

## FINANCIAL ANALYSIS

### attached to the Bank's annual financial reports

As in the previous years, during 2012 as well “ARMBUSINESSBANK” CJSC (hereinafter called the Bank) followed the adopted strategy for progress and dynamic development and rendered modern, high quality banking services, reporting notable achievements in a number of areas.

As a result, during 2012 the Bank proceeded with the development trends of the previous periods ensuring:

- ✓ constant upsurge in assets,
- ✓ loan portfolio growth,
- ✓ increase in customer deposits,
- ✓ expansion and development of the branch network,
- ✓ further amplification of correspondent relationship and cooperation with international funds transfer systems,
- ✓ proactive business in the cards market,
- ✓ widening the range of banking services,
- ✓ establishment of own training centre,
- ✓ carrying out activities for implementing ISO/IEC 27001:2005 Information Security Management System.

#### *Key performance figures*

During the reporting year of 2012, the Bank assets have increased in 19,601,530 thousand drams (by 14%) standing at 186, 739,431 thousand drams. At that, issued loans and advances as of 31 December 2012 constitute a prevailing share in the structure of the Bank assets, thus comprising circa 68% of total assets.

The Bank has proceeded with sustained lending business throughout 2012. This resulted in upsurge of loans and advances to customers in 15,729,834 thousand drams (by 14%), totaling as of December 31, 2012 to 126,803,939 thousand drams. More than 70% (or 88,955,722 thousand drams) out of loans and advances to customers as of December 31, 2012 comprise economic development business loans, which versus the previous period grew in 5,346,931 thousand drams (by 6%).

Bank activity throughout 2012 was leveled at contributing to its objectives in offering beneficial terms to customers for funds attraction and expanding a stable resource base alike. Amounts due to customers increased in the course of the reporting year in 3,182,407 thousand drams (by 3%) standing at 97,411,255 thousand drams. Evidence of customer trust is the fact that term deposits as at 31 December 2012 comprise 77% of amounts due to customers (75,097,843 thousand drams), which grew as compared with the previous year by 40%.

The amount of loss (1,856,741 thousand drams), which the Bank suffered from activity in 2012 was ascribed mainly to allowances to special reserve for potential losses. Due incurred damage, the Bank equity reported a decline by 8%, standing at 20,786,393 thousand drams.

#### *Customers*

As ever, the Bank activities in 2012 were focused on improving the quality of customer service and satisfaction of customer requirements, as evidenced by a significant growth of client base. The number of customers as at December 31, 2011 totalled to 58,997 while by the end of the reporting year 2012 the Bank has already serviced 70,347 clients, out of which 67,718 are individuals and 2,629 are legal entities.

### Branch Network

As part of expanding the geography of its services and in order to make rendered services accessible to a larger circle of customers, the Bank pursues the policy of not only enlarging the branch network but also improving the quality of service in branches. During the reporting period the Bank opened 3 branches: “Sebastia” and “Kanakaner” branch-offices in Yerevan and the third “Dilijan” branch-office in Dilijan. “Stepanakert” branch-office in Stepanakert changed its registered address.

In total, as of 31 December 2012, the Bank has 31 branches; 12 out of them are located in Yerevan, 12 – in the regions of Armenia, and 7 – in NKR.

Also in 2012 the representative office of ARMBUSINESSBANK was registered in Beirut, Lebanon.

### Money Transfers and Correspondent Relations

The Bank expands the volume and geography of money transfers year by year through the establishment of correspondent relationship with resident and non-resident banks, affiliation to local and international payment systems and the amplification of branch network.

During 2012, the Bank persisted in making international money transfers via MONEY GRAM, ANELIK, and BISTRAYA POCHTA (“Express Mail”) money transfer systems. In addition, new collaboration agreements were signed with COINSTAR, Ria, UNISTREAM and Inteleexpress international money transfer systems.

Like in the previous years, in 2012 as well the Bank sought to expand correspondent relations with non-residents, and correspondent accounts with Bank of Georgia (Georgia, Tbilisi) and Raiffeisen Bank International AG (Austria, Vienna) were opened.

As at 31 December 2012, the Bank has correspondent relationship with 32 banks, 21 out of which are nonresidents.

### Loan Programs

In order to further expand the scheme manifolds of loans to customers and afford for most accessible and available lending conditions for them, the Bank proceeded to collaborate during 2012 with a number of prestigious organizations within the scope of lending programs. The year was also marked with the celebration of “Loan Portfolio Guarantee Agreement” and “Memorandum of Understanding” within the framework of “Enterprise Development and Market Competitiveness (EDMC) Program” with US Agency for International Development (USAID).

### Cards

Ascribed to dynamic active business in the cards market, the Bank reported during 2012 an up-growth by 9,593 in the number of issued cards, and as of 31December 2012 the number of the Bank cards totaled to 53,483 including ArCa, VISA International and MasterCard payment systems, fragmented accordingly 22,826, 17,724 and 12,933.

The Bank is a full member of ArCa and VISA International payment systems, and in 2012 was assigned full member status by MasterCard Worldwide.

As well, during 2012 the Bank enlarged the network of operating POS-terminals and ATMs totaling their number accordingly to 256 and 102. The number of currency exchange machines amounted to 59. In addition, during the reporting year 19 self-service banking machines were launched combining automatic teller machine and currency exchange functions.

#### *New services*

The reporting year 2012 added on the services rendered by the Bank with several more facilities:

- ✓ Opening unallocated metal accounts,
- ✓ Gold bullions sale,
- ✓ “Voyage” & “Gold Voyage” travel packages.

#### *Personnel policy*

Throughout the reporting year 2012, as part of human resources policy, the Bank persisted in attracting qualified staff and making to the extent possible a proper placement of human resources, and minimizing fluctuation movement of personnel.

Versus 583 employees of the previous year, the Bank staff as at 31 December 2012 consisted of 677 employees.

In 2012 the Bank established a training centre in order to improve through training courses, workshops, seminars and certification tests employee knowledge and skills, upgrade proficiency level of the Bank staff.

#### *ISO/IEC 27001:2005 standards*

In the course of the reporting year, the Bank had carried out arrangements for the implementation of ISO/IEC 27001:2005 Information Security Management System.

Chairman of the Board	Sergey Arzumanyan
Board Member	Alik Chirkinyan
Chairman of the Executive Board	Ara Kirakosyan
Chief Accountant	Ruzan Khachatryan