

3 Net interest and similar income and expense

<u>Interest and similar incomes</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Amounts due from banks, financial institutions, bank current accounts	10,162	26,764	11,318	92,395
Loans and advances to customers	1,581,261	5,889,716	1,272,173	4,817,794
Debt securities available-for-sale	2,182,023	7,945,251	1,515,663	4,885,971
Reverse repurchase transactions	17,977	107,164	35,750	76,625
Other interest income	15,022	103,695	4,853	21,581
Total interest and similar income	3,806,445	14,072,590	2,839,757	9,894,366
<u>Interest and similar expense</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Amounts due to banks, financial institutions, bank current accounts	397,180	1,317,899	268,041	921,605
Amounts due to customers	1,329,414	4,976,837	985,701	3,378,133
Repurchase agreement operations	81,384	609,971	172,295	487,840
Other interest expenses	322,598	870,135	84,034	396,865
Total interest and similar expense	2,130,576	7,774,842	1,510,071	5,184,443
Net interest and similar income and expense	1,675,869	6,297,748	1,329,686	4,709,923

4 Fee and commission income and expense

<u>Fee and commission income</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Cash collection	9,110	33,514	8,095	25,180
Wire transfer fees	35,874	141,339	35,404	101,572
Guarantees and letters of credit	2,732	8,044	391	2,816
Foreign currency translation and brokerage operations	25,100	69,182	26,819	65,485
Other fees and commissions	5,473	20,087	5,285	19,524
Total fee and commission income	78,289	272,166	75,994	214,577
<u>Fee and commission expense</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Correspondent and other accounts	8,142	28,340	6,511	21,278
Foreign currency translation and brokerage operations	4,310	13,905	2,294	7,316
Stock exchange operations	115	125	5	15
Other expenses*	20,252	68,679	-8,501	35,796
Total fee and commission expense	32,819	111,049	309	64,405
Net fee and commission income	45,470	161,117	75,685	150,172

5. Net income on trading operations

<u>Available for sale investments</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Net income on trading with available for sale investments, including	186,557	264,619	71,946	190,182
shares	2,010	4,287	1,801	4,248
bonds	184,547	260,332	70,145	185,934
Total	186,557	264,619	71,946	190,182
<u>Foreign currency operations</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Net income on trading with foreign currency	71,403	232,438	28,499	132,147
Net income on foreign currency revaluation	(24,592)	(327,718)	238,470	213,304
Net income/loss on derivatives	8,321	206,361	(150,839)	(88,770)
Total	55,132	111,081	116,130	256,681
<u>Precious metals bullion bars and coins</u>	01.10.17 31.12.17	01.01.17 31.12.17	01.10.16 31.12.16	01.01.16 31.12.16
Net income on trading with precious metals bullion bars and coins	7,780	21,173	22,704	20,702
Net income on revaluation of precious metals bullion bars and coins	1,728	18,343	-39,532	(42,011)
Total	9,508	39,516	(16,828)	(21,309)
Net income on trading operations	251,197	415,216	171,248	425,554

6 Other operational income

<u>Other operational income</u>	01.10.17	31.12.17	01.01.17	31.12.17	01.10.16	31.12.16	01.01.16	31.12.16
Fines and penalties received		70,579		221,435		39,724		258,320
Net income from sale of fixed and intangible assets		(109)		3,038		6,080		6,080
Other income**		13,500		77,142		20,708		70,570
Total other income		83,970		301,615		66,512		334,970

7 Impairment charge/(recovery of impairment) for credit losses

<u>Total net provisions made</u>	01.10.17	31.12.17	01.01.17	31.12.17	01.10.16	31.12.16	01.01.16	31.12.16
Loans and advances to customers		(260,746)		(1,035,286)		(210,666)		(161,270)
Total		(260,746)		(1,035,286)		(210,666)		(161,270)

8. Total administrative expenses

<u>Total administrative expenses</u>	01.10.17	31.12.17	01.01.17	31.12.17	01.10.16	31.12.16	01.01.16	31.12.16
Wages and salaries*		384,209		927,966		334,826		913,803
Business trip expenses		6,484		15,516		4,997		14,351
Insurance expenses		6,200		21,229		2,916		15,662
Fixed assets maintenance		1,509		4,468		1,304		3,467
Building maintenance and security		15,090		63,656		16,556		62,144
Auditing, consulting and other services		2,700		11,197		2,402		11,992
Communication expenses		26,728		95,434		24,483		95,488
Transportation expenses		1,422		5,807		1,486		5,448
Taxes /other than income tax/ duties		1,435		6,290		7,213		23,228
Office and other organizational expenses		5,585		9,036		7,068		9,848
Expenses on granting and gathering loans		2,300		12,149		5,179		12,691
Other administrative expenses**		29,681		47,885		6,988		25,321
Total		483,343		1,220,633		415,418		1,193,443

** Average number of staff* 120 119 113 115

** Average monthly salary per employee* 652 541 938 655

9 Other operational expenses

<u>9 Other operational expenses</u>	01.10.17	31.12.17	01.01.17	31.12.17	01.10.16	31.12.16	01.01.16	31.12.16
Fines and penalties paid		0		0		0		17
Expenses on cash delivery		360		1,440		360		1,621
Advertising and representation expenses		9,299		16,302		7,045		17,344
Fixed assets and intangible assets depreciation expenses		38,241		143,790		32,767		114,250
Contributions to deposit guarantee fund		7,246		28,329		5,963		21,944
Other expenses***		58,042		78,424		5,728		22,553
Total other operational expenses		113,188		268,285		51,863		177,729

11 Income Tax Expense

The corporate income tax in the Republic of Armenia is levied at the rate of 20%. Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the book value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%. Numerical reconciliation between the tax expenses and accounting profit is provided below:

Thousand Armenian drams	01.01.17	31.12.17	Effective rate (%)	01.01.16	31.12.16	Effective rate (%)
Profit before tax		2,685,808			4,089,651	
Income tax at the rate of 20%		537,162	20		817,930	20
Non-taxable income						
Non-deductible expenses		17,201			12,677	
Foreign exchange (gains)/losses		(102,400)			(24,836)	
Other		517,093				
Adjustments to income and expenses for tax purposes						1
Income tax expense		969,056			805,771	

Deferred tax calculation in respect of temporary differences:

Thousand Armenian drams	31.12.17	Recognized in equity	Recognized in income statement	31.12.16
Other liabilities	44,956	-	29,620	15,336
Penalties for impaired assets	-	-	-	-
The adjustment of real value of the securities available for sale			-	
Total deferred tax assets	44,956		29,620	15,336
Cash, cash equivalents and balances	5,841			5,841
Amounts due from other financial institutions	807			807
Investments available for sale	866,623			866,623
Fixed assets	277,527			277,527
Other assets	4,753		-	4,753
Other reserves	1,185,822			9,907
Total deferred tax liabilities	2,341,373		-	1,165,458
Net deferred tax liabilities	2,296,417		-	1,150,122

13 Cash, cash equivalents and balances with CBA

Thousand Armenian drams	31.12.17	31.12.16
Cash	1,156,019	507,179
Correspondent accounts with the CBA	9,409,572	15,597,821
Deposited funds in CBA	2,500	0
Total cash, cash equivalents and balances with CBA	10,568,091	16,105,000

Standardized bullion bars of precious metals

Thousand Armenian drams	31.12.17	31.12.16
Standardized bullion bars of precious metals	125,696	214,583
Standardized bullion bars of precious metals	125,696	214,583

14 Amounts due from other financial institutions

Thousand Armenian drams	31.12.17	31.12.16
Correspondent accounts	800,074	2,905,509
Deposited funds in banks	242,486	238,676
Deposited funds in financial institutions	632,081	84,959
Deposits in banks	1,722,000	0
Loans in other fin. Institutions	407,582	164,154
Repurchase agreements		191,000
Other accounts	2,949	33,317
Accrued interest	3,234	681
Allowance for loan impairment		
Total amounts due from other financial institutions	3,810,406	3,618,296

16 Loans and advances to customers

Thousand Armenian drams	31.12.17	31.12.16
Loans to customers, including	41,470,443	33,060,255
<i>KfW</i>	2,227,816	1,376,529
<i>EBRD</i>	2,917,213	3,153,252
Factoring	1,769,992	920,162
Overdraft	19,277,906	11,489,679
Repurchase agreements	382,828	917,965
Letters of credit	0	437,132
Other amounts	3,120	3,120
Accrued interest	537,121	547,329
	63,441,410	47,375,642
Allowance for loan impairment	(1,578,717)	(1,298,417)
Total loans and advances to customers	61,862,693	46,077,225

Loans to individuals comprise the following products:

Thousand Armenian drams	31.12.17	31.12.16
Privately held companies, including	53,514,450	39,859,452
Large entities	27,717,929	24,951,010
Small and medium entities	25,796,521	14,908,442
Individuals	9,133,466	6,746,167
Sole proprietors	256,372	222,694
Other amounts	3,120	3,120
Accrued interest	537,122	547,329
Allowance for loan impairment	(1,578,717)	(1,298,417)
Total loans and advances to customers	61,862,693	46,077,225

Loans to individuals comprise the following products:

Thousand Armenian drams	31.12.17	31.12.16
Mortgage loans	6,293,735	4,621,171
Consumer loans	2,447,249	1,178,777
Car loans	9,654	24,796
Repurchase agreements	382,828	921,423
Total loans and advances to individuals (gross)	9,133,466	6,746,167

Structure of impaired (non performing) loans and borrowings

Thousand Armenian drams	31.12.17	31.12.16
Loans and borrowings, o/w	63,441,410	47,375,642
impaired (non performing) loans and borrowings, o/w	3,574,490	3,517,424
overdue	488,581	677,625
Total loans	63,441,410	47,375,642
Allowance for loan impairment	(1,578,717)	(1,298,417)
Total net loans	61,862,693	46,077,225

Analysis of loans and borrowings by economy sectors

Thousand Armenian drams	31.12.17	percentage	31.12.16	percentage
Industry	25,184,794	40.71%	16,440,328	35.68%
Agriculture	6,795,482	10.98%	6,077,905	13.19%
Construction	3,922,675	6.34%	2,066,526	4.48%
Transport and communication	396,030	0.64%	178,759	0.39%
Trade	5,373,761	8.69%	3,785,824	8.22%
Consumer	2,382,540	3.85%	1,163,227	2.52%
Mortgage loans	6,230,100	10.07%	4,525,638	9.82%
Services	2,978,496	4.81%	2,729,632	5.92%
Other, o/w	8,598,815	13.90%	9,109,386	19.77%
Repurchase agreements	382,828	-	2,275	-
Accrued interest	537,122	-	303,335	-
Total	61,862,693	100%	46,077,225	100%

Loans to large 10 exposures and parties related with them are introduced in the note 16.

1) total sum	31,096,948
2) percentage in gross loans (n % of loan portfolio),	50.27%
3) percentage in capital (n % of capital):	84.07%

17 Investments available for sale

Thousand Armenian drams	31.12.17	31.12.16
Quoted Investments		
RA corporate shares	55,360	32,382
Securities issued by the RA Ministry of Finance	79,818,270	59,147,958
<i>o/w interest</i>	1,989,589	1,618,708
RA corporate bonds	2,705,097	1,565,125
Unquoted Investments		
RA corporate shares	19,575	19,575
Total Investments	82,598,302	60,765,040

Non current assets held for sale

Thousand Armenian drams	31.12.17	31.12.16
Non current assets held for sale	692,835	1,158,875
Non current assets held for sale*	692,835	1,158,875

*Non current asset became the property of the Bank as a possession of collateral and the Bank has no intention to keep it afterwards. It is intended to sell it as soon as possible.

All debt securities have fixed coupons.

The real value of unquoted available-for-sale debt securities is measured using a valuation technique, which is based on available observable market data.

Available for sale securities by effective interest rates and maturity date comprise:

	31.12.17		31.12.16	
	%	Maturity	%	Maturity
Securities issued by RA Ministry of Finance (AMD)	6.45-12.24	2019-2047	12.95-15.74	2017-2032
Securities issued by RA Ministry of Finance (USD)	3.57-4.79	2020-2025		
RA corporate bonds (AMD)	6.78-11.02	2019-2022	13.19-14.78	2017-2019
RA corporate bonds (USD)	12.00-5.75	2018-2022		

20 Fixed assets, intangible assets

	PPE	Computers and communication facilities	Vehicles	Office equipment	Total
Initial value					
Initial cost as of 1 January, 2017	2,039,670	181,193	75,949	130,310	2,427,122
Additions	2,384	42,738	4,320	4,519	53,961
Disposals		(1,461)		(1,345)	(2,806)
As of December 31, 2017	2,042,054	222,470	80,269	133,484	2,478,277
ACCRUED DEPRECIATION					
As of 1 January, 2017	66,001	139,767	54,234	92,754	352,756
Additions	86,993	20,973	7,313	11,222	126,501
Disposals		(1,461)		(1,317)	(2,778)
As of December 31, 2017	152,994	159,279	61,547	102,659	476,479
CARRYING VALUE					
As of December 31, 2017	1,889,060	63,191	18,722	30,825	2,001,798

Thousand Armenian drams	Computer programmes	Other intangible assets	Total
Initial value as of 1 January, 2017	92,501	38,785	131,286
Additions	13,276	32,770	46,046
Devaluation	(1,944)	(3,997)	(5,941)
As of December 31, 2017	103,833	67,558	171,391
ACCRUED DEPRECIATION			
As of 1 January, 2017	68,501	3,283	71,784
Additions	10,204	6,056	16,260
Devaluation	(1,944)	(3,662)	(5,606)
As of December 31, 2017	76,761	5,677	82,438
CARRYING VALUE			
As of December 31, 2017	27,072	61,881	88,953

22 Other Assets

Thousand Armenian drams	31.12.17	31.12.16
Prepayments and other debtors	191,973	65,718
Amounts receivable		
Prepayments of other taxes	389	110,921
Reserve	3,212	3,177
Derivative financial assets		
Costs of future period	27,546	
Other assets	2,874	432
Allowance for other receivables and prepayments		-
Total other assets	225,994	180,248

23 Amounts due to financial institutions

Thousand Armenian drams	31.12.17	31.12.16
Amounts due to CBA		
Other loans and advances	2,626,213	2,001,280
Repurchase agreements	0	13,999,997
Accrued interest	54,875	55,740
Amounts due to financial institutions	23,094,788	14,681,720
Correspondent accounts of other banks	21,478	7,562
Loans from banks	7,058,764	2,419,700
Repurchase agreements from banks	0	0
Current accounts of other financial institutions	1,252,415	2,224,603
Loans and deposits from banks and other financial institutions	14,484,161	9,308,103
Repurchase agreements	0	0
Other amounts	1,730	438,029
Accrued interest	276,240	283,723
Total amounts due to CBA and financial institutions	25,775,876	30,738,737

24 Amounts due to customers

Thousand Armenian drams	31.12.17	31.12.16
RA government	20,000	20,000
Loans and allowances	0	0
- resident	0	0
Accrued interest	0	0
- resident	0	0
Other liabilities	20,000	20,000
- resident	20,000	20,000
Legal entities	50,902,899	38,274,751
Current/Settlement accounts	15,379,381	6,700,319
- resident	4,267,967	991,501
Term deposits	35,106,741	31,331,384
- resident	8,558,124	6,562,623
Accrued interest	173,473	150,811
- resident	138,139	122,690
Other liabilities	243,304	92,237
- resident	243,304	92,237
Sole proprietors	2,561	5,114
Current accounts	2,561	5,114
- resident	2,561	5,114
Individuals	14,184,138	12,400,114
Current accounts	3,400,536	3,736,369
- resident	585,819	687,774
Term deposits	10,527,448	8,512,895
- resident	5,007,803	4,252,833
Accrued interest	167,411	132,259
- resident	115,494	105,670
Other liabilities	88,743	18,591
- resident	74,413	4,261
Total amounts due to customers	65,109,598	50,699,979

25 Securities issued by the Bank

Thousand Armenian drams	31.12.17	31.12.16
Securities issued by the Bank	17,600,637	4,916,406
Total securities issued by the Bank	17,600,637	4,916,406

27 Accounts payable

Thousand Armenian drams	31.12.17	31.12.16
Deposit insurance	6,600	5,850
Total other liabilities	6,600	5,850

28 Subordinated debt

Thousand Armenian drams	31.12.17	31.12.16
Subordinated debt	13,402,138	13,406,511
Total subordinated debt	13,402,138	13,406,511

29 Other liabilities

Thousand Armenian drams	31.12.17	31.12.16
Tax liabilities	433,753	497,622
Amounts payable for factoring	159,491	62,794
Income of future period	4,951	
Due to personnel	225,853	71,131
Amounts payable to suppliers	15,447	12,048
Other	1,153	713
Total other liabilities	840,648	644,308

30 Equity

Thousand Armenian drams	31.12.17	31.12.16
Statutory capital	10,100,041	10,100,041
Ordinary shares	8,752,800	8,752,800
Share premium	1,347,241	1,347,241
Reserves, including	12,185,669	7,076,618
Main reserve	3,000,000	2,500,000
Gains from the revaluation of non-current assets	1,110,110	1,110,110
Revaluation reserve	8,075,559	3,466,508
Non-distributed profit	14,702,100	11,514,563
current year	3,687,537	3,283,980
previous year	11,014,563	8,230,583
Total capital	36,987,810	28,691,222

As of 31 December, 2017 the Bank's registered and paid-in share capital was AMD 10,100,041 thousand. In accordance with the Bank's Charter, the share capital consists of 14,588 ordinary shares, 11,670 shares belong to "HVS Holding" S.a.r.l. and the 2,918 ordinary shares belong to BELEGGINGSMAATSCHAPPIJ JONGO LLC.

As of 31 December, 2017 total normative capital of the bank is AMD 40 bln.

The significant participants of the Bank are "HVS Holding" S.a.r.l. with 80% of voting shares and BELEGGINGSMAATSCHAPPIJ JONGO B.V. with 20% of voting shares. At the same time, with his 14588 ordinary shares Vardan Sirmakes is indirect significant participant in ARMSWISSBANK.

The replenishment of the equity capital of the Bank was implemented by AMD and the shareholder has the right to get dividends and distribute it in AMD.

Contingent liabilities related to off balance sheet line items bearing credit risk.

Thousand Armenian drams	31.12.17	31.12.16
Undrawn loan commitments	5,656,693	3,709,997
Guarantees provided	1,136,722	309,668
Total credit risk related commitments	6,793,415	4,019,665

Transactions with related parties

Thousand Armenian drams	31.12.17		31.12.16	
	Shareholders and related parties	Key management and related parties	Shareholders and related parties	Key management and related parties
Loans and advances to customers				
Loans outstanding as of January 1, gross	1,127,999	130,819	1,341,997	130,839
Loans issued during the year	6,851,557	723,008	2,508,810	185,916
Loan repayments during the year	1,963,469	241,478	2,722,808	185,936
As of December 31, 2017	6,016,087	612,349	1,127,999	130,819
Interest income on loans	329,950	46,972	115,381	60,335
Amounts due to customers				
Deposits outstanding as of January 1	26,905,903	666,695	21,874,156	164,420
Deposits received during the year	116,129,226	3,201,837	144,436,095	12,509,248
Deposits paid during the year	110,811,641	3,588,597	139,404,348	12,006,973
As of December 31, 2017	32,223,488	279,935	26,905,903	666,695
Interest expenses on deposits	2,586,297	10,583	1,496,155	18,477
Amounts due from other financial institutions	-	-	165,000	-
Interest income	-	-	39,783	-
Amounts due to other financial institutions	12,500	-	5,218	-
Bondes issued	10,655,768	228813	3,635,203	-
Subordinated debt	13,402,138	-	13,406,511	-
Guarantees provided	-	-	-	9,866
Income on guarantees	-	-	-	217
<i>Income and expenses</i>	-	-	-	-
Income on commissions	6,877	1,352	12,415	1,561
Other income	145	84	145	16

Compensation of key management was comprised of salaries and rewards:

Thousand Armenian drams	31.12.17	31.12.16
Salaries and other short-term benefits	138,126	386,276
Total key management compensation	138,126	386,276

Risk management

Credit risk

Maximum exposure of credit risk

Geographical Sectors

The following table breaks down the Bank's main credit exposure by book value categorized by geographical regions

31.12.17

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
Assets					
Cash and balances with CBA	10,568,091	-	-	-	10,568,091
Precious metals	125,696	-	-	-	125,696
Amounts due from other financial institutions	2,600,971	384,559	-	824,876	3,810,406
Loans and advances to customers	60,837,888	91,009	345,292	588,504	61,862,693
Investments available for sale	82,598,302	-	-	-	82,598,302
Total	156,730,948	475,568	345,292	1,413,380	158,965,188
Liabilities					
Amounts due to financial institutions	17,072,869	99	3,358,818	5,344,090	25,775,876
Amounts due to customers	21,479,882	318,512	31,450,727	11,860,477	65,109,598
Securities issued by the Bank	6,882,282	-	7,577,413	3,140,942	17,600,637
Subordinated debt	-	-	10,495,549	2,906,589	13,402,138
Total	45,435,033	318,611	52,882,507	23,252,098	121,888,249
Net position	111,295,915	156,957	(52,537,215)	(21,838,718)	37,076,939

31.12.16

Thousand AMD	RA	CIS countries	non-OECD countries	OECD countries	Total
Assets					
Cash and balances with CBA	16,105,000	-	-	-	16,105,000
Precious metals	214,583	-	-	-	214,583
Amounts due from other financial institutions	1,869,061	1,598,164	-	151,071	3,618,296
Loans and advances to customers	45,352,747	192,428	197,967	334,083	46,077,225
Investments available for sale	60,765,040	-	-	-	60,765,040
Total	124,306,431	1,790,592	197,967	485,154	126,780,144
Liabilities					
Amounts due to financial institutions	24,308,401	-	1,975,500	4,454,836	30,738,737
Amounts due to customers	13,088,649	1,310,199	24,063,404	12,237,727	50,699,979
Securities issued by the Bank	1,229,609	-	3,662,228	24,569	4,916,406
Subordinated debt	-	-	10,500,882	2,905,629	13,406,511
Total	38,626,659	1,310,199	40,202,014	19,622,761	99,761,633
Net position	85,679,772	480,393	(40,004,047)	(19,137,607)	27,018,511

Loans and advances to customers

Analysis of loans and advances by industry sectors and by risk

31.12.17

	Quantity	Standard	Quantity	Watched	Quantity	Substandard	Quantity	Doubtful	Quantity	Written-off	Quantity	Total
Loans and advances	1,372	59,268,253	17	832,169	35	1,484,400	7	277,871			1,431	61,862,693
Industry	397	23,497,238	3	297,690	18	1,367,688	3	22,178	-	-	421	25,184,794
Agriculture	29	6,425,594	3	369,888	-	-	-	-	-	-	32	6,795,482
Construction	35	3,922,675	-	-	-	-	-	-	-	-	35	3,922,675
Transport and communication	47	362,335	-	-	5	33,695	-	-	-	-	52	396,030
Trade	199	5,372,330	1	249	1	1,182	-	-	-	-	201	5,373,761
Catering and other services	10	2,978,496	-	-	-	-	-	-	-	-	10	2,978,496
Consumer loans, including:	180	2,291,878	5	50,564	2	8,365	2	31,733	-	-	189	2,382,540
<i>Loans collateralized by real estate</i>	-	-	-	-	-	-	-	-	-	-	-	0
<i>Loans collateralized by car</i>	6	8,944	-	-	-	-	1	435	-	-	8	9,379
mortgage loans	411	6,135,671	1	33,835	6	33,192	1	27,402	-	-	419	6,230,100
Other sectors of industry	64	8,282,036	4	79,943	3	40,278	1	196,558	-	-	72	8,598,815
Receivables	86	1,900,009	1	584	2	2,556	1	756			90	1,903,905
Off balance sheet items	193	6,773,774	2	10,531					1	9,110	196	6,793,415
As of 31 December, 2017	1,651	67,942,036	20	843,284	37	1,486,956	8	278,627			1,717	70,550,903

31.12.16

	Quantity	Standard	Quantity	Watched	Quantity	Substandard	Quantity	Doubtful	Quantity	Written-off	Quantity	Total
Loans and advances	1,273	43,433,243	36	2,139,527	4	134,491	13	369,964			1,326	46,077,225
Industry	330	14,395,970	20	1,917,234	-	-	5	127,124	-	-	355	16,440,328
Agriculture	24	5,958,355	1	39,019	2	80,531	-	-	-	-	27	6,077,905
Construction	30	2,066,526	-	-	-	-	-	-	-	-	30	2,066,526
Transport and communication	11	178,759	-	-	-	-	-	-	-	-	11	178,759
Trade	277	3,553,865	1	2,272	1	49,933	4	179,754	-	-	283	3,785,824
Catering and other services	7	2,729,632	-	-	-	-	-	-	-	-	7	2,729,632
Financial institutions	-	-	-	-	-	-	-	-	-	-	-	0
Consumer loans, including:	193	1,123,251	2	8,948	1	4,027	1	27,001	-	-	197	1,163,227
<i>Loans collateralized by real estate</i>	-	-	-	-	-	-	-	-	-	-	-	0
<i>Loans collateralized by car</i>	9	24,548	-	-	-	-	-	-	-	-	9	24,548
mortgage loans	326	4,333,593	11	155,960	-	-	3	36,085	-	-	340	4,525,638
Other sectors of industry	75	9,093,292	1	16,094	-	-	-	-	-	-	76	9,109,386
Receivables	87	1,858,108			2	241	5	6,342			94	1,864,691
Off balance sheet items	142	4,010,585							2	9,110	144	4,019,695
As of 31 December, 2016	1,502	49,301,936	36	2,139,527	6	134,732	18	376,306			1,564	51,952,501

Loans and advances by industry sectors and by risk

31.12.17

	Standard	Watched	Substandard	Doubtful	Non reliable	Total
Loans and advances, including:						
RA residents	58,243,448	832,169	1,484,400	277,871	-	60,837,888
CIS residents	91,009	-	-	-	-	91,009
OECD residents	588,504	-	-	-	-	588,504
Residents of other countries	345,292	-	-	-	-	345,292
Total	59,268,253	832,169	1,484,400	277,871	-	61,862,693

31.12.16

	Standard	Watched	Substandard	Doubtful	Non reliable	Total
Loans and advances, including:						
RA residents	42,708,765	2,139,527	134,491	369,964	-	45,352,747
CIS residents	192,428	-	-	-	-	192,428
OECD residents	334,083	-	-	-	-	334,083
Residents of other countries	197,967	-	-	-	-	197,967
Total	43,433,243	2,139,527	134,491	369,964	-	46,077,225

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

Collateral

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances is determined by the type of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of loan portfolio by collateral is represented as follows:

Thousand Armenian drams	31.12.17	31.12.16
Loans collateralized by real estate	36,934,345	26,280,976
Loans collateralized by movable property	656,042	576,428
Loans collateralized by government guarantees	13,729,814	12,342,780
Loans collateralized by guarantees of enterprises	6,564,582	6,181,188
Loans collateralized by shares of other companies	1,533,458	459,997
Loans collateralized by cash	1,616,860	434,410
Other collateral	2,406,309	1,099,863
Total loans and advances (gross)	63,441,410	47,375,642

Market Risk

Market Risk

Interest Rate risk

Name of article	31.12.17p.		31.12.16p.	
	AMD	Foreign currency	AMD	Foreign currency
	%	%	%	%
Assets				
Balance with the CBA	-	-	-	-
Amounts due from banks and other financial institutions, including	14.00%	5.87%	12.55%	9.79%
Interbank loans				
Interbank repurchase agreements				
Interbank interest swap				
Loans and advances to customers	11.95%	9.91%	13.26%	11.13%
Available-for-sale and trading securities	12.84%	6.70%	14.57%	6.83%
Held-to-maturity securities	-	-	-	-
Liabilities				
Amounts due to banks and other financial institutions	8.57%	4.86%	8.92%	3.76%
Amounts due to customers	11.12%	5.50%	11.96%	6.22%
Amounts due to issued securities	12.75%	6.53%	-	8.15%
Subordinated debt	14.00%	5.27%	14.00%	5.27%

Thousand Armenian drams

Sensitivity of equity

31.12.17

Currency	Change in basis points	Up to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total
AMD	0.5			- 13,036	- 2,334,996	-2,348,032
USD	0.5			- 32,386	- 226,424	-258,810
AMD	-0.5			13,254	2,480,108	2,493,362
USD	-0.5			32,896	234,489	267,385

Thousand Armenian drams

Sensitivity of equity

31.12.16

Currency	Change in basis points	Up to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total
AMD	0.5	- 2,782	- 8,656	- 222,693	- 1,292,535	-1,528,666
USD	0.5	- 290	- 860	- 56,856	- 148,820	-206,826
AMD	-0.5	2,795	8,717	226,890	1,373,629	1,612,031
USD	-0.5	290	860	56,856	148,820	206,826

Foreign exchange risk

Thousand Armenian drams

31.12.17

31.12.16

Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	5%	104,009	5%	24,908
EUR	3%	4,153	3%	-58,613

The analysis of Bank's foreign currency exchange risk by financial assets and liabilities is as follows:

Thousand Armenian drams

31.12.17

	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and balances with the CBA	7,654,848	2,896,997	16,246	10,568,091
Precious metals	-	121,006	4,690	125,696
Amounts due from other financial institutions	228,410	1,678,382	1,903,614	3,810,406
Loans and advances to customers	9,339,547	54,101,862	-	63,441,409
Investments available for sale	70,282,118	12,316,184	-	82,598,302
Total	87,504,923	71,114,431	1,924,550	160,543,904
Liabilities				
Amounts due to financial institutions	13,327,908	12,447,960	8	25,775,876
Amounts due to customers	28,029,383	35,243,908	1,836,307	65,109,598
Securities issued by the Bank	2,011,876	15,588,761	-	17,600,637
Subordinated debt	8,064,438	5,337,700	-	13,402,138
Total	51,433,605	68,618,329	1,836,315	121,888,249
Net position as of 31 December, 2017	36,071,318	2,496,102	88,235	38,655,655
Credit related commitments as of 31 December, 2017	3,687,138	3,106,277	-	6,793,415

31.12.16



	Armenian dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Cash and balances with the CBA	6,127,418	9,912,676	64,906	16,105,000
Precious metals	-	209,085	5,498	214,583
Amounts due from other financial institutions	450,168	3,121,397	46,731	3,618,296
Loans and advances to customers	8,336,473	37,740,752	-	46,077,225
Investments available for sale	52,064,987	8,700,053	-	60,765,040
Total	66,979,046	59,683,963	117,135	126,780,144
Liabilities				
Amounts due to financial institutions	21,987,070	8,751,659	8	30,738,737
Amounts due to customers	9,678,947	40,936,603	84,429	50,699,979
Securities issued by the Bank	-	4,916,406	-	4,916,406
Subordinated debt	8,070,575	5,335,936	-	13,406,511
Total	39,736,592	59,940,604	84,437	99,761,633
Net position as of 31 December, 2016	27,242,454	(256,641)	32,698	27,018,511
Credit related commitments as of 31 December, 2016	2,998,031	1,014,966	6,698	4,019,695

Liquidity risk

The table below shows the analysis of assets and liabilities according to when they are expected to be recovered or settled.

31.12.17

Thousand Armenian drams	Impaired		On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
	Overdue	Not overdue but impaired						
Assets								
Cash and balances with CBA			10,693,787					10,693,787
Amounts due from other financial institutions	-	-	3,403,317	248,385	33,638	125,067	-	3,810,406
Loans and advances to customers	516,726	2,077,712	3,479,386	3,805,827	10,782,225	32,713,575	8,487,243	61,862,694
Investments available for sale			-	-	478,133	5,941,533	76,178,636	82,598,302
TOTAL	516,726	2,077,712	17,576,489	4,054,212	11,293,995	38,780,175	84,665,879	158,965,189
Liabilities								
Amounts due to financial institutions	-	-	6,382,762	2,565,070	8,415,455	4,895,528	3,517,061	25,775,876
Amounts due to customers	-	-	20,652,690	1,571,796	19,371,024	20,609,488	2,904,600	65,109,598
Securities issued by the Bank	-	-	77,032	-	1,008,805	5,872,800	10,642,000	17,600,637
Subordinated debt	-	-	77,038	-	-	-	13,325,100	13,402,138
Total			27,189,522	4,136,865	28,795,285	31,377,816	30,388,761	121,888,248
Net position	516,726	2,077,712	(9,613,032)	(82,653)	(17,501,290)	7,402,359	54,277,118	37,076,940
Accumulated gap			(9,613,032)	(9,695,685.73)	(27,196,975)	(19,794,615.89)	34,482,502	

Thousand Armenian drams	Impaired		On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
	Overdue	Not overdue but impaired						
Assets								
Cash and balances with CBA			16,105,000					16,105,000
Precious metals			214,583					214,583
Amounts due from other financial institutions			3,458,024	7,853	37,772	114,647		3,618,296
Loans and advances to customers	740,470	1,904,634	1,930,172	2,001,657	7,369,739	26,880,414	5,250,138	46,077,225
Investments available for sale				1,783,616	654,390	5,163,075	53,163,959	60,765,040
TOTAL	740,470	1,904,634	21,707,779	3,793,126	8,061,901	32,158,136	58,414,097	126,780,144
Liabilities								
Amounts due to financial institutions			20,776,966	537,916	3,038,847	5,453,544	931,464	30,738,737
Amounts due to customers			18,216,412	1,243,031	6,175,552	25,064,984		50,699,979
Securities issued by the Bank			77,006			4,839,400		4,916,406
Subordinated debt			83,171				13,323,340	13,406,511
Total			39,153,555	1,780,947	9,214,399	35,357,928	14,254,804	99,761,633
Net position	740,470	1,904,634	(17,445,776)	2,012,179	(1,152,498)	(3,199,792)	44,159,293	27,018,511
Accumulated gap			(17,445,776)	(15,433,597.65)	(16,586,095)	(19,785,886.71)	24,373,407	

Average assets and capital

31.12.17

Average assets	153,798,924
Average capital	40,000,412

Collateral received

The collateralized loan amount is AMD 61,824,550 thousand as of 31.12.17

Unfulfillment of obligations/violations

There are no any violations of contractual obligations in the bank.