

NOTES TO FINANCIAL STATEMENTS
(Form 5)

31-Dec-14

ARMBUSINESSBANK CJSC, RA, YEREVAN, 48 NALBANDYAN

**Note 1. Legal Environment and Corporate Governance**

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

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

The Bank's head office and 12 branches are located in Yerevan, 12 branches are located in different regions (marzes) of Armenia, and 7 branches – in the Republic of Nagorno Karabakh. The legal address of the Bank is: 48 Nalbandyan Street, Yerevan.

The Bank is:

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

1. Corporate governance

The Bank's managing bodies are:

- General Meeting of the Shareholders
- The Board
- The Executive Board and the Chairman

a) The Board	
Chairman of the Board	– Sergey Arzumanyan
Board Members	– Vitaly Grigoryants
	Diana Grigoryan
	Araik Chirkinyan
	Alik Chirkinyan

b) Executive Board	
Chairman of the Executive Board	- Arsen Mikaelyan
Members of the Executive Board	
Khachik Mkrtchyan	- 1st Deputy Chairman of the Executive Board
Manvel Sahakyan	- Deputy Chairman of the Executive Board- Director of Credit Department
Vardan Agadjanyan	- Deputy Chairman of the Executive Board- Director of Operations Department
Nshan Grigoryan	- Deputy Chairman of the Executive Board - Director of Credit Department
Vahan Melkonyan	- Director of Treasury Department - Chief Treasurer
Baqrat Tevosyan	"Kentron" branch manager

c) Major Participants	
Chrystie Management Inc.	– 100 %

d) Management Remuneration Policy

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

Note 2. Accounting Policy**2.1 Preparation of financial statements**

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

2.2 Going Concern

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

2.3 Comparability

The comparable numbers have been adjusted as needed to ensure the comparability with the numbers of the current period.

2.4 Recognition of income and expense

2.4.1 Interest income and expense

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

2.4.2 Commissions and other income and expense

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

2.5 Foreign currency transactions

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

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

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

	31 December 2013
AMD/1 US Dollar	405.64

2.6 Cash and cash equivalents

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

2.7 Amounts due from other banks

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

2.8 Securities

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

2.9 Loans and advances to customers

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

2.10 Leasing

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

2.11 Possible losses reserve

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

2.12 Intangible assets

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

2.13 Property, plant and equipment

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

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

	Useful life
	(years)
Buildings	30
Computers	3
Transportation means	5
Automatic teller machine	10
Other PPE	5
Property and office equipment	5

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

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

2.14 Financial instruments

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

2.15 Events occurring after the balance sheet date

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

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

2.16 Taxation

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

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

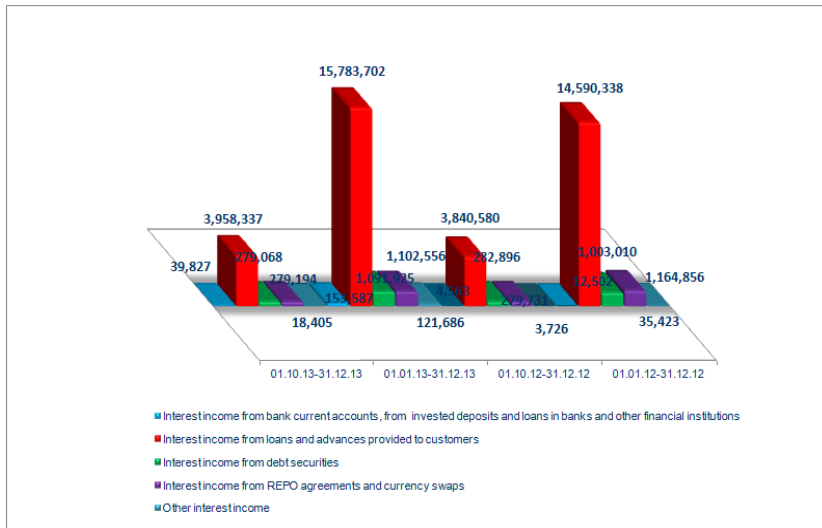
2.17 Functional and presentation currency

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

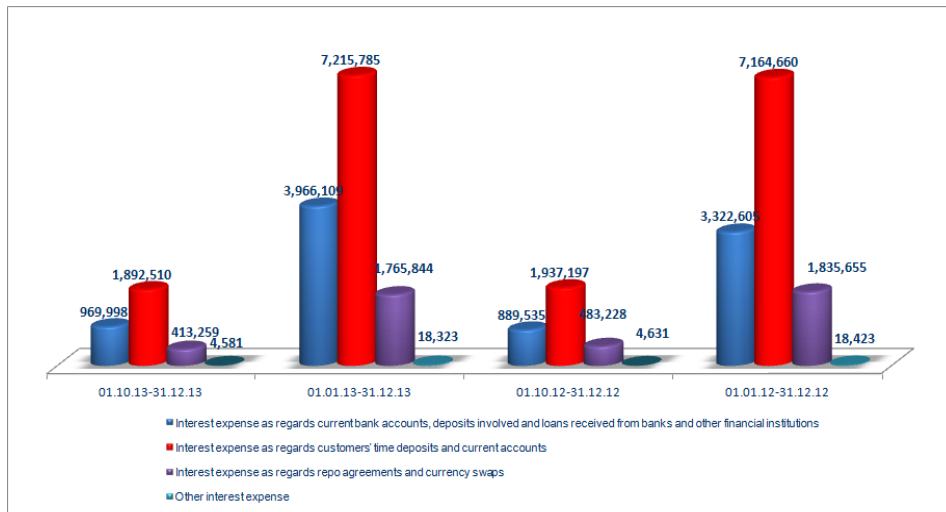
The intermediary financial statements are presented in thousands of AMD.

Note 3. Net Interest and Similar Income

Interest and Similar Income	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Interest income from bank current accounts, invested deposits and loans in banks and other financial institutions	39,827	153,587	4,563	12,502
Interest income from loans and advances to customers	3,958,337	15,783,702	3,840,580	14,590,338
Interest income from debt securities	279,068	1,091,925	282,896	1,003,010
Interest income from REPO agreements and currency swaps	279,194	1,102,556	279,731	1,164,856
Other interest income	18,405	121,686	3,726	35,423
Total	4,574,831	18,253,456	4,411,496	16,806,129



Interest and Similar Expense	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Interest expense as regards current bank accounts, deposits involved and loans received from banks and other financial institutions	969,998	3,966,109	889,535	3,322,605
Interest expense as regards customers' time deposits and current accounts	1,892,510	7,215,785	1,937,197	7,164,660
Interest expense as regards securities issued by the Bank				
Interest expense as regards repo agreements and currency swaps	413,259	1,765,844	483,228	1,835,655
Other interest expense	4,581	18,323	4,631	18,423
Total	3,280,348	12,966,061	3,314,591	12,341,343
Net interest and similar income	1,294,483	5,287,395	1,096,905	4,464,786



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

Income in the form of Commissions and Other Fees	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Cash operations	75,472	253,925	85,376	282,040
Settlement services	80,357	397,446	77,282	282,582
Guarantee, acceptance, letter of credit, trust management operations	94,116	226,821	80,452	194,476
Transaction in foreign currency and securities				
Plastic card operations	172,163	475,327	103,075	365,417
Other commission payments	46,860	175,766	67,297	212,335
Total	468,968	1,529,285	413,482	1,336,850

Expenses in the form of Commissions and Other Payments	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Commission payments as regards correspondent and other accounts/bank transactions	37,126	166,690	41,944	171,102
Commission payments as regards transactions with plastic cards/cash transactions	46,781	165,516	12,202	68,311
Payments as regards guarantees, acceptance, letters of credit, trust management transactions	9	108	5,071	5,071
Commission payments as regards transactions in foreign			2,903	5,504
Other commission payments	22,681	86,301	46,933	133,618
Total	106,597	418,615	109,053	383,606

Net Commissions and other payments received	362,371	1,110,670	304,429	953,244
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Note 5. Net income from trading transactions

Income from investments remeasured at fair value and held at fair value	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Net income from purchase and sale of investments held for trading, including				
- shares				
- debt securities				
- derivative instruments	6,556	257,051	-18,873	1,173,832
Net income from change in fair value of investments held for trading				
Total	6,556	257,051	-18,873	1,173,832

Net income from investments available for sale	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Net income from purchase and sale of investments available for sale, including				
- shares				
- debt securities	0	-226,458	24,429	5,206,441
- derivative instruments				
Net income from change in fair value of investments held for trading	0	282,485	-1,701	-5,089,567
Total	0	56,027	22,728	116,874

From foreign currency transactions	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Net income from foreign currency dealings	183,942	699,941	192,579	661,150
Net income from foreign currency revaluation	-1,191	-300,293	-18,804	-1,234,321
Total	182,751	399,648	173,775	-573,171

From bank standardized precious metal bullions and commemorative coins	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Net income from purchase and sale of bank standardized precious metal bars and commemorative coins	8,915	11,313	2,043	2,654
Net income from revaluation of bank standardized precious metal bars and commemorative coins	44,026	-60,230	13,612	15,352
Total	52,941	-48,917	15,655	18,006

Net income from trading transactions	242,248	663,809	193,285	735,541
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Note 6. Other operating income

Other operating income	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Fines and penalties received	157,261	609,076	68,299	211,002
Income received from factoring				
Net income from disposal of PPE and intangible assets	-4,142	18,203	-27,128	3,302
Net income from revaluation and impairment reversal of PPE and intangible assets				
Other income	39,043	128,125	33,330	110,221
Total	192,162	755,404	74,501	324,525

Note 7. Net allocations to the assets possible loss reserve

As regards amounts due from banks	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Opening balance		0	31,840	78,538
Allocations to the reserve			267,898	204,086
Return of reserve allocations		0	-299,738	-66,091

Note

Net allocations to the reserve	14	0	-31,840	137,995	164,614
Return of amounts previously written-off to the off-balance		0	0	0	0
Reserve utilization					
Closing balance		0	0	216,533	216,533

As regards amounts due from financial institutions		01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12	
Opening balance	Note 14	0	17,458	19,260	2,004	
Allocations to the reserve			606	1,244	19,256	
Return of reserve allocations		0	-18,064	-3,046	-3,802	
Net allocations to the reserve		0	-17,458	-1,802	15,454	
Return of amounts previously written-off to the off-balance						
Reserve utilization						
Closing balance			0	0	17,458	17,458

As regards loans and advances provided to the customers		01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12	
Opening balance	Note 16	2,882,896	2,532,250	2,512,965	1,642,917	
Allocations to the reserve		887,455	4,070,273	1,965,371	8,569,905	
Return of reserve allocations		-1,166,377	-3,967,414	-2,116,254	-5,880,786	
Net allocations to the reserve		-278,922	102,859	-150,883	2,689,119	
Return of amounts previously written-off to the off-balance		162,275	727,865	1,178,818	1,544,127	
Reserve utilization		-109,733	-706,458	-1,008,650	-3,343,913	
Closing balance			2,656,516	2,656,516	2,532,250	2,532,250

As regards investments		01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12	
Opening balance	Note 18	3,831	13,010	12,839	18,252	
Allocations to the reserve		3	29	973	1,545	
Return of reserve allocations		-345	-9,550		-5,985	
Net allocations to the reserve		-342	-9,521	973	-4,440	
Return of amounts previously written-off to the off-balance						
Reserve utilization						
Closing balance			3,489	3,489	13,812	13,812

As regards other assets		01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12	
Opening balance	Note 18	177,868	106,560	193,741	201,521	
Allocations to the reserve		35,134	738,532	136,964	775,697	
Return of reserve allocations		-191,526	-832,802	-199,945	-798,084	
Net allocations to the reserve		-156,392	-94,270	-62,981	-22,387	
Return of amounts previously written-off to the off-balance		123,951	189,620	3,415	26,691	
Reserve utilization		-2,078	-58,561	-27,615	-99,265	
Closing balance			143,349	143,349	106,560	106,560

As regards off-balance sheet items containing credit risk		01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12	
Opening balance	Note 30	0	197,260	161,777	216,427	
Allocations to the reserve			75,223	110,548	324,894	
Return of reserve allocations		0	-272,483	-75,065	-344,061	
Net allocations to the reserve		0	-197,260	35,483	-19,167	
Closing balance			0	0	197,260	197,260

Total net allocations to the reserves		-435,656	-247,490	-41,215	2,823,193
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Note 8. General administrative expenses

General administrative expenses	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Expenses as regards calculated salary and other equivalent payments *	712,816	2,419,663	555,672	1,909,039
Expenses as regards social payments	5,696	17,923	56,368	200,348
Expenses as regards training and tuition	78	790	739	15,731
Expenses as regards business trips	4,093	14,794	25,039	64,350
Expenses as regards operating lease	19,185	74,018	15,695	67,018
Insurance expenses	7,536	36,184	14,569	33,548
Expenses as regards maintenance and security of Bank's equipment	13,523	41,996	17,397	41,229
Expenses as regards maintenance and security of Bank's buildings	66,573	262,783	68,849	243,193
Expenses as regards audit and other consulting services	-1,812	13,350	12,489	22,263
Expenses as regards communication means	23,076	101,966	29,602	120,641
Transportation expenses	10,116	50,577	33,637	103,337
Expenses as regards taxes, duties and other obligatory payments (except profit tax)	56,735	206,258	52,990	193,661
Office and organizational expenses	8,875	35,486	16,191	66,370
Expenses as regards loans provision and return	6,255	18,821	4,398	10,914
Other administrative expenses	128,282	311,986	50,255	316,977
Total	1,061,027	3,606,595	953,890	3,408,619

The number of the Bank employees as at 31 December 2013 is **670**.
The size of average monthly salary per employee is **249** thous. drams.

Note 9. Other Operating Expenses

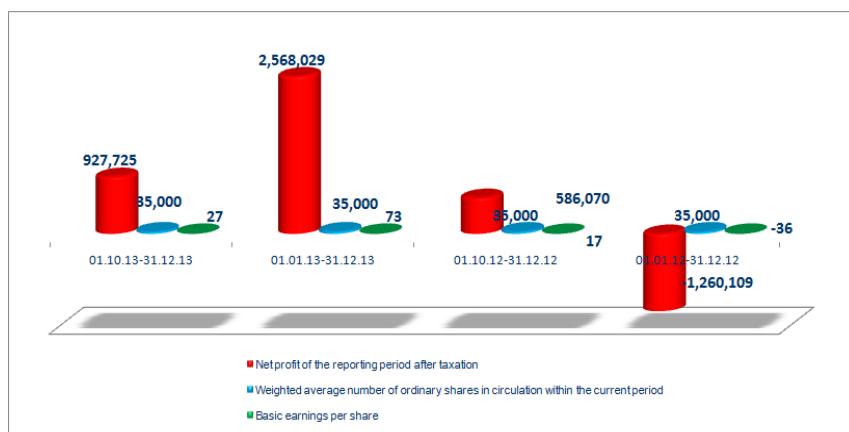
Other Operating Expenses	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Fines and penalties paid	302	1,614	96	4,494
Advertising and representation expenses	33,829	157,382	70,105	256,127
Fcatoting expenses				
Fixed and intangible assets amortization expenses	199,526	829,480	221,399	922,088
Loss from impairment of tangible assets				
Allocation sto deposit guarantee fund	33,159	134,645	35,357	124,258
Other expenses	111,103	325,378	109,803	342,498
Total	377,919	1,448,499	436,760	1,649,465

Note 11. Profit Tax Expense

Profit tax expense	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Current tax expense	239,406	279,787	0	0
Deferred tax expense	-23,715	54,892		
Total	215,691	334,679	0	0

Note 12. Basic Earnings per Share

Basic Earnings per Share	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Net profit of the reporting period after taxation	927,725	2,568,029	586,070	-1,260,109
Dividends calculated for the current reporting period as regards preference shares	()	()	()	()
Net gain/loss for the current period attributable to the owners of the ordinary shares				
Weighted average number of ordinary shares in circulation within the current period	35,000	35,000	35,000	35,000
Basic earnings per share	27	73	17	-36
Diluted earnings per share				


Note. Other Comprehensive Income

Other Comprehensive Income	01.10.13-31.12.13	01.01.13-31.12.13	01.10.12-31.12.12	01.01.12-31.12.12
Exchange rate differences from recalculation of foreign transactions				
Revaluation of financial assets available for sale	1,119,692	1,157,705	-96,317	110,610
Cash flow hedging				
Gains from PPE revaluations	589,278	589,278		
Deferred tax expense	(349,598)	(349,598)		
Total	1,359,372	1,397,385	(96,317)	110,610

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

Cash, cash equivalents and balances with the CBA	Reporting period	Previous period
Cash means	1,701,116	1,890,600
Other placements of cash	2,383,985	2,879,897
Correspondent accounts with the CBA *	30,227,219	6,323,804
Total	34,312,320	11,094,301
Deposit accounts with the CBA		
Deposited means with the CBA **	420,000	1,020,000
Accrued interest		
Cash means and balances with the CBA	34,732,320	12,114,301
Standardized precious metal bullions	8,819	24,080

Placements with other banks (Note 14)	2,381,221	3,165,731
Total cash and cash equivalents	37,122,360	15,304,112

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

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

Note 14. Amounts due from banks and other financial institutions

Current accounts	Reporting period	
RA banks	-	24,818
Banks with BBB – (Baa3) and higher rating	0	2,481,752
	0	670,045
Banks with no rating and rating below BBB-(Baa3)		
Accrued interest	0	55
Total	-	3,176,670

Interbank loans and deposits, etc.		
CBA		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Other		
RA Banks		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		13,277
Letters of credit and bank guarantees		
Other		
Banks with BBB – (Baa3) and higher rating		
Loans and deposits	111,960	
Factoring		
Financial lease		
RA Banks		
RA Banks	0	
Letters of credit and bank guarantees		
Other	0	
Banks with no rating and rating below BBB-(Baa3)		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	0	227
Letters of credit and bank guarantees		
Other	0	7,397
Accrued interest	69	
Total	2,381,221	3,197,571
Reserve for possible losses as regards amounts due from Banks (Note 7)		-31,840

Net amounts due from banks	2,381,221	3,165,731
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Loans and deposits with financial institutions, other amounts due		
RA financial institutions	1,437,385	1,309,024
Loans and deposits	1,437,385	1,309,024
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
Financial institutions with BBB – (Baa3) and higher rating	0	42,625
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		42,625
Financial institutions with no rating and rating below BBB-(Baa3)	620,535	389,437
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other	620,535	389,437
Accrued interest	9,610	4,702
Total	2,067,530	1,745,788
Reserve for possible losses as regards amounts due from financial institutions (Note 7)		-17,458
Net amounts due from financial institutions	2,067,530	1,728,330

Net amounts due from banks and financial institutions	4,448,751	4,894,061
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Note 15. Financial Assets Held for Trading

Government securities	Reporting period	Previous period
RA Government securities, including		
Treasury bonds	15,482,300	11,868,589
Central Bank bonds		
Other		
Government securities of countries with BBB – (Baa3) and higher rating, including		
Treasury bonds		
Central Bank bonds		
Other		
Government securities of countries with no rating and rating below BBB-(Baa3)		
Treasury bonds		
Central Bank bonds		
Other		
Total Government securities	15,482,300	11,868,589

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

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

Total securities held for trading	15,482,300	11,868,589
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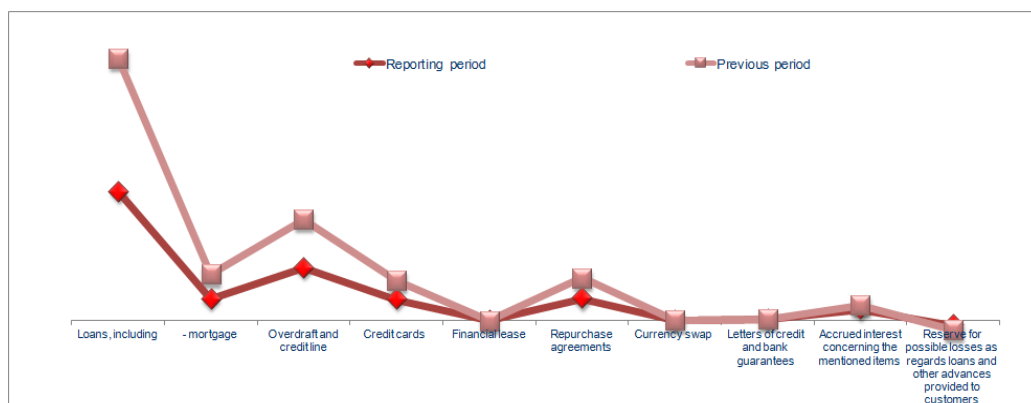
Other financial assets held for trading	Reporting period	Previous period
Loans, factoring, accounts receivable		
Borrowers with A-/A3/ or higher rating		
Borrowers with BBB+/Baa1/ and lower rating, other rating and no rating		
- Mortgage		
- Consumer loans		
- Other		
Derivative instruments	0	0
- Futures		
- Forward		
- Option		
- Swap		
- Other		
Total		

Total financial assets held for trading	15,482,300	11,868,589
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Note 16. Loans and other advances to customers

Issued loans and other advances	Reporting period	Previous period
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Loans, including	71,998,786	74,653,911
- to banks		
- to RA Government		
- to local authorities		
- mortgage	12,096,515	13,837,023
Overdraft and credit line	29,673,746	27,112,554
Credit cards	11,927,691	10,825,073
Factoring		
Financial lease	1,282	1,676
Repurchase agreements	12,382,355	11,618,919
Currency swap	50,550	
Letters of credit and bank guarantees	917,429	1,747
Other		
Accrued interest concerning the mentioned items	6,340,446	2,591,590
Total loans	133,292,285	126,805,470
Reserve for possible losses as regards loans and other advances to customers (Note 7)	-2,656,516	-2,532,250
Total net loans	130,635,769	124,273,220



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

Breakdown of working and non -working loans and advances provided to customers		Reporting period	Previous period
Working loans and advances	Amount	126,612,550	120,605,832
	Quantity	35,912	26,526
Non-working loans and advances, including		6,679,735	6,199,638
		1423	344
Overdue	Amount	4,304,153	2,142,029
	Quantity	985	237
Accrued interests			
Total loans	Amount	133,292,285	126,805,470
	Quantity	37,335	26,870
Provision for possible losses as regards loans and advances provided to customers (Note 7)		-2,656,516	-2,532,250
Total net loans		130,635,769	124,273,220

Analysis of the provided loans and advances by customer group

Analysis of the provided loans and advances by customer group	Reporting period	Previous period
State enterprises	766,031	1,221,510
Private enterprises, including	90,626,089	86,416,945
- large enterprises	30,218,531	32,462,459
- small and medium enterprises	60,407,558	53,954,486
Natural persons, including	32,810,529	34,036,648
- consumer loans	7,545,039	9,374,552
- mortgage loans	12,086,951	13,837,023
- credit cards	11,925,702	10,825,073
Sole entrepreneurs	2,749,190	2,538,777
Accrued interest	6,340,446	2,591,590
Total loans	133,292,285	126,805,470
Provision for possible losses as regards loans and advances provided to customers	(2,656,516)	(2,532,250)
Total net loans	130,635,769	124,273,220

a) Total loans provided to major borrowers and related persons as of 31.12.2012 made AMD 54.787.936 thous, as of 31.12.2013 – AMD 55.925.751 thous.

b) Share in total loan portfolio as of 31.12.2012 made 48.01%, as of 31.12.2013 - 46.17 %

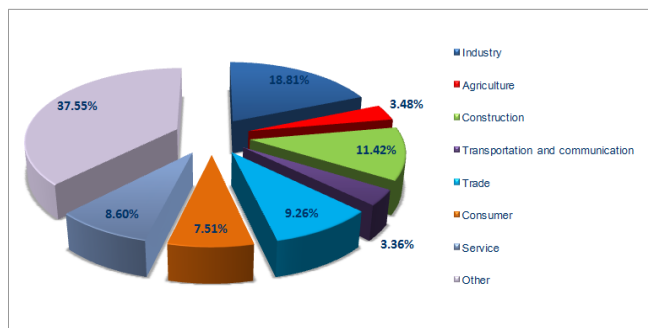
c) Capital ratio as of 31.12.2012 was 314.82%, as of 31.12.2013 –262.23 %

Analysis of loan portfolio according to number of borrowers	Reporting period	Previous period
State enterprises	8	8
Private enterprises	306	323
Natural persons	23,263	21,578

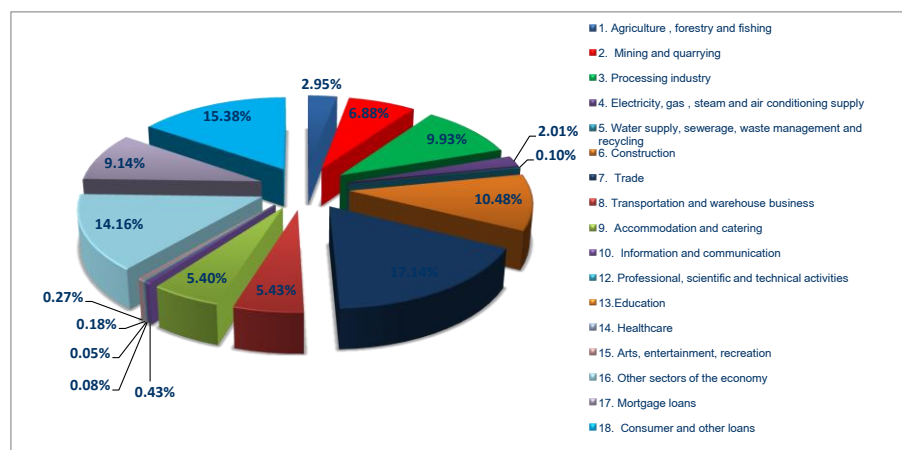
Sole entrepreneurs	150	163
Total	23,727	22,072

Analysis of loan portfolio according to the industry sectors (without taking account of the reserve amount for possible losses)

31.12.12		
Analysis of Loans and advances according to the industry sectors	Previous period	Percentage
Industry	23,848,541	18.81
Agriculture	4,413,384	3.48
Construction	14,485,329	11.42
Transport and communication	4,265,335	3.36
Trade	11,747,119	9.26
Consumer /including credit cards/	9,526,094	7.51
Service	10,902,109	8.60
Other	47,617,559	37.55
Total	126,805,470	100



31.12.13		
Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	3,936,161	2.95
2. Mining and quarrying	9,170,897	6.88
3. Processing industry	13,230,862	9.93
4. Electricity, gas , steam and air conditioning supply	2,679,522	2.01
5. Water supply, sewerage, waste management and recycling	129,510	0.10
6. Construction	13,964,713	10.48
7. Trade	22,840,431	17.14
8. Transportation and warehouse business	7,234,048	5.43
9. Accommodation and catering	7,191,534	5.40
10. Information and communication	569,248	0.43
12. Professional, scientific and technical activities	110,575	0.08
13. Education	70,741	0.05
14. Healthcare	241,507	0.18
15. Arts, entertainment, recreation	354,009	0.27
16. Other sectors of the economy	18,878,087	14.16
17. Mortgage loans	12,188,552	9.14
18. Consumer and other loans	20,501,888	15.38
Total	133,292,285	100



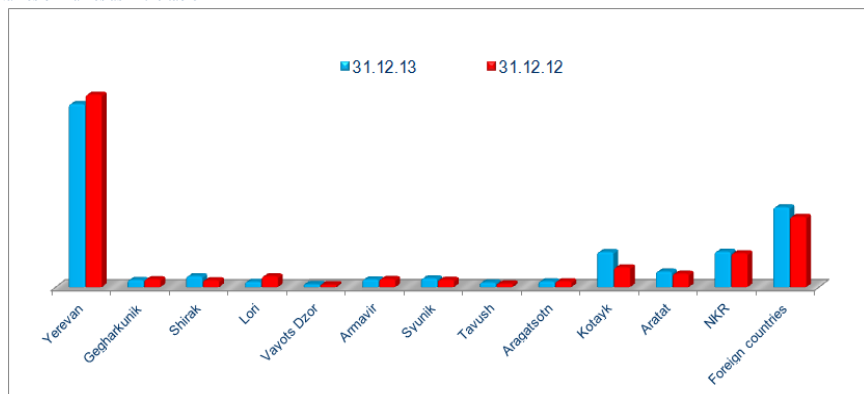
Analysis of the loan portfolio as regards customers' residency

Analysis of the loan portfolio as regards customers' residency	Reporting period	Percentage	Previous period	Percentage
RA residents	104,751,334	80.19	101,726,209	81.86
Non-residents	25,884,435	19.81	22,547,011	18.14
Total	130,635,769	100	124,273,220	100

Region (Marz)	31.12.13		31.12.12	
	Quantity	Amount	Quantity	Amount
Yerevan	13234	59,360,991	9897	62,424,343
Gegharkunik	1813	2,344,252	1295	2,569,201
Shirak	3838	3,555,828	2787	2,264,799
Lori	2441	1,768,258	1810	3,508,202
Vayots Dzor	137	969,692	95	835,170
Armavir	2420	2,546,004	1913	2,643,246
Syunik	1680	2,858,843	1214	2,398,767

Tavush	851	1,515,322	336	1,119,237
Aragatsotn	2216	1,893,698	1820	1,920,408
Kotayk	2908	11,391,221	1611	6,427,475
Ararat	1908	5,060,513	1765	4,367,399
NKR	3860	11,486,712	2286	10,968,116
Foreign countries	29	25,884,435	41	22,826,857
Total	37,335	130,635,769	26,870	124,273,220

Names of marzes as in the table



Note 17. Financial assets available for sale

State securities	Reporting period	Previous period
State obligations	9,533,881	8,783,576
Treasury obligations	9,529,301	8,770,314
Central Bank obligations		
Promissory note	4,580	13,262
State obligations of countries with BBB-/Baa3/ or higher rating		
Treasury obligations		
Central Bank obligations		
Other		
State securities of countries with BB-/Ba1/ or below rating or no rating		
Treasury obligations		
Central Bank obligations		
Other		
Possible loss reserve for promissory notes (Note 7)		(133)
Total state securities	9,533,881	8,783,443

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

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

Total securities available for sale	9,533,881	8,783,443
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Other financial assets available for sale		
Loans, factoring, amounts receivable		
Borrowers with A-/A3/ or higher rating		
Borrowers with BBB-/Baa1 and below rating, other rating and no rating		
Mortgage loans		
Consumer loans		
Other		
Total	0	0

Total financial assets available for sale	9,533,881	8,783,443
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Investments in other persons' share capital

Reporting period

Company name	Main activity	Country of registration	Investment date	Invested amount ¥(thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	9226	0.00005
Total				41,214	6
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)				-3,489	
Total				37,725	

Previous period

Company name	Main activity	Country of registration	Investment date	Invested amount ¥(thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	10230	0.00005
Total				42,218	
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)				-12,326	
Total				29,892	

	Reporting period	Previous period
Total financial assets available for sale and investments in other companies' share capital	9,571,606	8,813,335

Note 18. Investments held to maturity

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

Non-government securities of RA	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Issuer having "C-" and higher rating from CBA, including	0	0	33,282	
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other			33,282	
Issuer with BBB-/Baa1/ and lower rating, other rating and no rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Accrued interest			904	
Total	-	-	34,186	-

Non-government securities of other countries	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				

- deposit certificates					
- other					
Issuer with BBB+/Baa1/ and lower rating, other rating and no rating, including					
- long term debt instruments					
- short term debt instruments					
- deposit certificates					
- other					
Accrued interest					
Total	-	-	-	-	-

Impairment of investments held to maturity (reserve for possible losses) (Note 7)				-684	
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Net investments in financial assets held to maturity	0			33,502	0
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Note 20. Property, Plant, Equipment and Intangible Assets

Property, plant and equipment

Title	Buildings	Computer & communication means	Vehicles	Other PPE	Capital investments as regards PPE	Capital investments as regards leased PPE	Total
Initial cost							
Balance at the beginning of the previous period	6,564,067	2,034,565	401,011	906,512	1,451,313	28,996	#####
Increase	1,344,111	649,497	185,470	204,033	(1,451,313)		931,798
Disposal		160	115,643				115,803
Write-off							-
Revaluation							
Balance at the end of the previous period	7,908,178	2,683,902	470,838	1,110,545	-	28,996	#####
Increase	2,330	53,172	31,272	152,868	-	1,403	241,045
Disposal			242,090				242,090
Revaluation*	589,278						589,278
Write-off							-
Depreciation adjustment from revaluation	(952,836)						(952,836)
Balance at the end of the reporting period	7,546,950	2,737,074	260,020	1,263,413		30,399	#####
Accumulated depreciation							
Balance at the beginning of the previous period	444,966	1,083,057	181,380	362,094	-	15,581	2,087,078
Increase	242,381	415,255	76,545	174,551		2,525	911,257
Disposal			97,023				97,023
Impairment							-
Write-off							-
Balance at the end of the previous period	687,347	1,498,312	160,902	536,645	-	18,106	2,901,312
Increase	265,489	212,225	81,589	225,594		438	785,335
Disposal			122,457				122,457
Depreciation adjustment from revaluation	952,836						952,836
Write-off							-
Balance at the end of the reporting period	-	1,710,537	120,034	762,239	-	18,544	2,611,354
Net carrying amount							
End of reporting period	7,546,950	1,026,537	139,986	501,174	-	11,855	9,226,502
End of previous period	7,220,831	1,185,590	309,936	573,900	-	10,890	9,301,147

Intangible Assets

	Software	Licenses	Copyright	Other intangible assets	Capital investments as regards intangible assets	Total
Initial cost						
Balance at the beginning of the previous period	157,192	252,210	-	76,178	-	485,580
Increase	(9,874)	587,141		(23,341)	4,847	558,773
Disposal						-
Impairment						-
Revaluation						
Balance at the end of previous period	147,318	839,351	-	52,837	4,847	1,044,353
Increase	-	246,368		-	91,930	338,298
Disposal						-
Revaluation*						
Impairment						
Depreciation adjustment from revaluation						
Balance at the end of the reporting period	147,318	1,085,719	-	52,837	96,777	1,382,651
Accumulated amortization						
Balance at the end of previous period	32,223	65,767	-	23,341	-	121,331
Increase	(31,947)	(65,480)		(23,341)		(120,768)
Disposal						-
Impairment						-
Revaluation						
Balance at the end of previous period	276	287	-	-	-	563
Increase	62	33,427				33,489
Disposal						-
Depreciation adjustment from revaluation						-
Revaluation						-
Balance at the end of the reporting period	338	33,714	-	-	-	34,052
Net carrying amount						
End of reporting period	146,980	1,052,005	-	52,837	96,777	1,348,599
End of previous period	147,042	839,064	-	52,837	4,847	1,043,790

Note 21. Deferred tax assets

Deferred tax assets movement	Reporting period	Previous period
Balance at the beginning of the period	149,158	
Increase		149,158
Decrease		
Balance at the end of the period	149,158	149,158

Note 22. Other Assets

Amounts receivable from bank transactions	Reporting period	Previous period
Dividends receivable	0	0
Amounts receivable from trust management transactions	0	0
Amounts receivable from other transactions	1,243,386	343,945
Total	1,243,386	343,945
Reserve for possible losses as regards bank transactions (Note 7)		-3,439
Net amounts receivable from bank transactions	1,243,386	340,506

Accounts receivable and prepayments	Reporting period	Previous period
Receivables as regards budget	9,558	9,447
Receivables as regards suppliers		
Advance payments to the employees	1,291	
Advance payments to the suppliers	378,464	340,456
Advance payments and overpayments as regards budget and n	465,053	372,640
Other receivables and prepayments	6,285,627	7,805,660
Total	7,139,993	8,528,203
Reserve for possible losses as regards other assets (Note 7)	-143,349	-99,045
Total	6,996,644	8,429,158
Other assets		
Warehouse	262,889	315,802
Seized collateral	5,824,128	5,087,665
Future period expenses	34,867	7,323
Other assets	81,465	47,686
Reserve for possible losses as regards other assets (Note 7)		-3,892
Total	6,203,349	5,454,584
Total other assets	14,443,379	14,224,248

Note 23. Amounts due to banks and other financial institutions

Current accounts	Reporting period	Previous period
RA Banks	163	162
Banks with BBB-(Baa3) and higher rating		
Banks with rating below BBB-(Baa3) and no rating		
Accrued interest		
Total	163	162
Interbank loans, deposits and other demands		
RA Central Bank		
loans*	12,339,610	12,455,314
Repo (repurchase) agreements	24,469,985	18,515,973
Swap		
Swap		
RA Banks		
Loans and deposits	4,135,509	4,155,365
Financial leasing		
Repo (repurchase) agreements	0	1,456,018
Other		
BBB-(Baa3) and higher rating banks		
Loans and deposits		
Financial leasing		
Repo (repurchase) agreements		
Swap		
Other		
BBB-(Baa3) and lower rating and no rating banks		
Loans and deposits		
Financial leasing		
Repo (repurchase) agreements		
Swap	0	
Other	0	144
Accrued interest	146,143	120,890
Total	41,091,247	36,703,704
Financial institutions		
Current accounts	63,574	197,398
Loans and deposits	20,358,142	18,754,672
Repo (repurchase) agreements		
Swap		10,871
Other	14,975	20,039
Accrued interest	181,821	195,294
Total	20,618,512	19,178,274
Total amounts due to banks and other fin. institutions	61,709,922	55,882,140

As of 31.12.2013, loans received from the Central Bank of Armenia also include loan amounts attracted under international loan programs totaling AMD 3.888.931 thous. And accrued interest amounts - AMD 91.811 thous.

Note 24. Amounts due to customers

Amounts due to RA government and local self-managed authorities	Reporting period	Previous period
Current accounts	160,262	233,321
Time deposits		
Loans	4,502,289	4,236,809
Repo (repurchase) agreements		
Swap		
Other	37,937	34,644
Accrued interest	16,770	15,022
Total	4,717,258	4,519,796

Legal entities and institutions (residents)		
Current accounts	9,200,591	8,003,525
Time deposits	3,732,258	7,318,237
Repo (repurchase) agreements		
Swap		
Other	396,274	871
Accrued interest	23,209	47,405
Total	13,352,332	15,370,038
Legal entities and institutions (non-residents)		
Current accounts	11,727,436	4,049,534
Time deposits	16,950,346	186,749
Repo (repurchase) agreements		
Swap		110,071
Other	308,196	46,253
Accrued interest	24,833	3,201
Total	29,010,811	4,395,808
Sole entrepreneurs (residents)		
Current accounts	61,701	55,075
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
Total	61,701	55,075
Sole entrepreneurs (non-residents)		
Current accounts	61	
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
Total	61	0
Individuals (residents)		
Current accounts	4,635,426	4,465,414
Time deposits	59,933,599	61,625,303
Repo (repurchase) agreements		
Swap		
Other	42,007	14,753
Accrued interest	550,873	508,052
Total	65,161,905	66,613,522
Individuals (non-residents)		
Current accounts	362,037	338,167
Time deposits	4,198,674	5,967,554
Repo (repurchase) agreements		
Swap		
Other	0	
Accrued interest	21,565	151,295
Total	4,582,276	6,457,016
Total liabilities to customers	116,886,344	97,411,255

The amount of the security of liabilities totaled: as at 31.12.2013 - AMD 34.680.265 thousand, as at 31.12.2012 - AMD 39.270.469 thousand.

2. Term liabilities to government include amounts involved from international financial organizations within RAED (Rural Areas Economic Development) program and Millennium Challenge Account program, which totaled AMD 1.316.411 thousand, accrued interest - AMD 6.140 thousand.

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

	Reporting period	Previous period
Legal entities residents	51	50
Legal entities non-residents	2	3
Individuals residents	6,987	6,159
Individuals non-residents	93	85
Total	7,133	6,297

Note 26. Liabilities held for trading

Liability held for trading	Reporting period	Previous period
Derivative instruments held for trading purposes		
Futures		
Forward		
Option		
Swap		
Other		
Hedging derivative instruments		
Other	15,482,300	11,868,589
Total	15,482,300	11,868,589

Note 27. Amounts payable

Amounts payable	Reporting period	Previous period
Dividends		
Trust management agreements		
Deposits insurance	33,159	35,357
Other		
Total	33,159	35,357

Note 28. Deferred tax liabilities

Deferred tax liabilities movements	Reporting period	Previous period
Balance at the beginning of the period	230,756	230,756
Increase	432,150	46,382
Decrease	-230,756	-230,756
Balance at the end of the period	432,150	46,382

Note 29. Other liabilities

Other liabilities	Reporting period	Previous period
Settlement liabilities as regards cheques and other payment documents	6554	
Settlement liabilities as regards letters of credit		48,212
Other settlements		
Payables as regards budget		
Profit Tax	365,794	
VAT	15,019	6,677
other taxes and dues	154,785	153,102
social insurance payments	3,061	24,833
Liabilities to employees as regards salary	74,583	86,462
Payables as regards suppliers	95,791	156,755
Payables as regards completion of chartered capital		
Other liabilities	35,934	36,014
Balance at the end of period	751,521	512,055

Note 30. Chartered capital

- a) Bank's chartered capital registered and fully paid – AMD 17.500.000 thous.
- b) The number of issued and allocated ordinary shares - 35.000, nominal value – AMD 500.000
- c) Major participants as of the end of the reporting period

Major participant	Amount of participation	Share %	Type of activity (for legal entities)
Chrystie Management Inc.	17,500,000	100	Any activity allowed by Law
	17,500,000		

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

Components:

Revaluation reserves	Reporting period	Previous period
Unrealized gain/loss from revaluation of investments for sale		
Fixed assets revaluation reserve		
Other reserves		
Total revaluation reserves	-	-

Other components of equity

Reserves

Reserves	Reporting period	Previous period
General reserve		
Opening balance	309,357	264,688
Increase		44,669
Decrease		
Closing balance	309,357	309,357

Other reserves	Reporting period	Previous period
Opening balance	197,987	87,377
Increase	4,632,728	8,420,872
Decrease	3,235,343	8,310,262
Closing balance	1,595,372	197,987

Note 33. Retained earnings

Retained profit	Reporting period	Previous period
Opening balance	2,779,049	4,680,459
Increase	2,568,029	(1,856,741)
Decrease		44,669
Closing balance	5,347,078	2,779,049

Note 34. Reserves, contingencies and potential liabilities

Reserves	Reporting period	Previous period
----------	------------------	-----------------

Opening balance	Note 7	197,260	216,427
Allocations to the reserve		75,223	324,894
Use of reserve		(272,483)	(344,061)
Net allocations to the reserve		(197,260)	(19,167)
Closing balance		-	197,260

Bank's legal liabilities

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

Bank's tax liabilities

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

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

	Reporting period	Previous period
Unused credit lines	4,694,542	4,155,831
Guarantees provided	18,048,213	11,244,852
Letters of credit issued		48,212
Reserve as regards the mentioned items (Note 7)		(197,260)
Closing balance	22,742,755	15,251,635

Bank's liability as regards operating lease

The leased premises are as follows:

Yerevan, Abovyan 43 - Yerevan Branch
Yerevan, Artsakh Str. 23/6 - Artsakh Branch
Talin, Gayi 1 - Talin Branch
Noragavit 1 Str., 93/1 - Noragavit Branch
Stepanakert - Khachen Branch

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

The structure of minimum lease payments	thous. drams	
	Amounts payable in drams equivalent to foreign currency	Amounts payable in drams
Up to 1 year		24,186
1-5 years		41,249
5-10 years		18,720
Total		84,155

Note 35. Related party transactions

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

Amounts due from banks	Reporting period	Previous period
Balance as of 01 January		
Increase during the year		
Decrease during the year		
	-	-

Loans and advances to customers	Reporting period	Previous period
	01.01.13-31.12.13	01.01.12-31.12.12
Balance as of 01 January	3,236,279	10,301,377
Loans and advances provided during the year	3,789,692	4,627,344
Loans and advances repaid during the year	5,018,699	11,692,442
Balance	2,007,272	3,236,279
Interest income	318,010	939,946

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

Amounts due to customers	Reporting period	Previous period
	01.01.13-31.12.13	01.01.12-31.12.12
Balance as of 01 January	2,256,878	897,793
Amounts received during the year	166,524,152	54,051,770
Amounts paid during the year	142,719,337	52,692,685
Balance	26,061,693	2,256,878
Interest expense	314,242	170,983

Salary and equivalent payments to the Bank's management	Reporting period	Previous period
	01.01.13-31.12.13	01.01.12-31.12.12
The Board		
Salary	73,361	24,180
bonus		
Executive body		
Salary	241,815	210,536
bonus	840	25
Internal audit		
Salary	60,403	45,317
bonus	3,500	850

Total	379,918	280,908
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Note 36. Minimal disclosures concerning financial risks

Credit risk

The main objective of credit risks management for the Bank is the timely (sometimes even before provision of the loan) identification, valuation and realization of corresponding steps directed to their reduction. The Bank evaluates the credit risk in relation of both each borrower and the whole loan portfolio. According to the methodology developed by the Bank, the creditworthiness of the potential borrower is assessed before provision of the loan. From the viewpoint of prevention of the credit risk, the most important principles to follow are considered to be the security and purpose of the loan. After provision of the loan, monitoring is conducted by the Bank during the whole period of the loan agreement to regularly assess the borrower's solvency and the loan's security as well as to take corresponding measures for restricting the possible credit risk.

Also the Bank's overall loan portfolio is subjected to regular analysis by industry branches, customers, and loan types to ensure the portfolio diversification and quality. Intra-bank norms restricting credit risk (maximum risk as regards an industry branch, maximum overall loan risk, maximum risk per individual loan types as regards loan portfolio quality, maximum risk as regards a borrower, maximum risk as regards the major borrowers, maximum risk as regards a person related to the Bank, maximum risk as regards all persons related to the Bank, etc.) are established by the corresponding internal legal acts approved by the Bank Board (these norms are more severe than the corresponding norms established by the RA Central Bank). The Bank considers activity of the Loan committee as very important for the containment of credit risk. Loan committee is the body to realize the Bank's credit policy, the purpose of which is management of the Bank's loan activity and formation of the quality loan portfolio. The main objective of the loan committee is making collective professional protocol or final decisions concerning realization and servicing of transactions.

Geographical concentrations

31.12.2012

Description	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	12,114,301				12,114,301
Amounts due from banks and other financial institutions	1,766,405	364,677	2,479,525	283,454	4,894,061
Financial instruments held for trading	11,868,589				11,868,589
Loans and advances to customers	101,446,363	493,817	491,978	21,841,062	124,273,220
Securities available for sale	8,803,105		10,230		8,813,335
Securities held to maturity	33,502				33,502
Other assets	7,587,457	187,415	74,793	6,374,583	14,224,248
Total assets	143,619,722	1,045,909	3,056,526	28,499,099	176,221,256
Liabilities					
Amounts due to banks and other financial institutions	47,670,764	8,211,376			55,882,140
Amounts due to customers	86,604,684	793,639	1,798,508	8,214,424	97,411,255
Financial liability held for trading				11,868,589	11,868,589
Other liabilities	358,913	97,874	8,889	46,379	512,055
Total liabilities	134,634,361	9,102,889	1,807,397	20,129,392	165,674,039
Net position	8,985,361	(8,056,980)	1,249,129	8,369,707	10,547,217

31.12.2013

Description	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	34,732,320				34,732,320
Amounts due from banks and other financial institutions	1,446,217	292,760	2,500,195	209,579	4,448,751
Financial instruments held for trading	15,482,300				15,482,300
Loans and advances to customers	104,751,334	259,130	708,773	24,916,532	130,635,769
Securities available for sale	9,562,380		9,226		9,571,606
Securities held to maturity					-
Other assets	8,751,516	217,330	3,340	5,471,193	14,443,379
Total assets	174,726,067	769,220	3,221,534	30,597,304	209,314,125
Liabilities					
Amounts due to banks and other financial institutions	54,686,221	7,018,129	4,796	776	61,709,922
Amounts due to customers	100,270,201	511,706	1,778,398	14,326,039	116,886,344
Financial liability held for trading				15,482,300	15,482,300
Other liabilities	697,946	48,707	4,868		751,521
Total liabilities	155,654,368	7,578,542	1,788,062	29,809,115	194,830,087
Net position	19,071,699	(6,809,322)	1,433,472	788,189	14,484,038

OECD * - Organization for Economic Cooperation and Development

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

31.12.2012

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	119,516,378	3,228,794	971,788	556,260	0
	26,526	232	69	43	
1. Industry	23,349,072	270,694	5,238		
number	174	5	1		
2. Agriculture	3,633,845	600,299	19,536	8,926	
number	474	13	4	3	
3. Construction	13,381,885	3,593	70,754	315,851	
number	192	1	1	4	
4. Transport and communication	3,981,711	21,575			
number	47	1			
5. Trade	9,320,221	1,433,133	735,108	184,052	
number	267	7	4	10	
6. Catering and other spheres of service	7,423,167			9,481	
number	123			1	
7. Financial sector					
number					
8. Consumer loans including /credit cards/	8,966,548	157,416	46,560	7,503	
number	22,544	156	45	19	
9. Other branches of industry	36,116,506	614,174	66,519	11,478	
number	577	27	6	2	
10. Mortgage loans	13,343,423	127,910	28,073	18,969	
number	2,128	22	8	4	
Receivables	13,739,858	3,479	3,083	2,763	

	number	2,338	308	419	166
Investment securities	amount	63,394			
	number	4			
Off-balance sheet items	amount	15,232,871	18,641	118	5
	number	6,027	51	6	3
including guarantees	amount	11,086,412	4,950		
	number	280	3		
letters of credit	amount	47,730			
	number	1			

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Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	125,345,418	3,269,640	1,637,460	383,251	
	35,912	974	332	117	
1. Agriculture , forestry and fishing	3,416,539	264,527	86,077	32,392	
	number	380	16	20	9
2. Mining and quarrying	9,053,896		22,993		
	number	29		1	
3. Processing industry	13,064,637	17,941	11,380		
	number	103	4	3	
4. Electricity, gas , steam and air conditioning supply	2,652,728				
	number	19			
5. Water supply, sewerage, waste management and recycling	128,215				
	number	6			
6. Construction	12,928,456	306,724	40,429	202,633	
	number	87	15	1	1
7. Commerce	20,772,841	711,664	742,532	34,125	
	number	196	5	7	5
8. Transportation and warehouse business	7,142,195		11,646	2,192	
	number	22		1	2
9. Accommodation and catering	7,100,050	15,288			1,196
	number	60	1		1
10. Information and communication	563,556				
	number	31			
11. Financial and insurance buisness					
	number				
12. Professional, scientific and technical activities	109,469				
	number	5			
13. Education	70,034				
	number	18			
14. Healthcare	239,092				
	number	8			
15. Arts, entertainment, recreation	350,469				
	number	5			
16. Other branches of economy	18,687,686		308		
	number	21		1	
17. Mortgage loans	11,471,917	306,337	153,769	33,870	
	number	1,981	49	18	13
18. Consumer and other loans	17,593,638	1,647,159	568,326	76,843	
	number	32,941	884	280	86
Receivables	8,591,346	137,550	247,501	7,170	
	number	3,222	94	131	78
Investment securities	37,725				
	number	3			
Off-balance sheet items	22,587,123	35,062	86,303	34,236	31
	number	13,614	175	23	5
including guarantees	17,901,145	27,077	32,240	34,150	
	number	289	4	1	3
letters of credit	amount				
	number				

Analysis of credit portfolio according to regions and risk exposure

31.12.2012

Loans and advances, including	Working assets		Non-working assets		
Loans, including	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
1. Residents of RA	96,808,535	3,109,780	971,788	556,260	
2. Non-residents	22,707,843	119,014			
Total	119,516,378	3,228,794	971,788	556,260	

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Assets	Working assets		Non-working assets		
Loans, including	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
1. Residents of RA	99,460,983	3,269,640	1,637,460	383,251	
2. Non-residents	25,884,435				
Total	125,345,418	3,269,640	1,637,460	383,251	

Loan portfolio indicators as of 31.12.2013

Non-performing loans/ total loans - 5.51 %

Reserve for non-performing loans/total capital - 5.30 %

Loan reserve /total loans - 2.09 %

Possible loss reserve/Non-performing loans - 37.93 %

Large amount advances/capital - 262.23 %:

Market risk

Currency risk

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

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

31.12.2012

	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	6,947,390	4,935,203	231,708	12,114,301
Amounts due from banks and other financial institutions	233,522	4,215,154	445,385	4,894,061
Financial instruments kept for trading	11,868,589			11,868,589
Loans and advances to customers	55,513,675	68,222,563	536,982	124,273,220
Financial assets available for sale	8,813,335			8,813,335
Financial assets held to maturity	33,502			33,502
Other	14,077,484	106,954	39,810	14,224,248
Total assets	97,487,497	77,479,874	1,253,885	176,221,256
Liabilities				
Amounts due to banks and other financial institutions	46,610,886	9,271,254		55,882,140
Amounts due to customers	23,750,292	71,749,894	1,911,069	97,411,255
Other liabilities	346,375	165,355	325	512,055
Total liabilities	70,707,553	81,186,503	1,911,394	153,805,450
Net position	26,779,944	(3,706,629)	(657,509)	22,415,806

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	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	12,768,196	21,736,984	227,140	34,732,320
Standardized precious metal bullions		8,819		8,819
Amounts due from banks and other financial institutions	411,783	3,668,306	368,662	4,448,751
Financial instruments kept for trading	15,482,300			15,482,300
Loans and advances to customers	57,185,271	73,450,498		130,635,769
Financial assets available for sale	9,571,606			9,571,606
Financial assets held to maturity				-
Other	13,578,663	827,980	36,736	14,443,379
Total assets	108,997,819	99,692,587	632,538	209,322,944
Liabilities				
Amounts due to banks and other financial institutions	50,185,413	11,524,509		61,709,922
Amounts due to customers	29,451,349	86,887,212	547,783	116,886,344
Other liabilities	690,460	61,061		751,521
Total liabilities	80,327,222	98,472,782	547,783	179,347,787
Net position	28,670,597	1,219,805	84,755	29,975,157

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

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

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

Types of derivative financial instruments	Drams	I group foreign currency*	II group foreign currency**	Total
Futures instruments				
- liabilities				
- demands				
Forward instruments				
- liabilities				
- demands				
Options				
- liabilities				
- demands				
Swaps				
- liabilities		2,028,200		2,028,200
- demands	2,078,750			2,078,750
Other derivative instruments				
- liabilities				
- demands				
Net position according to the derivative financial instruments	2,078,750	(2,028,200)	-	50,550
Net open position*	2,078,750	(2,028,200)	-	50,550

Interest rate risk

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

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

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

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

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

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

Average interest rates for interest-bearing financial assets and liabilities as of the end of the reporting period

Item	Reporting period interest rates		Previous period interest rates	
	Drams	Foreign currency	Drams	Foreign currency
	%	%	%	%
Assets				
Balances with CBA				
Amounts due from banks and other financial organizations including				
- interbank loans				
- interbank repo			9.00	
- interbank swap			9.00	9.00
Loans and advances to customers	6-24	13-15	6-24	13-15
Securities held for trading and available for sale	8.0-13.5		7.5-16.3	
Securities held to maturity			11.00	
Liabilities				
Amounts due to banks and other financial institutions	7.78	8-8.5	9.50	5.00
Amounts due to customers	1-14.5	1-9.5	1-13	1-9.5
Liabilities as regards securities issued by the Bank				

Liquidity risk

Liquidity risk depends on redemption of deposits allocated in the Bank, as well as on the availability of sufficient means for timely settling liabilities as regards financial instruments. To manage liquidity risk, the Bank controls expected cash flows related to customers bank transactions, which is brought to conformity with the Bank's general management strategy. The Bank has established limits for permissible level of liquidity risk, which is always in control.

The purpose of the Bank's liquidity management is creation of financial capabilities which will enable meeting the well founded money demands of all types of creditors, depositors and other customers without serious problems which may be reflected in the Bank's balance sheet and off-balance sheet items, as well as ensuring the maximum possible profitability level.

To ensure liquidity and efficiently manage the liquidity risk, the Bank implements coordinated management of assets and liabilities, which assumes:

1. availability of sufficient number of highly liquid assets,
2. sustainability of resources,
3. acceptable time gaps for assets and liabilities,

31.12.2012

Item description	Non-performing		Time remaining to maturity					
	overdue	time	demand	up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
Assets								
Cash in intern. and CBA			11,094,301					
Amounts due from banks and other fin. institutions			3,212,584			182,788	1,113,146	
Loans provided to customers	815,926	3,940,916		24,899,819	12,214,556	26,217,745	46,621,469	9,562,769
Financial assets	-	-	-	11,868,589	-	46,508	1,182,149	7,588,288
held for trade				11,868,589				
available for sale						13,006	1,182,149	7,588,288
held up to maturity						33,502		
Realized under repo agreements								
Other assets	9,323	2	3,936	3,158,016	2,450,849	1,563,038	1,898,367	6,002
*Contractual demands								
Total	825,249	3,940,918	14,310,821	39,926,424	14,665,405	28,010,079	50,815,151	17,157,059
1-st group currency	460,187	2,659,131	7,766,278	11,926,568	4,321,544	18,326,492	31,634,131	
2-nd group currency			646,281	31,660	89,175	178,349	237,798	
Variable interest rate								
Fixed interest rate	815,926	3,940,916	1,097,972	25,571,383	12,214,556	26,447,041	48,549,755	16,556,809
Interest free	9,323	2	13,212,849	14,355,041	2,450,849	1,563,038	2,265,396	600,250
Liabilities								
Amounts due to banks and other fin. institutions			217,743	25,565,532	1,564,517	1,567,993	20,682,684	6,283,671
Amounts due to customers	-	-	17,160,660	13,594,229	22,321,237	36,406,891	7,921,088	7,150
upon demand			17,160,660					
time liability				13,594,229	22,321,237	36,406,891	7,921,088	7,150
Other								
Liabilities for securities issued by the banks								
Other liabilities			35,204	476,851				
Off -balance contingent liabilities		18,763	4,097,771	1,344,904	1,383,009	2,816,308	5,590,880	
*Contractual liabilities								
Total	-	-	17,413,607	39,636,612	23,885,754	37,974,884	28,603,772	6,290,821
1-st group currency			7,128,419	11,436,814	19,979,921	29,675,060	12,966,289	
2-nd group currency			1,495,478	8,986	10,032	396,456	442	
Large-scale liability			17,258	18,757,807	8,181,587	251,078	20,285,294	
Variable rate liability								
Fixed rate liability			17,257,443	38,998,099	23,885,754	37,940,240	28,603,772	6,290,821
Interest free			156,164	638,513	-	34,644		
Net liquidity gap	825,249	3,940,918	(3,102,786)	289,812	(9,220,349)	(9,964,805)	22,211,379	10,866,238
1-st group currency	460,187	2,659,131	637,859	489,754	(15,658,377)	(11,348,568)	18,667,842	-
2-nd group currency	-	-	(849,197)	22,674	79,143	(218,107)	237,356	-
Variable interest rate	-	-	-	-	-	-	-	-
Fixed rate	815,926	3,940,916	(16,159,471)	(13,426,716)	(11,671,198)	(11,493,199)	19,945,983	10,265,988
Cumulative liquidity gap	825,249	4,766,167	1,663,381	1,953,193	(7,267,156)	(17,231,961)	4,979,418	15,845,656

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Item description	Non-performing		Time remaining to maturity					
	overdue	time	demand	up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
Assets								
Cash in intern. and CBA			34,312,320					
Amounts due from banks and other fin. institutions			2,389,796	193,304	71,904	443,808	850,008	
Loans provided to customers	3,889,940	2,392,582		28,531,082	14,147,953	14,593,430	#####	10,090,861
Financial assets	-	-	-	15,486,880	1,028	1,704,837	3,961,316	3,862,120
held for trade				15,482,300				
available for sale				4,580	1,028	1,704,837	3,961,316	3,862,120
held up to maturity								
Realized under repo agreements								
Other assets	322,204	153,152	515,146	2,112,641	94,604	233,585	127,916	5,012,953
*Contractual demands								
Total	4,212,144	2,545,734	37,217,262	46,323,907	14,315,489	16,975,660	#####	18,965,934
1-st group currency	2,275,368	1,119,163	23,995,498	15,437,804	4,339,062	8,953,320	#####	
2-nd group currency			483,798	148,740				
Variable interest rate								
Fixed interest rate	3,885,693	2,392,582	1,211,308	33,923,471	14,020,373	14,913,098	#####	13,952,981
Interest free	326,451	153,152	36,005,954	12,400,436	295,116	2,062,562	8,081,206	5,012,953
Liabilities								
Amounts due to banks and other fin. institutions			78,712	33,400,602	6,058,556	5,977,566	#####	2,225,696
Amounts due to customers	-	-	26,628,973	11,769,560	10,573,251	44,742,474	#####	3,456,694
upon demand			26,628,973					
time liability				11,769,560	10,573,251	44,742,474	#####	3,456,694
Other								
Liabilities for securities issued by the banks								
Other liabilities			40,449	709,035				
Off –balance contingent liabilities	5,851	149,781	4,685,978	2,669,985	1,185,821	8,089,208	5,956,131	
*Contractual liabilities								
Total	-	-	26,748,134	45,879,197	16,631,807	50,720,040	#####	5,682,390
1-st group currency			15,482,630	9,674,561	7,230,075	43,940,972	#####	
2-nd group currency			337,593	82,193	23,287	74,166	30,544	
Large-scale liability			7,693,700	24,898,557	3,193,942	29,534,424	#####	
Variable rate liability								
Fixed rate liability			26,211,088	44,191,272	16,474,870	50,590,223	#####	5,682,390
Interest free			537,046	1,687,925	156,937	129,817	1,286	
Net liquidity gap	4,212,144	2,545,734	10,469,128	444,710	(2,316,318)	#####	#####	13,283,544
1-st group currency	2,275,368	1,119,163	8,512,868	5,763,243	(2,891,013)	#####	#####	-
2-nd group currency	-	-	146,205	66,547	(23,287)	(74,166)	(30,544)	-
Variable interest rate	-	-	-	-	-	-	-	-
fixed rate	3,885,693	2,392,582	(24,999,780)	(10,267,801)	(2,454,497)	#####	#####	8,270,591
Cumulative liquidity gap	4,212,144	6,757,878	17,227,006	17,671,716	15,355,398	#####	9,855,997	23,139,541

Note 42. Collateral accepted

Other guarantees

	Reporting period	Previous period
Other securities	6,673,256	6,419,556
Jewels and precious stones	7,205,672	6,502,684
Real estate	137,122,879	156,287,517
Vehicles	15,962,306	6,184,353
Other PPE	17,973,606	19,395,598
Finished production and goods	21,686,736	30,574,541
Cash	34,680,265	39,270,469
Other collateral	8,887,524	4,505,670
Loan guarantee	49,926,719	31,398,495
Other guarantees	11,511,307	5,840,736
Total	311,630,270	269,140,388

Chairman of the Executive Board

Arsen Mikaelyan

Acting Chief Accountant

Anahit Mirzoyan

Date of approval 14.01.14