



Appendix 5

NOTES TO FINANCIAL STATEMENTS
(Form 5)

30 JUNE 2016

ARMBUSINESSBANK CJSC, RA, YEREVAN, 48 NALBANDYAN

Note 1. Legal Environment and Corporate Governance

"Armbusinessbank" CJSC, former "Arminvestbank" CJSC (hereinafter the Bank) was founded in 1991, and it is a closed joint-stock company that operates in accordance with the legislation of the Republic of Armenia (hereinafter RA): The Bank was registered on 10.12.1991 by the RA Central Bank (hereinafter, CBA). The license number is 40.

The Bank accepts deposits from and extends loans to the population, makes transfers within the territory of Armenia and abroad, conducts currency conversion operations, as well as renders other banking services to corporates and individuals.

The Bank's head office and 20 branches are located in Yerevan, 21 branches are located in different regions (marzes) of Armenia, and 7 branches – in the Republic of Nagorno Karabakh.

The legal address of the Bank is: 48 Nalbandyan Street, Yerevan.

The Bank is:

- member of the Union of Banks of Armenia
- full member of global Master Card/Europay payment system
- shareholder of SWIFT system
- full member of VISA International payment system
- member of NASDAQ OMX Armenia OJSC
- member of the Union of the participants of Armenia's Mortgage Market
- Shareholder of ArCa processing center

1. Corporate governance

The Bank's managing bodies are:

- General Meeting of the Shareholders - the Supreme governing body
- The Board
- The Executive Board and the Chairman of the Executive Board

a) The Board

Chairman of the Board – Vitaly Grigoryants

Board Members – Sergey Arzumanyan

Diana Grigoryan

Sevak Petrosyan

Alik Chirkinyan

b) The Executive Board

Chairman of the Executive Board - Arsen Mikayelyan

Members of the Executive Board

Manvel Sahakyan - Deputy Chairman of the Executive Board-
Director of Financial Department

Vardan Aghajanyan - Deputy Chairman of the Executive Board-
Director of Operations Department

Nshan Grigoryan - Deputy Chairman of the Executive Board -Director
of Credit Department

Narine Sargsyan - Chief Accountant

Vahan Melkonyan - Director of Treasury Department - Chief Treasurer

Bagrat Tevosyan - "Kentron" branch manager

c) Major Participants

Vitaly Grigoryants – 100 %

d) Management Remuneration Policy

Remuneration of the Management is provided in accordance with signed employment contracts and the staff list approved by the Board of the Bank.

Note 2. Accounting Policy

2.1 Preparation of financial statements

The Bank prepares its financial statements in accordance with the International Financial Reporting standards (IFRS), other legal acts regulating the accounting, and the requirements of the accounting policy approved by the Board of the Bank.

2.2 Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Bank's assets should be realised and obligations met during the time of the Bank's operation.

2.3 Comparability

The comparable numbers have been adjusted where required to ensure the comparability with the numbers of the current period.

2.4 Recognition of income and expense

2.4.1 Interest income and expense

Interest income and interest expense in the Statement of Comprehensive Income are recognized on the accrual basis using the effective interest method.

2.4.2 Commissions and other income and expense

Loan origination fees together with correspondent expenses are deferred as an adjustment to the effective yield of the loans. Fees, other income and expense are recognized on an accrual basis during the time of service provision.

2.5 Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate established as of the balance sheet date.

Gain and loss resulting from the difference between the exchange rate provided by the contract concerning the transaction and the exchange rate as of the transaction date are accounted for in the Statement of Comprehensive Income as a line item "net income from sale and purchase of foreign currency" in net trading income.

The following exchange rates were used by the Bank when preparing the financial statements:

	30 June 2016	31 December 2015
AMD/1 US Dollar	476.68	483.75
AMD/1 EUR	530.45	528.69

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand amounts of correspondent banks, balances with the CBA (excluding funds deposited for the settlement of ArCa payment cards), which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value.

2.7 Amounts due from other banks

In the normal course of business, the Bank maintains current and deposits accounts opened with other banks for various periods of time.

2.8 Securities

On initial recognition, financial assets available for sale are accounted for at initial cost and thereafter remeasured at fair value. When revaluating at fair value, the revaluation result is reflected in the equity

2.9 Loans and advances to customers

Loans and advances are financial assets with fixed payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Subsequently, loans and advances are measured at amortized cost using the effective interest method. Loans and advances to customers are carried net of any allowance for impairment losses.

2.10 Leasing

Lease payments under an operating lease are recognised in the statement of financial results as expenses on a straight-line basis over the lease term.

2.11 Possible losses reserve

The Bank makes an impairment assessment for financial assets or a group of financial assets as of the each balance sheet date.

2.12 Intangible assets

Intangible assets include computer software, licences and similar items. Intangible assets acquired separately are initially recognized at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation or impairment losses. Intangible assets can have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their useful life, that is 15 years. Intangible assets with indefinite useful lives are not amortized, they are reassessed each year for impairment.

2.13 Property, plant and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation annual rates have been applied:

	Useful life	Rate
	(years)	(%)
Buildings	30	3.33
Computers	3	33.3
Transportation means	5	20
Automatic teller machines	10	10
Other PPE	5	20
Property and office equipment	5	20

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

The expenditures as regards PPE repairs and maintenance are recognized as an expense in the statement of financial results during the period in which they are incurred.

2.14 Financial instruments

The Bank implements measurement, recognition, use and accounting for the financial instruments according to the order established by the RA legislation as well as the regulations, decrees, orders and acts issued by the Bank.

2.15 Events occurring after the balance sheet date

2.15.1 In case material errors revealed by the auditor result from the differences between the requirements of the International Accounting Standards and RA legislation, then the accounting records are made in accordance with the decisions taken by the managing bodies of the Bank.

2.15.2 In case material errors appear or are revealed after publication of the Bank's annual financial statements according to the established order, then no adjustments are made, and it is considered that repeated presentation of similar information is impracticable.

2.16 Taxation

Income tax on the profit for the reporting year comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes paid in respect of previous years. Deferred taxes are calculated taking into account all the temporary differences arising between carrying values of assets and liabilities recognized in the financial statements and the amounts calculated for taxation purposes.

The Bank pays also other taxes during the course of its activity. These taxes are included as a component of other expenses in the statement of comprehensive financial results

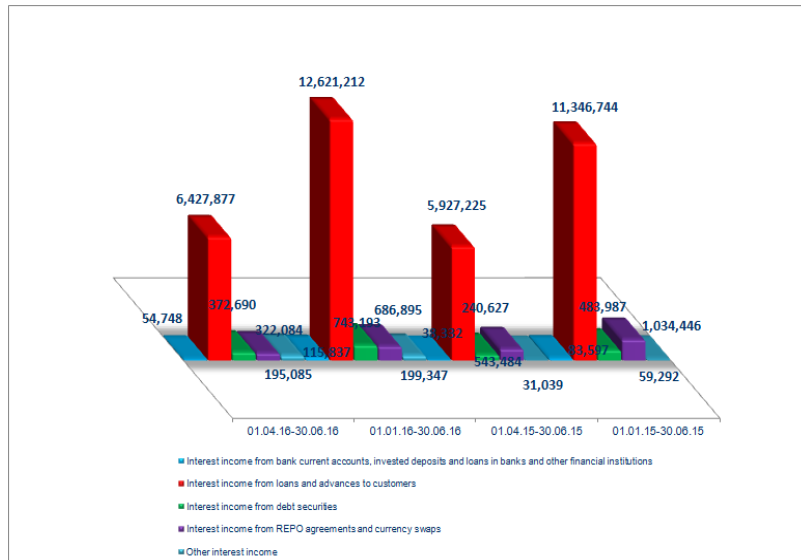
2.17 Functional and presentation currency

The national currency of the Republic of Armenia is RA Dram (AMD). For the purposes of these financial statements, RA Dram is the presentation currency as well.

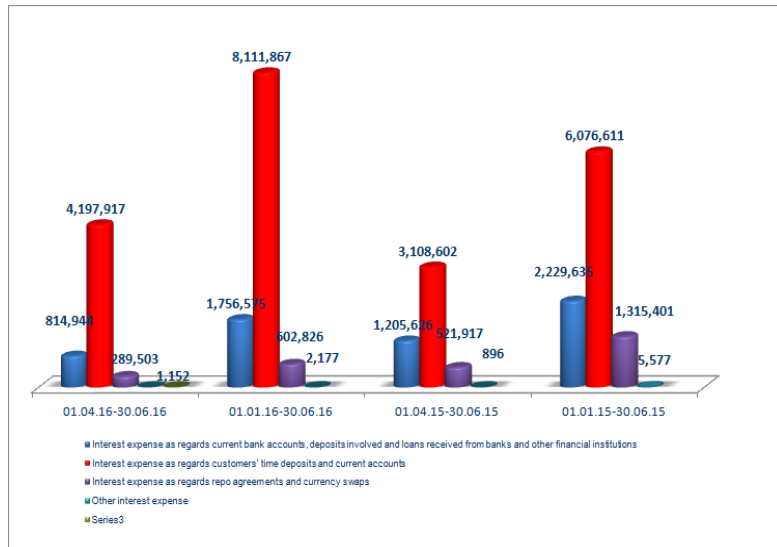
The intermediary financial statements are presented in thousands of AMD.

Note 3. Net Interest and Similar Income

Interest and Similar Income	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Interest income from bank current accounts, invested deposits and loans in banks and other financial institutions	54,748	115,837	38,332	83,597
Interest income from loans and advances to customers	6,427,877	12,621,212	5,927,225	11,346,744
Interest income from debt securities	372,690	743,193	240,627	483,987
Interest income from REPO agreements and currency swaps	322,084	686,895	543,484	1,034,446
Other interest income	195,085	199,347	31,039	59,292
Total	7,372,484	14,366,484	6,780,707	13,008,066



Interest and Similar Expense	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Interest expense as regards current bank accounts, deposits involved and loans received from banks and other financial institutions	814,944	1,756,575	1,205,626	2,229,635
Interest expense as regards customers' time deposits and current accounts	4,197,917	8,111,867	3,108,602	6,076,611
Interest expense as regards securities issued by the Bank				
Interest expense as regards repo agreements and currency swaps	289,503	602,826	521,917	1,315,401
Other interest expense	1,152	2,177	896	5,577
Total	5,303,516	10,473,445	4,837,041	9,627,224
Net interest and similar income	2,068,968	3,893,039	1,943,666	3,380,842



Note 4. Income and Expense in the form of Commissions and Other Fees

Income in the form of Commissions and Other Fees	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Cash operations	79,828	124,126	88,315	133,999
Settlement services	134,064	221,103	105,820	170,848
Guarantee, acceptance, letter of credit, trust management operations	59,712	131,369	73,486	106,912
Transaction in foreign currency and securities			624	1,044
Plastic card operations	130,793	268,022	139,635	286,475
Other commission payments	192,323	353,063	194,771	375,326
Total	596,720	1,097,683	602,651	1,074,604

Expenses in the form of Commissions and Other Payments	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Commission payments as regards correspondent and other accounts/bank transactions	48,027	88,030	41,364	81,225
Commission payments as regards transactions with plastic cards/cash transactions	50,724	105,717	48,213	92,482
Payments as regards guarantees, acceptance, letters of credit, trust management transactions	104	135	1,271	1,271
Commission payments as regards transactions in foreign currency and securities			143	644
Other commission payments	3,300	6,070	17,072	35,044
Total	102,155	199,952	108,063	210,666
Net Commissions and other payments received	494,565	897,731	494,588	863,938

Note 5. Net income from trading transactions

Income from investments remeasured at fair value and held at fair value	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Net income from purchase and sale of investments held for trading, including				
- shares				
- debt securities				
- derivative instruments	-30,791	-175,371	-68,272	83,145
Net income from change in fair value of investments held for trading				
Total	-30,791	-175,371	-68,272	83,145

Net Income from Investments available for sale	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Net income from purchase and sale of investments available for sale, including				
- shares				
- debt securities	19	19	0	0
- derivative instruments				
Net income from change in fair value of investments held for trading				
Total	19	19	0	0

From foreign currency transactions	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Net income from foreign currency dealings	261,221	548,405	195,402	424,544
Net income from foreign currency revaluation	11,523	98,765	59,213	-112,154
Total	272,744	647,170	254,615	312,390

From bank standardized precious metal bullions and commemorative coins	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Net income from purchase and sale of bank standardized precious metal bars and commemorative coins	4,708	8,208	2,206	14,700
Net income from revaluation of bank standardized precious metal bullions and commemorative coins	20,200	61,540	-1,895	-3,075
Total	24,908	69,748	311	11,625

Net income from trading transactions	266,880	541,566	186,654	407,160
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Note 6. Other operating income

Other operating income	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Fines and penalties received	396,811	759,025	302,395	576,995
Income received from factoring	10,276	23,580	20,319	39,838
Net income from disposal of PPE and intangible assets	168	859	37,298	53,720
Net income from revaluation and impairment reversal of PPE and intangible assets				
Other income	45,352	465,796	45,653	85,145
Total	452,607	1,249,260	405,665	755,698

Note 7. Net allocations to the assets possible loss reserve

As regards amounts due from banks		01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance	Note 14	79,579	79,579	0	0
Allocations to the reserve		0	0	0	0
Return of reserve allocations		-79,579	-79,579	0	0
Net allocations to the reserve		-79,579	-79,579	0	0
Return of amounts previously written-off to the off-balance sheet		0	0	0	0
Reserve utilization					
Closing balance		0	0	0	0

As regards amounts due from financial institutions		01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance	Note 14	16,528	16,528	0	0
Allocations to the reserve		0	0	0	0
Return of reserve allocations		-16,528	-16,528	0	0
Net allocations to the reserve		-16,528	-16,528	0	0
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
Closing balance		0	0	0	0

As regards loans and advances provided to the customers	Note 16	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance		5,939,320	5,534,149	4,741,548	4,550,828
Allocations to the reserve		2,377,047	4,130,985	1,326,068	2,215,556
Return of reserve allocations		-2,211,194	-3,091,550	-983,977	-1,412,198
Net allocations to the reserve		165,853	1,039,435	342,091	803,358
Return of amounts previously written-off to the off-balance sheet		240,903	769,911	75,248	364,045
Reserve utilization		-2,191,447	-3,188,866	-422,648	-981,992
Closing balance		4,154,629	4,154,629	4,736,239	4,736,239

As regards investments	Note 18	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance		21,895	21,895	21,895	21,895
Allocations to the reserve			0		0
Return of reserve allocations		-21,895	-21,895		0
Net allocations to the reserve		-21,895	-21,895	0	0
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
Closing balance		0	0	21,895	21,895

As regards other assets	Note 18	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance		528,989	160,082	122,900	128,635
Allocations to the reserve		1,197,595	2,010,303	69,334	72,565
Return of reserve allocations		-1,208,742	-1,649,692	-44,797	-53,763
Net allocations to the reserve		-11,147	360,611	24,537	18,802
Return of amounts previously written-off to the off-balance sheet		351	5,661	4,357	4,357
Reserve utilization		-444	-8,605	-28,603	-28,603
Closing balance		517,749	517,749	123,191	123,191

As regards off-balance sheet items containing credit risk	Note 30	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Opening balance		131,186	335,674	294,268	294,268
Allocations to the reserve		204,666	335,852		0
Return of reserve allocations		0	-335,674	-294,268	-294,268
Net allocations to the reserve		204,666	178	-294,268	-294,268
Closing balance		335,852	335,852	0	0

Total net allocations to the reserves		241,370	1,282,222	72,360	527,892
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Note 8. General administrative expenses

General administrative expenses	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Expenses as regards calculated salary and other equivalent payments *	761,363	1,538,677	748,523	1,428,647
Expenses as regards social payments	0	0	0	0
Expenses as regards training and tuition	190	371	658	731
Expenses as regards business trips	23,623	31,837	13,960	27,201
Expenses as regards operating lease	39,400	76,302	26,814	56,079
Insurance expenses	13,400	22,214	10,012	19,529
Expenses as regards maintenance and security of Bank's equipment	33,538	60,967	20,470	36,566
Expenses as regards maintenance and security of Bank's buildings	58,998	137,937	62,948	136,598
Expenses as regards audit and other consulting services	2,500	17,094	5,000	21,216
Expenses as regards communication means	23,486	46,529	24,756	47,838
Transportation expenses	15,871	28,756	14,892	25,575
Expenses as regards taxes, duties and other obligatory payments (except profit tax)	63,845	127,904	52,018	102,849
Office and organizational expenses	14,876	30,390	13,020	22,377
Expenses as regards loans provision and return	15,569	27,491	4,830	9,470
Other administrative expenses	65,036	119,747	180,435	220,619
Total	1,131,695	2,266,216	1,178,336	2,155,295

The number of the Bank employees as at 30 June 2016 is 833.

The size of average monthly salary per employee is **201** thous. drams.

Note 9. Other Operating Expenses

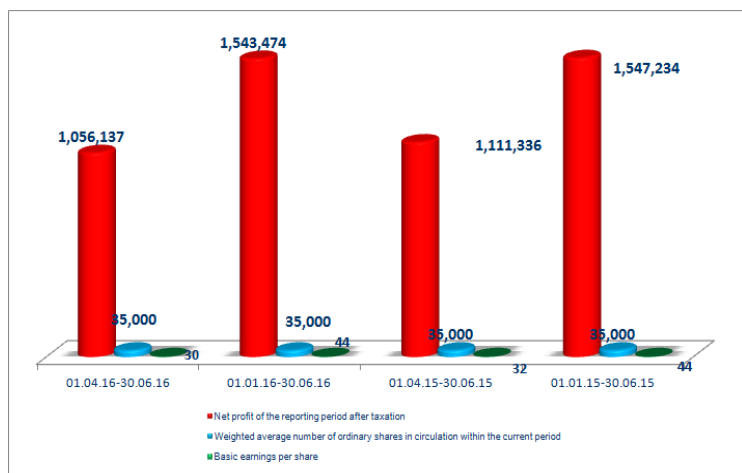
Other Operating Expenses	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Fines and penalties paid	0	500	0	1,150
Advertising and representation expenses	55,557	106,683	46,776	93,057
Fcatoting expenses				
Fixed and intangible assets amortization expenses	238,356	481,165	207,929	417,837
Loss from impairment of tangible assets				
Allocations to deposit guarantee fund	77,239	149,477	54,968	107,351
Other expenses	245,516	374,655	94,833	190,903
Total	616,668	1,112,480	404,506	810,298

Note 11. Profit Tax Expense

Profit tax expense	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Current tax expense	218,183	358,237	179,469	301,282
Adjustments of current tax for previous periods recognized in the given period				
Deferred tax expense	18,967	18,967	84,566	65,637
Total	237,150	377,204	264,035	366,919

Note 12. Basic Earnings per Share

Basic Earnings per Share	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Net profit of the reporting period after taxation	1,056,137	1,543,474	1,111,336	1,547,234
Dividends calculated for the current reporting period as regards preference shares	()	()	()	()
Net gain/loss for the current period attributable to the owners of the ordinary shares				
Weighted average number of ordinary shares in circulation within the current period	35,000	35,000	35,000	35,000
Basic earnings per share	30	44	32	44
Diluted earnings per share				



Note. Other Comprehensive Income

Other Comprehensive Income	01.04.16-30.06.16	01.01.16-30.06.16	01.04.15-30.06.15	01.01.15-30.06.15
Exchange rate differences from recalculation of foreign transactions				
Revaluation of financial assets available for sale	328,346	534,271	(80,567)	(328,507)
Cash flow hedging				
Gains from PPE revaluations				
Deferred tax expense				
Total	328,346	534,271	(80,567)	(328,507)

Note 13. Cash means, Cash Equivalents and Balances with the RA Central Bank

Cash, cash equivalents and balances with the CBA	Reporting period	Previous period
Cash means	6,266,823	3,641,132
Other placements of cash	1,900,631	3,331,109
Correspondent accounts with the CBA *	26,406,040	24,319,510
Total	34,573,494	31,291,751
Deposit accounts with the CBA		
Deposited means with the CBA **	120,000	400,000
Accrued interest		
Cash means and balances with the CBA	34,693,494	31,691,751
Standardized precious metal bullions	121,699	144,762
Placements with other banks (Note 14)	6,239,324	11,274,611
Total cash and cash equivalents	41,054,517	43,111,124

* Correspondent accounts with the CBA include funds calculated against amounts involved by the Bank according to the RA bank legislation, subjected to obligatory provisioning

** The deposited amount with CBA represents an insured deposit for settlements realized through ArCa payment system

Note 14. Amounts due from banks and other financial institutions

Current accounts	Reporting period	Previous period
RA banks	4,227	17,926
Banks with BBB – (Baa3) and higher rating	4,525,541	8,631,452
Banks with no rating and rating below BBB-(Baa3)	272,934	169,595
Accrued interest	0	0
Total	4,802,702	8,818,973

Interbank loans and deposits, etc.	Reporting period	Previous period
CBA		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Other		
RA Banks		
Loans and deposits	0	2,283,749
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	450	6,360
Letters of credit and bank guarantees		
Other		
Banks with BBB – (Baa3) and higher rating		
Loans and deposits	520,800	225,080
Factoring		
Financial lease		
RA Banks		
RA Banks	0	0
Letters of credit and bank guarantees		
Other	0	0

Banks with no rating and rating below BBB-(Baa3)		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	0	0
Letters of credit and bank guarantees		
Other	915,240	18,730
Accrued interest	132	1,298
Total	6,239,324	11,354,190
Reserve for possible losses as regards amounts due from Banks (Note 7)		(79,579)
Net amounts due from banks	6,239,324	11,274,611

Loans and deposits with financial institutions, other amounts due		
RA financial institutions	2,232,251	2,379,785
Loans and deposits	1,222,139	930,811
Factoring		
Financial lease		
Repo (repurchase) agreements	1,010,112	1,448,974
Swap		
Letters of credit and bank guarantees		
Other		
Financial institutions with BBB – (Baa3) and higher rating		
Loans and deposits	0	0
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
Financial institutions with no rating and rating below BBB-(Baa3)	1,003,122	1,000,746
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other	1,003,122	1,000,746
Accrued interest	37,781	11,122
Total	3,273,154	3,391,653
Reserve for possible losses as regards amounts due from financial institutions (Note 7)		-16,528
Net amounts due from financial institutions	3,273,154	3,375,125
Net amounts due from banks and financial institutions	9,512,478	14,649,736

Note 15. Financial Assets Held for Trading

Government securities	Reporting period	Previous period
RA Government securities, including		
Treasury bonds	13,093,283	12,467,687
Central Bank bonds		
Other		
Government securities of countries with BBB – (Baa3) and higher rating, including		
Treasury bonds		
Central Bank bonds		
Other		
Government securities of countries with no rating and rating below BBB-(Baa3)		
Treasury bonds		
Central Bank bonds		
Other		
Total Government securities	13,093,283	12,467,687

Non-government securities of RA	Listed	Non-Listed	Listed	Non-Listed
Issuer with A-/A3/ and higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with "C" and higher rating by CBA				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ and below rating, other rating and no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non-government securities of RA held for trading	0	0	0	0

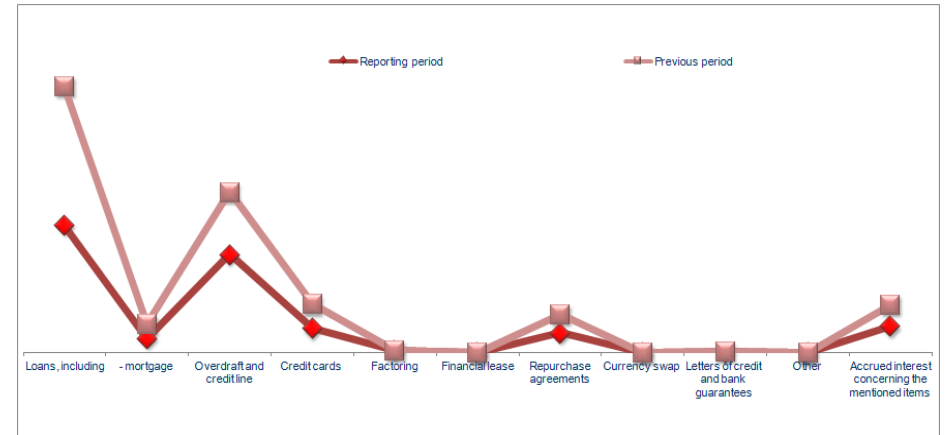
Non-government securities of other countries	Listed	Non-Listed	Listed	Non-Listed
Issuer with A-/A3/ and higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ and below rating, other rating and no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non-government securities of other countries held for trading	0	0	0	0
Total securities held for trading	13,093,283	12,467,687	0	0

Other financial assets held for trading	Reporting period	Reporting period	Previous period	Previous period
Loans, factoring, accounts receivable				
Borrowers with A-/A3/ or higher rating				
Borrowers with BBB+/Baa1/ and lower rating, other rating and no rating				
- Mortgage				
- Consumer loans				
- Other				
Derivative instruments	0		0	
- Futures				
- Forward				
- Option				
- Swap				
- Other				
Total				

Total financial assets held for trading	13,093,283	12,467,687	0	0
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Note 16. Loans and other advances to customers

Issued loans and other advances	Reporting period	Previous period
Loans, including	100,914,271	109,943,916
- to banks		
- to RA Government		
- to local authorities		
- mortgage	11,281,540	11,334,011
Overdraft and credit line	77,802,328	49,365,106
Credit cards	19,121,620	19,363,691
Factoring	1,718,129	283,479
Financial lease	103	293
Repurchase agreements	15,654,207	14,758,667
Currency swap	-	-
Letters of credit and bank guarantees	457,617	598,921
Other		
Accrued interest concerning the mentioned items	20,831,978	17,262,249
Total loans	236,500,253	211,576,322
Reserve for possible losses as regards loans and other advances to customers (Note 7)	-4,154,629	-4,208,840
Total net loans	232,345,624	207,367,482



Breakdown of Performing and Non-Performing Loans and Advances to Customers as of the End of the Reporting Period

Breakdown of performing and non-performing loans and advances provided to customers	Reporting period	Previous period
Performing loans and advances		
Amount	229,580,574	204,917,584
Quantity	63,168	64,324
Non-Performing loans and advances, including	6,919,679	6,658,738
Amount	3,259,606	3,160,417
Quantity	3,913	4,403
Accrued interests		
Total loans	236,500,253	211,576,322
Quantity	66,367	70,862
Provision for possible losses as regards loans and advances provided to customers (Note 7)	-4,154,629	-4,208,840
Total net loans	232,345,624	207,367,482

Analysis of provided loans and advances by customer group

Analysis of the provided loans and advances by customer group	Reporting period	Previous period
State enterprises	6,944,400	5,854,891
Private enterprises, including	157,649,016	137,855,733
- large enterprises	85,414,469	74,508,888
- small and medium enterprises	72,234,547	63,346,845
Natural persons, including	47,168,335	46,613,248
- consumer loans	15,535,901	14,480,682
- mortgage loans	11,268,708	11,334,011
- credit cards	18,872,297	19,233,646
Sole entrepreneurs	3,906,523	3,990,201
Accrued interest	20,831,979	17,262,249
Total loans	236,500,253	211,576,322
Provision for possible losses as regards loans and advances provided to customers	(4,154,629)	(4,208,840)
Total net loans	232,345,624	207,367,482

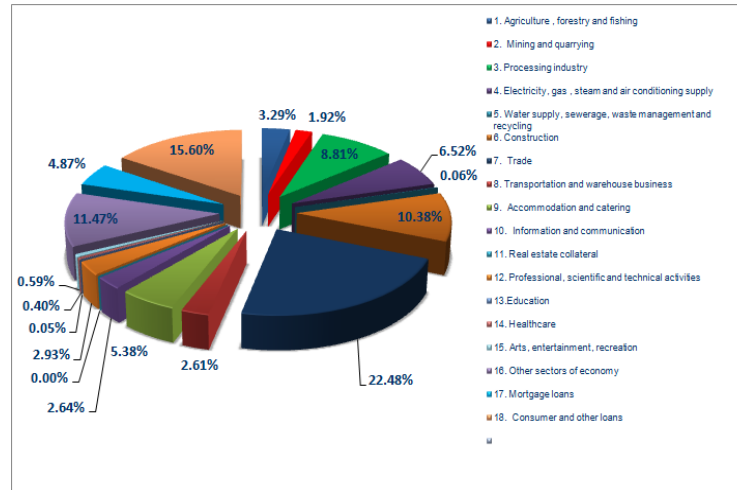
- a) Total loans provided to major borrowers and related persons as of 30.06.2016 made AMD 108.646.234 thous, as of 31.12.2015 – AMD 106.588.616 thous.
- b) Share in total loan portfolio as of 30.06.2016 made 49.79 %, as of 31.12.2015 -53.84 %
- c) Percentage to Capital as of 30.06.2016 was 407.88 %, as of 31.12.2015 – 405.66 % :

Analysis of loan portfolio according to number of borrowers	Reporting period	Previous period
State enterprises	6	9
Private enterprises	815	337
Natural persons	53,346	61,097
Sole entrepreneurs	191	198
Total	54,358	61,641

Analysis of loan portfolio according to the industry sectors (less the reserve amount for possible losses)

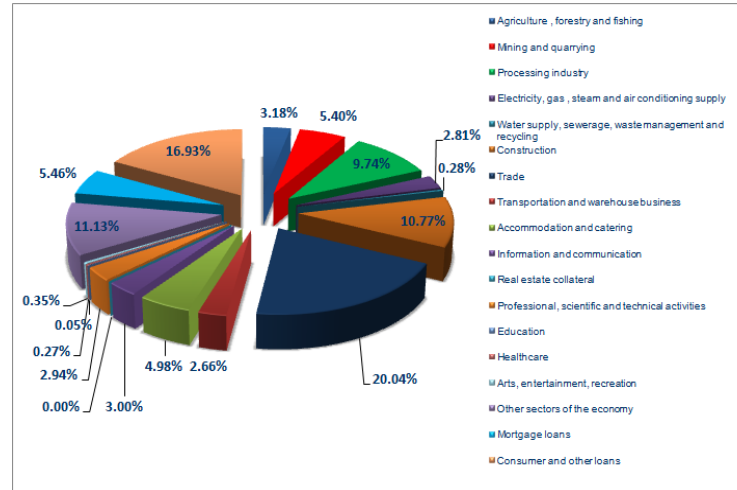
30.06.16

Analysis of loans and advances according to crediting sectors	Reporting period	Percentage
1. Agriculture , forestry and fishing	7,772,803	3.29
2. Mining and quarrying	4,545,014	1.92
3. Processing industry	20,828,990	8.81
4. Electricity, gas , steam and air conditioning supply	15,429,113	6.52
5. Water supply, sewerage, waste management and recycling	133,925	0.06
6. Construction	24,554,247	10.38
7. Trade	53,172,920	22.48
8. Transportation and warehouse business	6,162,816	2.61
9. Accommodation and catering	12,728,785	5.38
10. Information and communication	6,239,158	2.64
11. Real estate collateral	6,544	0.00
12. Professional, scientific and technical activities	6,929,834	2.93
13. Education	112,640	0.05
14. Healthcare	941,757	0.40
15. Arts, entertainment, recreation	1,401,240	0.59
16. Other sectors of economy	27,131,547	11.47
17. Mortgage loans	11,517,371	4.87
18. Consumer and other loans	36,891,549	15.60
Total	236,500,253	100



31.12.15

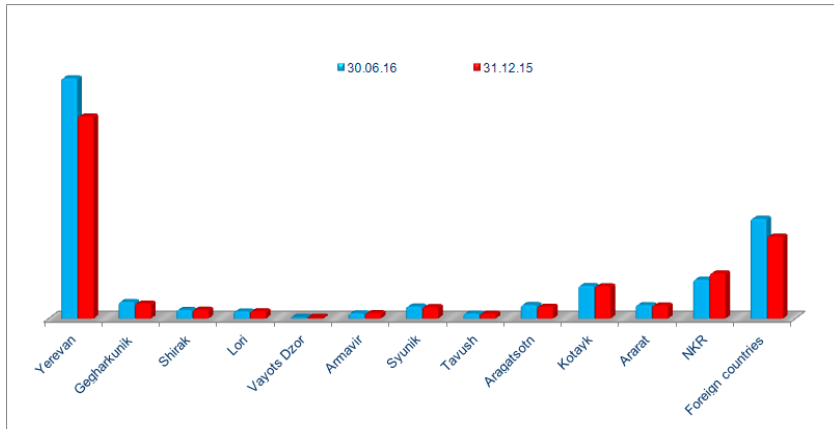
Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	6,719,580	3.18
2. Mining and quarrying	11,431,612	5.40
3. Processing industry	20,601,394	9.74
4. Electricity, gas , steam and air conditioning supply	5,953,121	2.81
5. Water supply, sewerage, waste management and recycling	588,290	0.28
6. Construction	22,784,283	10.77
7. Trade	42,390,604	20.04
8. Transportation and warehouse business	5,619,547	2.66
9. Accommodation and catering	10,541,104	4.98
10. Information and communication	6,350,327	3.00
11. Real estate collateral	8,995	0.00
12. Professional, scientific and technical activities	6,222,152	2.94
13. Education	114,943	0.05
14. Healthcare	575,515	0.27
15. Arts, entertainment, recreation	746,458	0.35
16. Other sectors of the economy	23,544,163	11.13
17. Mortgage loans	11,556,123	5.46
18. Consumer and other loans	35,828,111	16.93
Total	211,576,322	100



Analysis of the loan portfolio as regards customers' residency

Analysis of the loan portfolio as regards customers' residency	Reporting period	Percentage	Previous period	Percentage
RA residents	185,590,067	79.88	168,856,257	81.43
Non-residents	46,755,557	20.12	38,511,225	18.57
Total	232,345,624	100	207,367,482	100

Region (Marz)	30.06.16		31.12.15	
	Quantity	Amount	Quantity	Amount
Yerevan	17364	112,469,194	19603	94,673,390
Gegharkunik	11883	7,876,944	10022	7,124,235
Shirak	8599	4,091,214	8555	4,210,822
Lori	3041	3,422,853	3414	3,530,028
Vayots Dzor	178	626,789	168	624,235
Armavir	2289	2,539,505	2367	2,607,750
Syunik	1992	5,695,104	2145	5,440,563
Tavush	1075	2,405,983	1277	2,384,237
Aragatsotn	7553	6,428,788	7117	5,666,743
Kotayk	3944	15,364,107	4121	15,162,249
Ararat	6306	6,403,216	6266	6,203,529
NKR	5106	18,266,370	5767	21,228,476
Foreign countries	37	46,755,557	40	38,511,225
Total	69,367	232,345,624	70,862	207,367,482



Note 17. Financial assets available for sale

State securities	Reporting period	Previous period
State obligations	10,817,479	10,175,043
Treasury obligations	10,817,479	10,175,043
Central Bank obligations		
Promissory note		
State obligations of countries with BBB-/Baa3/ or higher rating		
Treasury obligations		
Central Bank obligations		
Other		
State securities of countries with BB+/Ba1/ or below rating or no rating		
Treasury obligations		
Central Bank obligations		
Other		
Possible loss reserve for promissory notes (Note 7)		
Total state securities	10,817,479	10,175,043

Non-state securities of RA	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with "C" and higher rating by CBA				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ or below rating, other rating or no rating				
Long term debt instruments		805,308		542661
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non government securities of RA	0	805,308	0	542,661

Non-state securities of other countries	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ or below rating, other rating or no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non government securities of other countries	0	0	0	0

Total securities available for sale	11,622,787	10,717,704
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Other financial assets available for sale				
Loans, factoring, amounts receivable				
Borrowers with A-/A3/ or higher rating				
Borrowers with BBB+/Baa1 and below rating, other rating and no rating				
Mortgage loans				
Consumer loans				
Other				
Total	0	0	0	0

Total financial assets available for sale	11,622,787	10,717,704
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Investments in other persons' share capital

Reporting period

Company name	Main activity	Country of registration	Investment date	Invested amount (thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	14034	0.00005
Total				46,022	6
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)					
Total				46,022	

Previous period

Company name	Main activity	Country of registration	Investment date	Invested amount (thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	10964	0.00005
Total				42,952	6
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)				-21,895	
Total				21,057	

	Reporting period	Previous period
Total financial assets available for sale and investments in other companies' share capital	11,668,809	10,738,761

Note 18. Investments held to maturity

Government securities	Reporting period	Previous period
RA state bonds including		
T-bonds		
Bonds of Central bank		
Other		
Government securities of countries with BBB-/Baa3/ or higher rating, including		
T-bonds		
Bonds of Central bank		
Other		
State securities of countries with BB+/Ba1/ or below rating or no rating, including		
T-bonds		
Bonds of Central bank		
Other		
Accrued interest		
Total		

Non-government securities of RA	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Issuer having "C-" and higher rating from CBA, including	0	0	0	
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				0
Issuer with BBB+/Baa1/ and lower rating, other rating and no rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Accrued interest				
Total	-	-	-	-

Non-government securities of other countries	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Issuer with BBB+/Baa1/ and lower rating, other rating and no rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Accrued interest				
Total	-	-	-	-

Impairment of investments held to maturity (reserve for possible losses) (Note 7)				
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Net investments in financial assets held to maturity	0		0	0
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Note 20. Property, Plant, Equipment and Intangible Assets

Property, plant and equipment

Title	Buildings	Computer & communication means	Vehicles	Other PPE	Capital investments as regards PPE	Capital investments as regards leased PPE	Total
Initial cost							
Balance at the beginning of the previous period	7,548,683	2,942,939	253,657	1,602,244	-	118,377	12,465,900
Increase	3,991	339,417	44,764	174,104	-	54,000	616,276
Disposal			74,868				74,868
Write-off							-
Revaluation		80		4,524			4,604
Depreciation adjustment from revaluation							-
Balance at the end of the previous period	7,552,674	3,282,276	223,553	1,771,824	-	172,377	13,002,704
Increase	1,346	89,813	-	43,553	-	2,141	136,853
Disposal			-				-
Revaluation*							-
Write-off				60			60
Depreciation adjustment from revaluation							-
Balance at the end of the reporting period	7,554,020	3,372,089	223,553	1,815,317	-	174,518	13,139,497
Accumulated depreciation							
Balance at the beginning of the previous period	290,106	1,909,865	163,429	955,125	-	19,991	3,338,516
Increase	290,495	219,866	38,086	209,697		3,838	761,982
Disposal			48,412				48,412
Depreciation adjustment from revaluation							-
Write-off		80		2,219			2,299
Balance at the end of the previous period	580,601	2,129,651	153,103	1,162,603	-	23,829	4,049,787
Increase	145,360	136,596	17,736	99,899		2,561	402,152
Disposal							-
Depreciation adjustment from revaluation							-
Write-off				60			60
Balance at the end of the reporting period	725,961	2,266,247	170,839	1,262,442	-	26,390	4,451,879
Net carrying amount							
End of reporting period	6,828,059	1,105,842	52,714	552,875	-	148,128	8,687,618
End of previous period	6,972,073	1,152,625	70,450	609,221	-	148,548	8,952,917

Intangible Assets

	Software	Licenses	Copyright	Other intangible assets	Capital investments as regards intangible assets	Total
Initial cost						
Balance at the beginning of the previous period	175,671	1,314,448	-	66,215	138,404	1,694,738
Increase	81,582	520,018	-	9,024	(133,557)	477,067
Disposal		1,201				1,201
Impairment						
Revaluation		6,176				6,176
Balance at the end of previous period	257,253	1,827,089	-	75,239	4,847	2,164,428
Increase	2,700	257,730		28,654	-	289,084
Disposal						-
Revaluation*						-
Impairment						-
Depreciation adjustment from revaluation		159				159
Balance at the end of the reporting period	259,953	2,084,660	-	103,893	4,847	2,453,353
Accumulated amortization						
Balance at the end of previous period	2,275	78,817	-	-	-	81,092
Increase	9,930	63,545		158		73,633
Disposal		1,201				1,201
Impairment		6,176				6,176
Revaluation						
Balance at the end of previous period	12,205	134,985	-	158	-	147,348
Increase	7,301	70,716		997		79,014
Disposal						-
Depreciation adjustment from revaluation		159				159
Revaluation						-
Balance at the end of the reporting period	19,506	205,542		1,155	-	226,203
Net carrying amount						
End of reporting period	240,447	1,879,118	-	102,738	4,847	2,227,150
End of previous period	245,048	1,692,104	-	75,081	4,847	2,017,080

Note 21. Deferred tax assets

Deferred tax assets movement	Reporting period	Previous period
Balance at the beginning of the period	221,949	183,789
Increase		38,160
Decrease	221,949	
Balance at the end of the period	-	221,949

Note 22. Other Assets

Amounts receivable from bank transactions	Reporting period	Previous period
Dividends receivable	0	0
Amounts receivable from trust management transactions	0	0
Amounts receivable from other transactions	1,735,448	2,969,192
Total	1,735,448	2,969,192
Reserve for possible losses as regards bank transactions (Note 7)	-21,220	-29,692
Net amounts receivable from bank transactions	1,714,228	2,939,500

Accounts receivable and prepayments	Reporting period	Previous period
Receivables as regards budget	62	169
Receivables as regards suppliers		
Advance payments to the employees	766	124
Advance payments to the suppliers	425,512	371,454
Advance payments and overpayments as regards budget and mandator	785,140	451,088
Other receivables and prepayments	10,059,315	10,422,360
Total	11,270,795	11,245,195
Reserve for possible losses as regards other assets (Note 7)	-483,683	-130,390
Total	10,787,112	11,114,805
Other assets		
Warehouse	427,779	456,005
Seized collateral	5,485,342	5,085,118
Future period expenses	47,310	18,207
Other assets	118,810	148,989
Reserve for possible losses as regards other assets (Note 7)	-12,846	
Total	6,066,395	5,708,319
Total other assets	18,567,735	19,762,624

Note 23. Amounts due to banks and other financial institutions

Current accounts	Reporting period	Previous period
RA Banks	5,623	6
Banks with BBB-(Baa3) and higher rating		
Banks with rating below BBB-(Baa3) and no rating		
Accrued interest		
Total	5,623	6
Interbank loans, deposits and other demands		
RA Central Bank		
Loans*	10,177,252	8,845,930
Repo (repurchase) agreements	16,600,612	20,899,991
Swap		14672
Other		
RA Banks		
Loans and deposits	3,735,845	8,525,547
Financial leasing		
Repo (repurchase) agreements	3,027,532	0
Swap	7,389	
Other	0	0
BBB-(Baa3) and higher rating banks		
Loans and deposits	23,000,000	16000000
Financial leasing		
Repo (repurchase) agreements		
Swap		
Other		
BBB-(Baa3) and lower rating and no rating banks		
Loans and deposits	2,383,399	2,418,762
Financial leasing		
Repo (repurchase) agreements		
Swap	0	0
Other	916,449	12,410
Accrued interest	431,303	351,210
Total	60,279,781	57,068,522

Financial institutions		
Current accounts	426,880	73,024
Loans and deposits	20,214,788	23,479,553
Repo (repurchase) agreements		
Swap		
Other	9,709	133,491
Accrued interest	294,070	136,323
Total	20,945,447	23,822,391
Total amounts due to banks and other fin. institutions	81,230,851	80,890,919

As of 30.06.2016, loans received from the Central Bank of Armenia also include loan amounts attracted under international loan programs totaling AMD 10.177.252 thous. And accrued interest amounts AMD 257.253 thous.

Note 24. Amounts due to customers

Amounts due to RA government and local self-managed authorities	Reporting period	Previous period
Current accounts	571,549	47,330
Time deposits		
Loans	791,357	3,044,295
Repo (repurchase) agreements		
Swap		
Other	43,859	42,574
Accrued interest	3,036	10,936
Total	1,409,801	3,145,135
Legal entities and institutions of RA (residents)		
Current accounts	15,016,836	13,911,214
Time deposits	16,555,902	13,691,037
Repo (repurchase) agreements		
Swap		
Other	2,337,189	9,365,691
Accrued interest	121,985	69,050
Total	34,031,912	37,036,992
Legal entities and institutions (non-residents)		
Current accounts	5,410,726	6,007,250
Time deposits	300,385	298,781
Repo (repurchase) agreements		
Swap		
Other	1,304,185	622,335
Accrued interest	4,683	829
Total	7,019,979	6,929,195
Sole entrepreneurs of RA (residents)		
Current accounts	93,516	67,391
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
Total	93,516	67,391
Sole entrepreneurs (non-residents)		
Current accounts	47	47
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		

Accrued interest		
Total	47	47
Individuals (residents)		
Current accounts	11,111,020	8,614,168
Time deposits	140,471,241	120,818,305
Repo (repurchase) agreements		
Swap		
Other	139,336	51,754
Accrued interest	1,900,526	1,436,272
Total	153,622,123	130,920,499
Individuals (non-residents)		
Current accounts	1,733,404	549,110
Time deposits	5,362,734	5,064,954
Repo (repurchase) agreements		
Swap		
Other	0	0
Accrued interest	64,978	65,995
Total	7,161,116	5,680,059
Total liabilities to customers	203,338,494	183,779,318

The amount of the security of liabilities totaled: as at 31.12.2015 - AMD 14.303.074 thous., as at 30.06.2016 - AMD 14.842.342 thous.

2. Term liabilities to government include amounts involved from international financial organizations within RAED (Rural Areas Economic Development) program and Millennium Challenge Account program, which totaled AMD 751.901 thous., accrued interest AMD 3.910 thous.

The structure of Bank depositors' (time deposits) by customers number

	Reporting period	Previous period
Legal entities residents	62	64
Legal entitie non- residents	3	4
Individuals residents	14,850	12,825
Individuals non-residents	193	181
Total	15,108	13,074

Note 26. Liabilities held for trading

Liability held for trading	Reporting period	Previous period
Derivative instruments held for trading purposes		
Futures		
Forward		
Option		
Swap		
Other		
Hedging derivative instruments		
Other	13,093,283	12,467,687
Total	13,093,283	12,467,687

Note 27. Amounts payable

Amounts payable	Reporting period	Previous period
Dividends		
Trust management agreements		
Deposits insurance	77,239	64,633
Other		
Total	77,239	64,633

Note 28. Deferred tax liabilities

Deferred tax liabilities movements	Reporting period	Previous period
Balance at the beginning of the period		
Increase	122,870	
Decrease		
Balance at the end of the period	122,870	-

Note 29. Other liabilities

Other liabilities	Reporting period	Previous period
Settlement liabilities as regards cheques and other payment	9,534	0
Settlement liabilities as regards letters of credit		
Other settlements		
Payables as regards budget		
Profit Tax	358,237	0
VAT	18	4,837
other taxes and dues	19,301	219,797
social insurance payments	0	0
Liabilities to employees as regards salary	216,708	147,140
Payables as regards suppliers	88,664	155,492
Payables as regards completion of chartered capital		
Other liabilities	2,833	2,991
Balance at the end of period	695,295	530,257

Note 30. Chartered capital

- a) Bank's chartered capital registered and fully paid – AMD 22.907.500 thous.
b) The number of issued and allocated ordinary shares - 35.000, nominal value – AMD 654.500
c) Major participants as of the end of the reporting period

Major participant	Amount of participation	Share %	Type of activity (for legal entities)
Vitaly Grigoryants	22,907,500	100	Individual
	22,907,500		

Note 32. Revaluation and remeasurement reserves, other components of equity
"Revaluation and remeasurement reserves"

Components:

Revaluation reserves	Reporting period	Previous period
Unrealized gain/loss from revaluation of investments for sale	666,388	132,117
Fixed assets revaluation reserve	471,422	471,422
Other reserves		
Total revaluation reserves	1,137,810	603,539

Other components of equity**Reserves**

Reserves	Reporting period	Previous period
Main reserve		
Opening balance	576,319	403,892
Increase	62,189	172,427
Decrease		
Closing balance	638,508	576,319

Other reserves		
Opening balance		
Increase		
Decrease		
Closing balance		

Note 33. Retained earnings

Retained profit	Reporting period	Previous period
Opening balance	5,858,903	3,462,246
Increase	1,543,474	2,569,084
Decrease	62,189	172,427
Closing balance	7,340,188	5,858,903

Note 34. Reserves, contingencies and potential liabilities

Reserves		Reporting period	Previous period
Opening balance		335,674	294,268
Allocations to the reserve		335,852	335,674
Use of reserve		(335,674)	(294,268)
Net allocations to the reserve		178	41,406
Closing balance		335,852	335,674

Bank's legal liabilities

The Bank carries out its activity within the requirements prescribed by legislation and needs no additional reserves as regards its legal liabilities.

Bank's tax liabilities

The Bank has met its tax obligations and needs no additional reserves as regards its tax liabilities.

Bank's contingent liabilities as regards off-balance items containing credit risk

	Reporting period	Previous period
Unused credit lines	9,200,464	7,905,085
Guarantees provided	20,817,644	18,725,709
Letters of credit issued	35,727	168,430
Reserve as regards the mentioned items (Note 7)	(335,852)	(335,674)
Closing balance	29,717,983	26,463,550

Bank's liability as regards operating lease

The leased premises are as follows:

Yerevan - Artsakh Branch
Talin - Talin Branch
Yerevan - Noragavit Branch
Stepanakert - Khachen Branch
Yerevan - Arshakuni Branch
Masis - Masis Branch
Ashtarak - Ashtarak Branch
Gavar - Gavar Branch
Yerevan - Komitas Branch
Artik - Artik Branch
Sevan - Sevan Branch
Martuni - Alashkert Branch
Artashat - Artashat Branch
Yerevan - Arabkir Branch
Yerevan - Avan Branch
Yerevan - Aparan Branch
Yerevan - Charbakh Branch
Yerevan - Araratyan Branch
Yerevan - Teryan Branch
Yerevan - Yerevan Branch
Yerevan - Tashir Branch
Hrazdan - Hrazdan Branch

The structure of future total minimum lease amounts payable for operating lease

thous. drams

The structure of minimum lease payments	Amounts payable in drams equivalent to foreign currency	Amounts payable in drams
Up to 1 year		121,769
1-5 years		438,664
5-10 years		322,371
Total		882,804

Note 35. Related party transactions

The related party transactions were conducted according to the market terms and interest rates.

Loans and advances to customers	Reporting period	Previous period
	01.01.16-30.06.16	01.01.15-31.12.15
Balance as of 01 January	3,868,413	5,052,091
Loans and advances provided during the year	1,436,054	8,348,447
Loans and advances repaid during the year	2,811,670	9,532,125
Balance	2,492,797	3,868,413
Interest income	199,474	334,604

The loans have been provided to the Bank's management and their related parties

Amounts due to customers	Reporting period	Previous period
	01.01.16-30.06.16	01.01.15-31.12.15
Balance as of 01 January	3,206,724	15,748,185
Amounts received during the year	22,074,293	73,057,260
Amounts paid during the year	21,887,746	85,598,721
Balance	3,393,271	3,206,724
Interest expense	207,602	559,276

Salary and equivalent payments to the Bank's management	Reporting period	Previous period
	01.01.16-30.06.16	01.01.15-31.12.15
The Board		
Salary	48,408	96,816
bonus		
Executive body		
Salary	99,701	217,100
bonus	2,027	16,459
Internal audit		
Salary	17,014	64,636
bonus	110	3,000
Total	167,260	398,011

Note 36. Minimal disclosures concerning financial risks

1. Credit risk

The main objective of credit risks management for the Bank is the timely (sometimes even before provision of the loan) identification, valuation and realization of corresponding steps directed to their reduction.

The Bank evaluates the credit risk in relation of both each borrower and the whole loan portfolio.

According to the methodology developed by the Bank, the creditworthiness of the potential borrower is assessed before provision of the loan. From the viewpoint of prevention of the credit risk, the most important principles to follow are considered to be the security and purpose of the loan. After provision of the loan, monitoring is conducted by the Bank during the whole period of the loan agreement to regularly assess the borrower's solvency and the loan's security as well as to take corresponding measures for restricting the possible credit risk.

Also the Bank's overall loan portfolio is subjected to regular analysis by industry branches, customers, and loan types to ensure the portfolio diversification and quality. Intra-bank norms restricting credit risk (maximum risk as regards an industry branch, maximum overall loan risk, maximum risk per individual loan types as regards loan portfolio quality, maximum risk as regards a borrower, maximum risk as regards the major borrowers, maximum risk as regards a person related to the Bank, maximum risk as regards all persons related to the Bank, etc.) are established by the corresponding internal legal acts approved by the Bank Board (these norms are more severe than the corresponding norms established by the RA Central Bank).

The Bank considers activity of the Loan committee as very important for the containment of credit risk. Loan committee is the body to realize the Bank's credit policy, the purpose of which is management of the Bank's loan activity and formation of the quality loan portfolio. The main objective of the loan committee is making collective professional protocol or final decisions concerning realization and servicing of transactions containing credit risk.

2. Geographical concentrations

30.06.2016

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	34,693,494				34,693,494
Amounts due from banks and other financial institutions	2,428,805	1,137,530	5,890,571	55,572	9,512,478
Financial instruments held for trading	13,093,283				13,093,283
Loans and advances to customers	185,590,067	308,994	512,423	45,934,140	232,345,624
Securities available for sale	11,654,775		14,034		11,668,809
Securities held to maturity					-
Other assets	13,566,877	261,644	1,182	4,738,032	18,567,735
Total assets	261,027,301	1,708,168	6,418,210	50,727,744	319,881,423
Liabilities					
Amounts due to banks and other financial institutions	78,724,187	2,506,664		793,724	82,024,575
Amounts due to customers	189,601,763	2,056,831	2,800,042	8,879,858	203,338,494
Financial liability held for trading	2,079,658			11,013,625	13,093,283
Other liabilities	687,668		7,627		695,295
Total liabilities	271,093,276	4,563,495	2,807,669	20,687,207	299,151,647
Net position	(10,065,975)	(2,855,327)	3,610,541	30,040,537	20,729,776

31.12.2015

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	31,691,751				31,691,751
Amounts due from banks and other financial institutions	4,689,412	4,961,525	4,914,799	84,000	14,649,736
Financial instruments held for trading	12,467,687				12,467,687
Loans and advances to customers	168,856,257	279,852	488,304	37,743,069	207,367,482
Securities available for sale	10,727,797		10,964		10,738,761
Securities held to maturity					-
Other assets	14,739,068	246,144	11,254	4,766,158	19,762,624
Total assets	243,171,972	5,487,521	5,425,321	42,593,227	296,678,041
Liabilities					
Amounts due to banks and other financial institutions	62,108,537	2,432,271	16,350,111		80,890,919
Amounts due to customers	171,170,017	841,542	2,863,540	8,904,219	183,779,318
Financial liability held for trading	1,284,635			11,183,052	12,467,687
Other liabilities	524,452		5,805		530,257
Total liabilities	235,087,641	3,273,813	19,219,456	20,087,271	277,668,181
Net position	8,084,331	2,213,708	(13,794,135)	22,505,956	19,009,860

OECD * - Organization for Economic Cooperation and Development

Analysis of assets containing credit risk according to industrial branches and exposure

30.06.2016

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
	227,152,369	3,216,575	1,189,330	787,350	
Loans and advances, including	63,168	3,488	1,413	1,298	
1. Agriculture , forestry and fishing	amount 7,265,724	286,365	27,454	32,266	
number	1,142	64	22	40	
2. Mining and quarrying	amount 4,497,732		1,480		
number	26		1		
3. Processing industry	amount 20,612,768	3,315	3,213	157	
number	85	3	3	1	
4. Electricity, gas , steam and air conditioning supply	amount 15,272,345	2,252			
number	34	1			
5. Water supply, sewerage, waste management and recycling	amount 132,586				
number	4				

6. Construction	amount	23,917,550	167,123	160,226		
	number	140	3	6		
7. Trade	amount	52,375,229	101,533	41,486	41,893	
	number	1,140	52	28	16	
8. Transportation and warehouse business	amount	6,024,465	69,749			
	number	31	1			
9. Accommodation and catering	amount	12,529,533	32,154	6,441	11,500	
	number	61	5	1	2	
10. Information and communication	amount	6,175,637	1,004			
	number	34	1			
11. Real property business	amount	6,478				
	number	1				
12. Professional, scientific and technical activities	amount	6,857,000			1,786	
	number	18			1	
13. Education	amount	111,514				
	number	245				
14. Healthcare	amount	932,237			51	
	number	42			1	
15. Arts, entertainment, recreation	amount	1,387,228				
	number	15				
16. Other branches of economy	amount	26,860,225				
	number	19				
17. Mortgage loans	amount	10,757,768	380,330	134,227	28,328	
	number	1,896	88	30	13	
18. Consumer and other loans	amount	31,436,350	2,172,750	814,803	671,369	
	number	58,235	3,270	1,322	1,224	
Receivables	amount	19,275,838	28,124	24,758	5,004	
	number	4,948	341	207	199	
Investment securities	amount	46,022				
	number	3				
Off-balance sheet items	amount	29,585,802	23,217	107,975	989	
	number	13,632	284	95	39	

including	guarantees	amount	20,486,873	9,081	90,994		
		number	273	2	6		
	letters of credit	amount	35,370				
		number	1				

12/31/2015

Assets		Working assets		Non-working assets		
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including		202,386,852	3,122,386	1,064,733	793,511	
		64,324	3,557	1,560	1,421	
1. Agriculture , forestry and fishing	amount	6,138,255	333,826	53,147	30,577	
	number	1,233	67	37	25	
2. Mining and quarrying	amount	11,279,525		28,996		
	number	46		1		
3. Processing industry	amount	20,383,207		883	5,509	
	number	96		1	4	
4. Electricity, gas , steam and air conditioning supply	amount	5,889,990	3,271			
	number	28	1			
5. Water supply, sewerage, waste management and recycling	amount	580,183				
	number	8				
6. Construction	amount	22,365,566	156,015			7,756
	number	137	1			1
7. Trade	amount	41,791,816	19,790	33,500	45,474	
	number	1,353	42	25	26	
8. Transportation and warehouse business	amount	5,563,351				
	number	29				
9. Accommodation and catering	amount	10,396,793	1,613	28,486		
	number	43	1	3		
10. Information and communication	amount	6,263,590	20,652			
	number	42	1			
11. Real property buisness	amount	8,905				
	number	3				
12. Professional, scientific and technical activities	amount	6,156,405	3,205			
	number	20	1			
13. Education	amount	113,794				
	number	196				
14. Healthcare	amount	569,269	182		146	
	number	87	2		1	
15. Arts, entertainment, recreation	amount	738,994				
	number	17				
16. Other branches of economy	amount	22,953,759				
	number	26				
17. Mortgage loans	amount	10,773,875	409,704	114,190	36,485	
	number	1,884	75	29	20	
18. Consumer and other loans	amount	30,419,575	2,174,128	805,531	667,564	
	number	59,076	3,366	1,464	1,344	
Receivables	amount	23,678,318	33,691	6,796	15,824	
	number	4,832	216	159	406	
Investment securities	amount	21,057				
	number	3				
Off-balance sheet items	amount	26,113,365	343,481	4,504	2,200	
	number	18,408	337	81	48	

including guarantees	amount	18,168,003	313,306		
	number	247	9		
letters of credit	amount	166,746			
	number	2			

Analysis of credit portfolio according to regions and risk exposure

31.12.2015

Loans and advances, including	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans, including					
1. Residents of RA	163,875,627	3,122,386	1,064,733	793,511	
2. Non-residents	38,511,225				
Total	202,386,852	3,122,386	1,064,733	793,511	

Loans to non-residents 31.12.15

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	38,511,225	-	-	-	-
	40	-	-	-	-
1. Agriculture , forestry and fishing	amount 3,263				
	number 3				
2. Mining and quarrying	amount				
	number				
3. Processing industry	amount 4,887				
	number 3				
4. Electricity , gas , steam and air conditioning supply	amount				
	number				
5. Water supply, sewerage, waste management and recycling	amount				
	number				
6. Construction	amount				
	number				
7. Trade	amount 22,780,642				
	number 7				
8. Transportation and warehouse business	amount				
	number				
9. Accommodation and catering	amount				
	number				
10. Information and communication	amount				
	number				
11. Real property buisness	amount				
	number				
12. Professional, scientific and technical activities	amount				
	number				
13. Education	amount				
	number				

14. Healthcare	amount				
	number				
15. Arts, entertainment, recreation	amount	2,316			
	number	1			
16. Other branches of economy	amount	15,647,519			
	number	7			
17. Mortgage loans	amount	2,313			
	number	1			
18. Consumer and other loans	amount	70,285			
	number	18			

30.06.2016

Assets	Working assets	Non-working assets			
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky
Loans, including					
1. Residents of RA	180,396,812	3,216,575	1,189,330	787,350	
2. Non-residents	46,755,557				
Total	227,152,369	3,216,575	1,189,330	787,350	

30.06.2016

Assets	Working assets	Non-working assets			
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky
	46,755,557	-	-	-	-
Loans and advances, including	37	-	-	-	-
1. Agriculture , forestry and fishing	1,178				
	number	1			
2. Mining and quarrying	amount				
	number				
3. Processing industry	2,984				
	number	3			
4. Electricity, gas , steam and air conditioning supply	amount				
	number				
5. Water supply, sewerage, waste management and recycling	amount				
	number				
6. Construction	amount				
	number				
7. Trade	30,529,347				
	number	8			
8. Transportation and warehouse business	amount				
	number				
9. Accommodation and catering	amount				
	number				
10. Information and communication	amount				
	number				
11. Real property buisness	amount				
	number				
12. Professional, scientific and technical activities	amount				
	number				
13. Education	amount				
	number				
14. Healthcare	amount				
	number				
15. Arts, entertainment, recreation	1,684				

	number	1			
16. Other branches of economy	amount	16,160,762			
	number	7			
17. Mortgage loans	amount	2,135			
	number	1			
18. Consumer and other loans	amount	57,467			
	number	16			

Loan portfolio indicators as of 30.06.2016

Non-performing loans/ total loans 3.17%

Reserve for non-performing loans/total capital 5.40%

Loan reserve /total loans 1.82%

Possible loss reserve/Non-performing loans 57.44%

Large amount advances/capital 407.88%:

Market risk

Currency risk

For the purposes of currency risk assessment, the Bank applies the VaR (Value at Risk) model well accepted in the international practice. The model ensures definite probability forecast of expected maximum currency fluctuation rate by calculating the maximum value of the Bank eventual losses. For the purposes of currency risk suppression the Bank carried out daily monitoring of currency positions. In the occurrence of open currency positions, the Bank applies hedging instruments for the purposes of risk avoidance.

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

30.06.2016

	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	27,742,303	6,769,099	182,092	34,693,494
Standardized precious metal bullions		121,699		121,699
Amounts due from banks and other financial institutions	2,096,290	6,271,562	1,144,626	9,512,478
Financial instruments kept for trading	12,558,666	534,617		13,093,283
Loans and advances to customers	98,601,899	133,362,050	381,675	232,345,624
Financial assets available for sale	11,668,809			11,668,809
Financial assets held to maturity				-
Other	13,586,099	4,950,757	30,879	18,567,735
Total assets	166,254,066	152,009,784	1,739,272	320,003,122
Liabilities				
Amounts due to banks and other financial institutions	73,708,144	7,122,571	400,136	81,230,851
Amounts due to customers	58,197,247	143,792,929	1,348,318	203,338,494
Other liabilities	685,968	9,327		695,295
Total liabilities	132,591,359	150,924,827	1,748,454	285,264,640
Net position	33,662,707	1,084,957	(9,182)	34,738,482

31.12.2015

	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	21,246,723	10,326,057	118,971	31,691,751
Standardized precious metal bullions		144,762		144,762
Amounts due from banks and other financial institutions	3,653,980	6,125,674	4,870,082	14,649,736
Financial instruments kept for trading	11,925,026	542,661		12,467,687
Loans and advances to customers	93,368,198	113,926,544	72,740	207,367,482
Financial assets available for sale	10,738,761			10,738,761
Financial assets held to maturity				-
Other	13,969,757	5,769,584	23,283	19,762,624
Total assets	154,902,445	136,835,282	5,085,076	296,822,803
Liabilities				
Amounts due to banks and other financial institutions	70,768,075	10,115,192	7,652	80,890,919
Amounts due to customers	45,032,307	133,592,270	5,154,741	183,779,318
Other liabilities	523,983	6,274		530,257
Total liabilities	116,324,365	143,713,736	5,162,393	265,200,494
Net position	38,578,080	(6,878,454)	(77,317)	31,622,309

* The 1st group foreign currencies include US Dollar, Euro, English Pound sterling, Swiss Franc, Gold metal account

** The 2nd group foreign currencies include Russian Rouble, Ukrainian Hryvnia, UAE Dirham, Singapur Dollar.

Analysis of the Bank's Foreign Currency risk according to the types of derivative financial instruments

Types of derivative financial instruments	Drams	I group foreign currency*	II group foreign currency**	Total
Futures instruments				
- liabilities				
- demands				
Forward instruments				
- liabilities				
- demands				
Options				
- liabilities				
- demands				
Swaps				
- liabilities	1,436,430			
- demands		1,430,040		
Other derivative instruments				
- liabilities				
- demands				
Net position according to the derivative financial instruments	(1,436,430)	1,430,040	-	-
Net open position*	(1,436,430)	1,430,040	-	-

Interest rate risk

Efficient assets and liabilities management also assumes a management of assets and liabilities as a result of which the Bank will to the extent possible avoid interest rate risk.

The objective of the interest rate risk management at the Bank is to maintain the target levels of the assets and liabilities interest rate spread and net interest margin.

For the interest rate risk management purposes, the Bank makes calculations on the monthly basis of the both net interest margin and the assets and liabilities interest rate spread, taking into account the assets profitability and the liabilities consumability as well as their time limitation.

To restrict interest rate risk, special mechanisms have been developed as regards assets and liabilities pricing (setting interest rates).

Interest rate risk assessment is based on the model of time gap calculation for assets and liabilities sensitive towards interest rate changes, which allows to evaluate the effect of the interest rate changes on the Bank's expected net interest income.

Interest rate risk is also assessed using the duration method, which shows the change in the economic value of the capital as a result of interest rate changes, taking into account the time inconsistency of the involved liabilities and allocated assets.

Fixed interest rate	3,259,606	3,660,073	976,004	93,240,689	16,181,819	20,712,582	92,448,833	18,199,721	589,477	249,268,804
Interest free	23,325	40,521	46,730,939	12,232,424	949,564	14,813	3,736,981	1,232,689	5,651,363	70,612,619
Liabilities										
Amounts due to banks and other fin. institutions			451,434	31,354,239	6,233,115	3,402,439	27,303,705	12,485,919		81,230,851
Amounts due to customers	-	-	34,328,162	55,147,648	31,669,806	51,700,366	30,252,412	240,100	-	203,338,494
upon demand			34,328,162							34,328,162
time liability				55,147,648	31,669,806	51,700,366	30,252,412	240,100		169,010,332
Other										-
Liabilities for securities issued by the banks										-
Other liabilities			606,631	88,664						695,295
Off –balance contingent liabilities	22,169	110,141	9,063,429	4,671,229	2,690,532	5,537,878	7,622,605			29,717,983
*Contractual liabilities										-
Total	-	-	35,386,227	86,590,551	37,902,921	55,102,805	57,556,117	12,726,019	-	285,264,640
1-st group currency			17,973,638	44,230,937	24,690,509	37,270,072	26,759,671			150,924,827
2-nd group currency			1,214,114	183,268	101,386	151,790	97,896			1,748,454
Large amount liability			53,012	39,621,827	345,422	2,621,227	11,958,274			54,599,762
Variable rate liability										-
Fixed rate liability			32,763,766	71,919,434	36,867,429	55,058,946	57,556,117	12,726,019		266,891,711
Interest free			2,622,461	14,671,117	1,035,492	43,859				18,372,929
Net liquidity gap	3,282,931	3,700,594	12,320,716	18,882,562	(20,771,538)	(34,375,410)	38,629,697	6,706,391	6,240,840	34,616,783
1-st group currency	1,884,129	929,924	(1,076,310)	4,980,309	(18,199,857)	(27,001,501)	38,978,786	-	589,477	1,084,957
2-nd group currency	-	-	(783,185)	375,345	(101,386)	597,940	(97,896)	-	-	(9,182)
Variable interest rate	-	-	-	-	-	-	-	-	-	-
Fixed rate	3,259,606	3,660,073	(31,787,762)	21,321,255	(20,685,610)	(34,346,364)	34,892,716	5,473,702	589,477	(17,622,907)
Cumulative liquidity gap	3,282,931	6,983,525	19,304,241	38,186,803	17,415,265	(16,960,145)	21,669,552	28,375,943	34,616,783	285,264,640

31.12.2015

Item description	Non-performing		Time remaining to maturity						open-end	Total
	overdue	time	demand	up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years		
Assets										
Cash in intern. and CBA			31,291,751						400,000	31,691,751
Amounts due from banks and other fin. institutions			9,102,270	3,523,438			455,250	976,991	591,787	14,649,736
Loans provided to customers	3,160,417	3,498,321		50,393,142	18,847,105	28,182,634	90,961,598	12,324,265		207,367,482
Financial assets			-	-	-	-	4,406,476	18,778,915	21,057	23,206,448
held for trade								12,467,687		12,467,687
available for sale							4,406,476	6,311,228	21,057	10,738,761
held up to maturity										-
Realized under repo agreements										-
Other assets	70,894	3,366	6,362,784	67,443	69,304	61,541	8,042,174		5,085,118	19,762,624
*Contractual demands										-
Total	3,231,311	3,501,687	46,756,805	53,984,023	18,916,409	28,699,425	104,387,239	31,103,180	6,097,962	296,678,041
1-st group currency	1,900,789	887,232	20,989,179	35,999,828	5,706,330	12,387,843	58,366,316		597,765	136,835,282
2-nd group currency			4,766,006	294,245	24,825					5,085,076
Variable interest rate										-
Fixed interest rate	3,160,417	3,498,321	6,431,063	45,219,389	16,839,062	26,822,430	99,958,424	18,635,493	591,787	221,156,386
Interest free	70,894	3,366	40,325,742	8,764,634	2,077,347	1,876,995	4,428,815	12,467,687	5,506,175	75,521,655
Liabilities										
Amounts due to banks and other fin. institutions			218,931	39,625,108	2,222,352	7,379,681	19,964,119	11,480,728		80,890,919
Amounts due to customers	-	-	29,455,895	32,597,400	24,286,548	62,110,602	35,327,175	1,698	-	183,779,318
upon demand			29,455,895							29,455,895
time liability				32,597,400	24,286,548	62,110,602	35,327,175	1,641		154,323,366
Other										-
Liabilities for securities issued by the banks										-
Other liabilities			374,765	155,492						530,257
Off –balance contingent liabilities	28,532	321,654	7,778,616	4,351,473	4,828,284	6,794,851	2,360,140			26,463,550
*Contractual liabilities										-
Total	-	-	30,049,591	72,378,000	26,508,900	69,490,283	55,291,294	11,482,426	-	265,200,494

1-st group currency			16,919,478	24,572,271	18,061,117	58,477,626	25,683,244			143,713,736
2-nd group currency			4,832,101	79,256	66,003	123,431	61,602			5,162,393
Large-scale liability			376,660	36,134,530	318,057	14,825,914	11,737,784			63,392,945
Variable rate liability										-
Fixed rate liability			20,469,738	62,548,141	24,369,626	67,632,255	55,291,294	11,482,426		241,793,480
Interest free			9,579,853	9,829,859	2,139,274	1,858,028				23,407,014
Net liquidity gap	3,231,311	3,501,687	16,707,214	(18,393,977)	(7,592,491)	(40,790,858)	49,095,945	19,620,754	6,097,962	31,477,547
1-st group currency	1,900,789	887,232	4,069,701	11,427,557	(12,354,787)	(46,089,783)	32,683,072	-	597,765	(6,878,454)
2-nd group currency	-	-	(66,095)	214,989	(41,178)	(123,431)	(61,602)	-	-	(77,317)
Variable interest rate	-	-	-	-	-	-	-	-	-	-
fixed rate	3,160,417	3,498,321	(14,038,675)	(17,328,752)	(7,530,564)	(40,809,825)	44,667,130	7,153,067	591,787	(20,637,094)
Cumulative liquidity gap	3,231,311	6,732,998	23,440,212	5,046,235	(2,546,256)	(43,337,114)	5,758,831	25,379,585	31,477,547	265,200,494

Average balance sheet capital and assets

01/01/16-30/06/16

Average balance sheet asset	287,677,074
Average balance sheet capital	30,230,696

Note 42. Collateral accepted

	Reporting period	Previous period
Other securities	9,058,555	7,724,282
Jewels and precious stones	17,919,423	12,257,618
Real estate	160,119,461	142,282,960
Vehicles	14,066,922	14,977,647
Other PPE	20,234,579	18,240,689
Finished production and goods	34,380,469	21,284,426
Cash	14,842,342	30,893,795
Other collateral	13,354,379	18,811,456
Credit guarantee	4,126,984	3,795,273
Other guarantees	16,690,660	17,581,705
Credit warranties	173,331,262	107,535,208
Other warranties	15,989,034	19,386,779
Total	494,114,070	414,771,838

Chairman of the Executive Board

Arsen Mikayelyan

Chief Accountant

Narine Sargsyan

Date of approval 14.07.16