

Appendix 10

Approved by
The Central Bank of the Republic of Armenia
Board Decision No. 205 N of July 10, 2007

Chairman of the Central Bank of the Republic of
Armenia

_____ Tigran Sargsyan
July 17, 2007

Approved by
Minister of Finance of the Republic of
Armenia Order No. ____ of _____, 2007

Minister of Finance of the Republic of
Armenia

_____ Vardan Khachatryan
....., 2007

Instructions for completing financial reporting forms published by the banks

Chapter 1: General provisions

- 1.1. The instructions for completing financial reporting forms published by banks (hereinafter referred to as Instructions) shall be applicable to banks and branches of foreign banks operating within the territory of the Republic of Armenia (hereinafter referred to as banks) when publishing financial reports.
- 1.2. The financial reports of the banks shall include activity indicators for all territorial units including the activity indicators of branches and representative offices operating outside the Republic of Armenia.
- 1.3. A reporting year shall be considered the period starting from January 1 and ending with December 31 (inclusive) of the given year.
- 1.4. For newly established banks the reporting year (period) shall be considered the period starting from the day when the bank was registered with the Central Bank of Armenia and ending with the last day (inclusive) of the given year (period).
- 1.5. An interim reporting period shall be considered the period starting from January 1 and ending with the last day (inclusive) of the quarterly interim reporting period.
- 1.6. Interim financial reports shall be completed on a cumulative basis. The interim report on income (Form No. 6) shall simultaneously contain data of the current interim reporting period. Banks shall prepare interim financial reports once per quarter.
- 1.7. Banks in liquidation shall prepare financial reports for the period comprising the beginning of the year and ending on the day when the court issues the verdict to satisfy the petition of the Central Bank of Armenia to recognize the bankruptcy of the bank (period of the beginning of the liquidation proceedings).

- 1.8. Financial reports shall be completed based on the analytical and aggregate (synthetic) accounting of the data.
- 1.9. Depending on the materiality of the information to be presented, the banks, at their discretion may present in more detail the financial reporting forms and notes to the financial reports while remaining compliant with the requirements set forth in the International Financial Reporting Standards (hereinafter referred to as IFRS) and the Instructions as well as the mandatory articles (items) to be presented.
- 1.10. The banks may condense the financial reporting forms, in case the amounts to be reflected in the articles subject to the presentation requirements are either equal to zero or immaterial (both for the current and previous periods).
- 1.11. The respective articles of the financial reports shall be presented in more detail in the notes to the financial reports pursuant to the Instructions. At that, the banks may condense the articles presented in the notes to financial reports in case the amounts to be reflected in the articles subject to presentation requirements are equal to zero (both for the current and previous periods).
- 1.12. Financial reports shall be completed in thousands of Armenian drams, without decimal units after the comma. The amounts shown in parentheses in the financial reports shall be considered to be negative figures when performing arithmetic calculations, at that in case there is a “minus” sign before the parentheses, then the amount in the parentheses shall be added.
- 1.13. Financial reports shall contain the following mandatory requisites:
 - 1) Name of the financial report,
 - 2) The reporting date or period for which the financial report was completed,
 - 3) Name of the bank,
 - 4) The location of the bank’s head office,
 - 5) The presentation format of the numerical indicators,
 - 6) The validation date of the financial reports,
 - 7) The names, signatures and job titles of the persons authorized to validate financial reports.When publishing the financial reports, the mandatory requisites shall be separately presented in all reporting forms.
- 1.14. As a supplement to the financial reports the declaration of the bank’s senior officials shall be presented on the following matters:
 - 1) Their responsibility to prepare and validate financial reports that give a true and fair view of the financial position of the bank (in all material respects), that is,
 - a) select accounting policies, present them to the board’s approval and apply them consistently,
 - b) make reasonable judgments and estimates,
 - c) comply with the requirements of the IFRS, in case discrepancies exist with the Accounting Standards in the Republic of Armenia, disclose them in the notes to financial reports,
 - d) keep proper accounting records,

- e) prepare the financial reports on the going concern basis, unless the senior officials of the bank have no intention or reason to presume that the bank will enter into liquidation or wind up the business.
- 2) Design, implement and maintain an effective and reliable internal control system relevant to the internal control minimum requirements specified by the Central Bank of the Republic of Armenia, in case discrepancies exist with the minimum requirements, disclose them in the supplement to the financial reports.
- 3) Set up an effective accounting system that complies with the requirements of the Republic of Armenia legislation and IFRS, as well as provides timely and accurate information on the bank's financial position,
- 4) Take measures within their authorities to safeguard the assets of the bank and to prevent and detect fraud and other irregularities.

The foregoing declaration shall be validated with the signatures of the executive director and the chief accountant of the bank.

- 1.15. A supplement to the financial reports shall be presented by the bank that assures the compliance of the bank's financial reports with the IFRS and other accounting regulations (in case of annual financial reports, a supplement shall be presented by the board of the bank with respective validations assuring the compliance). At that, the financial reports shall not be qualified as compliant with the accounting standards in case they are not compliant with all requirements of each standard applied and other accounting regulations deriving from the standards, except for the cases specified by the IFRS.
- 1.16. As a supplement to the annual financial reports the banks shall present an opinion prepared by the bank's internal audit and approved by the board of the bank on the compliance with the internal control minimum requirements specified by the Central Bank of the Republic of Armenia by disclosing the existing discrepancies. At that, the external auditor shall approve the accuracy of the bank's own assessment of its internal control system.
- 1.17. As a supplement to the annual financial reports the banks shall also prepare a financial analysis document (signed by at least two board members of the bank) which presents and interprets the main characteristics of the financial activities and the financial position of the bank as well as the major uncertainties arising from the operations. Such a document shall include the following analysis and interpretations:
 - 1) Main factors affecting operations, including changes in the operating environment of the entity, the way the entity responds to such changes and consequences thereof, as well as the investment (including the dividend payout) policy directed to the maintenance, support and enhancement of the operations,
 - 2) sources of financing of the bank, the policies of controlling the ratio between the own and borrowed capital as well as the risks related to bank's operations,
 - 3) the assets and resources of the bank, the values of which shall not be reflected in the balance sheet, pursuant to the Financial Reporting Standards in the Republic of Armenia.

- 1.18. The quantitative and qualitative characteristics of the risks may be either presented in the annual financial reports or be included in any other section of the annual report (for instance in the management or risk reports) with respective references in the financial reports.

Chapter 2: Annual financial reports

- 2.1 Financial reports published by the banks operating within the territory of the Republic of Armenia shall be prepared pursuant to Article 55 of the Republic of Armenia Law on Banks and Banking” and the principles of the International Financial Reporting Standards (hereinafter referred to as IFRS).
- 2.2 Annual financial reports published by the banks shall include:
- 1) Report on income - Form No. 1 (Appendix 1),
 - 2) Report on the financial position – Form No. 2 (Appendix 2),
 - 3) Report on the changes in equity – Form No. 3 (Appendix 3),
 - 4) Report on the cash flows – Form No. 4 (Appendix 4),
 - 5) Notes to the comprehensive financial reports, comprising the accounting policy – Form No. 5 (Appendix 5).
- 2.3 Banks shall also present the opinion of the external auditor as a supplement to the annual financial reports.
- 2.4 In case of the consolidation of the financial reports, the bank shall publish the annual consolidated financial reports. The bank may include its separate annual financial reports in the annual financial report.
- 2.5 Banks shall group financial instruments by classes depending on the type of the information disclosed and the characteristics of the financial instruments in case the IFRS require banks to present the information by different classes of financial instruments.
- 2.6 Prior period material errors which were disclosed in the reporting period shall be corrected by banks pursuant to IAS 8.
- 2.7 Banks shall disclose in the notes to the financial reports the extraordinary line items, the extraordinary occurring events in ordinary line items, discontinued operations, changes in the accounting estimates, material errors and changes in the accounting policies (their nature and, if feasible, their amounts) pursuant to IAS 8, in case their results have a material impact in the current period or it is expected that their results will have a material impact in future periods.
- 2.8 Banks shall use the information when performing measurements for financial reporting purposes which was available before the validation of the reports for issue.
- 2.9 Banks shall disclose the events after the balance sheet date, which refer to the reporting balance sheet date pursuant to IAS 10.
- 2.10 The respective line items of the reports shall be presented in detail in the notes, pursuant to the Instructions.

Chapter 3: Interim financial reports

- 3.1 Banks shall prepare a set of interim financial reports for each quarter pursuant to Article 55 of the Republic of Armenia Law on Banks and Banking, which shall be comprised of the following components:
- 1) Interim report on comprehensive income – Form No. 6 (Appendix 6),
 - 2) Interim report on financial position – Form No. 7 (Appendix 7),
 - 3) Interim report on changes in equity – Form No. 8 (Appendix 8),
 - 4) Interim report on cash flows – Form No. 9 (Appendix 9),
 - 5) Notes to the interim financial reports, comprising the accounting policy - Form No. 5 (Appendix 5).
- 3.2 Quarterly interim financial reports shall be prepared for the periods pursuant to the IAS 34.
- The quarterly interim report on comprehensive income (Form No. 6) shall be prepared for the current interim quarter and for year - to - date period (cumulative) and for the comparable interim periods (current and year-to- date) of the immediately preceding financial year.
- The quarterly interim report on financial position (Form No. 7) – is a report on financial position as of the end of the current quarterly interim period with a comparative report on financial position as of the end of the immediately preceding financial year.
- The quarterly interim report on changes in equity (Form No. 8) shall be prepared on a cumulative basis for year - to – date period with a comparative report for the comparable (year - to -date) interim period of the immediately preceding financial year.
- The quarterly interim report on cash flows (Form No. 9) shall be prepared on a cumulative basis for the year - to – date period with a comparative report for the comparable (year - to -date) interim period of the immediately preceding financial year.
- 3.3 Interim financial reports shall be prepared on a consolidated basis in case the most recent annual financial reports of the bank were consolidated reports. In case the bank’s annual financial report includes the bank’s separate financial reports in addition to consolidated financial reports, the bank may include its separate interim financial reports in the interim financial report.
- 3.4 The comparative report in the notes to the financial reports (Form No. 5) presented in the Instructions is broken down into “Current period” and “Prior period” but in the notes to the interim financial reports the comparative report shall be presented by the interim periods included in the respective financial reports. For instance, the notes to the interim report on income shall include comparative reports for the periods “Current interim period”, “Year-to-date period (cumulative)”, “Comparable current interim period preceding the financial year” and “Prior year - to –comparable reporting date period (cumulative)”, at that the comparability of the presented information shall also be used in the narrative and descriptive information when deemed appropriate for the understanding of the presented financial reports.
- 3.5 When preparing the interim financial reports, the same accounting policy shall be used as for the annual financial reports taking into account the changes in the accounting policy which were made after the date of the most recent annual financial reports and that are to be reflected in the subsequent annual financial reports.

- 3.6 Banks shall disclose in the notes to the interim financial reports the extraordinary line items, the extraordinary occurring events in ordinary line items, discontinued operations, changes in the accounting estimates, material errors and changes in the accounting policies (their nature and, if feasible, the disclosure of the amounts, consequences) pursuant to IAS 8, in case their results have a material impact in the current period or it is expected that their results will have a material impact in the future periods.
- 3.7 Banks shall use the information when performing measurements for the interim financial reporting purposes which was available before the validation of the reports for issue and which reflects the changes in the estimates of amounts presented in the prior annual financial reports or in the interim financial reports preceding the current reporting year, at that the amounts reported in prior interim financial reports shall not be retrospectively adjusted, rather the nature and the amount of any material change shall be disclosed in the notes to financial reports.
- 3.8 Except for cases when the changes in accounting policy are conditioned by the adoption of new accounting standards, under the main principle of IAS 8, a change in the policy shall be reflected by restating the financial reports of prior interim periods of the current financial year as well as the financial reports of the comparable interim periods of any prior financial years. However, when it is impracticable to determine the adjustment amount of applying a new accounting policy to prior reporting periods, the new accounting policy shall be applied prospectively and this fact shall be necessarily disclosed in the notes to the financial reports.
- 3.9 Revenues that are received seasonally, cyclically, or occasionally, as well as the costs incurred unevenly within a financial year shall not be anticipated or deferred as of an interim date but rather be recognized when received or incurred, in case the anticipation or deferral would not be appropriate at the end of the reporting year.

Chapter 4: Report on comprehensive income

- 4.1 In the annual report on comprehensive income (Form No. 1) Columns 3 and 4 shall include figures of the current and prior periods respectively. In the interim report on comprehensive income (Form No. 6) Column 2 shall include figures of the current period, Column 5 shall include figures of the same period of the prior year, Column 3 shall include figures of the year-to-date period on a cumulative basis, and Column 6 shall include the same comparative figures of the prior period.
- 4.2 Columns 4 and 6 of the interim report on the comprehensive income (Form No. 6) presented for the first quarter shall not be either completed or published.
Clause 4.3 was nullified by the Central Bank of Armenia Board Decision No. 68 N of March 3, 2012.
- 4.4 Banks at their discretion may prepare reports (interim) on “Income” and “Other comprehensive income” instead of the interim report on “Comprehensive income”. The reports shall be completed based on the same principle as the report on “Comprehensive income”.

Chapter 5: Report on the financial position

- 5.1 In the annual report on the financial position (Form No. 2), Column 3 shall include figures as of the last day of the reporting financial year; Column 4 shall include the figures of the last day of the prior financial year. In the interim report on the financial position (Form No. 7) Column 3 shall include figures as of the last day of the current interim reporting period; Column 4 shall include figures as of the last day of the immediately preceding financial year.
- 5.2 The table attached shall include those accounts of the accounting chart contained in the line items of the report and the respective notes to the report, the balances of which shall be reflected in the given lines. There may be cases when certain amounts belong to certain line items but the corresponding accounts in the accounting chart are not specified. In that case the amounts shall be reflected in equivalent line items and such cases shall not be considered violations of the Instructions.
- 5.3 In case differences exist between the rules for the establishment of reserves for possible losses in assets for banks approved by the Central Bank of Armenia and the approaches specified by the IFRS with respect to the establishment of reserves for possible losses in assets, one should be guided by the requirements of the accounting standards in the Republic of Armenia when preparing the financial reports while necessarily disclose the amounts of reserves calculated pursuant to the rules for the establishment of reserves for possible losses in assets by banks approved by the Central Bank of Armenia and their impact on the components of the financial reports (Note 37 “Capital and capital adequacy”).
- 5.4 In this chapter the ratings issued by Standard & Poor’s, Fitch, as well as Moody’s (shown in parentheses) rating agencies were used for the purpose of grouping the assets by ratings. In case there are two different ratings issued by different rating agencies for the same claim, then the bank shall select the strictest rating and in case of three or more ratings the bank shall select the stricter of the two lowest risk weights.
- 5.5 When classifying assets by ratings in the manner specified by this chapter, banks shall rely on the latest updated information (which refers to the reporting period) provided by the foregoing rating agencies depending on the maturities of claims, types of instruments and currencies.

Chapter 6: Report on changes in equity

- 6.1 Annual (interim) report on changes in equity shall consist of two tables. Table 1 of the annual report on changes in equity shall include the figures of the year preceding the reporting year; Table 2 shall include figures of the reporting year. Tables 1 and 2 of the interim report on changes in equity shall include respectively the figures of the year-to-date and figures of the prior year –to - reporting date periods.
- 6.2 Line 1 of Table 1 – “Balance at the beginning of the prior period, as of January 1” shall include the following information in respective columns as of the beginning of the prior year (period):
 - 1) In column 1 – the balance of the statutory capital,
 - 2) In column 2 – the book value of own shares repurchased by the bank,
 - 3) In column 3 – the net amount of the statutory capital (column 1- column 2),
 - 4) In column 4 – the balance of the share issue premium, negative share issue premium (share issue discount) shall be shown in parentheses,
 - 5) In column 5 – the balance of the general reserve,

- 6) In column 6 – foreign currency translation differences from the recalculation of international transactions,
 - 7) In column 7 – the total amount of unrealized gains/losses from available for sale financial assets re-measured by fair value and gains/losses from cash flow hedge derivatives re-measured by fair value. In case the value is negative, it shall be shown in parentheses,
 - 8) In column 8 – cash flow hedge,
 - 9) In column 9 – gains from the revaluation of non-current assets,
 - 10) In column 10 – the amount of retained earnings/losses, (losses shall be shown in parentheses),
 - 11) In column 11 – the balances of announced interim dividends,
 - 12) In column 12 – the sum of the amounts reflected in columns 3,4,5,6,7,8,9,10 and 11,
 - 13) In column 12 – the non-controlling interest which shall be completed when the bank presents consolidated reports,
 - 14) In column 13 – the sum of the columns 12 and 13.
- 6.3 The column “Retained earnings” of the line “1.1 Overall effect of accounting policy changes and correction of material errors” shall reflect the adjustment amount for the beginning balance of retained earnings as a result of accounting policy changes and the correction of material errors detected in the reporting year and relating to prior years, pursuant to the main principle of the IAS 8- “Accounting policies, changes in accounting estimates and errors”. The same amount shall be reflected in the column “Total”. In case the amount is negative it shall be shown in parenthesis.
- 6.4 The column “Retained earnings” of the line “2. Recalculated balance” shall include the sum or the difference between the amounts reflected in the column “Retained earnings” of the line “1. Balance as of January 1, ...” and in the column “Retained earnings” of the line “1.1 Overall effect of accounting policy changes and correction of material errors”. The rest of the columns shall include the figures reflected in the line “1. Balance as of January 1, ...”.
- 6.5 The line “3. Transactions with shareholders (owners) related to shares (stock), including” shall include:
- 1) In column 1 - the difference between the establishment of statutory capital, issuance of shares (stock), other increases or decreases in the statutory capital (for account of other components of the own capital) and the decrease in capital due to the repayment of shares (stock) repurchased (in case this amount is negative it shall be shown in parentheses),
 - 2) In column 2 – the difference between the increase in repurchased share capital due to shares (stock) repurchased, other increases in repurchased share capital and the decrease in repurchased share capital due to the sale of shares (stock) repurchased, other decreases in repurchased share capital (in case the amount is negative, it shall be shown in parentheses),
 - 3) In column 3 – the difference between the amounts reflected in columns 1 and 2 (in case this amount is negative, it shall be shown in parentheses),
 - 4) In column 4 – the difference between the increases in share issue premium due to the establishment of statutory capital, further issuance of shares (stock), sale, repayment of repurchased shares, the increase in statutory capital due to share issues premium and decreases therein,
 - 5) In column 5 – the difference between the increases in statutory capital for the account of the general reserve and the increases in the general reserve due to other transactions with the owners of the bank and the decreases therein,
 - 6) In column 10 – the difference between the increases in statutory capital for the account of the retained earnings, the increases in the retained earnings due to other transactions with the owners of the bank and the decreases therein,

7) In column 12 – the sum of the amounts reflected in columns 3, 4, 5 and 10.

Lines 3.1 and 3.2 shall include the breakdown of amounts reflected in Line 4 with respect to the increases and decreases in the statutory capital. When preparing the report additional lines may be opened for other line items deemed material for the given bank indicating the name of the line and the amount to be reflected therein.

6.6 Columns 8 and 11 of the line “4. Comprehensive income” shall include the amount of changes in the components of the comprehensive income.

6.7 The line “5. Dividends” shall include:

1) In column 5 – the amount by which the general reserve was decreased due to the announcement of dividends (with respect to preferred shares),

2) In column 10 – the amount by which the retained earnings was decreased due to the announcement of dividends,

3) In column 11 – the difference between the amounts of announced and repaid interim dividends in column 9,

4) In column 12 – the sum of the amounts reflected in columns 5, 10 and 11.

6.8 The columns of the line “6. Other increases (decreases) in the components of equity, including” shall include other increases and decreases in the components of equity. When preparing the report additional lines may be opened for other line items deemed material for the given bank indicating the name of the line and the amount to be reflected therein.

The line “Internal moves, including” shall include the moves among the components of the equity.

The lines 7.1, 7.2, 7.3, 7.4 and 7.5 shall include the most significant line items of the amounts reflected in line 8. When preparing the report additional lines may be opened for other line items deemed material for the given bank indicating the name of the line and the amount to be reflected therein.

6.9 Column 8 shall include the sum total of all the columns above.

6.10 The lines 9-16 shall be completed on the basis of the same principle as the respective lines 1-8.

Chapter 7: Report on cash flows

7.1 The report on cash flows may be prepared by using the direct method, according to which the main types of gross cash inflows and gross cash outflows shall be presented. It shall reflect the inflows and outflows of the Armenian currency, foreign currencies, cash equivalents (hereinafter referred as cash) into/from the vault or the bank account from operating, investing and financing activities (including the extraordinary cases) for the reporting period, the beginning and ending balances for the reporting period, as well as the increases or decreases in cash or cash equivalents due to the foreign currency translation differences.

7.2 The section “Cash flows from operating activities” shall reflect the net cash flows from the principal activities of the bank, as well as from other activities, except for the investing and financing activities.

7.3 The section “Cash flows from investing activities” shall include net flows from the acquisition of long-term assets and other investments which are not included in the cash equivalents.

7.4 The section “Cash flow from financing activities” shall include the net cash flows from those activities which lead to changes in the structure and amount of the bank’s equity and borrowed funds.

- 7.5 Cash flows (generated from transactions in foreign currency) shall be presented in the reporting currency, by means of applying the foreign currency/reporting currency exchange rate as of the day when the cash flows are generated.
- 7.6 The columns 2 and 3 of the annual report on cash flows shall include the figures of the prior and reporting periods respectively. In case the bank prepares an interim report, columns 2 and 3 shall include figures of the year-to-date period and figures from the period of the beginning of the prior period to the reporting date respectively.
- 7.7 The line "Interest received" shall include the factual interest income received from correspondent accounts, deposits placed, loans provided, repurchase agreements, letters of credit, investments and other operations.
- 7.8 The line "Interest paid" shall include the interest expenses paid by the bank against correspondent and bank accounts, deposits attracted, loans received, repurchase agreements and other liabilities.
- 7.9 The line "Commissions received" shall include the commissions received by the bank for the services provided.
- 7.10 The line "Commissions paid" shall include the commissions paid by the bank for the services provided to the bank by another entity.
- 7.11 The line "Gains/losses from held for trading financial assets" shall include the realized gains/losses from held for trading financial assets.
- 7.12 The line "Gains/losses from foreign currency buy and sell transactions" shall include the realized gains/losses from foreign currency buy and sell transactions.
- 7.13 The line "Reversal of prior written off assets" shall include the cash inflows from the collection of bad loans, accounts receivable, and investments held to maturity.
- 7.14 The line "Salary and salary equivalents paid" shall include the amounts of salary and salary equivalents paid to the bank employees.
- 7.15 The line "Other income received from and other expenses paid against operating activities" shall include the income received from and the expenses paid against operating activities in the reporting period (deposit insurance, expenses with respect to fines, penalties, administrative expenses and expenses with respect to public relations and net amounts received from operations regarded as operating activities) which were not included in other lines of the section "Cash flows from operating activities".
- 7.16 The line "Decreases (increases) in operating assets" shall include the net amounts of precious metals, investments held for trading and available for sale, derivative financial assets, loans provided to banks, other financial institutions, and customers, placed deposits, repurchase agreements, financial leases and other operating assets as well as the reversion amounts thereof. The subsequent lines shall reflect the material line items of operating assets.
- 7.17 The line "Decreases (increases) in loans and advances" shall include the net amounts of loans and advances provided to customers, repurchase agreements, as well as the repayment amounts thereof.
- 7.18 The line "Decreases (increases) in held for trading and available for sale securities" shall include the net amounts received from the decreases and increases in held for trading and available for sale securities (including factoring). In case this line item is not material for the separate disclosure it shall be reflected in the line "Decreases (increases) in other operating assets".
- 7.19 The line "Decreases (increases) in the receivables from financial leases" shall include the amounts received from the asset provided by the lessor. In case this line item is not material for the separate disclosure it shall be reflected in the line "Decreases (increases) in other operating assets".

- 7.20 The line “Decreases (increases) in other operating assets” shall include the net amounts of decreases and increases in operating assets due to trust management transactions, transactions with guarantees, acceptances, letters of credit, checks, other settlement documents and other operating transactions.
- 7.21 The line “Increases (decreases) in operating liabilities” shall include the net amount of receipts from liabilities incurred due to operating activities and repayments of such liabilities. The succeeding lines shall include the material line items of operating liabilities.
- 7.22 The line “Decreases (increases) in held for maturity investments” shall include the cash flows due to the decreases and increases in the held for maturity securities (including factoring).
- 7.23 The line “Decreases (increases) in the investments in the statutory capital of other entities” shall include the cash flows from the decreases and increases in the investments in the associated entities, jointly controlled entities and subsidiaries.
- 7.24 The line “Decreases (increases) in the capital expenditures in fixed and intangible assets” shall include cash flows due to capital expenditures made by the bank in fixed and intangible assets and in fixed assets obtained through financial leases.
- 7.25 The line “Acquisition of fixed and intangible assets” shall include the cash outflows due to the payments made by the bank for acquiring fixed and intangible assets.
- 7.26 The line “Disposal of fixed and intangible assets” shall include the cash inflows due to the disposal of fixed and intangible assets by the bank.
- 7.27 The line “Net cash flows from other investing activities” shall include the accrual of funds in the statutory capital replenishment account, the acquisition/disposal of confiscated collateral, cash flows due to other operations considered as investing operations.
- 7.28 The line “Dividends paid” shall include the amounts of dividends paid by the bank to the shareholders.
- 7.29 The line “Decreases (increases) in the borrowings from the Central Bank of Armenia” shall include the cash flows from the increases and decreases in the loans provided to the bank and repurchase agreements concluded with the bank by the Central Bank of Armenia.
- 7.30 The line “Increases (decreases) in the borrowings received from the banks” shall include the cash flows from the increases and decreases in the loans provided to the bank and repurchase agreements concluded with the bank by other banks.
- 7.31 The line “Increases (decreases) in the other borrowings received” shall include the cash flows from the increases and decreases in the loans provided to the bank and repurchase agreements concluded with the bank by other financial institutions or other entities.
- 7.32 The line “Increases (decreases) in the securities issued by the bank” shall include the cash flows received from the issuance of securities by the bank.
- 7.33 The line “Shareholders’ investments in the statutory capital” shall include the cash flows from the shareholders’ investments in the statutory capital.
- 7.34 The line “Payables with respect to financial leases” shall include the payments made against the assets obtained by the leasee.
- 7.35 The line “Net cash flows from other financing activities” shall include the amounts paid for the repurchase of the bank’s own shares, amounts attracted for the replenishment of the statutory capital and other cash flows due to other operations considered as financing operations.
- 7.36 The line “Effect of exchange rate fluctuations on cash and cash equivalents” shall include the effect of exchange rate fluctuations on the cash and cash equivalents.
- 7.37 The line “Net increases (decreases) in cash and cash equivalents” shall include the sum of the amounts reflected in the lines “Net cash flows from operating activities”, “Net cash from investing activities” and “Net cash flows from financing activities”

- 7.38 The line “Cash and cash equivalents at the beginning of the period” shall include the cash and cash equivalents at the beginning of the period.
- 7.39 The line “Cash and cash equivalents at the end of the period” shall include the cash and cash equivalents at the end of the period.
- 7.40 Alternatively, the bank may prepare the report on the cash flows by using the indirect method by adjusting the entity’s net income with the amounts that participated in the calculation of the net income of the given period and which do not generate cash flows and also by adjusting with the amounts that generate cash flows but did not participate in the calculation of the net income. Columns 2 and 3 of the report shall include the amounts included in the line items of column 1, for the prior and reporting periods respectively.

Chapter 8: Transitional provisions

- 8.1 Since the presentation/classification of the line items in the new financial reporting forms presented in the Instructions has been modified, the comparable amounts shall be reclassified (except for the cases when the reclassification is impracticable).
- 8.2 When it is impracticable to reclassify the comparable amounts, the bank shall disclose the reasons for not making the reclassification, as well as the nature of the changes which would have occurred due to reclassification. For the purpose of the Instructions, the reclassification shall be considered impracticable in cases when the accounting in the prior period(s) was done in such a manner (or the collection of the data was done in such a manner) that make it impossible to reclassify the data or the restoration (recreation) of the data may be inappropriate. In these cases the nature of the adjustments of the comparable amounts to be made shall be disclosed.
- 8.3 The required adjustments of the comparable information due to the application of accounting policy changes retrospectively shall be made pursuant to IAS 8 - “Accounting policies, changes in accounting estimates and errors”.

NOTES TO THE FINANCIAL REPORTS
(Form No. 5)

1. Notes to financial reports shall:
 - 1) Present information about the basis of preparation of the financial reports and information about the accounting policy applied to selected and material operations and events,
 - 2) Disclose information required by accounting standards, not presented elsewhere in the financial reporting forms.
2. Comparable information shall be disclosed in the notes to financial reports both with respect to numerical and narrative and descriptive information.
3. Notes to financial reports shall include:
 - 3.1 Note 1. “Legal environment and corporate governance”.

The legal-corporate form of the bank and other information required under IAS 1 concerning the bank shall be presented in this note. The information shall be presented under the following sections:

 - 3.1.1. Legal environment:
 - 1) Principal activities of the bank,
 - 2) Business environment,
 - 3) The legal structure of the group, in case the bank is a member of a group.
 - 3.1.2. Corporate governance:
 - 1) Structure and composition of the board,
 - 2) Structure and composition of the directorate,
 - 3) Ownership structure, number of shareholders/participants at the end of the reporting period,
 - 4) Names of qualified shareholders,
 - 5) Remuneration policy for senior officials,
 - 6) Compensations to external auditors.
 - 3.2 Note 2. “Accounting policy”

The accounting policy of the bank with the minimum line items noted below shall be presented in the note:

 - 1) The preparation and presentation of financial reports,
 - 2) Consolidation principles (in case of consolidation),
 - 3) Recognition of main types of income and expenses,
 - 4) Accounting for foreign currency transactions,
 - 5) Taxes (current and deferred),

- 6) Recognition and measurement of financial instruments,
- 7) Cash and cash equivalents (the policy used for determining the composition of cash and cash equivalents shall be disclosed),
- 8) Held for trading financial assets,
- 9) Available for sale financial assets,
- 10) Repurchase agreements,
- 11) Financial derivative instruments,
- 12) Loans and advances to banks and customers,
- 13) The basis for the determination of the losses due to the impairment of loans and advances and the basis for the write-offs of the loans and advances,
- 14) Termination of interest accrual,
- 15) Accounting for held to maturity financial assets,
- 16) Hedge accounting,
- 17) Accounting for investments in associated entities and subsidiaries,
- 18) Fixed and intangible assets,
- 19) Funds of the banks and customers,
- 20) Debt securities issued by the bank,
- 21) Differentiation between the operations and events that result in the recognition of the assets and liabilities on the balance sheet and operations and events that result in contingent events and liabilities,
- 22) The basis for the determination of contributions against general types of banking risks and the accounting thereof,
- 23) Equity and share issue premium,
- 24) Methodology for determining exchange rates,
- 25) Netting of financial assets and liabilities,
- 26) Reclassifications of financial assets,
- 27) Information about segments.

The compliance of the financial reports with the financial reporting standards and the accounting policy approved by the board of the bank shall be necessarily disclosed in Note 2.3.3 Note 3. "Net interest and similar income".

Note 3 shall reflect the main components of interest and similar income and expenses.

| <u>Interest and similar income</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Interest income from the bank's current accounts, deposits placed with and loans provided to other banks and financial institutions | | |
| Interest income from loans and advances provided to customers | | |
| Interest income from debt securities | | |
| Interest income from repurchase agreements | | |

Other interest income

Total

Interest and similar expenses

Reporting period

Prior period

Interest expenses for current accounts with the bank,
deposits and loans attracted from other banks and
financial institutions

Interest expenses for the current accounts and term
deposits of customers

Interest expenses for securities issued by the bank

Interest expenses for repurchase agreements

Other interest expenses

Total

Net interest and similar income

3.4 Note 4. "Income and expenses in the form of commissions and other compensations"
Note 4 shall reflect the main components of income and expenses in the form of
commissions and other compensations.

Income in the form of commissions and other
compensations

Reporting period

Prior period

From cash operations

From settlement services

From guarantees, acceptances, letters of credit trust

| | |
|---|-------|
| management transactions | _____ |
| From foreign currency and securities transactions | _____ |
| From payment card servicing | _____ |
| Other commissions | _____ |
| Total | _____ |

| | | |
|--|------------------|--------------|
| <u>Expenses in the form of commissions and other compensations</u> | Reporting period | Prior period |
|--|------------------|--------------|

| | | |
|--|-------|-------|
| Commissions for correspondent and other accounts | _____ | _____ |
| Payments for payment card transactions | _____ | _____ |
| Payments for guarantees, acceptances, letters of credit, trust management transactions | _____ | _____ |
| For foreign currency and securities transactions | _____ | _____ |
| Other commissions* | _____ | _____ |
| Total | _____ | _____ |
| <u>Net commissions and other compensations received</u> | _____ | _____ |

* In case the line is significant, origins of income shall be disclosed.

3.5 Note 5. "Net income from trade operations".

Note 5 shall reflect the main components of net income from trade operations.

Held for trading investments

Reporting period

Prior period

Net income from the buy and sell transactions of
held for trading investments, including:

From equity securities

From debt securities

From derivatives

Net income from the fair value changes of held for
trading investments

Total

Available for sale investments

Reporting period

Prior period

Net income from the buy and sell transactions of
available for sale investments, including:

From equity securities

From debt securities

From derivatives

Net income from the fair value changes of available
for sale investments

Total

Foreign currency operations

Reporting period

Prior period

Net income from foreign currency buy and sell
transactions

Net income from the foreign currency revaluation

Total

| <u>Bank standardized bullions of precious metals and commemorative coins</u> | Reporting period | Prior period |
|--|------------------|--------------|
| Net income from the buy and sell transactions of bank standardized bullions of precious metals and commemorative coins | | |
| Net income from the revaluation of bank standardized bullions of precious metals and commemorative coins | | |
| Total | | |
| <u>Net income from trade operations</u> | | |

3.6 Note 6. "Other operating income".

Note 6 shall reflect the main components of other operating income.

| <u>Other operating income</u> | Reporting period | Prior period |
|--|------------------|--------------|
| Income from fines and penalties | | |
| Income from factoring | | |
| Net income from the disposal of fixed and intangible assets | | |
| Net income from the revaluation and impairment reversal of fixed and intangible assets | | |
| Other income** | | |
| Total | | |

** In case the line is significant, origins of income shall be disclosed.

3.7 Note 7. "Net provisions to the reserves for possible losses in assets".

Note 7 shall reflect the provisions to the reserves for possible losses in the respective assets, reversal of provisions to the reserves and net provisions to the reserves in the following manner:

Related to dues from banks

Reporting period Prior period

Note

Beginning balance

14

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Reversal of prior written off amounts

Utilization of reserves

Ending balance

Related to dues from financial institutions

Reporting period

Prior period

Note

Beginning period

14

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Reversal of prior written off amounts

Utilization of reserves

Ending balance

Related to loans and advances to customers

Reporting period

Prior period

Note

Beginning balance

16

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Reversal of prior written off amounts

Utilization of reserves

Ending balance

Related to investments

Reporting period

Prior period

Note

Beginning balance

18

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Reversal of prior written off amounts

Utilization of reserves

Ending balance

Related to other assets

Reporting period

Prior period

Note

Beginning period

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Reversal of prior written off amounts

Utilization of reserves

Ending balance

Off-balance sheet items containing credit risk

Reporting period

Prior period

Note

Beginning period

30

Provisions to the reserves

Reversal of provisions to the reserves

Net provisions to the reserves

Ending balance

Total net provisions to the reserves

3.8 Note 8. "General administrative expenses"

The components of Note 8 shall be the following:

General administrative expenses

Reporting period

Prior period

Expenses related to calculated salary and other
equivalent payments*

Expenses related to allocations to the state social
security fund

Training expenses

Travel expenses

Expenses related to operating leases

Insurance expenses

Bank equipment servicing and maintenance expenses

Bank premises maintenance and security expenses

Audit and consulting services

Telecommunications expenses

Transportation expenses

| | |
|---|--|
| Expenses related to to taxes (except for income taxes), duties and other mandatory payments | |
| Office and organizational expenses | |
| Expenses related to the provision and repayment of loans | |
| Other administrative expenses** | |
| Total | |

* The average number of employees and the average amount of salary per employee shall be disclosed in the foregoing note.

** In case the line is significant, the components of other expenses shall be disclosed.

3.9 Note 9. "Other operating expenses".

The components of Note 9 shall be the following:

| <u>Other operating expenses</u> | Reporting period | Prior period |
|--|------------------|--------------|
| Paid fines and penalties | | |
| Expenses related to to cash collections | | |
| Marketing and representative expenses | | |
| Factoring expenses | | |
| Depreciation and amortization expenses for fixed and intangible assets | | |
| Losses from the impairment of assets | | |
| Allocations to the deposit guarantee fund | | |
| Other expenses*** | | |

Total

*** In case the line is significant, the components of other expenses shall be disclosed.

3.10 Note 10. “Net gains/losses from the investments in controlled entities”.

Components of Note 10 shall be the following:

| <u>Net gains from investments in controlled entities</u> | Reporting period | Prior period |
|--|------------------|--------------|
| From investments in associated entities | <hr/> | <hr/> |
| From investments in jointly controlled entities | <hr/> | <hr/> |
| From investments in subsidiary banks | <hr/> | <hr/> |
| From investments in other subsidiaries | <hr/> | <hr/> |
| | <hr/> | <hr/> |
| Total | <hr/> | <hr/> |

Gains and losses which arise from the group of similar transactions shall be presented on a net basis in the foregoing notes (for instance, gains and losses from foreign currency translation differences, gains and losses from held for trading financial instruments), nonetheless, such gains and losses shall be presented separately, in case their size, nature and impact is such that separate disclosure is required under IAS 8 - “Accounting policies, changes in accounting estimates and errors”.

3.11 Note 11. “Income tax expense (offset)”.

The total amount of expenses (offset) related to the income tax of the current year and expenses related to deferred taxes, also the disclosures required under IAS 12 - “Income tax” shall be presented in Note 11.

In interim financial reports income tax expense shall be recognized in each interim period, based on the best estimate of the weighted average annual income tax rate expected for the reporting year. Amounts accrued for income tax in one interim period may have to be adjusted in the subsequent interim period of that financial year and such amounts shall be disclosed in this note.

| <u>Income tax expense</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Current tax expense | _____ | _____ |
| Adjustments of current tax expenses of prior periods recognized in the given period | _____ | _____ |
| Deferred tax expense | _____ | _____ |
| Total | _____ | _____ |

The following information shall also be disclosed in Note 11:

3.11.1 Income tax rate applicable pursuant to the effective legislation,

3.11.2 The interrelation between the income tax expense and the accounting profit.

| | Reporting period | Effective rate (%) | Prior period | Effective rate (%) |
|--|------------------|--------------------|--------------|--------------------|
| Income before tax | x | - | x | - |
| Income tax (tax rate) | x | 20 | x | 20 |
| Adjustments of income and expenses for tax purposes related to permanent differences | - | - | - | - |
| Non-taxable income | (x) | (x%) | (x) | (x%) |
| Non-deductible expenses | x | x% | x | x% |
| Adjustment of the tax expense calculated in the prior year | x/(x) | x/(x) | x/(x) | x/(x) |
| Income tax expense | | | | |

3.11.3 Calculation of deferred taxes related to temporary differences

| | Prior period balance | Recognized through profit/loss | Recognized through equity | Reporting period balance |
|---|----------------------|--------------------------------|---------------------------|--------------------------|
| <i>Deferred tax assets, including:</i> | | | | |
| Related to held for trading securities | | | | |
| Related to available for sale securities | | | | |
| Related to fixed assets | | | | |
| Related to other assets | | | | |
| Related to established reserves | | | | |
| Related to other liabilities | | | | |
| | | | | |
| <i>Deferred tax liabilities, including:</i> | | | | |
| Related to held for trading securities | | | | |
| Related to available for sale securities | | | | |
| Related to fixed assets | | | | |
| Related to other assets | | | | |
| Related to other liabilities | | | | |
| | | | | |
| <i>Net deferred assets/liabilities</i> | | | | |

3.11.4 Other disclosures required under the Republic of Armenia Accounting Standard 12.

3.12 Note 12. “Basic earnings per share”.

Note 12 shall include information on the calculation of earnings per share (by amounts included in the numerator and denominator of the computational formulas), pursuant to

IAS 33 – “Earning per share”. The disclosures shall also be made in case when the amounts disclosed are negative figures (loss per share).

| <u>Basic earnings per share</u> | Reporting period | Prior period |
|--|------------------|--------------|
| Net income after taxes for the reporting period | | |
| Calculated dividends for the preferred shares for the given reporting period | () | () |
| Net income (loss) attributable to the ordinary shareholders for the given period | | |
| Weighted average number of ordinary shares outstanding for the the given period | | |
| Basic earnings per share | | |
| Diluted earnings per share | | |

3.13 Note 13 shall include the following components:

13-1 - “Cash, cash equivalents and accounts with the Central Bank of Armenia”.

| <u>Cash, cash equivalents and accounts with the Central Bank of Armenia</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Cash | | |
| Other cash allocations | | |
| Correspondent accounts with the Central Bank of Armenia* | | |
| Deposit accounts with the Central Bank of Armenia | | |
| Predeposited funds with the Central Bank of Armenia** | | |
| Accrued interest | | |
| Cash and accounts with the Central Bank of Armenia | | |

The existence of any restrictions on the use of cash and cash equivalents, the balances of the significant amounts of cash and cash equivalents not available for the use for the group shall be disclosed in the note. At that, the disclosures shall be accompanied by the management's comments, for instance, it shall be disclosed, that the correspondent accounts held with the Central Bank of Armenia include amounts subject to the reserve requirement for the attracted funds, etc, pursuant to the Republic of Armenia banking legislation.

**The nature of the predeposited funds with the Central Bank of Armenia shall be disclosed, for instance – predeposited funds which shall represent a guarantee deposit for the clearing transactions through the ArCa payment system, etc.

13-2 -“Cash and cash equivalents”, which are included in the report on cash flows.

The items included in the lines of “Cash and cash equivalents at the beginning/end of the period” of the report on cash flows shall be disclosed in this note.

3.14 Note 14. “Dues from banks and other financial institutions”

The components of Note 14 shall be the following:

| <u>Current accounts</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Held with Armenian banks | | |
| Held with BBB- (Baa3) and higher rated banks | | |
| Held with unrated and below BBB- (Baa3) rated banks | | |
| Accrued interest | | |
| Total | | |
| <hr/> | | |
| <u>Interbank loans and deposits, other dues</u> | | |
| <hr/> | | |
| Held with the Central Bank of Armenia | | |
| Loans and deposits | | |
| Factoring | | |
| Financial leases | | |
| Repo (repurchase) agreements | | |
| Other | | |
| <hr/> | | |
| Held with Armenian banks | | |
| Loans and deposits | | |
| Factoring | | |
| Financial leases | | |
| Repo (repurchase) agreements | | |
| Letters of credit and bank guarantees | | |
| Other | | |
| <hr/> | | |

Held with BBB - (Baa3) and higher rated banks

Loans and deposits
Factoring
Financial leases
Repo (repurchase) agreements
Letters of credit and bank guarantees
Other

Held with unrated and below BBB- (Baa3) rated banks

Loans and deposits
Factoring
Financial leases
Repo (repurchase) agreements
Other

Accrued interest

Total

Reserve for possible losses related to dues from banks (Note 7)

() ()

Net dues from banks

Loans, deposits with and other dues from financial institutions

Held with Armenian financial institutions

Loans and deposits
Factoring
Financial leases
Repo (repurchase) agreements
Letters of credit and bank deposits
Other

Held with BBB - (Baa3) and higher rated financial institutions

Loans and deposits
Factoring
Financial leases
Repo (repurchase) agreements

| | |
|---|--|
| Letters of credit and bank guarantees | _____ |
| Other | _____ |
| Held with unrated and below BBB- (Baa3) rated financial institutions | |
| Loans and deposits | |
| Factoring | |
| Financial leases | |
| Repo (repurchase) agreements | |
| Letters of credit and bank guarantees | |
| Other | _____ |
| Accrued interest | _____ |
| Total | _____ |
| Reserve for possible losses related to dues from financial institutions (Note 7) | () () |
| Net dues from financial institutions | _____ |
| | _____ |
| Net dues from banks and financial institutions | _____ |

The existence of any restrictions on the use of current accounts and deposits, also the significant balances of the amounts therein not available for the use for the group shall be disclosed in the note. At that, the disclosures shall be accompanied by the management’s comments, for instance,

- Funds frozen with respect to letters of credit issued for the benefit of the customers,
- Funds frozen upon the decision of the court,
- Funds that serve collateral against liabilities, etc.

3.15 Note 15. “Held for trading financial assets”.

The components of the Note 15 shall be the following:

| <u>Government securities</u> | Reporting period | Prior period |
|---|-------------------------|---------------------|
| Armenian government securities, including: | _____ | _____ |
| Treasury bonds | | |
| Bonds issued by the central bank | | |
| Other | | |
| Securities issued by BBB - (Baa3) and higher rated | _____ | _____ |

governments, including:

Treasury bonds
Bonds issued by the central bank
Other

Securities issued by unrated and below BBB -

(Baa3) rated governments, including :

Treasury bonds
Bonds issued by the central bank
Other

Total government securities

Armenian non-government securities

Listed *Not listed* *Listed* *Not listed*

Of A-/A3/ and higher rated issuers

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Of issuers rated “C-”and higher by the Central

Bank of Armenia

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

**Of unrated, BBB+/Baa1/ and below rated issuers and
issuers with other ratings**

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Total held for trading Armenian non-government securities

Foreign non-government securities

Listed *Not listed* *Listed* *Not listed*

Of A-/A3/ and higher rated issuers

- Long-term debt instruments
- Short-term debt instruments
- Deposit certificates
- Equity instruments
- Other

Of unrated, BBB+/Baa1/ and below rated issuers and issuers with other ratings

- Long-term debt instruments
- Short-term debt instruments
- Deposit certificates
- Equity instruments
- Other

Total held for trading foreign non-government securities

Total held for trading securities

Held for trading other financial assets

Loans, factoring, accounts receivable

To A-/A3/ and higher rated borrowers

To unrated, BBB+/Baa1/ and below rated borrowers and

| | |
|--|-------------|
| borrowers with other ratings | <hr/> |
| Mortgage loans | |
| Consumer loans | |
| Other | |
| Derivative instruments | <hr/> |
| Futures | |
| Forward | |
| Option | |
| Swap | |
| Other | |
| Total | <hr/> |
| | <hr/> |
| Total held for trading financial assets | <hr/> <hr/> |

The book values and fair values of held for trading financial assets shall be disclosed in Note 15. In case there are held for trading financial assets, the fair values of which cannot be measured reliably and for that reason the assets are measured at amortized cost, the fact shall be disclosed in this note by disclosing additionally:

- 1) The description of such financial assets,
- 2) Their book values,
- 3) The explanation for the inability to measure reliably their fair values,
- 4) If possible, the range of estimates that will contain the fair value at a greater probability.

Additionally, in case financial assets are being sold, the fair values of which was not possible to measure reliably in the past, then this fact, the fair values of such financial assets at the moment of sale and amounts of recognized gains or losses shall be disclosed.

The amounts and reasons for reclassifications of financial assets out of the held for trading category (the classifications of held for trading financial assets into available for sale or held to maturity investments and vice versa) shall be disclosed in Note 15.

Securities purchased through repurchase agreements, classified as “Held for trading financial assets” shall be disclosed in Note 15.

Securities sold through repurchase agreements, classified as “Held for trading financial assets” shall be disclosed in Note 15 according to the types of securities given in the note (Armenian government Treasury securities, securities issued by the Central Bank of Armenia, other Armenian government securities) and according to the counterparties to the transaction (for instance, Central Bank of Armenia, resident banks of the Republic of Armenia, resident other financial institutions, other residents, etc.).

3.16 Note 16. “Loans and other advances provided to customers”.

The components of the Note 16 shall be the following:

| <u>Loans and other advances provided</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Loans, including: | | |
| To the Republic of Armenia Government | | |
| To local self-governing bodies | | |
| Mortgage loans | | |
| Overdrafts | | |
| Credit cards | | |
| Factoring | | |
| Financial leases | | |
| Repurchase agreements | | |
| Letters of credit and bank guarantees | | |
| Other | | |
| Accrued interest related to the foregoing lines | | |
| Total loans | | |
| Reserve for possible losses related to loans and advances provided to customers (Note 7) | | |
| Total net loans | | |

Loans within the framework of financing provided by the international financial institutions (for instance, World Bank Agricultural Reform Support Project, German-Armenian Fund, US Department of Agriculture, Agency for International Development (USAID), etc.) shall be disclosed in Note 16 (see Notes 18 and 19).

The structure of standard (performing/not impaired) and problematic (non-performing/impaired) loans and advances provided to customers as of the end of the period shall be disclosed in Note 16.

| <u>Structure of impaired (non-performing) loans and advances provided to customers in the loan portfolio as of the end of the reporting period</u> | Reporting period Amount/quantity | Prior period Amount/quantity |
|---|--|--|
| Loans and advances, of which: | | |
| Impaired (non-performing) loans and advances, including: | | |
| Overdue loans | | |
| Rescheduled loans* | | |
| Refinanced loans* | | |
| Total loans | | |
| Reserve for possible losses related to loans and advances provided to customers (Note 7) | | |
| Total net loans | | |

*The definition of the rescheduled and refinanced assets is given in the Rules for Classification of Loans and Accounts Receivable of Banks Operating within the Territory of the Republic of Armenia and the Establishment of Reserves for Possible Losses.
The number of borrowers and the analysis of the loans and advances provided shall be disclosed in Note 16 according to the following minimum types of customers.

| <u>Analysis (by customers) of loans and advances provided</u> | Reporting period | Prior period |
|--|-------------------------|---------------------|
| Banks | | |
| Financial institutions | | |
| State entities | | |
| Private entities, including: | | |
| Large entities | | |
| Small and medium entities* | | |
| Natural persons, including : | | |
| Consumer loans | | |
| Mortgage loans | | |
| Credit cards | | |

Individual entrepreneurs

Accrued interest

Total loans

**Reserve for possible losses related to loans and
advances provided to customers (Note 7)**

Total net loans

*The criteria for small and medium entities are defined by the Republic of Armenia Law on State Support of Small and Medium Entrepreneurship.

The following information shall be disclosed in Note 16 related to loans provided to major borrowers and to affiliated parties with major borrowers:

- 1) The total amount of loans,
- 2) The portion of these loans in the total loan portfolio (n% of the loan portfolio),
- 3) The percentage ratio of these loans to capital (n% of the capital).

The analysis of the gross loan portfolio (taking no notice of the amount of the reserve for possible losses) according to the following minimum lending sectors shall be disclosed in Note 16:

| <u>Analysis of loans and advances provided according to lending sectors</u> | Reporting period | Percentage ratio | Prior period | Percentage ratio |
|--|-----------------------------|-----------------------------|-------------------------|-----------------------------|
| Industrial processing | | | | |
| Agriculture | | | | |
| Construction | | | | |
| Transportation and communications | | | | |
| Trade | | | | |
| Consumer sector | | | | |
| Mortgage sector | | | | |

| | |
|-------------------------|-------|
| Service sector | _____ |
| Other | _____ |
| Accrued interest | _____ |
| Total | _____ |

The geographic analysis of the loan portfolio by customers shall be disclosed in Note 16. With respect to the residency of the customers, the loan portfolio analysis shall be performed in the following manner:

| <u>Loan portfolio analysis related to the residency of the customers</u> | Reporting period | Percentage ratio | Prior period | Percentage ratio |
|---|-------------------------|-------------------------|---------------------|-------------------------|
| Residents of the Republic of Armenia | _____ | | | |
| Residents of Baa3/ and higher rated countries* | _____ | | | |
| Residents of unrated and below BBB-/Baa3/ rated countries* | _____ | | | |
| Accrued interest | _____ | | | |
| Total | _____ | | | |

*Names of the countries shall be indicated in these lines.

3.17 Note 17. "Available for sale financial assets"

The components of Note 17 shall be the following:

| <u>Government securities</u> | Reporting period | Prior period |
|--|-------------------------|---------------------|
| Armenian government bonds, including: | _____ | _____ |
| Treasury bonds | | |
| Bonds issued by the central bank | | |
| Other | | |

Securities issued by BBB - (Baa3) and higher rated governments, including:

Treasury bonds
Bonds issued by the central bank
Other

Securities issued by unrated, BB+/Ba1/ and below rated governments, including:

Treasury bonds
Bonds issued by the central bank
Other

Total government securities

Armenian non-government securities

Listed Not listed Listed Not listed

Of A-/A3/ and higher rated issuers

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Of issuers rated "C-" and higher by the Central

Bank of Armenia

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Of unrated, BBB+/Baa1/ and below rated issuers and issuers with other ratings

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Total Armenian non-government securities

Foreign non-government securities

Listed *Not listed* *Listed* *Not listed*

Of A-/A3/ and higher rated issuers

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

**Of unrated, BBB+/Baa1/ and below rated issuers
and issuers with other ratings**

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Equity instruments
Other

Total foreign non-government securities

Total available for sale securities

Available for sale other financial assets

Loans, factoring, accounts receivable

To A-/A3/ and higher rated borrowers

To unrated, BBB+/Baa1/ and below rated borrowers
and borrowers with other ratings

Mortgage loans
Consumer loans
Other

Total

Total available for sale financial assets

Investments made in other entities' shareholder capital shall be disclosed in Note 17 according to the following minimum criteria:

| Name of the entity | Main activities | Country of registration | Investment date | Amount of the investment (thousands of Armenian drams) | Share % |
|---------------------------|--|--------------------------------|------------------------|---|----------------|
| 1. | (e.g. cash collection services, payment-settlement services, etc.) | | | | |
| 2. | | | | | |
| n. | | | | | |

Total

The book values and fair values of available for sale financial assets shall be disclosed in Note 17. In case there are available for sale financial assets, fair values of which cannot be measured reliably and for this reason the assets are measured at amortized cost, the fact shall be disclosed in this note by disclosing additionally:

- 1) The description of such financial assets,
- 2) Their book values,
- 3) The explanation for the inability to measure reliably their fair values,
- 4) If possible, the range of estimates that will contain the fair value at a greater probability.

Additionally, in case financial assets of the foregoing category are being sold, the fair values of which was not possible to measure reliably in the past, then this fact, the fair values of such financial assets at the moment of sale and amounts of recognized gains or losses shall be disclosed.

The amounts and reasons of reclassifications of financial assets out of the available for sale category (the classifications of available for sale assets into held for trading or held to maturity investments and vice versa) shall be disclosed in Note 17.

Securities sold through repurchase agreements, classified as available for sale financial assets shall be disclosed in Note 17 according to the types of securities given in the note (Armenian

government Treasury securities, securities issued by the Central Bank of Armenia, other Armenian government securities) and according to the counterparties to the transaction (for instance, Central Bank of Armenia, resident banks of the Republic of Armenia, resident other financial institutions, other residents, etc.).

3.18 Note 18. “Held to maturity investments”

The components of Note 18 shall be the following:

| <u>Government securities</u> | Reporting period | Prior period |
|---|------------------|-------------------|
| Armenian government bonds, including: | | |
| Treasury bonds | | |
| Bonds issued by the central bank | | |
| Other | | |
| Securities issued by BBB - (Baa3) and higher rated governments, including: | | |
| Treasury bonds | | |
| Bonds issued by the central bank | | |
| Other | | |
| Securities issued by unrated, BB+/Ba1/ and below rated governments, including: | | |
| Treasury bonds | | |
| Bonds issued by the central bank | | |
| Other | | |
| Accrued interest | | |
| Total government securities | | |
| <u>Armenian non-government securities</u> | <u>Listed</u> | <u>Not listed</u> |
| Of A-/A3/ and higher rated issuers, including: | <u>Listed</u> | <u>Not listed</u> |
| Long-term debt instruments | | |
| Short-term debt instruments | | |

Deposit certificates
Other

**Of issuers rated “C-” and higher by the
Central Bank of Armenia, including:**

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Other

**Of unrated, BBB+/Baa1/ and below rated
issuers and issuers with other ratings**

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Other

Interest accrued

Total

Foreign non-government securities

Listed Not listed Listed Not listed

Of A-/A3/ and higher rated issuers, including:

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Other

**Of unrated, BBB+/Baa1/ and below rated issuers
and issuers with other ratings**

Long-term debt instruments
Short-term debt instruments
Deposit certificates
Other

Accrued interest

Total

| | | |
|---|-----|-----|
| Impairment of held to maturity investments | () | () |
| (reserve for possible losses) (Note 7) | | |
| Net investments in held to maturity financial assets | | |

The book (amortized) values and fair values of held to maturity financial assets shall be disclosed in Note 18.

The amounts and reasons of reclassifications of financial assets out of the held to maturity category (the classifications of held to maturity assets into available for sale or held for trading investments and vice versa) shall be disclosed in Note 18.

Securities sold through repurchase agreements, classified as held to maturity assets shall be disclosed in Note 18 according to the types of securities given in the note (Armenian government Treasury securities, securities issued by the Central Bank of Armenia, other Armenian government securities) and according to the counterparties to the transaction (for instance, Central Bank of Armenia, resident banks of the Republic of Armenia, resident other financial institutions, other residents, etc.).

3.19 Note 19. “Investments in the statutory capital of controlled entities”

Note 19 shall reflect the flows of investments in the statutory capital of the controlled entities by the bank in the reporting period.

Flows of investments in the controlled entities

Investments in the statutory capital of the controlled entities

| | |
|---|-----|
| Balance at the beginning of the period | |
| Increases | |
| Disposal (sale) | () |
| Impairment | () |
| Balance at the end of the period | |

| <u>Investments in controlled entities</u> | Reporting period | Prior period |
|--|------------------|--------------|
| Investments in associated entities | | |
| Investments in jointly controlled entities | | |
| Investments in subsidiary banks | | |
| Investments in other subsidiaries | | |
| Dividends | | |
| Total | | |

Investments made in other entities' shareholder capital shall be disclosed in Note 19 according to the following minimum criteria:

| Name of the entity | Main activities | Country of registration | Investment date | Amount of the investment (in thousands of Armenian drams) | Share % |
|--------------------|--|-------------------------|-----------------|---|---------|
| 1. | (e.g. cash collection services, payment-settlement services, etc.) | | | | |
| 2. | | | | | |
| n. | | | | | |

Total

The following information shall be disclosed in Note 19:

- 1) Investments accounted for using the equity method.
- 2) Investments accounted for using the cost method.

3.20 Note 20. "Fixed and intangible assets".

The components of Note 20 shall be the following:

Fixed assets

| Name of the item | Buildings | Computer equipment and communications devices | Vehicles | Other fixed assets | Capital expenditures related to fixed assets | Capital expenditures related to leased fixed assets | Total |
|--|------------------|--|-----------------|---------------------------|---|--|--------------|
| <u>Beginning value</u> | | | | | | | |
| Balance at the beginning of the prior period | - | - | - | - | - | - | - |
| Increase | - | - | - | - | - | - | - |
| Disposal | () | () | () | () | () | () | () |
| Impairment | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - |
| Balance at the end of the prior period | - | - | - | - | - | - | - |
| Increase | - | - | - | - | - | - | - |
| Disposal | () | () | () | () | () | () | () |
| Revaluation* | | | | | | | |
| Impairment | - | - | - | - | - | - | - |
| Depreciation adjustment as a result of revaluation | - | - | - | - | - | - | - |
| Balance at the end of the reporting period | - | - | - | - | - | - | - |
| <u>Accumulated depreciation</u> | | | | | | | |
| Balance at the beginning of the prior period | - | - | - | - | - | - | - |
| Increase | - | - | - | - | - | - | - |
| Disposal | () | () | () | () | () | () | () |
| Impairment | - | - | - | - | - | - | - |

| | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-----|
| Revaluation | - | - | - | - | - | - | - |
| Balance at the end of the prior period | - | - | - | - | - | - | - |
| Increase | | | | | | | |
| Disposal | () | () | () | () | () | () | () |
| Depreciation adjustment as a result of revaluation | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - |
| Balance at the end of the reporting period | - | - | - | - | - | - | - |
| <u>Net book value</u> | | | | | | | |
| At the end of the reporting period | - | - | - | - | - | - | - |
| At the end of the prior reporting period | - | - | - | - | - | - | - |

Intangible assets

| | Software | Licences and patents | Copyright | Other intangible assets | Capital expenditures related to intangible assets | Total |
|--|-----------------|-----------------------------|------------------|--------------------------------|--|--------------|
| <u>Beginning value</u> | | | | | | |
| Balance at the beginning of the prior period | - | - | - | - | - | - |
| Increase | - | - | - | - | - | - |
| Disposal | () | () | () | | () | () |
| Impairment | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| Balance at the end of the prior period | - | - | - | - | - | - |
| Increase | - | - | - | - | - | - |

| | | | | | | |
|--|-----|-----|-----|--|-----|-----|
| Disposal | () | () | () | | () | () |
| Revaluation* | | | | | | |
| Impairment | - | - | - | | - | - |
| Amortization adjustment as a result of revaluation | - | - | - | | - | - |
| Balance at the end of the reporting period | - | - | - | | - | - |
| <u>Accumulated amortization</u> | | | | | | |
| Balance at the beginning of the prior period | - | - | - | | - | - |
| Increase | - | - | - | | - | - |
| Disposal | () | () | () | | () | () |
| Impairment | - | - | - | | - | - |
| Revaluation | - | - | - | | - | - |
| Balance at the end of the prior period | - | - | - | | - | - |
| Increase | | | | | | |
| Disposal | () | () | () | | () | () |
| Amortization adjustment as a result of revaluation | - | - | - | | - | - |
| Impairment | - | - | - | | - | - |
| Balance at the end of the reporting period | - | - | - | | - | - |
| <u>Net book value</u> | | | | | | |
| At the end of the reporting period | - | - | - | | - | - |
| At the end of the prior reporting period | - | - | - | | - | - |

* Parties that performed revaluations of fixed and intangible assets, the basis underlying the revaluations (for instance, revaluation was performed by independent appraisers on the basis of

market value) and the way according to which the revaluation results were reflected shall be disclosed (for instance, the increase as a result of revaluation was attributed to the revaluation reserve in the equity).

The reclassifications made in the reporting period shall also be disclosed (for instance, part of the unexploited assets that was put into exploitation).

3.21 Note 21. "Other assets"

The flows of all assets in the reporting period not included in the asset side of the balance sheet shall be disclosed in Note 21.

| <u>Receivables from banking operations</u> | Reporting period | Prior period |
|---|-------------------------|---------------------|
| Dividend receivables | | |
| Receivables from trust management operations | | |
| Receivables from other operations | | |
| Total | | |
| Reserve for possible losses related to banking operations (Note 7) | () | () |
| Net receivables from banking operations | | |
| | | |
| <u>Accounts receivable and prepayments</u> | Reporting period | Prior period |
| Receivables from state budget | | |
| Receivables from suppliers | | |
| Prepayments to employees | | |
| Prepayments to suppliers | | |
| Prepayments related to state budget and mandatory social security payments | | |
| Other receivables and prepayments | | |
| Total | | |

Reserve for possible losses related to other assets (Note 7) () ()

Total

Other assets

Stock

Confiscated collateral and held for sale assets

Expenses of future periods

Other assets

Total other assets

3.22 Note 22. "Liabilities to banks and other financial institutions"
The components of Note 22 shall be the following:

Current accounts of:

Reporting period

Prior period

Armenian banks

BBB-(Baa3) and higher rated banks

Unrated and below rated BBB-(Baa3) banks

Accrued interest

Total

Interbank loans, deposits, other

Central Bank of Armenia

Loans *
Repo (repurchase) agreements
Other

Banks of the Republic of Armenia

Loans and deposits
Financial leases
Repo (repurchase) agreements
Other

BBB-(Baa3) and highly rated banks

Loans and deposits
Financial leases
Repo (repurchase) agreements
Other

Unrated and below BBB-(Baa3) rated

banks

Loans and deposits
Financial leases
Repo (repurchase) agreements
Other

Accrued interest

Total

Financial institutions

Current accounts
Loans and deposits
Repo (repurchase) agreements
Other

Accrued interest

Total

**Total liabilities to banks and international
financial institutions**

The existence of any restrictions on the use of current accounts and deposits shall be disclosed in the Note 22. At that, the disclosures shall be accompanied by the management's comments, for instance,

Funds frozen related to letters of credit issued,
 Funds frozen upon the decision of the court,
 Funds that serve collateral against liabilities, etc.

The lending amounts (and interest accrued on such amounts) provided within the framework of various projects of international financial institutions (for instance, “Small and medium entities lending project” of German-Armenian Fund) included in the amounts of loans attracted from the Central Bank of Armenia shall be disclosed in Note 22.

3.23 Note 23. “Liabilities to customers”.

The components of Note 23 shall be the following:

| <u>Liabilities to the Republic of Armenia</u> | Reporting period | Prior period |
|---|-------------------------|---------------------|
| <u>government and local self-governing bodies</u> | | |
| Current accounts | | |
| Term deposits | | |
| Loans | | |
| Repo (repurchase) agreements | | |
| Other | | |
| Calculated interest | | |
| Total | | |
| <u>Liabilities to Republic of Armenia resident</u> | | |
| <u>legal entities and establishments</u> | | |
| Current accounts | | |
| Term deposits | | |
| Repo (repurchase) agreements | | |
| Other | | |
| Calculated interest | | |
| Total | | |
| <u>Liabilities to non-resident legal entities,</u> | | |
| <u>establishments</u> | | |
| Current accounts | | |

Term deposits

Repo (repurchase) agreements

Other

Calculated interest

Total

**Liabilities to Republic of Armenia resident
individual entrepreneurs**

Current accounts

Term deposits

Repo (repurchase) agreements

Other

Calculated interest

Total

**Liabilities to non-resident individual
entrepreneurs**

Current accounts

Term deposits

Repo (repurchase) agreements

Other

Calculated interest

Total

**Liabilities to the Republic of Armenia
resident natural persons**

| | |
|---|-------|
| Current accounts | _____ |
| Term deposits | _____ |
| Repo (repurchase) agreements | _____ |
| Other | _____ |
| Calculated interest | _____ |
| Total | _____ |
| | _____ |
| <u>Liabilities to non-resident natural persons</u> | |
| | _____ |
| Current accounts | _____ |
| Term deposits | _____ |
| Repo (repurchase) agreements | _____ |
| Other | _____ |
| Calculated interest | _____ |
| Total | _____ |
| Total liabilities to customers | _____ |
| | ===== |

The existence of any restrictions on the use of current accounts and term deposits shall be disclosed in the Note 23. At that, the disclosures shall be accompanied by the management's comments, for instance,

- Funds frozen related to letters of credit issued,
- Funds frozen upon the decision of the court,
- Funds that serve collateral against liabilities, etc.

The amounts (and interest accrued on such amounts) attracted within the framework of various projects of international financial institutions (for instance, World Bank "Enterprise development project", "Agricultural reform support project", etc.) included in the amounts of term liabilities to the Republic of Armenia Government shall be disclosed in Note 23.

Information on the number of bank's depositors shall be disclosed in Note 23, according to the foregoing types of customers.

3.24 Note 24. "Securities issued by the bank"

The components of Note 24 shall be the following:

| <u>Securities issued by the bank</u> | Reporting period | Prior period |
|--|-------------------------|---------------------|
| Deposit certificates issued by the bank | | |
| Zero coupon securities issued by the bank | | |
| Coupon securities issued by the bank | | |
| Preferred shares issued by the bank (recognized as financial liabilities) | | |
| Other securities issued by the bank | | |
| Accrued interest | | |
| Total | | |

3.25 Note 25. "Held for trading liabilities"
The components of Note 25 shall be the following:

| <u>Held for trading liabilities</u> | Reporting period | Prior period |
|--|-------------------------|---------------------|
| Held for trading derivative instruments | | |
| Futures | | |
| Forward | | |
| Option | | |
| Swap | | |
| Other | | |
| Hedge derivative instruments | | |
| Other | | |
| Total | | |

3.26 Note 26. "Payables"
The components of Note 26 shall be the following:

| <u>Payables</u> | Reporting period | Prior period |
|---|-------------------------|---------------------|
| Dividends | | |
| Related to trust management agreements | | |
| Related to deposit insurance | | |
| Other | | |
| Total | | |

3.27 Note 27. "Other liabilities".

The components of Note 27 shall be the following:

| <u>Other liabilities</u> | Reporting period | Prior period |
|---|-------------------------|---------------------|
| Liabilities for the settlement of checks and other payment documents | | |
| Liabilities for the settlement of letters of credit | | |
| Liabilities for other settlements | | |
| Accounts payable to state budget for : | | |
| Income tax | | |
| Value added tax | | |
| Other taxes and duties | | |
| Social security payments | | |
| Liabilities to employees for remuneration | | |
| Accounts payables to suppliers | | |
| Accounts payable for statutory capital replenishment | | |
| Other liabilities | | |

Balance at the end of the period

3.28 Note 28. “Statutory capital”.

The following information shall be disclosed in Note 28:

- 1) The registered and fully paid shareholder capital of the bank,
- 2) The number and nominal value of ordinary shares issued and placed by the bank,
- 3) The number and nominal value of preferred shares issued and placed by the bank,
- 4) The rights/restrictions on rights of the owners of preferred shares issued by the bank,
- 5) The number, purchase price, repayment, resale (number of shares, sell price) of bank’s own shares (stock, stake) repurchased.
- 6) Information on the qualified holders of the bank as of the end of the reporting period:

| Name of the qualified holder | Amount of participation in the bank | Percentage amount of participation in the bank | Type of activities of the participant (for legal entities) |
|-------------------------------------|--|---|---|
| | | | |
| | | | |
| | | | |
| | | | |

- 7) Increase in the statutory capital in the reporting period from the following sources:
 - a) Monetary funds,
 - b) Other components of equity,
 - c) Exercise of the derivative instruments classified as equity instruments,
- 8) Decrease in the statutory capital in the reporting period due to the repurchase and removal of shares (stock, stake) from circulation.
- 9) Dividends announced and paid by the bank in the reporting period.

3.29 Note 29. “Other components of equity”.

Book values of derivative instruments classified as equity instruments, as well as the balances of other components of equity not reflected in separate lines of the report shall be disclosed in this note.

3.30 Note 30. “Reserves, contingent events and potential liabilities”.

Changes in the reserves in the reporting period shall be disclosed in Note 30.

| <u>Reserves</u> | | Reporting period | Prior period |
|--------------------------------------|------|------------------|--------------|
| | Note | | |
| Beginning balance | 7 | _____ | _____ |
| Provisions to the reserve | | _____ | _____ |
| Reserve utilization | | _____ | _____ |
| Net provisions to the reserve | | _____ | _____ |
| <u>Ending balance</u> | | _____ | _____ |

The following information shall also be disclosed in Note 30:

3.30.1 Legal obligations of the bank

Information on those legal obligations with respect to which reserves were established (for instance, petitions filed with the court against the bank) shall be disclosed in the note. In case there are no such obligations, senior officials of the bank shall provide assurance that the bank operates within the framework of the requirements set forth by the legislation and there is no need to establish additional reserves against such legal obligations.

3.30.2 Tax obligations of the bank

Information on those tax obligations with respect to which reserves were established (on the basis of the inspection report prepared by the tax authorities) shall be disclosed in the note. In case there are no such obligations, senior officials of the bank shall provide assurance that the bank has entirely met its tax obligations and there is no need to establish additional reserves against those tax obligations.

3.30.3 Contingent liabilities related to off-balance sheet items containing credit risk

| | Reporting period | Prior period |
|--|------------------|--------------|
| Undrawn credit lines | | |
| Guarantees provided | | |
| Letters of credit issued | | |
| | () | () |
| Reserve related to the items in foregoing lines (Note7) | | |

3.30.4 Liabilities related to operating leases

Information on the buildings and premises leased by the bank, including the structure of total future minimum lease amounts payable related to operating leases shall be disclosed in this note.

(thousands of Armenian drams)

| Structure of minimum lease payments | Foreign currency denominated amounts payable in Armenian drams | Amounts payable in Armenian drams |
|-------------------------------------|--|-----------------------------------|
| Up to 1 year | | |
| 1-5 years | | |
| More than 5 years | | |
| Total | | |

3.31 Note 31. "Transactions with related parties".

Related parties pursuant to IAS 24 shall be disclosed in Note 31, including information on:

- 1) Who qualifies as a bank related party for the purpose of the report,
- 2) The structure and composition of the group, where the bank is a member,
- 3) Bank related party transactions concluded with terms and interest rates varying from those in the market. In case there are no such transactions, senior officials of the bank shall

provide assurance that the bank has concluded transactions with bank related parties on the basis of market terms and interest rates,

4) Current balances with respect to bank related party transactions as of the prior and reporting periods.

| <u>Dues from other banks</u> | Reporting period | Prior period |
|-------------------------------------|-------------------------|---------------------|
| Balance as of January 1 | | |
| Increase during the year | | |
| Decrease during the year | () | () |
| Balance as of December 31 | | |

Grounds for the interrelations and the nature of transactions with the banks (for instance, transactions with the correspondent accounts of banks related with the qualified holder(s) of the bank) shall be disclosed in the note.

| <u>Loans and advances provided to customers</u> | Reporting period | Prior period |
|--|-------------------------|---------------------|
| Balance as of January 1 | | |
| Loans and advances provided during the year | | |
| Loans and advances repaid during the year | () | () |
| Balance as of December 31 | | |
| Interest income | | |

Grounds for the interrelations with the customers (for instance, senior officials of the bank, related parties, etc.) shall be disclosed in the note.

| <u>Liabilities to customers</u> | Reporting period | Prior period |
|---|------------------|--------------|
| Balance as of January 1 | | |
| Amounts received during the year | | |
| Amounts paid during the year | () | () |
| Balance as of December 31 | | |
| Interest expense | | |

Grounds for the interrelations and the nature of major transactions of customers with the bank (for instance, a demand deposit attracted from the entity controlled by the qualified holder of the bank) shall be disclosed.

| <u>Salary and salary equivalents paid to the senior officials of the bank</u> | Reporting period | Prior period |
|---|------------------|--------------|
| To the board of the bank | | |
| Salary | | |
| Bonuses | | |
| To the executive body of the bank | | |
| Salary | | |
| Bonuses | | |
| To the internal audit of the bank | | |
| Salary | | |
| Bonuses | | |
| Total | | |

3.32 Note 32. “Minimum disclosures on financial risks”

Information that will enable market participants to assess on material grounds the sphere of banking operations, bank capital, risks and risk assessment procedures and hence the

capital adequacy shall be disclosed in Note 32. The purpose of such disclosure of information is to figure out the extent to which the senior officials of the bank manage to accurately assess the risks.

In addition to the disclosures on the quantitative analysis of financial risks required under IAS 32, banks shall present information on risk exposures of the bank, all risk concentrations (for instance, by currencies, by counterparties, etc.) and the manner whereby the senior officials of the bank determine such risk concentrations.

High quality disclosures on information on risk exposures of the bank as a result of operations with financial instruments (including financial instruments recognized in the off-balance sheet) prepared on the basis of the internal information designed for the bank senior officials shall be presented in this note, including the following minimum disclosures:

- 1) Main risks inherent in banking activities,
- 2) Risk analysis by individual types of risks,
- 3) Risk management policy employed by the bank- the measures and procedures that the bank employs for the risk assessment and management by individual types of risks.

3.32.1 Credit risk

The following information shall be presented in the note:

- 1) Bank's own definition of credit risk,
- 2) Methods for the measurement and assessment of credit risk,
- 3) Description of the models (if present),
- 4) The determination of the acceptable level of credit risk- quantitative analysis and quantitative estimate of the risk,
- 5) Control of the credit risk – measures to mitigate or neutralize the effects of the credit risk.

Credit risk analysis

The following information shall be disclosed in the note:

- 1) The maximum amount of credit risk with respect to each individual type of financial instruments, less the reserve for impairment and taking no notice of the collateral against such assets and the credit risk mitigation instruments, the description of which shall be presented separately,
- 2) The credit quality of those financial assets that are classified as standard (for instance, credit analysis of financial assets by credit ratings and credit risk groups),
- 3) The nature, description and fair value of credit risk mitigation instruments, (including collateral),
- 4) The received collateral, which is controlled by the bank,
- 5) Financial assets that are overdue but not impaired,

- 6) All credit risk concentrations (for instance, by currencies, counterparties, etc.) and the manner whereby the senior officials of the bank determine such risk concentrations.

The results of the analysis of the structure and concentration of loan portfolio (by instruments, economy sectors, origination, geographic segmentation, single/related borrowers, repayment sources of loans, collateral, etc.) shall also be presented in the note.

Geographic concentration

The analysis of geographic concentration of financial assets and liabilities may be structured as follows:

Reporting period

| Name of the item | Republic of Armenia | CIS countries | OECD* countries | Non-OECD countries | Total |
|--|----------------------------|----------------------|------------------------|---------------------------|--------------|
| Assets | | | | | |
| Cash and accounts held with the Central Bank of Armenia | | | | | |
| Dues from banks and other financial institutions | | | | | |
| Held for trading financial instruments | | | | | |
| Loans and advances provided to customers | | | | | |
| Available for sale securities | | | | | |
| Held to maturity securities | | | | | |
| Other assets | | | | | |
| Total assets | | | | | |
| Off-balance sheet items containing credit risk | | | | | |
| Liabilities | | | | | |
| Liabilities to banks and other financial institutions | | | | | |
| Liabilities to customers | | | | | |
| Total liabilities | | | | | |
| Net position | | | | | |

Prior period

| Name of the item | Republic of Armenia | CIS countries | OECD* countries | Non- OECD countries | Total |
|--|------------------------------------|--------------------------|----------------------------|------------------------------------|--------------|
| Assets | | | | | |
| Cash and accounts held with the Central Bank of Armenia | | | | | |
| Dues from banks and other financial institutions | | | | | |
| Held for trading financial instruments | | | | | |
| Loans and advances provided to customers | | | | | |
| Available for sale securities | | | | | |
| Held to maturity securities | | | | | |
| Other assets | | | | | |
| <i>Total assets</i> | | | | | |
| Off-balance sheet items containing credit risk | | | | | |
| Liabilities | | | | | |
| Liabilities to banks and other financial institutions | | | | | |
| Liabilities to customers | | | | | |
| <i>Total liabilities</i> | | | | | |
| Net position | | | | | |

* OECD – Organization for Economic Cooperation and Development

Loans allocated within the Republic of Armenia shall also be presented according to regional distribution.

The analysis of assets (containing credit risk) by economic sectors and riskiness may be structured as follows:

Reporting period

| Assets | Performing assets | | Non-performing assets | | | |
|---------------|------------------------------|---------------------------|------------------------------|--------------------------|------------|--|
| | Standard/ Risk | On-watch/ Sub- | Sub- | Doubtful/ Bad | Bad | |
| | | | | | | |

| | free | Moderate risk | standard/ Medium risk | High risk | |
|---|-------------------|-------------------|--------------------------|-------------------|-------------------|
| | Amount/ number | Amount/ number | Amount/ number | Amount/ number | Amount/ number |
| Loans, including: | | | | | |
| 1. Industrial processing | | | | | |
| 2. Agriculture | | | | | |
| 3. Construction | | | | | |
| 4. Transportation and communications | | | | | |
| 5. Trade | | | | | |
| 6. Public catering and other services | | | | | |
| 7. Financial sector | | | | | |
| 8. Consumer loans, including: | | | | | |
| 8.1. equity loans | | | | | |
| 8.2. auto loans | | | | | |
| 9. Other sectors of the economy | | | | | |
| Accounts receivable | | | | | |
| Investment securities | | | | | |
| Off-balance sheet items, including: guarantees letters of credit | | | | | |

Prior period

| Assets | Performing assets | Non-performing assets | | | |
|--------|-------------------|---------------------------------------|-------------------------------------|------------------------|-----|
| | Standard/ free | Risk On-watch/ Moderate risk | Sub- standard/ Medium risk | Doubtful/ High risk | Bad |
| | | | | | |

| | Amount/ number | Amount/ number | Amount/ number | Amount/ number | Amount/ number |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Loans, including: | | | | | |
| 1. Industrial processing | | | | | |
| 2. Agriculture | | | | | |
| 3. Construction | | | | | |
| 4. Transportation and communications | | | | | |
| 5. Trade | | | | | |
| 6. Public catering and other services | | | | | |
| 7. Financial sector | | | | | |
| 8. Consumer loans, including: | | | | | |
| 8.1. equity loans | | | | | |
| 8.2. auto loans | | | | | |
| 9. Other sectors of the economy | | | | | |
| Accounts receivable | | | | | |
| Investment securities | | | | | |
| Off-balance sheet items, including: guarantees letters of credit | | | | | |

The loan portfolio analysis by regions and riskiness may be structured as follows:

Reporting period

| Assets | Performing assets | Non-performing assets | | | |
|--------|-------------------|---------------------------------------|-------------------------------------|------------------------|-----|
| | Standard/ free | Risk On-watch/ Moderate risk | Sub- standard/ Medium risk | Doubtful/ High risk | Bad |
| | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| | | | | | |
| Loans, including: | | | | | |
| 1. To residents of the Republic of Armenia | | | | | |
| 2. To residents of the CIS countries (by countries) | | | | | |
| 3. To residents of the OECD countries (by countries) | | | | | |
| 4. To residents of non-OECD countries (by countries) | | | | | |
| 5. Total | | | | | |

Prior period

| Assets | Performing assets | Non-performing assets | | | |
|---|---------------------|-------------------------|---------------------------|---------------------|-----|
| | Standard/ Risk free | On-watch/ Moderate risk | Sub-standard/ Medium risk | Doubtful/ High risk | Bad |
| Loans, including: | | | | | |
| 1. To residents of the Republic of Armenia | | | | | |
| 2. To residents of the CIS countries (by countries) | | | | | |
| 3. To residents of the OECD countries (by countries) | | | | | |
| 4. To residents of non-OECD countries (by countries) | | | | | |
| 5. Total | | | | | |

The foregoing analysis may also be depicted graphically.

The note shall also include the following information:

- 1) Loan portfolio backed by collateral (analysis related to the types, quality and market demand for the collateral), also disclosure on the fair value of the collateral

(except for the cases, when not applicable), and disclosures on the losses predicted by the bank that it will incur in case the value of the collateral is insufficient.

- 2) Volume of unsecured assets in the loan portfolio,
- 3) Volume and growth trends of loans, broken down by overdue loans, nonperforming classified loans, and the losses incurred with respect to such loans,
- 4) Adequacy of reserves established with respect to the loan portfolio,
- 5) Volume and growth trends of other financial market instruments (repurchase agreement, etc.),
- 6) Adequate staffing,
- 7) The analysis of the efficiency of the lending procedures, including the analysis and monitoring of loans, the monitoring of the intended use of the loans provided and the completeness (incompleteness) of the documents, monitoring of the loans and interest accrued on the loans that are overdue and rescheduled, control over the value and the quality of the collateral, systematic review of the loans and credit lines, collateral appraisal, mandatory insurance of the collateral and the collection of the written-off loans,
- 8) The presence of the respective signals for detecting credit risks,
- 9) The use of accurate accounting approaches with respect to assets, liabilities and reserves.

At that, quantitative indicators such as the foregoing ratios used in the analysis shall be presented:

- 10) Nonperforming loans/Total loans,
- 11) Reserves for non-performing loans/Total capital,
- 12) Loan loss reserve/Total loans,
- 13) Reserve for possible losses/ Non-performing loans,
- 14) (Write-offs - collections) / Average total loans. This ratio shall also be calculated for the separate group of loans,
- 15) Collections/ Loan losses for the prior period,
- 16) Profit coverage ratio = (net operating income+ expenses related to the establishment of reserves)/net losses from loans,
- 17) Net interest margin adjusted for the credit risk = (interest income-interest expenses – loan losses) /loan investments,
- 18) Major borrowings/Capital.

3.32.2 Market risk

Market risk analysis

The sensitivity to the market risk shall be disclosed in the note that shall include as of the reporting period the impact of the “possible changes” of the market parameters, the methods and assumptions made for preparing the respective analysis. Under “possible changes” one shall imply the economic environment where the bank operates, in order to

assess what changes are possible in the reporting period. At that, the less probable or the worst scenarios or the “stress-testing” shall not be considered.

In case changes were made in the methods and assumptions for market risk sensitivity analysis in the prior period, the grounds for making such changes shall be disclosed.

All market risk concentrations (by currencies, sectors of the economy, regions, counterparties, etc.) and the manner whereby the senior officials of the bank determine such risk concentrations shall be disclosed in the note.

The following information shall be disclosed in the note:

- 1) Bank’s own definition of market risk,
- 2) Methods for the measurement and assessment of market risk,
- 3) Description of the models (if present),
- 4) The determination of the acceptable level of market risk- quantitative analysis and quantitative estimate of the risk,
- 5) Control of the market risk – measures to mitigate or neutralize the effects of the market risk (for instance by using derivative financial instruments).

The analysis of risks arising from the fluctuations of the main components of the market risk, that is, interest rate, foreign exchange rate, prices of capital instruments shall be presented in this note. The analyses may also be depicted graphically.

In case there are factors that are not included in the sensitivity analysis model but that may affect the final result, then this fact shall be additionally disclosed.

Foreign currency risk

The analysis of foreign currency risk related to financial assets and liabilities shall be presented by the bank.

Reporting period

| | Armenian drams | Group I foreign currencies* | Group II foreign currencies** | Total |
|---|---------------------------|--|--|--------------|
| Assets | | | | |
| Cash and accounts with the Central Bank of Armenia | | | | |
| Dues from banks and other financial institutions | | | | |
| Held for trading financial instruments | | | | |
| Loans and advances provided to customers | | | | |
| Available for sale financial assets | | | | |
| Held to maturity financial assets | | | | |
| Other | | | | |

| | | | | |
|--|--|--|--|--|
| <i>Total assets</i> | | | | |
| Liabilities | | | | |
| Liabilities to banks and other financial institutions | | | | |
| Liabilities to customers | | | | |
| Other liabilities | | | | |
| <i>Total liabilities</i> | | | | |
| Net position | | | | |

Prior period

| | Armenia n drams | Group I foreign currencies* | Group II foreign currencies** | Total |
|--|----------------------------|--|--|--------------|
| Assets | | | | |
| Cash and accounts with the Central Bank of Armenia | | | | |
| Dues from banks and other financial institutions | | | | |
| Held for trading financial instruments | | | | |
| Loans and advances provided to customers | | | | |
| Available for sale financial assets | | | | |
| Held to maturity financial assets | | | | |
| Other | | | | |
| <i>Total assets</i> | | | | |
| Liabilities | | | | |
| Liabilities to banks and other financial institutions | | | | |
| Liabilities to customers | | | | |
| Other liabilities | | | | |

| | | | | |
|--------------------------|--|--|--|--|
| <i>Total liabilities</i> | | | | |
| Net position | | | | |

*The composition of the “Group I foreign currencies” shall be presented.

** The composition of the “Group II foreign currencies” shall be presented.

The foreign currency risk analysis by the following types of derivative financial instruments shall be presented by the bank.

| Types of derivative financial instruments | Armenian drams | Group I foreign currencies* | Group II foreign currencies** | Total |
|---|---------------------------|--|--|--------------|
| | | | | |
| Futures instruments : -obligations - claims | | | | |
| Forward instruments : - obligations -claims | | | | |
| Options : - obligations - claims | | | | |
| Swaps : -obligations -claims | | | | |
| Other derivative instruments - obligations - claims | | | | |
| Net position related to derivative financial instruments | | | | |
| Net open position* | | | | |

*The respective figures of the line “Net position with respect to derivative financial instruments” shall be subtracted from the figures calculated in the line “Net position” of the previous table.

The bank shall present mechanisms for managing risks related to foreign exchange rate fluctuations (for instance, setting thresholds for the open positions related to individual types of currencies and for the total open position, using derivative financial instruments, etc.)

| | | | | |
|--|--|--|--|--|
| Loans and advances provided to customers | | | | |
| Held for trading and available for sale securities | | | | |
| Held to maturity securities | | | | |
| Liabilities | | | | |
| Liabilities to banks and other financial institutions | | | | |
| Liabilities to customers | | | | |
| Liabilities related to securities issued by the bank | | | | |

Price risk

Changes in market prices significantly affect the values of financial instruments, at that the changes may be conditioned by the specific factors attributable to individual securities or their issuers as well as the general factors affecting all the securities traded in the market.

The following information shall be disclosed in the note:

- 1) Bank's own definition of price risk,
- 2) Analysis of the bank's exposure to the price risk,
- 3) Mechanisms for controlling the price risk.

3.32.3 Liquidity risk

The following information shall be disclosed in the note:

- 1) Bank's own definition of liquidity risk,
- 2) Description of the models for the measurement and assessment of liquidity risk,
- 3) The determination of the acceptable level of liquidity risk- quantitative analysis and quantitative estimate of the risk,
- 4) Control of the liquidity risk – measures to mitigate or neutralize the effects of the liquidity risk.

In addition to the requirement under IAS 30 to disclose the contractual dates of financial assets and liabilities, the methods to control the liquidity risk used by the bank shall be disclosed.

The distribution of the bank's financial assets and liabilities for the period starting from the balance sheet date until the maturity date specified in the agreement shall be presented in the note. At that, during the maturity analysis, the pay floating, receive fixed interest rate swaps shall be reflected in net amounts, if only the exchange of cash flows is carried on a net basis. The currency swaps shall be reflected in gross amounts during the maturity analysis.

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| Total | | | | | | | | | | | |
| Including: | | | | | | | | | | | |
| In group I foreign currency | | | | | | | | | | | |
| In group II foreign currency | | | | | | | | | | | |
| Including: | | | | | | | | | | | |
| With floating interest rate | | | | | | | | | | | |
| With fixed interest rate | | | | | | | | | | | |
| Interest-free | | | | | | | | | | | |
| Maturities of liabilities | | | | | | | | | | | |
| Liabilities to banks and other financial institutions | | | | | | | | | | | |
| Liabilities to customers, including: - demand deposits, - term deposits, - other | | | | | | | | | | | |
| Liabilities with respect to securities issued by banks | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | |
| Off -balance sheet contingent liabilities | | | | | | | | | | | |
| Contractual obligations*** | | | | | | | | | | | |
| <i>Total</i> | | | | | | | | | | | |
| Including: | | | | | | | | | | | |
| In group I foreign currency | | | | | | | | | | | |
| In group II foreign currency | | | | | | | | | | | |
| “Major” liabilities* | | | | | | | | | | | |
| Including: | | | | | | | | | | | |
| With floating interest rate | | | | | | | | | | | |
| With fixed interest rate | | | | | | | | | | | |
| Interest-free | | | | | | | | | | | |
| Net liquidity gap | | | | | | | | | | | |
| Including: | | | | | | | | | | | |
| In group I foreign currency | | | | | | | | | | | |
| In group II foreign currency | | | | | | | | | | | |
| With floating interest rates | | | | | | | | | | | |
| With fixed interest rates | | | | | | | | | | | |
| Cumulative liquidity gap | | | | | | | | | | | |

* The amounts of the liabilities (including interest) to all the creditors whose total amount of individual claims exceed 5% threshold of total liabilities of the bank, regardless of affiliated relationships, shall be included in the line “Major liabilities”.

** All the receivables (including interest) that are not yet recognized (not reflected in the balance sheet or off-balance sheet) but are specified by the contract shall be reflected in the line “Contractual claims” according to the maturities specified by the contract.

*** All the payables (including interest) that are not yet recognized but are specified by the contract shall be reflected in the line “Contractual obligations” according to the maturities specified by the contract.

In case the gap is negative, sources and amounts of financing of the gap shall be disclosed.

3.33 Note 33. “Capital and capital adequacy”.

Disclosures related to capital shall be reflected in Note 33, including:

- 1) Brief quantitative information on instruments that the bank attributes to capital,
- 2) Information on internal requirements, benchmarks defined for the level of capital, and whether in the reporting period the bank met the internal requirements defined by the senior officials of the bank for the level of the capital, if not, the results and consequences for such violations and cases of non-compliance.
- 3) Whether in the reporting period the bank met the regulatory requirements defined for the level of capital, if not the results and consequences for such violations and cases of non-compliance.

With this respect Note 33 shall include the core and total capital used for the calculations of prudential standards defined by the Central Bank of Armenia and the indicators of the capital adequacy standard for the reporting period by months, by comparing the indicators with the regulatory requirements.

In case the Central Bank of Armenia introduces stricter requirements, the banks shall present the measures undertaken to maintain the capital adequacy standard in accordance with the stricter requirements.

Note 33 shall include the risk weights of assets and off-balance sheet contingent liabilities and incomplete term transactions as of the end of the reporting and prior reporting periods according to the classes of risk weights defined by the Basel Committee.

3.34 Note 34. “Fair value of financial assets and liabilities”.

Note 34 shall include disclosures on the estimated fair values of financial instruments pursuant to IAS 32 - “Financial instruments. Presentation”, including:

- 1) The methods and assessments used by the bank when assessing the fair values for each classes of financial instruments (important assumptions/hypotheses), as well as the following disclosures:
 - a) Whether the fair value is defined on the basis of market quotations or assessment models,
 - b) In case the fair value is defined based on the assessment models, do the assessment models incorporate hypotheses, not based on the market prices and exchange rates? If yes, are gains from revaluations from the assets reflected in the income report being disclosed?
- 2) Information on financial assets, fair values of which cannot be measured reliably, including:
 - a) The explanation of the reasons (why is it impossible to measure reliably the fair values of the assets),
 - b) Description of the methods, whereby the bank intends to hold the assets.

At that, the methods and assessments used by the bank for assessing the fair values shall be grouped at least by the following way:

- c) Financial instruments with short-term maturities, such as cash, accounts with the Central Bank of Armenia, liabilities to and dues from other banks and customers,
- d) Financial instruments with long-term maturity.
- e) Loan portfolio, as well as for the estimation of reserve for possible losses in assets.

Financial assets recognized at amounts exceeding the fair value shall be disclosed in the note. At that, the reasons shall be disclosed and the rationale, attributable to these assets, that serve as a basis for the management bodies of the bank to conclude that the book values of assets will be recaptured, shall be presented.

3.35 Note 35. “Hedge of anticipated future transactions”.

Note 35 shall include the following information, pursuant to IAS 7:

- 1) The description of the anticipated future transactions, including the period for which the conclusion of such transactions is anticipated.
- 2) The description of hedge instruments,
- 3) The amounts of any deferred or unrecognized profits (other income) or loss and the anticipated time period for recognizing those as profit or loss.

3.36 Note 36. “Derecognition”.

The cases when the part of the transferred asset or the transferred asset in its entirety does not meet the derognition criteria or there is a “continuing participation” shall be disclosed in Note 36, pursuant to the requirement under Article 54 of the Republic of Armenia Accounting Standard 32 –“Financial instruments.Presentation”.

3.37 Note 37. “Collateral”.

In Note 37 the bank shall disclose the total amount of the secured liabilities, the nature, book values of the collateral and the conditions for the provision of the collateral.

3.38 Note 38. “Received collateral”.

In Note 38, the bank shall disclose the total amount of assets backed with collateral, as well as the fair value, nature, and conditions of the assets, which the bank is entitled to sell or re-pledge even when the customer does not infringe/violate the terms of the obliagtions.

3.39 Note 39. “Infringment/violations”.

In Note 39, the bank shall disclose the book values and main terms of liabilities, with respect to which the bank has violated the contractual obligations.