Accompanying notes to the consolidated financial statements as of 31.12.17

1 Principal activities

ACBA-Credit Agricole Bank CJSC (the "Bank") is the parent company in the Group, which is comprised of the Bank and its subsidiary ACBA Leasing Credit Organization CJSC (together the "Group"). It was formed in 1995 as a cooperative bank with collective ownership under

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Yerevan and it has 58 branches (including Head office) in Yerevan and other regions of Armenia. The Bank's registered legal address is 82-84 Aram Street, Yerevan, 0002, Armenia.The number of employees as of 31/12/17 is 1348.

ACBA Leasing Credit Organization was formed on 30 March 2003 as a closed joint-stock company under the laws of the Republic of Armenia. The company's principal activities are finance lease operations with corporate and individual customers. The company possesses a credit organization license from the Central Bank of Armenia. The company is a subsidiary of the Group and was consolidated in these financial statements.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, trading and available-for-sale securities, derivative financial instruments, land and buildings have been measured at fair value.

These consolidated financial statements are presented in thousands of Armenian Drams ("AMD"), unless otherwise indicated.

3. Summary of accounting policies

Changes in accounting policies

The Group has adopted the following amended IFRS

Amendments to IAS 1 Disclosure Initiative The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:
• The materiality requirements in IAS 1;
• That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
• That entities have flexibility as to the order in which they present the notes to financial statements;

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016. The Group amended presentation of its OCI accordingly.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include, in particular:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The amendment does not have impact on the Group.

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment does not have impact on the Group.

3. Summary of accounting policies (continued)

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
• Exposure, or rights, to variable returns from its involvement with the investee;
• The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement(s) with the other vote holders of the investee;
• Rights arising from other contractual arrangements;
• The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Summary of accounting policies (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Related goodwill inherent in the predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to the shareholders' equity.

These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the predecessor.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Group measures financial instruments, such as trading and available-for-sale securities, derivatives and non financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer liability takes place either:

► In the principal market for the asset or liability; or
► In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Summary of accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

► Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
► Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
► Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the settlement date i.e. the date that the asset is delivered to or by an entity. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

Financial assets (continued)

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

► A financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
► Other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and Nostro accounts in banks and amounts due from the CBA, including obligatory reserves.

Precious metals

Gold and other precious metals are recorded at CBA bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the CBA bid prices are recorded as translation differences from precious metals in other income.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

Promissory notes

Promissory notes purchased are included in trading or available-for sale investment securities, or in amounts due from banks or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due banks, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Leases

i. Finance − Group as lessee
The Group recognises finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

ii. Finance − Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

iii. Operating − Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iv. Operating − Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, then:

► If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
► In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

► The normal course of business;
► The event of default; and
► The event of insolvency or bankruptcy of the entity and all of the counterparties

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from banks and loans to customers

For amounts due from banks and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit or loss.

3. Summary of accounting policies (continued):

Impairment of financial assets (continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and oth relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the consolidated statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.
In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition coast and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is reclassified from other comprehensive income to the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.
Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

The accounting treatment of such restructuring is as follows:
► If the currency of the loan has been changed the old loan is derecognized and the new loan is recognize
► If the loan restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for financial liabilities described below;
► If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the allowance charges for the period. In case loan is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.
Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

► The rights to receive cash flows from the asset have expired;
► The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
► The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Interests in the securitised financial assets may be retained by the Group and are primary classified as loans and receivables. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of transfer.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. Summary of accounting policies (continued)

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in “Other liabilities”, being the premi received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit or loss. The premium received is recognised in profit or loss on a straight-line basis over the life of the guarantee.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Armenia.
Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

Property and equipment

Property and equipment are initially carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

3. Summary of accounting policies (continued)

Property and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	20
Leasehold improvement	20
Equipment	05--10
Motor vehicles	5
Other	5

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed.

Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates.losses.

Following initial recognition, goodwill is measured at cost less any accumulated impairment

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets include computer software and licenses

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives of 7 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use

. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

3. Summary of accounting policies (continued)

Assets classified as held for sale (continued)

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated.

Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Republic of Armenia, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no significant post-employment benefits.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued.

Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

• *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

• *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in thousands Armenian Drams, which is the Bank's and its subsidiary's functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as gains less losses from foreign currencies – translation differences.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at FVPL, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not required; the effect on the transition date – 1 January 2018 – would be recorded in retained earnings. The adoption of IFRS 9 is expected to have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group expects a significant impact on its equity due to adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact. The Group has started the process of transition to IFRS 9. It is currently finalizing gap analysis and expects to finalize the implementation by the end of 2017.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases – IFRS 16 *Leases* in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

Standards issued but not yet effective (continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. The Group does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation; or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The amendment does not have impact on the Group.

Annual improvements 2014-2016 cycle (issued in December 2016)

Following is a summary of the amendments from the 2014-2016 annual improvements cycle.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Deletion of short-term exemptions for first-time adopters:

- Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose;

- The amendment is effective from 1 January 2018. The amendment does not have impact on the Group.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarifies that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss;

- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate; or

- Joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent;

- The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. The amendment does not have impact on the Group.

IFRS 12 Disclosure of Interests in Other Entities

Clarification of the scope of the disclosure requirements in IFRS 12:

- The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale;

- The amendments are effective from 1 January 2017 and must be applied retrospectively. The amendment does not have impact on the Group.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Revaluation of land and buildings

Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group engages independent experts for valuation of its premises.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Allowance for loan and finance lease impairment

The Group regularly reviews its loans and receivables from finance leases to assess impairment. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables from finance leases. The Group uses its experienced judgment to adjust observable data for a group of loans or receivables from finance leases to reflect current circumstances.

6.Net Interest And Similar Income

Interest And Similar Income	Current period	Previous period
Interest income from bank's current accounts,deposits and loans to banks and other financial institutions	494,580	125,067
Interest income from loans and advances to customers	25,565,280	25,734,189
Interest income from finance lease	1,111,587	994,108
Interest income from debt securities	1,385,477	1,492,322
Interest income from repurchase agreements	965,327	355,888
Income from factoring, acreditive	2,471,518	2,887,384
Other interest income	71,866	28,664
Total	*32,065,635*	*31,617,621*

Interest And Similar Expense	Current period	Previous period
Interest expense on bank's current accounts, deposits and loans borrowed from banks and other financial institutions	6,650,449	7,122,613
Interest expense on term deposits and current accounts of customers	8,042,782	6,731,777
Interest expense on securities issued from bank	42,478	0
Interest expense on repurchase agreements	96,532	42,654
Other interest expense	136,900	46,692
Total	*14,969,141*	*13,943,736*

Net Interest And Similar Income	*17,096,495*	*17,673,885*

7.Commission and Other Fee Income and Expense

Commission and Other Fee Income	Current period	Previous period
Cash withdrawal services	165,338	156,774
Settlement services	1,370,133	1,213,289
Guarantees and letters of credits, accreditation management operations fee	75,455	37,722
Finance lease payments	70,441	52,428
Plastic card maintenance	2,055,195	1,710,730
Profit /loss/ from translation of financial assets available for sale	61,727	0
Other commission fee	106,813	77,031
Total	*3,905,102*	*3,247,973*

Commission and Other Fee Expense	Current period	Previous period
Settlement operations / wire transfer fee	348,627	365,500
Cash withdrawal services	186,650	166,781
Plastic card maintenance	1,082,706	1,078,388
Other commission fee	29,731	29,670
Total	*1,647,715*	*1,640,339*

Received Net Commission and Other Fee	*2,257,387*	*1,607,635*

8.Net Trading Income

	Current period	Previous period
Net income from trading in foreign currencies	1,422,276	1,285,720
Net income from revaluation of foreign currency	675,414	-318,689
Net income from trading in available-for-sale securities, including.		
Net income from change of fair value of available-for-sale securities		
Net income from trading in securities held for trading	0	70,260
Net income from change of fair value of securities held for trading	-451,323	236,010
Net income from trading in standardized bullions of precious metals and coins		
Net income from revaluation of standardized bullions of precious metals and coins		
Total	*1,646,367*	*1,273,301*

8.1.Other Operational Income

	Current period	Previous period
Net income from alienation of property, plant, equipment and other intangible assets	-139,146	-4,828
Fines and penalties received	2,770,941	2,662,596
Income from revaluation of property, plant and equipment	-57,772	0
Other income	463,544	466,682
Total	*3,037,567*	*3,124,450*

9. Impairment Losses

	Current period	Previous period
Loans and advances to customers	1,831,727	6,691,765
Available-for-sale financial assets	0	0
Other assets	608,663	544,232
Total	*2,440,390*	*7,235,997*

Amounts Due From Banks

	Current period	Previous period
Amount at the beginning of the period		
Provision		
Return		
Written off		
Amount at the end of the period		

Amounts Due From Financial Institutions

	Current period	Previous period
Amount at the beginning of the period		
Provision		
Return		
Written off		
Amount at the end of the period		

Loans and Advances to Customers

	Current period	Previous period
Amount at the beginning of the period	16,911,286	15,786,002
Provision	1,831,727	6,691,765
Net Written off	-2,141,535	-5,566,481
Amount at the end of the period	16,601,478	16,911,286

Investments

	Current period	Previous period
Amount at the beginning of the period	0	0
Provision		
Return		
Written off		
Amount at the end of the period	0	0

Other Assets

	Current period	Previous period
Amount at the beginning of the period	9,732	31,209
Provision	608,663	544,232

Net Written off	-603,068	-565,709
Amount at the end of the period	15,327	9,732

Off Balance Sheet Items, Including Credit Risk

	Current period	Previous period
Amount at the beginning of the period		
Provision		
Return		
Written off		
Amount at the end of the period		

10. General Administrative Expenses

	Current period	Previous period
Wages and salaries	8,480,497	8,050,539
Social insurance contributions	3,788	2,718
Repairs and maintenance expenses of tangible assets	574,025	554,683
Business trip expenses	206,152	121,593
Transport, connection and communication expenses	307,409	217,046
Lease expenses	697,194	644,600
Taxes other than on income	316,221	276,643
Consulting and other service expenses	67,586	62,949
Security expenses	342,740	316,328
Office supplies	177,778	145,229
Training costs	79,064	41,962
Insurance expenses	204,409	149,298
Other expenses	69,654	0
Total	*11,526,517*	*10,583,588*

10.1 Other Operational Expenses

	Current period	Previous period
Advertising costs	573,348	389,113
Penalties paid	4,458	16,192
Amortization costs of property, plant, equipment and other intangible assets	1,062,736	1,523,791
Cash collection expenses	123,284	111,018
Insurance expenses of deposits	221,900	174,300
Loss from impairment of available-for-sale assets	0	
Other expenses	1,239,052	926,549
Total	*3,224,778*	*3,140,963*

11. Net Profit/(Loss) From Investments in Controlled Entities

Net Income From Investments in Controlled Entities	Current period	Previous period
Investments in associates	96,282	(8,604)
Investments in joint controlled entities		
Investments in subsidiary banks		
Investments in other subsidiary entities		
Total	*96,282*	*(8,604)*

12.Income Tax Expense

	Current period	Previous period
Income tax expense	(1,795,339)	(1,351,690)
Any adjustments recognised in the period for current tax of prior periods		
Deferred tax expenses	268,391	397,611
Current Income Tax	*(1,526,948)*	*(954,079)*

Deferred Tax Base for Taxable Temporary Differences

	Balance as of the previous period	Recognised in reported results	Recognised in equity	Balance as of the current period
Deferred tax assets, including.	*463,206*	*59,577*	-	*522,782*
Property, Plant and Equipment	106,900	(93,767)		*13,133*
Loans and advances to customers	246,921	22,090		*269,011*
Other liabilities	109,385	131,253		*240,638*
The expiry of a tax loss in the next period	-			-
	-			-
Deferred tax liabilities, including.	(1,262,159)	208,814	(181,162)	*(1,234,507)*
Contingent liabilities	-			-
Amounts due to banks and other financial institutions and other	(112,256)	288,882		*176,626*
Loans and advances to customers	(460,871)	4,625		*(456,246)*
Property, Plant and Equipment	(400,412)		(21,414)	*(421,826)*
Available-for-sale investments	(288,620)	(84,693)	(159,748)	*(533,061)*
Net deferred tax liability	(798,954)	268,391	(181,162)	(711,725)

Earnings Per Share

	Current period	Previous period
Net Profit/(loss) after taxes	5,395,902	1,622,139
The quantity of ordinary shares	2,500	2,500
Earnings Per Share	*2,158.36*	*649*

13.Cash On Hand

	13.1 Cash and cash equivalents, remainings in CB	Current period	Previous period
1	Cash on hand	9,842,428	5,352,609
2	Other distributions of cash	3,872,100	3,211,055
3	Current accounts in CBA	53,130,166	42,259,904
4	Deposits in CBA		
6	Interest accrued on current accounts and deposits of CB	520,000	510,000
	Total	*67,364,694*	*51,333,568*
	Cash flow including cash on hand and accounts in CBA	*66,844,694*	*50,823,568*
	Distributed funds in other banks (Note 14)	*3,487,212*	*4,552,295*
	Total cash and cash equivalents	*70,331,906*	*55,375,863*

14. Amounts Due From Banks and Other Financial Institutions

Current accounts	Current period	Previous period
Requirements towards the banks of Ra	3,349	44,278
Requirements towards the high rating banks: BBB-(Baa3) and over	2,871,621	2,729,297
Requirements towards the low rating banks, lower than BBB-(Baa3) and requirements towards the banks without rating	612,209	1,494,756
Interest accrued	34	24
Total	**3,487,212**	**4,268,355**
Interbank loans and deposits, other requirements		
Requirements towards the CB of RA	-	-
loans and deposits		
factoring		
finance lease		
repurchase agreements		
other		
Requirements towards the banks of Ra	**6,814,019**	**6,896,890**
loans and deposits	2,894,929	729,063
factoring		
finance lease		
repurchase agreements	2,599,552	5,947,650
letters of credit and bank guarantees		
other	1,319,538	220,177
Requirements towards the high rating banks: BBB-(Baa3) and over	**-**	**771,758**
loans and deposits		
factoring		
finance lease		
repurchase agreements		
letters of credit and bank guarantees		
other	-	771,758
Requirements towards the low rating banks, lower than BBB-(Baa3) and requirements towards the banks without rating	**565,840**	**171,564**
loans and deposits		
factoring		
finance lease		
repurchase agreements		
letters of credit and bank guarantees		
other	565,840	171,564
Including interest accrued		8,847
Total	*10,867,071*	*12,108,567*
Impairment losses of requirements towards the banks (Note 7)		
Net Requirements Towards The Banks	10,867,071	12,108,567

Loans and Deposits to Financial Institutions, Other Requirements	Current period	Previous period
Requirements towards the financial institutions in RA	**3,288,598**	**-**
loans and deposits	2,430,041	
factoring		
finance lease		
repurchase agreements	845,883	
letters of credit and bank guarantees		
other	12,674	

Requirements towards the high rating financial institutions: BBB-(Baa3) and over	**1,103,124**	-
loans and deposits		
factoring		
finance lease		
repurchase agreements		
letters of credit and bank guarantees		
other	1,103,124	-
Requirements towards the low rating financial institutions, lower than BBB-(Baa3) and requirements towards financial institutions without rating	**-**	**225,806**
loans and deposits		
factoring		
finance lease		
repurchase agreements		
letters of credit and bank guarantees		
other		225,806
Interest accrued		
Total	**4,391,722**	**225,806**
Impairment losses of requirements towards the financial institutions (Note 7)		
Net Requirements Towards The Financial Institutions	4,391,722	225,806
Net Requirements Towards The Banks and The Financial Institutions	**15,258,793**	12,334,373

15.Financial Assets Held for Trading

State securities	**Current period**	**Previous period**
State securities of RA, including:	-	-
Treasury bonds	-	
Bonds of CB of RA		
Other		
State securities of the high rating countries: BBB-(Baa3) and over	-	-
Treasury bonds		
Bonds of CB of RA		
Other		
State securities of the low rating countries, lower than BBB-(Baa3) and countries without rating	-	-
Treasury bonds		
Bonds of CB of RA		
Other		
Total State Securities	-	-

Non-state securities of RA

	listed	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over	-	-	-	-
long-term debt instruments				
short-term debt instruments				
deposit certificates				
capital instruments				
Other				
Issuer of the "G" and over rating given from the CB of RA	-	-	-	-
long-term debt instruments				
short-term debt instruments				
deposit certificates				
capital instruments				
Other				
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating	-	-	-	-
long-term debt instruments				
short-term debt instruments				
deposit certificates				
capital instruments				
Other				
Total non-state securities of RA held for trading	-	-	-	-
Non-state securities of other countries				
	listed	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over	-	-	-	-
long-term debt instruments				
short-term debt instruments				
deposit certificates				

capital instruments				
Other				
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating	-	-	-	-
long-term debt instruments				
short-term debt instruments				
deposit certificates				
capital instruments				
Other				
Total non-state securities of other countries held for trading	-	-	-	-
Other Financial assets held for trading				
Loans. Factoring, Amounts receivable	-	-	-	-
The high rating borrowers: A-/A3/ and over				
The low rating borrowers, lower than BBB+/Baa1/ and other rating borrowers and borrowers without rating				
Mortgage				
Consumer loans				
Other				
Derivatives	27,426		24,974	-
futures				
forward				
option				
swap	27,426		24,974	
Other				
Total	27,426	-	24,974	-
Total Financial Assets Held for Trading	27,426	-	24,974	-

16.Loans and Other Advances to Customers

Loans and other advances	**Current period**	**Previous period**
Loans, including	146,073,087	149,912,515
Government of RA		-
Local authorities		-
Mortgage		
Credit lines and overdrafts	35,449,748	22,844,902
factoring	9,007,995	9,092,679
Finance lease	13,316,150	9,867,794
Repurchase agreements		-
Letters of credit and bank guarantees		
Other	135,090	176,424
Including interest accrued	14,830,973	5,741,532
Total Loans	203,982,070	191,894,315
Impairment losses of loans and advances to customers (Note 9)	(16,601,478)	(16,911,286)
Total Net Loans	*187,380,592*	*174,983,029*

The structure of impaired/ non-performing/ loans and advances to customers in loans portfolio at the end of the current period	Amount /quantity/ in current period	Amount /quantity/ in previous period
Loans and advances	203,982,070	191,894,315
including impaired/ non-performing/ loans and advances: including	21,579,640	29,394,822
overdue	1,179,167	2,565,636
Impairment losses of loans and advances to customers	(16,601,478)	(16,911,286)
Total Net Loans and Advances	*187,380,592*	*174,983,029*

The analise of loans and advances by customer profile	**Current period**	**Previous period**
State owned enterprises	142,268	80,994
Privately held companies	64,864,755	67,212,555
Individuals (natural persons): including	123,839,060	112,429,116
consumer loans	43,666,968	50,630,807
mortgage loans	11,509,062	8,510,909
credit cards	10,606,117	22,844,902
Individual enterpreneurs	15,135,987	12,171,650
Total net loans and advances	203,982,070	191,894,315
Including interest accrued	14,830,973	3,712,233
Impairment losses of loans and advances to customers	(16,601,478)	(16,911,286)
Total Net Loans and Advances	*187,380,592*	*174,983,029*

The analise of loans and advances by industry sectors	**Current period**	Percentage relationship	**Previous period**	Percentage relationship
Industry	29,524,369	14.47	25,040,575	13
Agriculture	64,926,023	31.83	74,250,462	39
Construction	4,493,773	2.20	3,089,571	2
Transport and connection	1,396,513	0.68	2,173,587	1
Trading	24,622,828	12.07	19,137,910	10

Consumer	54,651,882	26.79	50,630,808	26
Mortgage loans	11,271,386	5.53	8,510,909	4
Service industry	8,633,824	4.23	9,011,372	5
Other	4,461,472	2.19	49,122	0
Total	203,982,070	100.00	191,894,315	100.00

17.Financial Assets Available-for-sale

State securities	Current period	Previous period
State bonds of RA	18,685,513	24,748,206
Treasury bonds	18,685,513	24,748,206
Bonds of CB of RA		
Other		
State securities of the high rating countries: BBB-(Baa3) and over	-	-
Treasury bonds		
Bonds of CB of RA		
Other		
State securities of the low rating countries, lower than BB+ - (Ba1), countries with other ratings and countries without rating	-	-
Treasury bonds		
Bonds of CB of RA		
Other		
Total State Securities	18,685,513	24,748,206

Non-state securities of RA	*listed*	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over				
long-term debt instruments				
short-term loan instruments				
deposit certificates				
capital instruments				
Other				
Issuer of the "G" and over rating given from the CB of RA				
long-term debt instruments				
short-term loan instruments				
deposit certificates				
capital instruments				
Other				
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating				
long-term debt instruments		479,210		451,544
short-term loan instruments				
deposit certificates				
capital instruments				
Other		81,212		81,212
Total Non-state Securities of RA	-	560,422	-	532,756

Non-state securities of other countries	*listed*	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over				
long-term debt instruments				
short-term loan instruments				
deposit certificates				
capital instruments				
Other		1,453,450		994,217
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating				
long-term debt instruments				
short-term loan instruments				
deposit certificates				
capital instruments				
Other				
Total Non-state Securities of Other Countries		1,453,450		994,217
Impairment losses of Financial assets available-for-sale				
Total Financial Assets Available-for-sale		20,699,385		26,275,179

18.Investments Held to Maturity

State securities	Current period	Previous period
State bonds of RA		
Treasury bonds		
Bonds of CB of RA		
Other		
State securities of the high rating countries: BBB-(Baa3) and over	-	-
Treasury bonds		
Bonds of CB of RA		
Other		

State securities of the low rating countries, lower than BB+ - (Ba1), countries with other ratings and countries without rating	-	-
Treasury bonds		
Bonds of CB of RA		
Other		
Total State Securities	-	-

Non-state securities of RA	*listed*	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over				
longterm debt instruments				
shortterm loan instruments				
deposit certificates				
capital instruments				
Other				
Issuer of the "G" and over rating given from the CB of RA				
longterm debt instruments				
shortterm loan instruments				
deposit certificates				
capital instruments				
Other				
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating				
longterm debt instruments				
shortterm loan instruments				
deposit certificates				
capital instruments				
Other				
Total Non-state Securities of RA	-	-		-

Non-state securities of other countries	*listed*	*non-listed*	*listed*	*non-listed*
The high rating issuer: A-/A3/ and over				
longterm debt instruments				
shortterm loan instruments				
deposit certificates				
capital instruments				
Other				
The low rating issuer, lower than BBB+/Baa1/ and other rating issuer and issuer without rating				
longterm debt instruments				
shortterm loan instruments				
deposit certificates				
capital instruments				
Other				
Total Non-state Securities of Other Countries		-		-
Impairment losses of Investments held to maturity				
Total Investments Held to Maturity		-		-

19.Investments in Share Capital of Controlled Entities

The flow of investments in controlled entities	
Amount at the beginning of the period	*263,639*
Additions	*118,828*
Alienation (sales)	
Impairment	
Amount at the end of the period	*382,467*

Investments in controlled entities	**Current period**	**Previous period**
Investments in associates	*382,467*	*263,639*
Investments in joint controlled entities		
Investments in subsidiary banks		
Investments in other subsidiary entities		
Dividends		
Total	*382,467*	*263,639*

20. Property, Plant and Equipment and Intangible Assets

Property, Plant and Equipment

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Leasehold assets	Capital investments on leased PPE	Total
Cost							
Amount as of the beginning of the previous period	**9,802,497**	**4,398,148**	**475,087**	**2,327,773**	**434,002**	**410,211**	**17,847,718**
Additions	401,446	431,854	9,174	380,039		89,734	**1,312,247**
Disposals		-31,022	-6,400	-91,000			**-128,422**
Amount as of the end of the previous period	**10,203,943**	**4,798,980**	**477,861**	**2,616,812**	**434,002**	**499,945**	**19,031,542**
Additions	192,119	1,103,229	221,217	183,581		491	**1,700,637**
Disposals	-6,844	-109,294	-28,876	-133,667	-434,002	-12,222	**-724,905**
Reclassification		0					**0**
Amount as of the end of the current period	**10,389,218**	**5,792,915**	**670,202**	**2,666,726**	**0**	**488,214**	**20,007,274**
Accumulated Depreciation							

Amount as of the beginning of the previous period	**0**	**2,456,903**	**354,361**	**1,356,492**	**33,871**	**20,979**	**4,222,605**
Depreciation	402,133	549,842	34,357	275,856	11,942	20,826	**1,294,956**
Disposals		-28,443	-6,400	-85,961			**-120,804**
Amount as of the end of the previous period	**402,133**	**2,978,302**	**382,318**	**1,546,387**	**45,813**	**41,805**	**5,396,758**
Depreciation charge	202,666	360,747	29,771	160,180	29,920	24,858	**808,141**
Reclassification			0				**0**
Disposals	-56	-37,700	-28,876	-50,089	-75,734	-1,973	**-194,428**
Amount as of the end of the current period	**604,743**	**3,301,349**	**383,212**	**1,656,478**	**0**	**64,690**	**6,010,471**
Net Carrying Amount							
Amount as of the end of the current period	**9,784,475**	**2,491,566**	**286,990**	**1,010,248**	**0**	**423,524**	**13,996,803**
Amount as of the end of the previous period	9,801,809	1,820,678	95,543	1,070,425	388,189	458,140	**13,634,785**

Intangible Assets

	Computer software	Licenses and patents	Copyrights	Other intangible assets	Capital investments on intangible assets	Goodwill	Total
Cost							
Amount as of the beginning of the previous period	**582,116**	**1,285,591**	**0**	**71,503**	**0**	**18,132**	**1,957,342**
Additions	15,881	238,744		14,433			269,058
Disposals	-569						-569
Elimination of accumulated depreciation							0
Reclassification		0					0
Amount as of the end of the previous period	**597,428**	**1,524,335**	**0**	**85,936**	**0**	**18,132**	**2,225,831**
Additions	117,264	1,756,632		45,280			1,919,176
Disposals		-34,853		-57		-18,132	-53,042
Revaluation							0
Impairment							0
Adjustment of revalued depreciation							0
Reclassification							0
Amount as of the end of the current period	**714,692**	**3,246,114**	**0**	**131,159**	**0**	**0**	**4,091,965**
Accumulated Depreciation							
Amount as of the beginning of the previous period	**194,399**	**55,760**	**0**	**53,938**	**0**	**0**	**304,097**
Depreciation and amortization	56,598	169,901	0	2,336			228,835
Disposals	-564						-564
Elimination of accumulated depreciation							0
Amount as of the end of the previous period	**250,432**	**225,661**	**0**	**56,274**	**0**	**0**	**532,368**
Additions	36,880	183,073	0	6,235	0	0	226,188
Disposals		-34,675		-57			-34,732
Adjustment of revalued depreciation							0
Impairment							
Reclassification							0
Amount as of the end of the current period	**287,313**	**374,059**	**0**	**62,452**	**0**	**0**	**723,823**
Net Carrying Amount							
Amount as of the end of the current period	**427,379**	**2,872,055**	**0**	**68,707**	**0**	**0**	**3,368,141**
Amount as of the end of the previous period	346,995	1,298,674	0	29,662	0	18,132	1,693,463

22.Other Assets

Amounts receivable from banking operations	**Current period**	**Previous period**
Dividends receivable		
Amounts receivable from accreditation management operations		
Amounts receivable from other operations	481,797	163,729
Total	481,797	163,729

Amounts receivable and prepayments	**Current period**	**Previous period**
Amounts receivable from budget	-	167,899
Amounts receivable from suppliers		237,231
Prepayments to employees	5,529	4,740
Prepayments to suppliers	1,069,930	1,163,622
Prepayments on budget and mandatory social insurance contributions	124,516	4,001
Other amounts receivable and prepayments	197,243	53,088
Total	1,397,218	1,630,581

Other assets		
Warehouse	206,940	138,465
Charged collateral և assets held for trading	361,395	524,799
Future costs	101,934	112,730
Other assets	11,191	168,262
Total	681,460	944,256

Impairment losses of other assets	(15,327)	(9,732)
Total other assets	**2,545,147**	**2,728,834**

23.Amounts Due to Banks and Other Financial Institutions

Current accounts	**Current period**	**Previous period**

Amounts due to the banks of Ra	4,193	3,988
Amounts due to the high rating banks: BBB-(Baa3) and over		
Amounts due to the low rating banks, lower than BBB-(Baa3) and amounts due tc the banks without rating		
Including: Interest accrued		
Total	4,193	3,988
Interbank loans and deposits, other liabilities		
Amounts due to the CB of RA	13,873,268	15,164,637
loans	13,866,746	15,157,348
repurchase agreements		
other	6,522	7,289
Amounts due to the banks of Ra	1,555,242	
loans and deposits		
finance lease		
repurchase agreements	1,510,896	
other	44,346	
Amounts due to the high rating banks: BBB-(Baa3) and over	16,643,209	17,966,559
loans and deposits	16,643,178	17,637,935
finance lease		
repurchase agreements		
other	31	328,624
Amounts due to the low rating banks, lower than BBB-(Baa3) and amounts due to the banks without rating	-	
loans and deposits		
finance lease		
repurchase agreements		
other		
Including: Interest accrued	392,466	
Total	32,071,719	33,454,702
Amounts due to the financial institutions	37,091,551	54,306,380
current accounts	1,993,455	2,130,716
loans and deposits	34,814,424	51,920,843
repurchase agreements		
other	283,672	254,821
Including: Interest accrued	606,622	416,585
Total amounts due to banks and international financial institutions	*69,167,463*	*87,441,564*

24.Amounts Due to Customers

Amounts due to government of RA and local authorities	**Current period**	**Previous period**
Current accounts		
Term deposits		
Loans	13,642,611	20,859,512
Repurchase agreements		
Other		
Including: Interest accrued	51,441	80,746
Total	13,642,611	20,859,512
Amounts due to resident corporations of RA		
Current accounts	16,112,565	14,111,034
Term deposits	19,220,065	10,160,981
Repurchase agreements		
Other	907,884	
Including: Interest accrued	318,478	
Total	36,240,514	24,272,015
Amounts due to non resident corporations of RA		
Current accounts	437,803	299,538
Term deposits	1,137,344	1,120,967
Repurchase agreements		
Other	436	
Including: Interest accrued	22,925	
Total	1,575,583	1,420,505
Amounts due to resident individual enterpreneurs of RA		
Current accounts	914,736	571,746
Term deposits	67,384	30,548
Repurchase agreements		
Other	3,574	3,080
Including: Interest accrued	1,730	914
Total	985,694	605,374
Amounts due to non resident individual enterpreneurs of RA		
Current accounts		
Term deposits		
Repurchase agreements		
Other		
Including: Interest accrued		
Total	-	-
Amounts due to resident individuals (natural persons) of RA		
Current accounts	19,211,124	15,700,842
Term deposits	86,940,503	62,487,217

Repurchase agreements		
Other	828,825	181,155
Including: Interest accrued	1,667,056	1,226,415
Total	106,980,452	78,369,214
Amounts due to non resident individuals (natural persons) of RA		
Current accounts	1,258,052	1,339,702
Term deposits	11,901,681	8,443,054
Repurchase agreements		
Other	19,590	28
Including: Interest accrued	307,448	223,004
Total	13,179,323	9,782,784
Total amounts due to customers	*172,604,177*	*135,309,404*

25.Securities Issued by The Bank

Securities issued by the bank	Current period	Previous period
Deposit certificates issued by the bank		
Non-interest securities issued by the bank		
Interest securities issued by the bank	2,971,160	
Preferred shares /financial liabilities/ issued by the bank		
Other securities issued		
Interest accrued		
Total	*2,971,160*	-

26.Liabilities Held for Trading

Liability held for trading	Current period	Previous period
Derivatives held for trading		
futures		
forward		
option		
swap	140,968	1,891
other		
Hedging derivatives		
Other		
Total	*140,968*	*1,891*

27.Amounts Payable

Amounts payable	Current period	Previous period
Dividends		
Payables from accreditation management operations		
Payables to Deposit Guarantee fund	63,406	54,067
Other	3,058	3,166
Total	*66,464*	*57,233*

29.Other Liabilities

Other liabilities	Current period	Previous period
Amounts payable	2,346,564	2,037,873
Tax payable, other than income tax	380,014	546,276
Due to personnel	1,513,445	428,957
Grants related to assets		
Other	70,629	
Total Other Liabilities	*4,310,652*	*3,013,106*

28.Share Capital

30,000,000 thousand. The respective shareholdings are "Credit Agricole S.A." Bank,"Sacam International"simple joint-stock company and "ACBA FEDERATION"closed joint-stock company. The share capital consists of 2,500 ordinary shares, all of which have a par value of AMD 12,000 thousand each. All

As at 30 June 2017, shareholders, which have 10% of total paid-in capital, may be specified as follows:

The respective shareholders	Paid-in share capital	% of total paid-in capital	Activity type for enterpreneurs
Credit Agricole S.A.	4,668,000	16%	banking operations
Sacam International	3,732,000	12.44%	simple joint-stock company
ACBA FEDERATION	21,600,000	72.00%	closed joint-stock company
Total	***30,000,000***	***100%***	

28.1.Other Equity Components

Revaluation reserves	Current period	Previous period
Unrealized profit / loss from revaluation of available-for-sale investments	2,149,032	1,487,492
Revaluation reserve of property, plant and equipment	3,075,772	2,990,119
Other reserves	-	-
Total	***5,224,804***	***4,477,611***

30.Provisions, Contingent Cases and Potensial Liabilities

	Provisions	Current period	Previous period
1	Initial Balance		
2	Impairment losses		
3	The use of provision		
4	Net Impairment losses		
5	The final balance		-

30.3 Off Balance Sheet Contingent Liabilities Including Credit Risk

	Current period	Previous period
Undrawn credit lines	20,381,604	14,141,265
Guarantees	3,769,450	2,648,830
Letters of credit	564,720	717,262
Provision (Note 9)		
	24,715,774	17,507,357

31.Transactions With Related Parties

Amounts due from other banks	Current period	Previous period
Balance as at 1 October	6,915,482	6,525,689
Additions during the quarter	119,748,511	54,578,066
Reductions during the quarter	125,616,881	54,188,273
Balance as at 31 December	1,047,112	6,915,482
Interest income	2,166	2,166

Loans and advances to customers	Current period	Previous period
Balance as at 1 October	415,190	427,218
Additions during the quarter	216,375	74,042
Reductions during the quarter	106,432	86,070
Balance as at 31 December	525,133	415,190
Interest income	6,161	5,062

Amounts due to banks	Current period	Previous period
Balance as at 1 October	283,955	283,955
Additions during the quarter	767,106	-
Reductions during the quarter	187,007	-
Balance as at 31 December	864,054	283,955
Interest income		

Amounts due to customers	Current period	Previous period
Balance as at 1 October	876,313	907,521
Additions during the quarter	416,693	416,693
Reductions during the quarter	641,921	447,901
Balance as at 31 December	651,084	876,313
Interest income	4,716	10,298

32.1 Credit Risk

Geographical Sectors

	Current period				
	Armenia	CIS countries	OECD countries	Non-OECD countries	Total
Assets					
Cash and balances with the Central Bank of Armenia	67,364,694				67,364,694
Amounts due from banks and other financial institutions	9,607,984	707,555	4,727,591	215,663	15,258,793
Financial assets held for trading		1,085	26,341		27,426
Loans and advances to customers	187,365,006	15,446	129	11	187,380,592
Financial assets available-for- sale	19,245,935		1,453,450		20,699,385
Investments held to maturity					-
Total Assets	**283,583,619**	**724,086**	**6,207,510**	**215,675**	**290,730,890**
Liabilities					
Amounts due to banks and other financial institutions	23,809,211		45,358,252		69,167,463
Amounts due to customers	159,890,851	1,454,135	8,963,743	2,295,448	172,604,177
Liabilities held for trading		15,453	125,515		140,968
Total Liabilities	**183,700,062**	**1,469,588**	**54,447,510**	**2,295,448**	**241,912,608**
Net GAP	**99,883,557**	**(745,502)**	**(48,240,000)**	**(2,079,773)**	**48,818,282**
	Previous period				
	Armenia	CIS countries	OECD countries	Non-OECD countries	Total
Assets					-
Cash and balances with the Central Bank of Armenia	51,333,568				51,333,568
Amounts due from banks and other financial institutions	6,875,851	313,480	5,115,921	29,121	12,334,373
Financial assets held for trading			24,974		24,974
Loans and advances to customers	174,963,955	6,961	11,954	158	174,983,028
Financial assets available-for- sale	25,280,962		994,217		26,275,179

Investments held to maturity					-
Total Assets	**258,454,337**	**320,441**	**6,147,066**	**29,279**	**264,951,122**
Liabilities					-
Amounts due to banks and other financial institutions	24,164,083	0	63,277,481		87,441,564
Amounts due to customers	125,989,468	447,761	6,893,432	1,978,743	135,309,404
Liabilities held for trading		1,891			1,891
Total Liabilities	**150,153,551**	**449,652**	**70,170,913**	**1,978,743**	**222,752,859**
Net GAP	**108,300,785**	**(129,212)**	**(64,023,847)**	**(1,949,464)**	**42,198,263**

	Current period				
	Performing assets	**Non-performing assets**			
Assets	Standard / Norisk/	Watch/Risk/	NotStandard /Avrisk/	Doubtful / Highrisk/	Loss
Loans including:	182,285,894	2,330,919	2,164,468	17,200,788	24,256,526
1.Industry	21,525,522	117,550	20,883	7,860,413	1,575,711
2. Agriculture	54,952,638	1,305,553	1,494,565	7,173,267	11,097,922
3. Construction	4,493,434	-	339	-	385,142
4.Transport and connection	1,391,535	4,519	460	-	400,051
5.Trading	24,247,686	100,838	101,415	172,888	2,314,842
6. Public catering and other service industry	8,559,454	31,249	42,555	567	2,424,802
7. Financial sector					
8. Consumer Loans, including:	53,294,008	599,603	462,705	295,566	5,300,635
9. Other sectors of industry	2,707,592	90,903	-	1,662,977	
10 Mortgage loans	11,114,026	80,704	41,546	35,110	757,420
Amounts receivable	4,813,600	21,433	9,238	1,072	-
Off balance sheet items,including:	24,635,778	91,859	103,701	49,270	184,069
Guarantees	3,769,450				-
Letters of credits	564,720				

	Previous period				
	Performing assets	**Non-performing assets**			
Assets	Standard / Norisk/	Watch/Risk/	NotStandard /Avrisk/	Doubtful / Highrisk/	Loss
Loans including:	165,132,966	4,786,837	3,769,312	18,205,200	28,891,050
1.Industry	20,984,554	22,091	79,933	3,953,997	5,878,075
2. Agriculture	56,962,014	3,147,168	2,536,643	11,756,971	13,502,534
3. Construction	3,084,990	4,582	-	-	400,976
4.Transport and connection	2,152,010	3,760	9,481	8,335	413,845
5.Trading	18,432,682	254,410	271,504	179,315	2,664,583
6. Public catering and other service industry	7,023,670	69,780	67,141	1,850,781	786,131
7. Financial sector					
8. Consumer Loans, including:	48,352,100	1,082,581	711,276	367,207	4,598,610
9. Other sectors of industry	14,430	-	-	-	
10 Mortgage loans	8,126,516	202,465	93,335	88,594	646,296

Amounts receivable	27,898,444	210,342	270,011	176,485	-
Off balance sheet items,including:	21,131,566	200,300	138,510	52,181	92,642
Guarantees	2,628,274				-
Letters of credits	613,675				

32.2 Market Risk

Currency Risk

	Current period			
	AMD	**I group currency***	**II group currency****	**Total**
Assets				
Cash and balances with the Central Bank of Armenia	27,899,271	38,167,051	1,298,372	67,364,694
Amounts due from banks and other financial institutions	8,064,572	6,138,097	1,046,124	15,248,793
Financial assets held for trading	29,547	-	-	29,547
Loans and advances to customers	118,874,602	67,992,607	513,383	187,380,592
Financial assets available-for- sale	6,169,176	14,530,209	-	20,699,385
Investments held to maturity	-	-	-	-
Total Assets	161,037,168	126,827,964	2,857,879	290,723,011
Liabilities				-
Amounts due to banks and other financial institutions	34,185,650	34,981,156	657	69,167,463
Amounts due to customers	79,083,612	93,865,167	1,388,086	174,336,865
Total Liabilities	113,269,262	128,846,323	1,388,743	243,504,328
Net GAP	47,767,906	(2,018,359)	1,469,136	47,218,683

	Previous period			
	AMD	**I group currency***	**II group currency****	**Total**
				-
Assets				-
Cash and balances with the Central Bank of Armenia	28,779,400	21,912,289	641,879	51,333,568
Amounts due from banks and other financial institutions	5,949,579	6,118,777	266,017	12,334,373
Financial assets held for trading	24,974		-	24,974
Loans and advances to customers	94,891,953	79,981,941	109,134	174,983,028
Financial assets available-for- sale	14,665,229	11,609,950		26,275,179
Investments held to maturity	-	-	-	-
Total Assets	144,311,135	119,622,957	1,017,030	264,951,122
Liabilities				-
Amounts due to banks and other financial institutions	46,223,230	41,049,963	168,371	87,441,564
Amounts due to customers	53,730,830	80,540,747	1,037,827	135,309,404
Total Liabilities	99,954,060	121,590,710	1,206,198	222,750,968
Net GAP	44,357,075	(1,967,753)	(189,168)	42,200,154
Contingent Liabilities, Including Credit Risk 31.12.17	9,745,401	14,561,220	320,088	24,626,709

Interest Rate Risk

	Current period		Previous period	
	AMD	Currency	AMD	Currency
	%	%	%	%
Assets				
Balances with the Central Bank of Armenia				
Amounts due from banks and other financial institutions, including:	7.79	4.00	6	
. interbank loans	10.00	4.00		
. interbank repo	6.37		6	
. interbank interest swap				
Loans and advances to customers	15.37	11.60	18	13
Financial assets held for trading and available-for- sale securities	6.37	3.57	8	5
Investments held to maturity				
Liabilities				
Amounts due to banks and other financial institutions, including:	8.45	5.79	9	5
. Loans	8.56	5.79	9	5
. interbank repo	5.50			
. interbank interest swap				
Amounts due to customers	6.30	3.26	8	4
Obligations for the securities issued by banks	9.20	5.50		

32.3 Liquidity Risk

	Current period								
	Non-performing		Maturity					No term	Total
	overdue	time	demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years		
Assets maturity									-
Cash and cash equivalents, balances with the Central Bank of Armenia	-	-	66,844,694	-	-	-		520,000	67,364,694
Amounts due from banks and other financial institutions	-	-	8,472,908	2,575,814	2,481,966	-	-	1,728,105	15,258,793
Loans and advances to customers	830,669	4,796,698	5,297,864	9,132,133	53,604,452	89,101,134	11,474,685	133	174,237,768
Finance lease	17,014	233,242	682,090	982,270	3,616,911	7,611,296	-	-	13,142,824
Financial assets available-for- sale	-	-	-	-	1,984,121	17,108,780	71,822	1,534,662	20,699,385
Other requirements									-
Total	847,683	5,029,940	81,297,556	12,690,217	61,687,450	113,821,210	11,546,507	3,782,900	290,703,464
Liabilities maturity									
Amounts due to banks and other financial institutions	-	-	5,523,587	4,952,312	17,433,254	40,214,019	760,619	283,672	69,167,463
Amounts due to customers	-	-	48,713,146	22,723,899	68,598,613	25,928,907	6,050,960	588,652	172,604,177
Derivative financial liability	-	-	140,968						140,968
Total	-	-	54,377,701	27,676,211	86,031,867	66,142,926	6,811,579	872,324	241,912,608
Net Liquidity GAP	847,683	5,029,940	26,919,855	(14,985,994)	(24,344,417)	47,678,284	4,734,928	2,910,576	48,790,856
Cumulative Liquidity GAP			32,797,479	17,811,485	(6,532,932)	41,145,352	45,880,280	48,790,856	
	Previous period								
	Non-performing		Maturity					No term	Total
	overdue	time	demand and up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years		
Assets maturity									-
Cash and cash equivalents, balances with the Central Bank of Armenia	-	-	50,823,568	-	-	-		510,000	51,333,568
Amounts due from banks and other financial institutions	-	-	10,216,005	405,557				1,712,811	12,334,373
Loans and advances to customers	2,176,243	12,800,875	2,714,082	6,924,078	49,408,040	82,654,421	8,459,566	84,741	165,222,046
Finance lease	19,436	215,396	751,244	572,838	2,355,206	4,930,329	916,533		9,760,982
Financial assets available-for- sale	-	-	-	5,749,853	3,578,257	15,871,640		1,075,429	26,275,179
Other requirements	-								-
Total	2,195,679	13,016,271	64,504,899	13,652,325	55,341,503	103,456,391	9,376,099	3,382,981	264,926,148
Liabilities maturity									
Amounts due to banks and other financial institutions	-	-	5,576,554	3,830,554	27,228,706	48,690,810	1,860,120	254,821	87,441,564
Amounts due to customers	-	-	44,078,240	10,712,854	51,622,995	24,601,390	3,220,334	1,073,591	135,309,404
Derivative financial liability						1,891			1,891
Total	-	-	49,654,793	14,543,408	78,851,701	73,294,091	5,080,454	1,328,412	222,752,859
Net Liquidity GAP	2,195,679	13,016,271	14,850,106	(891,083)	(23,510,198)	30,162,300	4,295,645	2,054,569	42,173,289
Cumulative Liquidity GAP			30,062,056	29,170,974	5,660,775	35,823,075	40,118,720	42,173,289	

Risk Management

Introduction (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.
The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality by class of asset for loans to customers and receivables from finance leases in the consolidated statement of financial position, based on the Group's credit rating system.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBA, the amount of which depends on the level of customer funds attracted.

Capital Adequacy

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level

34. Fair Value of Financial Assets and Liabilities

	Current period		*Previous period*	
Financial assets	Balance sheet value	Fair value	Balance sheet value	Fair value
Amounts due from other financial institutions	15,258,793	15,258,793	12,334,373	12,334,373
Loans and advances to customers	187,380,592	187,380,592	174,983,029	174,983,029
Financial liabilities				
Amounts due to financial institutions	69,167,463	69,167,463	87,441,564	87,441,564
Amounts due to customers	172,604,177	172,604,177	135,309,404	135,309,404

38. Accepted Collateral

Type of collateral	Current period	Previous period
Other securities	2,603,100	2,704,398
Precious jewelry, Gold scrap, Precious stones	8,050,532	6,887,193
Real Estate and property, plant and equipment	178,757,748	163,356,108
Ready-Made Products and Goods	24,383,920	26,516,204
Cash	4,427,611	2,151,273
Other collateral	3,220,855	2,413,003
Total	**221,443,766**	**204,028,179**

General Executive Director H. Andreasyan

Chief Accountant A. Hakobyan

Report validation date: 22/01/2018

*The amounts of previous period are checked as consolidated financial statements of 2016