22,198	43,742	27,619	41,538
Servicing and maintenance of the Bank's equipment	33,081	61,244	10,339	18,758
Maintenance and safekeeping of Bank buildings	40,821	96,833	42,405	95,232
Audit and consulting services	3,661	14,521	820	12,048
Communication and transmission costs	22,859	48,206	23,396	49,224
Transportation costs	26,200	47,822	27,067	52,061
Taxes (except income tax) penalties and other mandatory payments	53,574	107,567	48,218	95,937
Office and organizational expenses	14,991	28,898	18,075	36,531
Other administrartive expenses	30,932	33,670	(3,599)	1,060
Total	1,205,352	2,327,100	1,056,746	2,163,107

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

	01.04.2016-30.06.2016	01/01/2016-30/06/2016	01.04.2015-30.06.2015	01/01/2015-30/06/2015
Average number of Bank employees	853	851	854	867
Monthly average salary falling to a single employee (thousand AMD)	301	300	300	299

Note 9: "Other Operational Expenses"

Thousand

Other operational expenses	01.04.2016-30.06.2016	01/01/2016-30/06/2016	01.04.2015-30.06.2015	01/01/2015-30/06/2015
Paid fines and penalties	306	306	-	-
Payments made for collection	67,000	134,000	62,500	125,000
Advertising and representative expenses	62,600	91,633	57,162	107,262
Amortization costs of fixed assets and intangible assets	126,923	224,092	97,478	191,860
Deductions to the Fund of Recovery of Deposits	18,186	35,528	16,946	33,501
Other expenses	67,019	130,052	53,551	116,811
Total	342,034	615,611	287,637	574,434

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"

Thousand AMD

Net income from investments in the controlled units	01/01/2016-31/03/2016	01/01/2015-31/03/2015
Income from investments in associated organizations	(0)	9,694

Note 11: "Profit Tax Expenses (Reimbursement)"

Thousand AMD

Profit tax expenses	01.04.2016 30.06.2016	01.01.2016 30.06.2016	01.04.2015 30.06.2015	01.01.2015 30.06.2015
Current tax expenses	72,140	90,519	2,730	3,800
Corrections of current taxes for the previous period recognized in the current period	(309)	6,314		
Deferred tax expenses	(31,724)	(25,754)	4,676	(805)
Total	40,107	71,079	7,406	2,995

Thousand AMD

	01.04.2016 30.06.2016	Efficient rate (%)	01.01.2016 30.06.2016	Efficient rate (%)	01.04.2015 30.06.2015	Efficient rate (%)	01.01.2015 30.06.2015	Efficient rate (%)
Profit before taxation	52,140		187,607		(16,686)		(78,168)	
Profit tax with rate	10,428	20	37,521	20	(3,337)	20	(15,634)	20
Corrections of income and expenses for taxation purposes against non temporary differences								
Non-taxable income	(25)	0.05	(51)	0.03	(84)	(0.50)	(475)	(0.61)
Non-deductible expenses	1,006	(1.93)	21,328	11.37	569	(3.41)	51,184	(65.48)
Unevaluated tax loss		-		-		-		-
Foreign currency negative/positive difference	1,525	2.92	12,553	(6.69)	11,671	(69.94)	(29,350)	37.55
Verification of tax expenses calculated previous year	(307)	(1)	6,314	3		-		-
Other privileges	27,480	(52.70)	(6,587)	3.51	(1,413)	(8.47)	(2,730)	(3.49)
Profit tax expenses	40,107	76.92	71,079	37.89	7,406	(44.38)	2,995	(3.83)

Calculation of deferred tax on temporary differences

Thousand AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	138,364	2,097	-	140,461
Loans and borrowings to customers	31,958	(17,539)		14,419
Other liabilities	106,406	19,636		126,042
Deferred tax liabilities, including:	(32,918)	23,657	(953,898)	(963,159)
Available for sale securities	(3,856)	28,846	(142,476)	(117,486)
Fixed assets	(3,581)	118		(3,463)
Revaluation of fixed assets			(811,422)	(811,422)
Contingent liabilities	(11,005)	1,917		(9,088)
Claims to banks and other financial institutions	(14,476)	(7,224)		(21,700)
Net deferred tax asset/liability	105,446	25,754	(953,898)	(822,698)

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

Thousand AMD

Basic profit falling to a single share	01.04.2016-30.06.2016	01/01/2016-30/06/2016	01.04.2015-30.06.2015	01/01/2015-30/06/2015
Net profit of the accounting period after taxation	12,033	116,528	(24,092)	(81,163)
Dividends on preferential shares calculated for the current accounting period				
Net gains(losses) of given period referring to owners of common shares	12,033	116,528	(24,092)	(81,163)
Net weighted average number of common shares in circulation during the given period	1,265,782	1,265,782	933,335	933,335
Basic profit falling to a single share	0.010	0.09	(0.03)	(0.09)

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.

Note 13

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

Thousand AMD

Cash, cash equivalents and balances with the CBA	30.06.2016	31.12.2015
Cash monetary funds	5,137,212	5,458,077
Other money placements	1,573,642	3,675,879
Correspondent accounts with the CBA*	11,715,045	16,251,012
Deposit accounts with the CBA		1,145,316
Funds deposited with the CBA**	270,000	1,520,000
Cash and balances with the CBA	18,695,899	28,050,284

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

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

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

Thousand AMD

Cash and cash equivalents thereof	30.06.2016	31.12.2015
Cash and payment documents equivalent to cash	6,710,854	9,133,956
Correspondent accounts with the CBA	11,715,045	16,251,012
Correspondent accounts with the resident banks	5,465	19,744
Correspondent accounts with non-resident banks	2,369,652	2,145,878
Total cash and cash equivalents	20,801,016	27,550,590

Note 14: "Due to Banks and other Financial Institutions"

Thousand AMD

Current accounts	30.06.2016	31.12.2015
with RA banks	5,465	19,744
with banks having BBB(Baa3) and higher ratings	1,793,631	1,312,479
with banks having ratings lower than BBB (Baa3) or no rating at	575,869	833,004
Accrued interest	152	395
Total	2,375,117	2,165,622
with RA banks		
Loans and deposits	2,230,862	3,386,309
Other	91,387	272,478
with banks having BBB(Baa3) and higher ratings		
with the banks having a rating lower than BBB(Baa3) or no rating at all		
Other	122,240	154,291
Accrued interest	1,600	4,208
Total	2,446,089	3,817,286
Possible loss provision for amounts due from banks (note 7)		
Net receivables to banks	4,821,206	5,982,908

Thousand AMD

Loans and deposits with Financial Institutions and other receivables	30.06.2016	31.12.2015

with RA Financial Institutions:		
Loans and deposits	1,382,366	193,493
REPO (re-purchase) agreements	4,415,276	831,086
Other	116,938	65,062
With Financial Institutions having BBB(Baa3) and higher ratings		
Other		53,553
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
Other	245,330	337,267
Accrued interest	10,563	2,286
Total	6,170,473	1,482,747
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,713)	(5,049)
Net receivables to Financial Institutions	6,166,760	1,477,698
Net receivables to banks and Financial Institutions	10,987,966	7,460,606

**As of 31.12.2015 and 30.06.2016 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,822 (AMD 53.553 thousand on 31.12.15, AMD 53.827 thousand on 30.06.2016) in Visa International and USD 134,495 (AMD 65.062 on 31.12.2015 and AMD66.611 on 30.06.2016) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note16: "Loans and Advances to Customers"

Thousand AMD

Provided Loans and other Borrowings	30.06.2016	31.12.2015
Loans, including:	57,807,775	53,837,927
Mortgage loans	3,319,241	3,197,090
Credit cards	6,741,534	5,929,696
Factoring		
with re-purchase agreements	213,984	
Accrued interest on the mentioned items	504,141	410,008
Total loans	65,267,434	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,170,464)	(1,002,390)
Net total loans	64,096,970	59,175,241

Thousand AMD

The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30.06.2016		31.12.2015	
	Balance	Quantity	Balance	Quantity
Loans and advances, including:	65,267,434	33,961	60,177,631	31,707
performing loans	62,792,950	33,541	58,782,404	31,307
depreciated (non- performing) loans and borrowings, including:	2,474,484	420	1,395,227	400
overdue	170,169	380	126,202	378
restructured	398,917	3	449,952	4
refinanced				
total loans	65,267,434	33,961	60,177,631	31,707
Reserve for possible loss of customer loans and advances (note 7)	(1,170,464)		(1,002,390)	
Net total loans	64,096,970		59,175,241	

Thousand AMD

Anlyses of provided loans and advances per customers	30.06.2016	31.12.2015
State industries	62,968	15,356
Private industries, including:	36,764,979	31,076,443
major enterprises	8,894,037	7,952,557
small and medium enterprises	27,870,942	23,123,886
including business cards	181,930	210,762
Individuals, including:	24,595,887	25,157,434
consumer loans	12,867,483	13,002,460
mortgage loans	3,319,241	3,197,093
credit cards	6,558,969	5,717,560
Private entrepreneurs	3,339,459	3,518,390
Accrued interest	504,141	410,008
Total loans	65,267,434	60,177,631
Reserve for possible loss of customer loans and advances (note 7)	(1,170,464)	(1,002,390)
Net total loans	64,096,970	59,175,241

Thousand AMD

Loan liabilities on 20 major borrowers and related parties	30.06.2016	31.12.2015
Balance sheet	27,391,933	22,563,199
Balance of off-balance sheet contingent liabilities	2,173,705	2,381,598
Total	29,565,638	24,944,797
Loan investments	64,096,970	59,175,240
Percentage ratio in loan portfolio	46%	42%
Total normative capital	20,086,661	13,271,388
Percentage correlation to capital	147%	188%

Loan Investments through International programs	30.06.2016	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,783,334	236
GAF "Renewable Energy Development" program	106,307	1
Black Sea Bank Loan Program 2	402,922	29
EBRD micro small and middle lending program EBRD/MSME	3,157,021	473
Atlantic Forfaitierungs AG loan program	451,983	9
BLUE ORCHARD SME loan program	475,669	27
RCA trade promotion program	341,876	8
Mortgage Loans	55,144	26
including:		
GAF	55,144	26
Total	7,774,256	809

Loan Investments	31.12.2015	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,682,224	233
GAF "Renewable Energy Development" program	119,595	1
Black Sea Bank Loan Program 2	669,161	38
EBRD micro small and middle lending program.EBRD/MSME	3,789,531	519
Atlantic Forfaitierungs AG loan program	451,769	7
Mortgage loans	79,180	41
including:		
GAF	79,180	41
Total	7,791,460	839

Thousand AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30.06.2016	Percentage	31.12.2015	Percentage
	Industry	11,811,973	18	9,206,365
Agriculture	1,561,869	2	1,939,788	3
Construction	5,407,436	8	4,268,964	7
Transportation and communication	305,578	0	299,963	0
Commerce	11,213,374	17	10,716,641	18
Consumer	19,906,435	30	20,195,447	34
Mortgage loans	3,341,274	5	3,216,236	5
Service	7,924,517	12	7,915,305	13
Other ^{row}	3,794,978	6	2,418,922	4
Total	65,267,434	100	60,177,631	100

Thousand AMD

Breakdown of loan portfolio per customer residency	30.06.2016	Percentage	31.12.2015	Percentage
RA residents	63,588,301	100	58,761,493	100
Residents of countries with Baa33 and higher ratings including*	4,528	0		-
Germany	4,528	0	3,740	0
Residents of countries with Baa33 and lower ratings or no rating at all				
Accrued interest	504,141		410,008	
Total	64,096,970	100	59,175,241	100

Note 17: Held for trading financial assets

Thousand

T-bills	30.06.2016	31.12.2015
RA Governmental T-bills		
Treasury bonds	1,328,600	84,751
Total T-bills	1,328,600	84,751

Thousand AMD

RA non-state securities	30.06.2016		31.12.2015	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Long term debt instruments	197,869			
Short term debt instruments				
Capital instruments		256,200		256,200
Total non-state securities of RA	197,869	256,200	-	256,200
Investments in RA non-governmental securities (reserve for possible losses)		(4,691)		(4,690)
Net investments in RA non-state securities	197,869	251,509	-	251,510

Thousand AMD

Non governmental securities of other countries	31.03.2016	30.06.2016		31.12.2015
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		1,953		1,953
Total non-state securities of other countries	-	1,953	-	1,953
Total available-for-sale securities	1,526,469	253,462	84,751	253,463

Investments in share capital of other entities as of
30.06.2016

Thousand AMD

Name	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share%
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	1,953	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	48,572	5
ArCa Credit Reporting CJSC	Information service	RA	23/06/2006	3,680	1
SIL INSURANCE	Insurance	RA	22/02/2000	203,948	15.17
Total				258,153	

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: "Pledged Securities through Repurchase Agreement"

Thousand AMD

	30.06.2016	31.12.2015
Asset		
Total pledged securities	9,757,283	9,384,574
including:		
pledged securities	9,757,283	8,527,788
pledged securities under REPO agreement		856,786
liabilities		
Resources attracted under REPO agreement	9,527,634	9,104,678

Note 18: "Held-to maturity Investments"

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

Note 20. "Fixed assets and intangible assets"

Thousand AMD

Name of the entity	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets	Total
Initial value							
Balance at the beginning of the previous period	3,302,955	1,834,534	502,816	1,396,486	512,336	166,274	7,715,401
Increase	35,566	60,768	140,861	64,121	225,269	8,925	535,510
Disposal			(89,447)				(89,447)
Depreciation	10,478				(10,478)		-
Reclassification	(14,046)	(67,515)		(29,532)	(987)	(1,062)	(113,142)
Written-off							-
Revaluation							-
Balance at the end of the previous period	3,334,953	1,827,787	554,230	1,431,075	726,140	174,137	8,048,322
Increase		138,507	96,503	41,383	235,660	5,846	517,899
Disposal	(398,735)	(2,060)	(124,175)	(96,151)			(621,121)
Reclassification	337,438	(574)		574	(337,438)		-
Written-off**	(1,319,519)						(1,319,519)
Revaluation*	4,087,137						4,087,137
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
Balance at the end of the accounting period	6,041,274	1,963,660	526,558	1,376,881	624,362	179,983	10,712,718
Accumulated amortization							
Balance at the beginning of the previous period	1,354,496	1,263,194	164,974	844,702		47,002	3,674,368
Increase	45,756	159,145	56,896	99,660		10,536	371,993
including: 01.04.2015- 30.06.2015	11,342	39,942	14,964	25,020		2,296	93,564
Disposal			(38,720)				(38,720)
Written-off		(63,759)		(29,161)		(185)	(93,105)
Depreciation							-
Reclassification							-
Revaluation							-
Balance at the end of the previous period	1,400,252	1,358,580	183,150	915,201	-	57,353	3,914,536
Increase	49,611	80,990	28,979	51,394		5,032	216,006
including: 01.04.2016 - 30.06.2016	38,221	41,456	14,763	25,852		2,552	122,844
Disposal	(126,802)	(2,048)	(63,087)	(71,150)			(263,087)
Written-off	(1,319,519)						(1,319,519)
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of the accounting period	3,542	1,437,522	149,042	895,445	-	62,385	2,547,936
Net balance sheet value							
at the end of the accounting period	6,037,732	526,138	377,516	481,436	624,362	117,598	8,164,782
at the end of the previous accounting period	1,934,701	469,207	371,080	515,874	726,140	116,784	4,133,786

*Revaluation of fixed assets was executed by an independent appraiser based on the market price. Positive result of revaluation amounted to AMD 3,269,710 thous., deferred tax liabilities amounted to AMD 817,427 thous. AMD 3,269,710 thous. was registered in revaluation reserve of capital.

** AMD 1,319,519 thous. is the written-off amount of accumulated amortization before revaluation of fixed assets.

Intangible Assets

Thousand AMD

Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of the previous period	37,544	129,083	50	14,357	-	181,034
Increase		3,731	-		-	3,731
Disposal						-
Written-off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
Balance at the end of the previous period	37,544	132,814	50	14,357	-	184,765
Increase		6,044				6,044
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Revaluation						-
Depreciation	-	-	-		-	-
Adjustment of amortization from revaluation	-	-	-		-	-
Balance at the end of the accounting period	37,339	138,558	50	13,301	-	189,248
Accumulated amortization						
Balance at the beginning of the previous period	21,710	57,194	29	7,080		86,013
Increase	2,248	12,187	5	1,196		15,636
30.06.2015	566	3,050	1	298		3,915
Disposal						-
Written-off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of the previous period	23,958	69,381	34	8,276	-	101,649
Increase	1,096	6,389	3	596		8,084
30.06.2016	548	3,228	2	298		4,076
Disposal						-
Written-off	(205)	(300)		(1,056)		(1,561)
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	24,849	75,470	37	7,816	-	108,172
Net balance sheet value						
At the end of the accounting period	12,490	63,088	13	5,485	-	81,076
At the end of the previous accounting period	13,586	63,433	16	6,081	-	83,116

As of 30.06.2016, AMD 233,591 thousand total amount worth out-of-use assets were put into use.

As of 30.06. 2016, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., amortization AMD 731 thous., residual value AMD 19 thous.

As of 30.06.2016, the value of fully worn-off assets included in the fixed assets was AMD 905,593 thousand (31.12.2015: AMD 958,058 thous).

Note 21: "Other Assets"

Thousand AMD

Amounts receivable from other operations	30.06.2016	31.12.2015
Amounts receivable from other operations	33,190	19,789
Total	33,190	19,789
Reserve for possible loss provision (note 7)	(350)	(201)
Net amounts receivable from bank operations	32,840	19,588
Debtor liabilities and prepayments	30.06.2016	31.12.2015
Debtor liabilities on the budget	126	175
Prepayments to employees		8
Prepayments to suppliers	175,528	51,978
Prepayments on the budget and mandatory social insurance	1,809	10
Other debtor liabilities and prepayments	19,453	55,288
Total	196,916	107,459
Reserve for possible loss provision on other assets (note 7)	(7,394)	(1,758)
Total	189,522	105,701
Reserve	161,541	127,570
Sequestered pledge and available-for-sale assets	83,100	83,100
Future period expenses	54,251	64,820
Other assets	21,917	23,566
Reserve for possible loss provision on other assets (note 7)	(2,309)	(1,210)
Total	318,500	297,846
Total other assets	540,862	423,135

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

Thousand AMD

Current accounts	30.06.2016	31.12.2015
RA Banks	59,283	34,251
Banks having rating lower than BBB(Baa3) or no rating at all	2,213	35,654
Total	61,496	69,905
Interbank loans and deposits, other		
RA CB		
Loans	2,787,455	2,714,219
REPO (re-purchase) agreements	2,000,000	9,100,000
RA Banks		
Loans and deposits	2,621,740	4,144,375
REPO (re-purchase) agreements	7,523,811	
Other	2,401	
Banks having BBB(Baa3) and higher rating		
Other	3,804	3,848
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	3,270,280	3,047,243
Other	33,945	45,418
Accrued interest	254,292	169,406
Total	18,497,728	19,224,509
Financial Institutions		
Current accounts	225,254	447,548
Loans and deposits	8,449,781	6,227,568
Other	13,002	9,741
Accrued interest	89,247	67,957
Total	8,777,284	6,752,814
Total liabilities to banks and financial institutions	27,336,508	26,047,228

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

Thousand AMD

Project	30.06.2016		31.12.2015	
	Lending amount	Accrued interest	Lending amount	Accrued interest
GAF /German Armenian Fund " Mortgage finance" program	56,020	215	70,814	289
GAF /German Armenian Fund " Micro and small business development program"	2,611,840	41,024	2,510,521	41,206
GAF / "Renewable energy development" program	119,595	3,154	132,884	3,684
GAF / Loan program for SME				
Total	2,787,455	44,393	2,714,219	45,179

Note23: "Liabilites to Customers"

Thousand AMD

RA Government and local authorities	30.06.2016	31.12.2015
Other	6,623	4,775
Total	6,623	4,775

RA resident corporate entities and institutions	30.06.2016	31.12.2015
Current accounts	16,725,704	20,256,892
Term deposits	7,482,296	5,742,147
Other	31,966	50,635
Accrued interest	41,982	38,223
Total	24,281,948	26,087,897

Non-resident corporate entities, institutions	30.06.2016	31.12.2015
Current accounts	17,429	10,058
Total	17,429	10,058

RA resident private entrepreneurs	30.06.2016	31.12.2015
Current accounts	155,656	148,967
Term deposits		6,000
Other	3,923	3,824
Accrued interest	1,215	11
Total	160,794	158,802

RA resident private entrepreneurs	30.06.2016	31.12.2015
Current accounts	10,281,999	11,728,877
Term deposits	24,341,879	22,911,392
Other	512,540	432,497
Accrued interest	121,991	126,147
Total	35,258,409	35,198,913

non-resident private entrepreneurs	30.06.2016	31.12.2015
Current accounts	483,692	224,861
Term deposits	454,158	261,739
Other	26,293	29,610
Accrued interest	5,016	2,107
Total	969,159	518,317
Total liabilites to customers	60,694,362	61,978,762

As of 30.06.16, the amount necessary to secure obligations was AMD 1.894.017 thousand.

As of 30.06.16, the amount frozen by court order and tax authorities was AMD182,419 thousand.

Note 23.1 "Subordinate Borrowing"

The Bank attracted AMD 5.321.7640 subordinate borrowing from the shareholder, which participates in the count of standard capital.

Note 24: "Deposit Certificate Issued by the Bank"

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

Note 25: "Liabilities held for Commercial Purposes"

	Thousand AMD	
Liability held for commercial purposes	30.06.2016	31.12.2015
Derivative instruments held for commercial purposes		
Liability held for commercial purposes		
Swap	259	693
Total	259	693

Note 26: "Amounts Payable"

	Thousand AMD	
Amounts payable	30.06.2016	31.12.2015
Dividends	494,873	52,823
For insurance of deposit	18,169	17,242
Total	513,042	70,065

Note 27: "Other Liabilities"

	Thousand AMD	
Other liabilities	30.06.2016	31.12.2015
On income tax of non-resident	3,007	2,158
On VAT	35,813	6,972
On other taxes and penalties	50,816	139,791
On social insurance payments		
Salary liabilities to employees	587,544	474,496
Credit debts to suppliers	71,813	90,535
Credit debts to chartered capital increase		
Other liabilities	184,320	158,808
Balance at the end of the period	933,313	872,760

Note 28: "Chartered Capital"

The Bank's registered and fully paid share capital totals AMD 3,164,455 thous., including 1,265,782 common shares with a nominal value of AMD 2500 per share. The emission income amounts to AMD 3,158,247.

During the accounting the chartered capital has increased with AMD 833,685 thousand. The Bank repurchased 1027 shares, which caused the decrease of chartered capital with AMD 2,567.5 thousand. No decrease on the account of repurchased and out of circulation shares is made by the Bank.

During the accounting period, dividends amounting to AMD976,000 thous. were paid. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

Thousand AMD			
Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders activity type (for corporate)
Sukiasyan Saribek Albert	820,122.5	25.9	
Sukiasyan Khachatur Albert	455,412.5	14.38	
Sukiasyan Robert Albert	474,265.0	14.97	
Sukiasyan Eduard Albert	353,915.0	11.18	
EBRD	350,002.5	11.05	Financial

Note 29: "Other Equity Components"

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

Note 30. Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.06.2016, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation.

The Bank's tax liabilities: as of 30.06.2016 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

Thousand AMD		
	30.06.2016	31.12.2015
Unutilized credit lines	3,369,995	4,547,262
Provided guarantees	1,173,785	929,707
Provided letters of credit		25,377
Reserve on the mentioned items (note 7)		

Liabilities on operational leases

Thousand AMD		
Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		368,233
1-5 years		1,116,938
more than 5 years		0
Total		1,485,171

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.

Loans and advances to customers	30.06.2016	31.12.2015
Initial balance	2,224,782	1,437,436
Loans and advances provided over the year	1,550,151	2,102,675
Bank shareholder	66,385	194,142
Shareholder related entity	1,196,070	1,351,479
Bank manager	271,024	521,595
Manager related entity	16,672	35,457
Loans and advances repaid over the year	597,611	1,315,329
Bank shareholder	35,687	172,812
Shareholder related entity	290,432	754,613
Bank manager	256,841	356,045
Manager related entity	14,651	31,858
Summary balance*	3,177,322	2,224,782

Thousand AMD

Item	30.06.2016	30.06.2015
Interest income	164,036	99,997

Thousand AMD

Liabilities to Customers	on-demand	term
Balance as of 31.12.2015p	401,807	6,420,559
Amounts received over the accounting period (for 6 months of 2016), including:	21,724,109	1,761,679
Bank shareholder	8,403,842	1,403,562
Shareholder related entity	11,981,405	66,926
Bank manager	754,043	196,001
Bank manager related entity	584,819	95,190
Amounts received over the accounting period (for 6 months of 2016), including:	21,576,111	1,233,994
Bank shareholder	8,265,348	953,539
Shareholder related entity	11,955,753	99,130
Bank manage	755,427	93,756
Bank manager related entity	599,584	87,569
Exchange rate difference (+/-)	(6,845)	(43,236)
Balance as of 30.06.2016p	542,959	6,905,008
Interest expense as of 6 months of 2016	718	358,142

Thousand AMD

Salary or Similar Payment to the Bank Management	30.06.2016	30.06.2015
Board	63,539	60,757
Salary	63,539	60,757
Awarding	-	-
Executive body	103,217	85,835
Salary	103,217	85,835
Awarding	-	-
Internal Audit	39,309	38,437
Salary	39,309	38,437
Awarding	-	-
Total	206,065	185,029

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 riskness of loan portfolio undertake measures for the insurance of the minimum level of risk. The analysis of the written-off scenarios of a certain percent of doubtful, standard, and general loans classified on the basis of the minimum size of the Bank's equity and adequacy standards include determination of critical points of breach of a standard which enables to assess the probability (risk) of a breach of a standard on the given date.

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

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

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

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

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

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

30.06.2016						Thousand AMD
<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>	
<i>Assets</i>						
Cash and balances with the CBA	18,695,899				18,695,899	
Due from banks and other financial institutions	8,390,942	305,003	1,966,916	325,105	10,987,966	
Standard bank precious metal bullions and coins	443				443	
Held for trade financial assets					-	
Loans and advances provided to customers	64,092,437		4,533		64,096,970	
Available-for-sale securities	1,777,978		1,953		1,779,931	
Investments in the chartered capital of controlled entities					-	
Securities pledged under repurchase agreement	9,757,283				9,757,283	
Other assets	32,857	2			32,859	
<i>Total assets</i>	102,747,839	305,005	1,973,402	325,105	105,351,351	
Off-balance sheet items containing credit risks	4,543,782				4,543,782	
<i>Liabilities</i>						
Liabilities to banks and other financial institutions	17,777,838	2,573,727	6,890,634	94,309	27,336,508	
Liabilities to customers	59,707,772	575,236	252,829	158,525	60,694,362	
<i>Total liabilities</i>	77,485,610	3,148,963	7,143,463	252,834	88,030,870	
<i>Net position</i>	25,262,229	(2,843,958)	(5,170,061)	72,271	17,320,481	

31.12.2015						Thousand AMD
<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>	
<i>Assets</i>						
Cash and balances with the CBA	28,050,284				28,050,284	
Due banks and other financial institutions	5,070,224	447,281	1,449,492	493,609	7,460,606	
Standard bank precious metal bullions and coins	476				476	
Held for trade financial assets	-				-	
Loans and advances provided to customers	59,171,497		3,743		59,175,240	
Available-for-sale securities	336,260		1,953		338,213	
Investments in the chartered capital of controlled entities					-	
Securities pledged under repurchase agreement	8,527,788				8,527,788	
Other assets	19,644	2			19,646	
<i>Total assets</i>	101,176,173	447,283	1,455,188	493,609	103,572,253	
Off-balance sheet items containing credit risks	5,502,347				5,502,347	
<i>Liabilities</i>						
Liabilities to banks and other financial institutions	18,747,585	2,562,707	4,685,659	51,277	26,047,228	
Liabilities to customers	61,450,385	195,653	230,068	102,656	61,978,762	
<i>Total liabilities</i>	80,197,970	2,758,360	4,915,727	153,933	88,025,990	
<i>Net position</i>	20,978,203	(2,311,077)	(3,460,539)	339,676	15,546,263	

Loans allocated in the territory of RA per RA regions:

Thousand AMD

RA regions	30.06.2016	31.12.2015
Yerevan	51,201,314	46,583,462
Ararat	926,120	985,704
Armavir	1,186,582	1,261,595
Kotayk	2,212,789	2,042,771
Shirak	1,277,873	1,132,805
Lori	1,462,612	1,456,720
Aragatsotn	3,585,590	3,308,602
Syunik	1,075,062	1,082,775
Tavush	286,197	309,941
Gegharquniq	464,837	438,660
Vayots Dzor	304,839	457,039
Artsakh	113,153	115,168
Total	64,096,970	59,175,241

Analysis of credit portfolio as per regions and risk level

30.06.2016

Thousand AMD

Assets	Performing Standard/not risky	Non-performing			
		Watched/Risky	Non- standard/Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	62,094,657	895,204	1,054,538	48,038	3,416,996
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)	4,533				
Germany	4,533			-	
4. Residents on non-OECD countries					
5. Total	62,099,190	895,204	1,054,538	48,038	3,417,397

31.12.2015

Thousand AMD

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

Credit Risk Analysis

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

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.06.2016 did not exceed 12.40%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.06.2016, loan investments without reserves amounted to AMD 65.267.434. Non-performing loans as of 30.06.2016 amounted to AMD 2.474.484. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 1.53, 2.11 and 0.15 percent.

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

5) The volume of repo transactions (except extensions) effected in the 2nd quarter 2016 was AMD 67, 824, 152 against AMD 193.339.706 of the same period of the previous year. Reverse repo transactions in the 2nd quarter 2016 totalled AMD 21.987.253 against AMD 17.561.990 of the same period of the previous year.

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

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

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

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

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

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

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

Two types of monitoring are performed:

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

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

2. Information on the changes in the Borrower's market position (competitors, price fluctuations, disposal)
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-purposful 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.

Indicators	Amount	Indicators	Amount	Correlation
31.12.15 p				
Non-performing loans	1,997,780	Total loans	59,175,240	3.4%
30.06.16 p				
Non-performing loans	2,474,484	Total loans	64,096,970	3.9%
31.12.15 p				
Provisions for non-performing loans	309,255	Total capital	15,000,076	2.1%
30.06.16 p				
Provisions for non-performing loans	476,701	Total capital	18,506,880	2.6%
31.12.15 p				
Reserve for loans	1,002,390	Total loans	59,220,140	1.7%
30.06.16 p				
Reserve for loans	1,170,464	Total loans	64,096,970	1.8%
31.12.15 p				
Possible loss provisions	1,002,390	Non-performing loans	1,350,332	74.2%
30.06.16 p				
Possible loss provisions	1,170,464	Non-performing loans	2,474,484	47.3%
31.12.15 p				
Write-offs-Reimbursements	-120,097	Average total loans	53,428,174	-0.2%
30.06.16 p				
Write-offs-Reimbursements	-96,038	Average total loans	60,660,183	-0.2%
31.12.15 p				
Reimbursements	237,938	Loan losses	358,035	66.5%
30.06.16 p				
Reimbursements	86,253	Loan losses	- 96,038	-89.8%
31.12.15 p				
Profit coverage ratio = (net operational income+provisioning expenses)	813,901	Net loan loss	-120,097	-677.7%
30.06.16 p				
Profit coverage ratio = (net operational income+provisioning expenses)	457,271	Net loan loss	-96,038	-476.1%
31.12.15 p				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	4,465,923	Loan investments	59,175,240	7.5%
30.06.16 p				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,454,585	Loan investments	64,096,970	3.8%
31.12.15 p				
Major borrowings	24,944,797	Capital	11,033,294	226.1%
30.06.16 p				
Major borrowings	29,565,638	Capital	18,506,880	159.8%

Market Risk

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

The 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:

Accounting period	Thousand AMD									
	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	Gross
2016p. I Q	1,810.91	624.34	216.58	296.85	0.00	447.09	649.94	190.53	0.32	2,825.14
2016p. II Q	1,140.93	356.31	126.64	287.71	0.00	313.49	877.18	271.34	0.97	1,984.02
growth/decrease	-669.98	-268.04	-89.94	-9.14	0.00	-133.60	227.25	80.81	0.65	-841.11

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

30.06.2016

Thousand AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	11,463,826	6,591,591	640,482	18,695,899
Bank standardized bullions of precious metals and coins	443	-	-	443
Receivables to banks and other financial institutions	4,510,275	6,254,585	223,105	10,987,965
Held for trading financial instruments				-
Loans and advances provided to customers	26,903,878	37,193,092	-	64,096,970
Available-for-sale financial assets	1,779,931		-	1,779,931
Investments in the chartered capital of controlled entities				-
Securities pledged under repurchase agreements	9,757,283			9,757,283
Other assets	27,225	5,632	2	32,859
Total assets	54,442,861	50,044,900	863,589	105,351,350
Liabilities				
Liabilities to banks and other financial institutions	15,564,066	11,736,027	36,414	27,336,507
Liabilities to Customers	23,759,784	36,315,414	619,164	60,694,362
Subordinate borrowing	2,721,689	2,636,578		5,358,267
Held for trading financial liabilities	259			259
Liabilities on current taxes				
Amounts payable	513,042			513,042
Deferred tax liabilities	822,698			822,698
Other liabilities	742,354	185,720	4,745	932,819
Total liabilities	44,123,892	50,873,739	660,323	95,657,954
Net position	10,318,969	(828,839)	203,266	9,693,396

31.12.2015

Thousand AMD

	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	17,107,784	10,622,217	320,283	28,050,284
Bank standardized bullions of precious metals and coins	443	33	-	476
Receivables to banks and other financial institutions	983,447	5,866,761	610,396	7,460,604
Loans and advances to customers	26,852,186	32,323,054		59,175,240
Available-for-sale financial assets	338,213			338,213
Securities pledged under repurchase agreements	8,527,788			8,527,788
Other assets	13,601	6,042	3	19,646
Total assets	53,823,462	48,818,107	930,682	103,572,251
Liabilities				
Liabilities to banks and other financial institutions	16,140,501	9,846,587	60,140	26,047,228
Liabilities to customers	23,298,185	38,017,310	663,267	61,978,762
Subordinate borrowing	2,722,784	1,702,820		4,425,604
Held for trading financial liabilities	693			693
Liabilities on current taxes				
Amounts payable	70,065			70,065
Deferred tax liabilities				
Other liabilities	706,362	126,803	38,847	872,012
Total liabilities	45,152,389	49,820,323	801,101	93,394,364
Net position	8,671,073	(1,002,216)	129,581	7,798,438

* "I group foreign currency" comprises the following currencies : USD,GBP,EUR,CHF standardizez 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 misbalance shows that the average accumulated misbalance of the 2nd quarter of 2016 (accumulated gap of the sensitive assets and liabilities against the interest rate) is positive forming AMD 2,029,930.0 thousand against AMD 1,479,478.0 thousand of the same period of the previous year by decreasing in absolute value by AMD 550,452.0 or more than 37.2%, that is in average the Bank was sensitive to liabilities in the 2nd quarter of 2016. In the 2nd quarter of 2016, the average accumulated misbalance has decreased in absolute value by AMD 49,109.0 thousand or 2.4% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2nd quarter of 2016 has increased by 4.9%, forming 102.7% against 97.9% average value of the 2nd quarter of 2015, that is in 2nd quarter of 2016 the assets sensitive to interest rate changes have formed 102.7% of the liabilities sensitive to interest rate changes.

The duration of assets as of the end of 2nd quarter of 2016 was 1.252 year (against the 1.142 year as of the 2nd quarter of 2015) as it increased by 0.110 year or by 9.6% ,as compared with the end of the previous quarter (1.174 year) the mentioned indicator has increased by 0.078 year or 6.6%.

The duration of liabilities as of the end of the 2nd quarter of 2016 was 0.567 year (against 0.47 year of the 2nd quarter of 2015) increasing by 0.097 year or 20.6%-. In correlation with the end of the previous quarter (0.547) the indicator has increased by 0.02 year or 3.7%.

The duration gap as of the end of the 2nd quarter of 2016 was 0.753 (against 0.698 of the 2nd quarter of 2015) increasing by 0.055 or 7.9%. In correlation with the previous quarter (0.686) the indicator has increased by 0.067 or 9.8%

Assets and Liabilities with changing interest rates
30.06.2016

Thousand 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				485,764		994,382		224,215		232,082		
Total	-	-	-	485,764	-	994,382	-	224,215	-	232,082	-	-
Net position	-	-	-	(485,764)	-	(994,382)	-	-224,215	-	(232,082)	-	-

31.12.2015

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

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

Item	Interest rates of accounting period: 30.06.2016p.		Interest rates of accounting period 31.12.2015p.	
	AMD	Foreign	AMD	Foreign
Assets				
Balance at CBA			-	-
Receivables to banks and other financial institutions, including:	9.23	1.76	11.61	3.62
Interbank loans		1.76	0.00	3.62
Interbank repo	8.82		10.95	0.00
Loans and advances provided to customers	19.19	12.01	20.40	12.57
Held for trading and available for sale securities	14.52		14.32	
Liabilities				
Liabilities to banks and other financial institutions	9.61	6.71	8.64	6.80
Liabilities to Customers	5.65	5.23	5.29	4.44

3) Description of models

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

The Bank's sensitivity to the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the 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), ֆինանսական գործիքների գծով լիմիտների
- 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. Pre-term withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposits of corporate entities.
3. Withdrawal of 25% of all on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities).

The possibility of breach in N 21 N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of the breaches of the standards gives an opportunity to get accurate assessments of the Bank's liquidity risk through the analysis of the impact of call in of Individuals term deposits and on-demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

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

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

Liquidity Risk Assessment

Over the 2nd quarter of 2016, the instant liquidity indicator, the up to 90 day accumulative liquidity indicators and general (up to one year) liquidity indicators have decreased by 20.65, 17.74 and 0.67 percent respectively.

Item	Accounting Period		30.06.2016						Thousand AMD	
	Non-performing		Repayment date in						Termless	Total
	Term	Overdue	On-demand	up to 3 months	3-6 months	6-12 months	1- 5 year	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			18,425,898	-	-	-	-	-	270,000	18,695,898
Standardized precious metal bullions			443							443
Receivables to banks and other financial institutions			2,457,763	7,222,734			1,191,700	-	115,769	10,987,966
Loans and advances provided to customers	1,649,396	147,180	424,630	11,047,263	5,440,592	8,222,214	30,866,946	6298749	-	64,096,970
Securities, including:				9,757,283	-	108,841	1,417,628	-	253,462	11,537,214
- available for sale						108,841	1,417,628		253,462	1,779,931
- sold by repo agreements				9,757,283						9,757,283
Other receivables	-	-		32,137	-		-	722		32,859
Total	1,649,396	147,180	21,308,734	28,059,417	5,440,592	8,331,055	33,476,274	6,299,471	639,231	105,351,350
including:										
I group foreign currency	1,179,620	55,997	8,909,972	8,297,421	2,195,858	5,064,995	19,301,936	4,922,163	116,938	50,044,900
II I group foreign currency	-	-	758,126	105,462	-	-	-	-	-	863,588
including:										
By fixed interest rate	1,649,396	147,180	12,977	17,179,509	5,429,615	8,200,613	30,676,027	6,235,619		69,530,936
Non-interest	-	-	21,295,757	10,879,908	10,977	130,442	2,800,247	63,852	639,231	35,820,414
On maturity of liabilities repayment	-	-								-
Liabilities to banks and other financial institutions	-	-	339,700	14,852,406	2103897	3,246,578	6,450,019	343,909		27,336,509
Liabilities to customers, including:	-	-	28,206,072	7,800,522	7,373,771	14,736,014	2,422,017	154,806	1,160	60,694,362
- On-demand deposits			27,300,385	29,517	19,000		21,055		1,160	27,371,117
- Term deposits	-	-		7,771,005	7,354,771	14,736,014	2,400,962	154,806		32,417,558
- Other	-	-	905,687				-	-		905,687
Held for trade liability			259							259
Subordinate borrowing				36,527				5,321,740		5,358,267
Amounts payable			513,042							513,042
Deferred tax liabilities			822,698							822,698
Other liabilities	-	-	774,329	152,887	302	5,248	52	-	-	932,818
Off-balance sheet contingent liabilities	-	-		298,638	716,089	770,295	2,758,759		-	4,543,781
Total	-	-	30,656,100	22,842,342	9,477,970	17,987,840	8,872,088	5,820,455	1,160	95,657,955
including:										
I group foreign currency	-	-	12,389,333	9,954,731	6,623,499	14,049,009	5,115,341	2,741,826		50,873,739
II group foreign currency	-	-	199,338	230,620	123,820	95,290	11,255	-	-	660,323
"Major" liabilities			4,530,486	7,324,698	1,787,704	2,720,839	1,820,178			18,183,905
including:										
By floating interest rate				485,764	994,382	224,215	232,082			1,936,443
By fixed interest rate	-	-	12,995,361	21,778,631	8,149,033	17,420,938	6,798,773	498,715	-	67,641,451
Non-interest	-	-	17,660,739	577,947	334,555	342,687	1,841,233	5,321,740	1,160	26,080,061
Net liquidity gap	1,649,396	147,180	(9,347,366)	5,217,075	(4,037,378)	(9,656,785)	24,604,186	479,016	638,071	9,693,395
including:										
I group foreign currency	1,179,620	55,997	(3,479,361)	(1,657,310)	(4,427,641)	(8,984,014)	14,186,595	2,180,337	116,938	(828,839)
II group foreign currency	-	-	558,788	(125,158)	(123,820)	(95,290)	(11,255)	-	-	203,265
Floating interest rate	-	-	-	(485,764)	(994,382)	(224,215)	(232,082)	-	-	(1,936,443)
Fixed interest rate	1,649,396	147,180	(12,982,384)	(4,599,122)	(2,719,418)	(9,220,325)	23,877,254	5,736,904	-	1,889,485
Accumulative liquidity gap	1,649,396	1,796,576	(7,550,790)	(2,333,715)	(6,371,093)	(16,027,878)	8,576,308	9,055,324	9,693,395	

Item	Non-performing		Repayment date in						Termless	Total
	Term	Overdue	On-demand	up to 3 months	3-6 months	6-12 months	1- 5 year	more than 5 years		
On maturity terms of assets										
Cash and cash equivalents, balances with the CBA			26,892,406	-	-	-	-	-	1,520,000	28,412,406
Standardized precious metal bullions			476							476
Receivables to banks and other financial institutions			2,250,576	2,673,783	2,418,814		-	-	117,429	7,460,602
Loans and advances provided to customers	702,775	73,337	-	7,762,241	8,814,266	5,811,851	29,389,768	6,665,902	-	59,220,140
Securities, including:				8,527,788	-	-			338,213	8,866,001
- available for sale			-						338,213	338,213
- sold by repo agreements			-	8,527,788						8,527,788
other receivables	-	-		19,646	-		-	-		19,646
Total	702,775	73,337	29,143,458	18,983,458	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642	103,979,271
including:										
I group foreign currency	480,563	52,086	12,371,412	3,757,783	8,532,342	2,097,316	16,426,955	4,982,221	117,429	48,818,107
II group foreign currency	-	-	634,609	296,070	-	-	-	-	-	930,679
including:										
By floating interest rate										-
By fixed interest rate	702,775	73,337	21,631	18,288,424	11,233,080	5,811,851	29,389,768	6,665,902	1,975,642	74,162,410
Non-interest	-	-	29,121,827	695,034						29,816,861
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions	-	-	2,365,791	14,743,087	1,615,847	5,513,890	4,375,972	289,013		28,903,600
Liabilities to customers, including:	-	-	32,872,087	8,187,121	6,463,162	12,300,002	1,989,595	165,760	1,035	61,978,762
- On-demand deposits			31,058,915						1,035	31,059,950
- Term deposits	-	-		8,187,121	6,437,657	12,300,002	1,989,595	165,760		29,080,135
- Other	-	-	1,813,172		25,505		-	-	-	1,838,677
Held for trade liability			693							693
Subordinate borrowing				32,479				4,393,125		4,425,604
Amounts payable			70,065							70,065
Other liabilities			2,142,496	234,599	1,814	540	-	-	-	2,379,449
Off-balance sheet contingent liabilities	-	-	1,102,175	410,055	1,317,280	2,752,840	13,782,380		-	19,364,730
Total	-	-	37,451,132	23,197,286	8,080,823	17,814,432	6,365,567	4,847,898	1,035	97,758,173
including:										
I group foreign currency	-	-	16,368,107	9,623,341	5,645,751	13,584,961	2,647,482	1,823,878	-	49,693,520
II group foreign currency	-	-	334,564	229,697	46,913	150,914	166	-	-	762,254
"Major" liabilities			5,983,998	10,104,335	48,308	2,084,633	2,054,826			20,276,100
including:										
By floating interest rate				817,108	1,401,945	131,327	230,086			2,580,466
By fixed interest rate	-	-	13,782,380	22,145,579	6,677,064	17,682,565	6,135,481	4,847,898	1,035	71,272,002
Non-interest	-	-	23,668,752	234,599	1,814	540	-	-	-	23,905,705
Net liquidity gap	702,775	73,337	(8,307,674)	(4,213,828)	3,152,257	(12,002,581)	23,024,201	1,818,004	1,974,607	6,221,098
including:										
I group foreign currency	480,563	52,086	(3,996,695)	(5,865,558)	2,886,591	(11,487,645)	13,779,473	3,158,343	117,429	(875,413)
II group foreign currency	-	-	300,045	66,373	(46,913)	(150,914)	(166)		-	168,425
By floating interest rate	-	-	-	(817,108)	(1,401,945)	(131,327)	(230,086)	-	-	(2,580,466)
By fixed interest rate	702,775	73,337	(13,760,749)	(3,857,155)	4,556,016	(11,870,714)	23,254,287	1,818,004	1,974,607	2,890,408
Accumulative liquidity gap	702,775	776,112	(7,531,562)	(11,745,390)	(8,593,133)	(20,595,714)	2,428,487	4,246,491	6,221,098	

Note 33: "Capital and Capital Adequacy Ratio"

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

We present the structure of balance sheet capital:

	Thousand AMD	
	30.06.2016	31.12.2015
Chartered capital	4,023,188	2,333,338
Emission income/loss	3,158,247	-
Undistributed shares emission	(856,165)	
Repurchased shares	(2,568)	
Reserves:	12,145,788	6,019,090
Main reserve	6,000,000	6,000,000
Revaluation reserve	3,719,299	19,090
Undistributed profit/loss	2,426,489	2,695,989
Total capital	18,468,490	11,048,417

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

Thousand AMD

2016թ.	Involved in calculation standards					Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk		
	1	2	3 (1+2)	4	5		
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

Thousand AMD

2015թ.	Involved in calculation standards					Equivalent effective %	CBA limit %
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk		
	1	2	3 (1+2)	4	5		
January	8,961,578	315,720	9,277,298	64,010,658	1,100,894	12.68	12
February	8,850,801	317,154	9,167,955	63,430,008	1,031,514	12.73	12
March	8,834,583	566,517	9,401,100	63,851,005	923,726	13.14	12
April	8,861,599	2,881,854	11,743,453	63,430,662	904,915	16.55	12
May	8,690,543	4,339,342	13,029,885	65,375,536	905,698	17.87	12
June	8,543,774	4,271,887	12,815,661	66,343,559	1,013,455	17.14	12
July	8,465,605	4,232,803	12,698,408	68,799,608	951,992	16.55	12
August	8,491,341	4,245,671	12,737,012	69,726,632	1,036,429	16.25	12
September	8,552,040	4,276,020	12,828,060	70,302,089	1,044,853	16.24	12
October	8,751,103	4,374,563	13,125,666	70,991,207	1,053,149	16.46	12
November	8,720,463	4,334,249	13,054,712	71,588,268	1,049,062	16.25	12
December	8,885,655	4,385,733	13,271,388	72,821,970	1,089,637	16.20	12

We hereby present the weight of risks of assets 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.

Thousand AMD

As of 30.06.2016				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	32,842,368	139,465		-
10%	4,589,028			458,903
20%	1,824,447			364,889
30%	3,615,352			1,084,606
50%	1,696,239	206,973		951,606
75%	7,871,858	114,199		5,989,543
100%	28,791,906	808,694		29,600,600
110%	268,548	24,988		322,890
150%	31,779,090	1,689,121	1,244	50,204,183
Total	113,278,836	2,843,975	1,244	88,977,219

Thousand AMD

as of 31.12.2015				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	42,502,077			-
10%	823,845			82,385
20%	814,385			162,877
30%	2,405,084			721,525
50%	1,839,353	207,003		1,023,178
75%	8,251,066	143,926		6,296,244
100%	24,094,429	634,959		24,729,388
110%	289,072	23,487		343,815
150%	27,547,852	1,636,536	10,884	43,792,908
Total	108,567,163	2,645,911	10,884	77,152,320

Note 34: "Real Value of Financial Assets and Liabilities"

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

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

As of 30.06.2016 the following methods and assessments were used by the Bank during the evaluation of real 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 real value.

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

The real 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 real value.

Customer deposits and bank accounts

The balance sheet value is close to the real value.

As of 30.06.2016, the Bank had no financial assets accounted for by the amount exceeding their real values.

Note 35: "Hedging of Envisaged Future Transactions"

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

Note 36: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.06.2016 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.06.2016 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 warrantees accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

Thousand AMD

Collateral type	30.06.2016		31.12.2015	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	27,450,745	123,495,120	24,487,793	112,429,200
Car	2,860,524	12,416,360	3,589,140	13,799,855
Equipment	276,789	1,281,495	170,700	593,850
Ready made products	395,860	1,126,045	298,970	1,078,045
Guarantee	18,981,771	91,460,903	18,067,258	81,612,860
Monetary funds	636,290	1,870,694	722,726	3,132,672
Gold items	6,277,241	8,321,384	5,794,657	7,296,004
State securities	214,338	239,487		
Other securities	41,118	80,000	-	-
Other pledge	40,280	73,214	9,266	41,812
No collateral available	8,092,478		7,037,121	
Total	65,267,434	240,364,702	60,177,631	219,984,298

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

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

Chairman of the Executive Board

A.Naljyan

Chief Accountant

D.Azatyanyan

Approval date: 20.07.2016