

Interim report
on financial results
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

| Item | Notes | Current interim period | Comparable current interim period of previous fiscal year |
|---|-------|------------------------|---|
| Interest and similar income | 3 | 1,588,713 | 1,375,623 |
| Interest and similar expenses | 3 | (755,556) | (672,176) |
| Net interest and similar income | | 833,157 | 703,447 |
| Income as commissions and other fees | 4 | 393,940 | 312,645 |
| Expenses as commissions and other fees | 4 | (85,823) | (63,817) |
| Net commissions and other income | | 308,117 | 248,828 |
| Income from dividends | | | - |
| Net commercial income | 5 | 192,093 | 153,725 |
| Other operational income | 6 | 30,953 | 32,985 |
| Operational income | | 1,364,320 | 1,138,985 |
| Net allocations to possible asset loss provisions | 7 | (236,841) | (53,269) |
| Total administrative expenses | 8 | (910,489) | (873,367) |
| Other operational expenses | 9 | (242,807) | (321,002) |
| Profit/ (loss) before taxation | | (25,817) | (108,653) |
| Profit tax expenses (compensation) | 11 | 10,861 | 2,961 |
| Profit for period | | (14,956) | (105,692) |
| Including: | | | |
| Holding institution's stock | | | |
| Uncontrolled stock | | | |

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report
on other comprehensive financial results
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

| Item | Notes | Current interim period | Comparable current interim period of previous fiscal year |
|---|-------|------------------------|---|
| Other comprehensive financial result | | | |
| Revaluations of financial assets available for sale | | 1,629 | 119,626 |
| Profit tax on other comprehensive income | | (326) | (23,925) |
| Other comprehensive financial result after taxation | | 1,303 | 95,701 |
| Comprehensive financial result | | (13,653) | (9,991) |
| Including: | | | |
| Holding institution's stock | | | |
| Uncontrolled stock | | | |

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report
on financial position
31 March 2013

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

| | Item | Notes | As of the end of current interim period (unchecked) | As of the end of preceding fiscal year (unchecked) |
|----------|---|-------|--|---|
| 1 | Assets | | | |
| 1.1 | Cash in hand and balances with the RA Central Bank | 13 | 11,154,255 | 12,540,846 |
| 1.2 | Bank standardized bullion of precious metals and memorial coins | | 36,793 | 57,002 |
| 1.3 | Claims to banks and other financial institutions | 14 | 8,183,391 | 10,598,325 |
| 1.4 | Financial assets held for commercial purposes | 15 | 1,982 | 20,030 |
| 1.5 | Loans and advances to customers | 16 | 35,909,744 | 32,910,907 |
| 1.6 | Financial assets available for sale | 17 | 1,369,834 | 814,758 |
| 1.6.1 | Securities pledged under repurchase agreements | 17.1 | 3,486,648 | 4,364,982 |
| 1.7 | Advance payment of profit tax | | 20,878 | |
| 1.8 | Investment in chartered capital of controlled entities | 19 | 349,000 | 349,000 |
| 1.9 | Non-current assets held for sale | | 50,887 | 50,887 |
| 1.10 | Fixed assets | 20 | 3,159,499 | 3,056,114 |
| 1.10.1 | Intangible assets | 20 | 97,318 | 100,674 |
| 1.12 | Other assets | 21 | 509,243 | 948,449 |
| | Total assets | | 64,329,472 | 65,811,974 |
| 2 | Liabilities | | | |
| 2.1 | Liabilities to banks and other financial institutions | 22 | 17,331,745 | 18,276,880 |
| 2.2 | Liabilities to customers | 23 | 37,048,825 | 37,264,858 |
| 2.3 | Liabilities for current taxes | | | 13,150 |
| 2.5 | Liabilities held for commercial purposes | 25 | 20,222 | 335,862 |
| 2.6 | Amounts payable | 26 | 53,832 | 56,171 |
| 2.7 | Deferred tax liabilities | 11 | 12,440 | 27,321 |
| 2.8 | Reserves | 30 | | |
| 2.9 | Other liabilities | 27 | 393,250 | 354,921 |
| | Total liabilities | | 54,860,314 | 56,329,163 |
| 3 | Capital | | | |
| 3.1 | Chartered capital | 28 | 2,333,338 | 2,333,338 |
| 3.2 | Emission income | | | |
| 3.3 | Reserves: | | | |
| 3.3.1 | Main reserve | | 5,405,133 | 5,405,133 |
| 3.3.2 | Revaluation reserve | | 180,182 | 178,879 |
| 3.4 | Undistributed profit (loss) | | 1,550,505 | 1,565,461 |
| 3.5 | Other elements of capital | 29 | | |
| | Capital owned by holding organization | | | |
| | Minority stock | | | |
| | Total capital | | 9,469,158 | 9,482,811 |
| | Total liabilities and capital | | 64,329,472 | 65,811,974 |

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report
on cash flows
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

| Item | Notes | Accounting period (unchecked) | Previous period (unchecked) |
|--|-------|----------------------------------|--------------------------------|
| 1. Cash flows from operations | | | |
| <i>Net cash flows before changes in operational assets and liabilities</i> | | 484,159 | 103,028 |
| Interest received | | 1,733,108 | 1,329,718 |
| Interest paid | | (718,770) | (668,933) |
| Fees earned | | 393,940 | 315,706 |
| Fees paid | | (85,823) | (63,817) |
| Gain (loss) from financial assets held for commercial purposes | | 2,371 | 16,372 |
| Gain (loss) from forex operations | | 150,371 | 154,355 |
| Recovery of previously written-off assets | | 41,596 | 20,242 |
| Paid salaries and similar payments | | (647,249) | (526,862) |
| Other income received from operations and other expenses paid | | (385,386) | (473,753) |
| <i>Cash flows from changes in operational assets and liabilities</i> | | | |
| Decrease/(increase) in operational assets. | | 1,051,061 | (5,287,696) |
| including: claims to financial institutions | | 3,398,682 | (4,312,434) |
| loans and advances to customers | | (2,696,360) | (43,608) |
| increase/ (decrease) in securities held for commercial purposes and available for sale | | (124,395) | (1,021,350) |
| decrease/(increase) of other operational assets | | 473,134 | 89,696 |
| Increase (decrease) of operational liabilities | | (3,398,279) | (1,976,712) |
| Liabilities to financial institutions (decrease) | | (1,034,400) | (3,543,224) |
| Liabilities to customers (decrease) | | (2,380,910) | 1,578,400 |
| decrease (increase) of other operational liabilities | | 17,031 | (11,888) |
| Net cash flows from operations before profit tax | | (1,863,059) | (7,161,380) |
| Profit tax paid | | (38,375) | (88,375) |
| Net cash flows from operations | | (1,901,434) | (7,249,755) |
| 2. Cash flows from investments | | | |
| Decrease (increase) of investments in chartered capitals of other parties | | | |
| Decrease (increase) of capital investments in fixed assets and intangible assets | | (30,036) | (7,009) |
| Acquisition of fixed assets and intangible assets | | (133,765) | (105,253) |
| Sale of fixed assets and intangible assets | | | 4,184 |
| Net cash flows from investment operations | | (163,801) | (108,078) |
| 3. Cash flows from financial operations | | | |
| Dividends paid | | (3,005) | (562) |
| Increase (decrease) of borrowings from the Central Bank of Armenia | | (16,261) | (24,007) |
| Increase (decrease) of borrowings from banks | | 1,587,452 | (1,700,000) |
| Increase (decrease) of other borrowings | | (823,916) | 726,598 |
| Net cash flows from financial operations | | 744,270 | (997,971) |
| Impact of exchange rate change on cash and its equivalents | | 236,955 | 188,819 |
| Net increase/(decrease) of cash and its equivalents | | (1,320,965) | (8,355,804) |
| Cash and its equivalents at the beginning of the period | | 13_2 14,988,474 | 19,332,887 |
| Cash and its equivalents at the end of the period | | 13_2 13,904,463 | 11,165,902 |

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report
on equity changes
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

| Equity elements | Chartered capital | | | Emission income/loss | Main reserve | Exchange rate differences from recalculation of overseas operations | Revaluation of financial assets available for sale | Hedging of cash flows | Gains from revaluation of non-current assets | Undistributed profit/loss | Interim dividends | Total | Uncontrolled share | Total capital |
|--|-------------------|---------------------|------------|----------------------|--------------|---|--|-----------------------|--|---------------------------|-------------------|-----------|--------------------|---------------|
| | Chartered capital | Repurchased capital | Net amount | | | | | | | | | | | |
| Items | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Comparable current interim period of previous financial year ascending from the beginning of the year) (I table) | | | | | | | | | | | | | | |
| 1. Balance as of the beginning of the previous financial year, 01 January 2012 (checked) | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 82,126 | - | - | 1,401,298 | - | 9,221,895 | - | 9,221,895 |
| 1.1. General results of changes in accounting policy and correction of material errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Recalculated balance | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 82,126 | - | - | 1,401,298 | - | 9,221,895 | - | 9,221,895 |
| 3.2. Decrease of Chartered Capital, including such on the account of shares (shareholding, stock) repurchased and taken out of circulation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Comprehensive income | - | - | - | - | - | - | 95,701 | - | - | (105,692) | - | (9,991) | - | (9,991) |
| 5. Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6.1. Deductions to main reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. Balance as of the end of the comparable interim period in previous financial year, 31.03.12 (unchecked) | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 177,827 | - | - | 1,295,606 | - | 9,211,904 | - | 9,211,904 |
| Interim period of current year (ascending from beginning of year) (II table) | | | | | | | | | | | | | | |
| 9. Balance as of the beginning of the previous financial year, 01 January 2013 (unchecked) | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 178,879 | - | - | 1,565,461 | - | 9,482,811 | - | 9,482,811 |
| 9.1. General results of changes in accounting policy and correction of material errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10. Recalculated balance | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 178,879 | - | - | 1,565,461 | - | 9,482,811 | - | 9,482,811 |
| 12. Comprehensive income | - | - | - | - | - | - | 1,303 | - | - | (14,956) | - | (13,653) | - | (13,653) |
| 13. Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 16. Balance as of the end of the comparable interim period in previous financial year, 31.03.13 (unchecked) | 2,333,338 | - | 2,333,338 | - | 5,405,133 | - | 180,182 | - | - | 1,550,505 | - | 9,469,158 | - | 9,469,158 |

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Notes to the interim reports published in the 1st quarter 2013
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Note 1. Legal Field and Corporate Governance

Legal Field

ARMECONOMBANK OJSC (hereinafter the Bank) was founded in 1991, is the successor of former USSR Zhilsotsbank Armenian Republican Bank and was reorganized as an open joint stock company in 1995 and operated on the basis of the legislation of the Republic of Armenia (hereinafter RA). The bank was registered by the Central Bank of Armenia (hereinafter the CBA) with No1 License number.

The head office of the Bank and 19 branches are located in Yerevan, another 19 branches in regions, and 1 in NKR. The legal address of the bank is 23/1 Amiryan Str., Yerevan.

Main activities

As a universal financial institution, ARMECONOMBANK OJSC offers its customers a comprehensive package of services. The prevailing part of the bank's activities falls to lending. The bank offers lending to almost all sectors of the economy conditioned with the level of the risk and the prospect of the given project. The bank actively operates in the area of lending with international lending programs. The bank extends commercial, consumer and mortgage loans.

Business environment

Political and economic changes are very common in Armenia. As an emerging market, Armenia does not have a perfect business environment and corresponding sub-structures which usually exist in countries having free market economy.

Moreover, these conditions set limits to the volumes of transactions in financial markets and real values of the transactions may not comply with the performed transactions. The main obstacle of further economic development is the low level of economic and institutional development paralleled with territorial instability, centralized economic base and impact of international economic crisis.

International economic crisis led to reduction of GDP of Armenia as well as that of transfers from abroad on which Armenian economy depends much.

Corporate Governance

Bank management bodies are: Shareholders' General Meeting as the highest body of Bank management, the Board, the Management and the CEO.

Structure and members of the Board

Chairman of the Board

S. Sukiasyan

Board members

A. Melikyan

A. Simonyan,

C. Falco

S. Gharibyan

Structure and members of the Bank's management

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO

A. Ter-Hakobyan

Chief Accountant

D. Azatyan

Head of Territorial Management Department

A. Araqelyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Lending and Resource Attraction Department

R. Hayrapetyan

The structure of the Bank's property and the number of shareholders/participants at the end of the accounting period.

As of 31.03.2013 the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1422 shareholders.

Main participants

Sukiasyan Saribek Albert

22.6 %

| | |
|--|--------|
| Sukiasyan Khachatur Albert | 19.5 % |
| Sukiasyan Ropert Albert | 10.3 % |
| European Bank for Reconstruction and Development | 25.0 % |

Remuneration Policy of the Bank’s Management

No special policy for the bank’s management remuneration is applied at the Bank. The remuneration of top management is made based on the staff list approved by the Board.

Payments to statutory auditors

The Bank’s statutory auditors are presented to the General Meeting of the Bank Shareholders and elected by the latter. And the size of their remuneration is established by the Bank Board.

Note2. “Accounting Policy”

Preparation and submission of ARMECONOMBANK OJSC financial statements

Financial statements are formed in compliance with the Armenian Legislation and sub-legislative acts, the principles of forming of financial statements published by the Board of Financial Accounting Standards, guidelines of applying the principles, and the legal acts approved by the Board of the Central Bank. The financial statements are formed on the basis of the bank’s accounting.

The statements are made in thousands of Armenian drams without decimal units. The accounting year for financial statements is the period from January 1 to December 31 inclusive.

The financial statements are prepared based on the principle of fair value for financial assets and liabilities carried at fair value and adjusted by financial results, as well as for available-for-sale assets, except the ones the fair value of which can’t be decided. Financial statements for other financial as well as non-financial assets and liabilities are prepared under their historical value.

The financial statements of the Bank (except the Statement on Cash flows) are prepared on accrual basis.

The financial statements of the Bank (except the Statement on Cash flows) are prepared on accrual basis.

RECOGNITION OF INCOME AND EXPENSES

Interest incomes and expenses for all interest earning financial tools, except tools accounted for real value reappraised by profit/loss, in reports on financial results, using

effective interest rate method are recognized as “interest income” and “interest expense”. Registration of interests for overdrafts, overnights, lines of credit, corresponding accounts, bank accounts, demand deposits is implemented by linear way, if the bank cannot foresee future cash flows of these assets. Registration of interests of depreciated loans is not stopped. If balance sheet value of the financial asset or group of similar financial assets decreases because of losses from depreciation, the interest income continues to be recognized towards new balance sheet value.

Amounts receivable as fines and penalties are added to incomes every day. Corresponding agreements are basis for calculation of size of added amount. :

Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day.

Fees charged for lending (together with corresponding costs) are differed adjusting the effective interest rate of the loan. Other incomes and expenses especially rentals, advertisement, building maintenance, technical service liabilities, as well as costs of fuel for vehicles are reflected in the Statement on Financial Results on accrual basis taking into account the relevant contract, or payments of the previous period. The accrual of non-interest expenses up to AMD 10,000 is performed on the last working day of each month, while the accrual of non-interest expenses exceeding AMD 10,000 is made daily. The accrual of expenses on holiday payments is made daily.

Amortized deductions on fixed assets (including those received from financial leasing), capital investments for leased property and intangible assets are performed each day in amounts defined by this policy and are adjusted on the last working day of each month.

Dividends are entered into the Statement on Financial Results according to accrual principle at the moment they are declared.

FOREIGN EXCHANGE OPERATIONS

Transactions concluded in foreign currency are recalculated in accordance with operational currency - exchange rate of transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated at the average exchange rate set by the Central Bank of Armenia on the balance sheet date. The gains and losses from foreign currency transactions and from revaluation of monetary assets and liabilities denominated foreign currencies are reflected in the Statement on Financial Results as income and expenses. Foreign currency non cash assets and liabilities, presented in their prime value, are translated into their AMD equivalent by the exchange rate of transaction date.

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances, etc.). When establishing the exchange rates the rates operative in foreign exchange International market at that moment and those reflected in “REUTERS

DEALING” system are also taken into account, besides the aforementioned factors.

TAX ACCOUNTING

Accounting on income tax, value added tax, property tax, land tax and obligatory social insurance payments should be carried out in compliance with Armenian tax legislation.

Accounting on value added tax is made in accordance with Article 27 of the Law on “Value Added Tax”; the amount of value added tax subject to netting (deduction) during the accounting period is accounted arising from the percentage ratio of turnover of taxable transactions in the overall turnover of performed transactions.

The income tax of the accounting period comprises current and deferred taxes. The amount of current income tax is computed in accordance to requirements set forth in RA Legislation, the liability of income tax is accrued towards the tax profit for each day (taking into account non-deductible expenses from income) and on the last working day of each month it is being adjusted.

Deferred taxes, if any, occur on temporary differences between the tax base of an asset or liability or its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax liabilities, if any, which result from temporary differences are provided for in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax amounts on securities are adjusted on a quarterly basis.

Income tax assets and liabilities are offset when the Bank:

Has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities,

Has an intention to make the settlement on a net basis, or to realize the asset and settle the liability simultaneously,

The deferred tax asset and deferred tax liability relate to profit taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities or assets are anticipated to be settled or recovered.

CASH AND CASH EQUIVALENTS

The booking of the bank’s actual cash interflows (deposits) and/or outflows (withdrawals) is made by the nominal value of currencies, on the basis of payment documents duly prepared, stipulated by the procedure regulating teller operations, and other procedures and legal acts of the Bank. The statement on cash flows is made by direct method

Cash and cash equivalents consist of cash drams, funds kept in Central Bank of

Armenia (except amounts deposited for mutual settlement through ARCA clearing system) and amounts of other banks, which may be converted into cash in short period and are not exposed to considerable risk of change of value. Cash facilities and their equivalents are recorded by amortized value.

FINANCIAL INSTRUMENTS

The bank recognizes financial assets and liabilities on its balance sheet, when and only when it becomes the counterparty of that Instrument.

Financial assets and liabilities are initially recognized at cost, which is the fair value of reimbursement given or received, including or net of any transaction costs incurred, respectively. After the initial recognition all financial liabilities, except financial tools accounted for real value reappraised by profit/loss, are accounted for amortized value using effective interest rate method. After the initial recognition financial tools accounted for real value reappraised by profit/loss are accounted for real value.

The Bank classifies its financial assets into the following categories: financial assets held for trading, available-for-sale financial assets, loans and receivables, held-to-maturity investments. Such classification of investments is made on the moment of their purchase based on the evaluations made by the Bank's management. After the initial recognition all the financial liabilities (with exception of financial instruments accounted by their real value and re-measured by profit/loss) are recorded by the amortized value using the efficient interest rate method.

The Bank classifies its financial assets into the following categories: financial assets held for trading, available-for-sale financial assets, loans and receivables, held-to-maturity investments. Such classification of investments is made on the moment of their purchase based on the evaluations made by the Bank's management.

Held for trading assets are the assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. An asset should be classified as held for trading if, regardless of why it was acquired, it is part of a portfolio for which there exists an evidence of actual possibility of short-term profit making. During the initial recognition securities held for trading are accounted by fair value.

Afterwards they are re-accounted by fair value based on the existing market prices. All the corresponding realized and unrealized gains and losses are registered in the income statement (Item of income received from the securities held for trading).

Available-for-sale investments are those intended by the Bank to be held for an indefinite period of time, which may be sold, arising from liquidity needs or changes in interest rates, exchange rates or equity prices. Realized or unrealized gains and losses arising from changes in the fair value of available-for-sale securities are reflected in the financial results as profit and loss from equity revaluation. When the securities are sold,

the adjustments of their fair value are recognized in the statement on financial results as profit or loss from classified available-for-sale securities. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into assets-held-for-trading. Dividends on available-for-sale chief instruments are entered into the statement on financial results, when the Bank becomes entitled to collect the dividends. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The investments in subsidiaries that have no material impact on the bank's financial statements are accounted in their prime value, less the amount of possible loss provision.

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor, with no intention of trading the receivable.

Held-to-maturity securities -Securities with fixed maturities are classified as held-to-maturity, when the bank has the positive intention and ability to hold those investments to maturity. If the Bank sells any significant amount of held-to-maturity assets the whole class will be reclassified into available-for-sale. Held-to-maturity investments are carried at amortized cost, using the effective interest rate method, less any possible loan loss provisions.

During its activities, the bank acts as a party of agreements in derivative instruments that includes futures, forwards, swaps and options. All derivative instruments are classified as ones kept for commercial purposes and their accounting is carried out as per the Policies of Initial Recognition of Financial Instruments to be later re-measured at real value. The real value is established by the pricing in the markets or by applying such models on the basis of which the assessments of the current condition of the markets, the contractual prices of base instruments and other factors lays. The derivative instruments with positive real value are accounted as assets and the ones with negative real value-liabilities. The products from the given operations are accounted as profit or loss from assets or foreign exchange operations kept for commercial purposes.

In case of accounting of hedges the results of changes in fair values of hedging instruments and relevant hedging articles are proportionally recognized as net profit and loss in the income statement.

REPURCHASE AGREEMENTS

Repurchase agreements are used by the Bank as elements of its treasury management and trading business. These agreements are accounted for as financing

transactions.

Securities sold under repurchase agreements are accounted for as securities held-for trading and available-for-sale securities and funds received under these agreements are included into amounts due to other banks or amounts due to customers. The amounts extended against securities purchased under Repurchase Agreement are accounted for as Due to other banks or Loans and Borrowings to Customers. Any income or expense arising from purchase and sale of the underlying securities is recognized as interest income or expense, accrued during the period that the related transactions are open.

LEASES

To insure the continuity of its performance the Bank may lease lands, buildings and areas, other property plant and equipment and may make capital investments in them. The accounting on leases is carried in accordance to RA legislation.

Leases of assets, under which the risk and rewards of ownership are retained with the lessor are classified as operating leases. Rentals under operating leases are recognized as expense in the statement on financial results on a straight-line basis over the lease term and are included in operating expenses.

The spending on rented land, building, spaces, and other fixed assets, which raise the value of rented fixed asset, are viewed as capital expenses and are recognized as asset in the in the part exceeding 10% of the asset. The given expenses are depreciated by straight line method during residual period of usable service of the corresponding asset.

FINANCIAL ASSETS' POSSIBLE LOSS PROVISION

The classification of the Bank's assets and possible loss provisioning are made in conformity with the requirements of Armenian legislation.

As the published financial reports are drafted, further corrections of provisions in compliance with IFRS are made..

INTANGIBLE ASSETS

Intangible assets are initially recorded at their prime cost in AMD. Intangible assets purchased in foreign currency are recorded by the average exchange rate of purchase date fixed by the CBA, and are not revaluated in case of further changes of the exchange rate.

The prime cost of internally generated intangible assets is defined in the development period of the asset in compliance with accounting standards if it is

possible to show the correspondence of the internally generated intangible asset to the requirements set by the standard. The initial value of internally generated computer software is defined in compliance with criteria of asset recognition.

Attribution of the item of intangible asset to any category (computer software, licenses and power of attorney, copyrights, etc.) set by the “Card of Accounts of the Banks Operating within the Territory of RA” and “The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA” is made based on the methodical instructions of the Chief accountant, arising from its usage specifications.

The initial cost of internally generated intangible asset comprises the expenses set by accounting standards. The initial cost includes only those expenses made during the accounting quarter during which the asset has been recognized.

Subsequent expenditures made on intangible assets, which can be added to the value of an intangible asset in compliance with the requirements of accounting standards, are recorded as capital investments and are added to the value of the asset by the resolution of the Bank.

Amortization term for each item of intangible assets is decided by the Bank based on the criteria set by the accounting standards. Namely, the amortization term of internally generated computer software, taking into account the information on the estimated useful lives of software of the same type available in the market at the moment, terms of actual useful lives of software used at the Bank before, other criteria set by the Standard.

The Bank uses the straight-line method to allocate depreciation amount of intangible assets over their useful lives.

The amortization period and the amortization method of intangible assets should be set in compliance with the accounting standards, within the period of the agreement so signed and in case of the absence of such period a period of 10 years will be set. Amortization method is changed by making corresponding changes in this Policy by the Bank’s Board.

In case of significant fluctuations in fair value of intangible assets, they are revalued based on the resolution of the Bank’s Board.

The disclosure of information required by the accounting standards on internally generated intangible assets in financial statements is performed separately.

Fixed assets

The unit of fixed assets that complies with the recognition of the standards of the asset is measured at their initial value (prime cost) in AMD. The fixed assets purchased in foreign currency are registered as of the day of the purchase at the average exchange rate set by the Central Bank of Armenia and shall not be re-valued in case of exchange rate change.

The initial value of the unit of fixed assets comprises its purchase cost, taxes, including VAT, import duties and other obligatory payments, which are not subject to be returned to the bank by relevant authorities and any expenses related to bringing the asset to working state for its purposeful usage. Any discount or privilege provided is deducted from the purchase cost.

The measurement of value, recognition, further expenses, revaluations and withdrawals on purpose of recording of the unit of property, plant and equipment is made in the order prescribed by RA legislation, as well as by the Bank's internal legal acts.

Attribution of the unit of fixed assets to any category (property and stationery communication means, calculating, computer and automated equipment, vehicles, depreciable property, etc.) set by the Card of Accounts of the Banks Operating within the Territory of RA and The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA is made based on the methodical instructions of the Chief accountant, arising from their usage specifications and purposes.

Fixed assets are recorded with the difference of initial value and accumulated depreciation taking into account the accumulated impairment losses. Depreciation is calculated using the straight-line method over the period of the asset's useful life applying the following annual depreciation rates:

| | |
|---|---------------|
| Building | 50 years, 2% |
| Computers | 5 years, 20% |
| Transportation means | 8 years 12.5% |
| Other fixed assets, transportation means | |
| UPS batteries, ATMs | 8 years 12.5% |
| Property, office equipment, etc. | |
| Other computer equipment | |
| Printing devices (printers, scanners, copying devices), POS terminals, modems, network devices, | 3 years 33.3% |
| Fixed assets costing up to AMD 50.000 | 1 year 100% |

The depreciation of fixed assets which are in operation until January 1 2013, connected with review of terms of useful services is calculated as follows: the balance sheet value of fixed assets (initial value minus accumulated depreciation) is distributed by linear method of depreciation calculation in the newly defined residual term of useful service. The latter represents the time difference between the useful life cycle set from 1 January 2013 and the period from the starting date of use until 1 January 2013.

For fixed assets acquired after 01.01.2013 residual value amounts to 0.1% of their initial value, however not more than AMD20.000, except buildings and transportation means residual value of which amounts to 1% of their initial value.

For fixed assets acquired up to 01.01.2013 the residual value amounts to 0.1% of their balance sheet value, however not more than AMD 20.000, except building and transportation means residual value of which amounts to 1% of their balance sheet value. Depreciation is not calculated for land.

Repairs and maintenance are recognized in the statement on financial results as expenses during the period in which they are incurred.

The expenditures raising the operational efficacy of property, plant and equipment compared with the preliminary evaluated normative indicators are recognized as capital expenditures and are added to the initial value of the asset. If the size of construction expenses performed during the year exceeds the 10% of the asset's initial value (re-estimation value if the revaluation has been made in the order set by the law) then the expenses are also recognized as capital expenditures and are added to the initial value of the asset. The abovementioned expenditures are amortized using the straight-line method over the residual term of the asset's useful life if they don't exceed the 10% of the residual value of property, plant and equipment as of January 1 of the year; otherwise they are amortized during the whole period of useful life.

The outcome occurred from write off or disposal of a fixed asset is determined as a difference between net credits from asset disposal and its balance sheet value and is recognized as an income or loss in the income statement.

In case of significant fluctuation of the real (market) value of the Bank's fixed assets (25% during financial year) the latter are reassessed based on the decision of the Bank's Board. The revaluation is conducted by an independent company with relevant license. The results of revaluation are reflected in the Bank's balance sheet and Income statement in the manner prescribed by accounting standards. The growth occurred in the outcome of revaluation is charged to the undistributed profit along with calculation of amortization during the use of the set by the Bank. The size of charged off amount is determined by the difference between amortization calculated on the basis of revaluated balance sheet value of the asset and amortization calculated on the basis of Initial value of the asset. The charge of the growth occurred in the result of revaluation to undistributed profit is not reflected in the Income statement.

The capital expenses on leased fixed assets are capitalized and amortized by linear method during the residual term of useful life of the asset.

Assets recorded as capital investments in the fixed assets, as well as out of use fixed assets are not amortized.

INVENTORY

The Bank's inventory includes: short-life items, goods, including property which has passed to the Bank as a result of sequestration of pledge, materials and supplies, which are to be used by the bank during its performance. Short-life items are assets the

useful lives of which do not exceed a year. The inventories are measured at the lower of cost and net realizable value.

The cost of the inventory is determined by the formula of average weighted value.

The cost of the short-life items is written off at the beginning of their utilization.

SETTLEMENTS BETWEEN THE BANK AND BRANCHES

Reciprocal accounts of the Bank's Head Office and its branches are compared each day per separate currencies via report received through program. The errors revealed are corrected during that day. While drafting the balance sheet, the settlement accounts among the Head Office and its branches are brought to zero. The settlement accounts between the Bank's Head Office and its branches are being closed weekly.

SHARE CAPITAL AND TREASURY STOCK

Ordinary shares are included in equity (general) capital. Dividends on ordinary shares are recognized in equity capital in the period in which they are declared. Dividends for current year, which are declared after the balance sheet date, are disclosed in the subsequent events note. Basic earnings per share should be calculated by dividing the net profit for the period attributable to the shareholders by the weighed average number of ordinary shares outstanding during the period.

Under certain circumstances and according to procedure established by the RA legislation the Bank may repurchase its equity share capital. In this case reimbursement paid is deducted from total shareholders' equity and is reflected as treasury stock until it is cancelled. Where such shares are subset gently sold any reimbursement received is included in shareholders' equity.

The positive difference between the price paid by investor's for purchase of common shares and their nominal value is recognized in the equity as emissive fee on extraordinary shares.

ATTRACTED FUNDS

Attracted funds comprising accounts, issued securities and subordinate borrowings of Government and the Central Bank are initially recognized at the real value of received funds, less direct costs for operations. After initial recognition, attracted funds are accounted for in amortized value using effective interest rate method.

SOCIAL INSURANCE BENEFITS

The Bank does not have any pension arrangement separate from the state pension fund of RA, which requires current contributions by the employer calculated as a

percentage of current gross Salary payments. The expenses related to contributions to the above mentioned fund are charged to the statement on financial results in the period, which they are related to.

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognized in financial statements, but are disclosed in the accompanying notes. However, they are not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in financial statements, but is disclosed in the accompanying notes, when an inflow of economic benefits becomes probable.

CONSOLIDATED FINANCIAL STATEMENTS

In cases set forth by legislation the Bank prepares consolidated financial statements in accordance with accounting standards and the Procedure on Compilation of Consolidated Financial Statements Presented to the Central Bank of Armenia by the Banks Acting within the Territory of Armenia" approved by the Board of the Central Bank of Armenia.

SEGMENT STATEMENTS

The Bank uses the information of business-segments (per Individuals, organizations and rendered investment services) as a primary presentation form. Geographical segments are considered to be secondary presentation forms.

ISSUED CORPORATE BONDS

Issued corporate bonds are initially recognized at their real value, which is the real cost of reimbursement received against them, less the transaction expenses.

Corporate bonds issued afterwards are measured at their amortization value, and any difference between net reimbursement and reimbursed amounts, is reflected in the income and expense statement in the period of circulation of those securities, applying the effective interest method.

COMPARABLE INFORMATION

In case of necessity comparable figures are adjusted in order to ensure the comparability with the current year.

AFTER BALANCE SHEET DATE EVENTS

Respective corrections in the balance sheet, if necessary, after the date of balance

sheet formed on the last working day of the fiscal year, are made in the following cases:

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

On purpose of reflection of clarifying events after the balance sheet date.

In cases if the bank reveals errors on its own, if the amount of material error depends on the size or nature of the given transaction or size and nature of the article, and if the change of figures reflected in the balance sheet will be of a little importance, and if non-disclosure of that information will not impact decisions made on the basis of financial statements' data, no amendments will be made in the balance sheet of previous year.

If fundamental errors are discovered or arise after the publication of the Bank's annual financial statements as per the established order, then no adjustments shall be made and the representation of such information is considered to be unrealizable.

Note 3. Net Interest and Similar Income

Thousand AMD

| Interest and similar income | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|--|------------------------------|------------------------------|
| Interest income from the bank's current accounts, deposits and loans allocated with Banks and other financial Institutions | 35,562 | 95,336 |
| Interest income from loans and advances to customers | 1,352,542 | 1,148,390 |
| Interest income from debt securities | 150,189 | 102,921 |
| Interest income from REPO agreements | 33,807 | 28,976 |
| Other interest income | 16,613 | - |
| Total | 1,588,713 | 1,375,623 |
| Interest and similar expenses | | |
| Interest expenses from the bank's current accounts, deposits and loans attracted from Banks and other financial Institutions | 252,941 | 259,197 |
| Interest expenses on term deposits and current accounts of customers | 438,030 | 399,982 |
| Interest expenses on issued securities | - | - |
| Interest expenses under REPO agreements | 55,812 | 11,150 |
| Other interest expenses | 8,773 | 1,847 |
| Total | 755,556 | 672,176 |
| Net interest and similar expense | 833,157 | 703,447 |

Note 4. Commission and other fee income and expenses

Thousand AMD

| Commission and other fee income from | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|--|------------------------------|------------------------------|
| Cashier's operations | 34,689 | 35,335 |
| Settlement services | 223,522 | 152,639 |
| Guarantees, warranties, letter of credit operations, trust management operations | 3,350 | 1,954 |
| Foreign currency and security operations | 7,757 | 6,196 |
| Payment card servicing | 9,857 | 17,616 |
| Other commission fees | 114,765 | 98,905 |
| Total | 393,940 | 312,645 |
| Commission and other fee expenses | | |
| Commission fees from correspondent and other accounts | 2 | 986 |
| Expenses for payment card operations | 31,064 | 20,646 |
| Guarantees, warranties, letter of credit operations, trust management operations | 204 | 1,025 |
| Foreign currency and security operations | 10,503 | 1,873 |
| Other commission fees* | 44,050 | 39,287 |
| Total | 85,823 | 63,817 |
| Net commission and other fees received | 308,117 | 248,828 |

*Other commission fee expenses have been made for received payment-settlement services and loans received from international financial institutions

Note 5. Net income from commercial operations

Thousand AMD

| Held-for-trading investments | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|--|------------------------------|------------------------------|
| Net income from sale/purchase of held-for-trading investments | (18,126) | (1,017) |
| Shares | | |
| Debt securities | | |
| Derivatives | (18,126) | (1,017) |
| Net income from changes in real value of held-for-trading investments for commercial purpose | (28,340) | (41) |
| Total | (46,466) | (1,058) |
| Available-for-sale investments | | |
| Net income from sale/purchase of available-for-sale investments from | 2,371 | 16,372 |
| Shares | | |
| Debt securities | 2,371 | 16,372 |
| Derivatives | - | - |
| Net income from changes in real value of available-for-sale investments | - | - |
| Total | 2,371 | 16,372 |
| Foreign currency operations | | |
| Net income from foreign currency sale/purchase | 150,371 | 153,235 |

| | | |
|--|----------------|----------------|
| Net income from foreign currency revaluation | 82,961 | (16,705) |
| Net Income from precious standardized bullions and coins trade | 1,693 | 1,120 |
| Net Income from precious standardized bullions and coins trade | 1,163 | 761 |
| Total | 236,188 | 138,411 |
| Net income from commercial operations | 192,093 | 153,725 |

Note 6. Other operational income

Thousand AMD

| | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|---|-----------------------|-----------------------|
| Other operational income | | |
| Income from penalties and fines | 25,174 | 23,296 |
| Income from factoring | - | 1,847 |
| Net income from disposal of fixed and intangible assets | (2) | 1,575 |
| assets | - | - |
| Other income* | 5,781 | 6,267 |
| Total | 30,953 | 32,985 |

The main sources of generation of other income are the amounts charged for provision of statements, check and deposit books, certificates and from such services for which no special income accounts are envisaged*

Note 7 Net deductions to possible asset losses provision

Thousand AMD

| | 01/01/2013-31/03/2013 | 01/01/2012-31/03/2012 |
|--|-----------------------|-----------------------|
| Due from banks / Note 14/ | | |
| Initial balance | 23,873 | 23,873 |
| Net deductions to reserve | | |
| Return of amounts previously charged to off-balance items | | |
| Usage of reserve | | |
| Summary balance | 23,873 | 23,873 |
| Amounts due to financial institutions / Note 14/ | | |
| Initial balance | 5,403 | 7,707 |
| Deductions to reserve | (895) | (1,872) |
| Return of amounts previously charged to off-balance items | | |
| Usage of reserve | | |
| Summary balance | 4,508 | 5,835 |
| Interest income from loans and advances to customers / Note 16/ | | |
| Initial balance | 662,477 | 625,829 |
| Deductions to reserve | 239,722 | 65,029 |
| Return of amounts previously charged to off-balance items | 40,096 | 20,241 |
| Usage of reserve | (1,541) | (83,090) |
| Summary balance | 940,754 | 628,009 |
| On investments /Notes 18/ | | |
| Initial balance | 4,690 | 4,690 |
| Deductions to reserve | | |
| Return of amounts previously charged to off-balance items | | |
| Usage of reserve | | |
| Summary balance | 4,690 | 4,690 |
| On other assets | | |
| Initial balance | 8,194 | 20,903 |
| Deductions to reserve | (1,986) | (9,888) |
| Return of amounts previously charged to off-balance items | 1,500 | |
| Usage of reserve | (37) | (25) |
| Summary balance | 7,671 | 10,990 |
| Post balance sheet articles containing loan exposures (Note30) | | |
| Initial balance | | |
| Deductions to reserve | | |
| Summary balance | 0 | - |

| | | |
|---------------------------|---------|--------|
| Net Deductions to reserve | 236,841 | 53,269 |
|---------------------------|---------|--------|

Note 8. Total administrative expenses

Thousand AMD

| Total administrative expenses | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|---|-----------------------|-----------------------|
| Salary and similar payments* | 673,086 | 544,327 |
| Allocations to social insurance state fund | 1,633 | 62,705 |
| Training and tutorship | - | 1,158 |
| Business trip expenses | 14,618 | 10,427 |
| Operational leases | 32,168 | 28,848 |
| Insurance costs | 10,756 | 8,310 |
| Servicing and maintenance of the Bank equipment | 9,650 | 17,718 |
| Maintenance and safekeeping of Bank buildings | 39,757 | 49,319 |
| Audit and consulting services | 12,612 | 12,636 |
| Communication and transmission costs | 28,396 | 33,734 |
| Transportation costs | 21,529 | 25,946 |
| Taxes (except income tax), penalties and other mandatory payments | 43,890 | 42,404 |
| Office and organizational expenses | 19,866 | 28,533 |
| Lending and recovery expenses | - | - |
| Other administrative expenses | 2,528 | 7,302 |
| Total | 910,489 | 873,367 |

The average number of bank employees and monthly average salary falling to a single employee

| | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|--|-----------------------|-----------------------|
| Average number of Bank employees | 846 | 891 |
| Monthly average salary falling to a single employee (Thousand AMD) | 251 | 194 |

Note 9. Other operational expenses

Thousand AMD

| Other operational expenses | 01.01.2013-31.03.2013 | 01.01.2012-31.03.2012 |
|---|-----------------------|-----------------------|
| Paid fines and penalties | 1 | 90 |
| Payments made for collection | 60,000 | 52,440 |
| Advertising and representative expenses | 38,527 | 48,294 |
| Expenses for factoring | - | - |
| Amortization costs of fixed and intangible assets | 63,769 | 145,797 |
| Assets' depreciation losses | - | - |
| Զննչագնահատական ԻՔԵ»-ն (ՅճԻՅՄճՃԱՄՅՅ Դ»ձնձՕՄ) | - | - |
| Deductions to the Fund of Recovery of Deposits | 11,689 | 9,697 |
| Other expenses | 68,821 | 64,684 |
| Total | 242,807 | 321,002 |

In Other Expenses line of Other Operational Expenses, mainly quarterly fees for VISA admission, and costs of acquisition of payment cards are included.

Note 10. Net gains/losses from investments in controlled units

There are no data to show for the accounting and the previous periods

Note 11. Profit tax expense (reimbursement)

Thousand AMD

| Profit tax expense | 01.01.2013 | 31.03.2013 | 01.01.2012 | 31.03.2012 |
|---|-------------------|-------------------|-------------------|-------------------|
| Current tax expense | | 4,347 | | |
| Dividends on preferential shares calculated for the current accounting period | | - | | (439) |
| Deferred tax expense | | (15,208) | | (2,522) |
| Total | | (10,861) | | (2,961) |

Thousand AMD

| | 01.01.2013 | 31.03.2013 | Efficient rate (%) | 01.01.2012 | 31.03.2012 | Efficient rate (%) |
|--|-------------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|
| Profit before taxation | | (25,817) | | (108,653) | | |
| Profit tax with rate | | (5,163) | 20 | (21,731) | | 20 |
| Corrections of income and expenses for taxation purposes against non-temporary differences | | | | | | |
| Non-taxable income | | (25) | 0 | (25) | | 0 |
| Non-deductible expenses | | 12,785 | (50) | 17,172 | | (16) |
| Unevaluated tax loss | | | - | | | - |
| Foreign currency negative (positive) difference | | (16,825) | 65 | 3,189 | | (3) |
| Verification of tax expense calculated previous year | | - | - | (439) | | 0 |
| Other previliges | | (1,633) | 6 | (1,127) | | 1 |
| Profit tax expenses | | (10,861) | 42 | (2,961) | | 3 |

Calculation of deferred tax on temporary differences

Thousand AMD

| | Balance as of the previous period | Recognized by financial results | Recognized in the equity | Balance at the accounting period |
|---|--|--|---------------------------------|---|
| Deferred tax assets, including | 55,996 | 11,179 | - | 67,175 |
| On other assets | | | - | - |
| On derivative instruments | 4,557 | 1,110 | | 5,667 |
| On fixed assets | 1,349 | 172 | | 1,521 |
| On accrued expenses and other liabilities | 50,090 | 9,897 | | 59,987 |
| Deferred tax liabilities, including | (83,317) | 4,028 | (326) | (79,615) |
| On available-for-sale securities | (44,200) | | (326) | (44,526) |
| On contingent liabilities | (4,932) | 28 | | (4,904) |
| On rdue from banks and financial institutions | (15,333) | 3,020 | | (12,313) |
| On loans and advances to customers | (18,852) | 980 | | (17,872) |
| Net deferred tax asset/liability | (27,321) | 15,207 | (326) | (12,440) |

Notes 16. Loans and Advances to Customers

Thousand AMD

| Loans and other borrowings | 31.03.2013 | 31.12.2012 |
|---|-------------------|-------------------|
| Loans, including | 34,907,277 | 31,942,300 |
| Mortgage | 3,254,233 | 3,126,988 |
| Credit cards | 1,717,738 | 1,436,551 |
| Factoring | | |
| Accrued interests on mentioned articles | 225,483 | 194,533 |
| Total loans | 36,850,498 | 33,573,384 |
| Possible loss reserve on customer loans and advances (note 7) | (940,754) | (662,477) |
| Net total loans | 35,909,744 | 32,910,907 |

Thousand AMD

| The structure of depreciated (non-performing) loans and borrowings extended to customers in the loan portfolio as of the end of the accounting period | 31.03.2013 | | 31.12.2012 | |
|--|-------------------|---------------|-------------------|---------------|
| | amount | number | amount | number |
| Loans and borrowings, including | 36,850,498 | 33,273 | 33,573,384 | 30,432 |
| Performing loans | 36,409,341 | 33,175 | 33,244,592 | 30,396 |
| Depreciated (non performing) loans and borrowings including | 441,157 | 98 | 328,792 | 36 |
| Overdue | 29,351 | 57 | 14,397 | 20 |
| Restructured | 75,518 | 3 | 68,352 | 2 |
| Refinanced | | | | |
| Total loans | 36,850,498 | 33,273 | 33,573,384 | 30,432 |
| On loans and borrowings to customers, possible provisions loss (Note 7) | (940,754) | | (662,477) | |
| Total net loans | 35,909,744 | | 32,910,907 | |

Thousand AMD

| Breakdown of extended loans and advances per financed sectors | 31.03.2013 | 31.12.12 |
|--|-------------------|-------------------|
| State industries | 45,062 | 27,177 |
| Private industries, including: | 15,962,222 | 14,482,398 |
| major companies | 5,453,974 | 5,123,614 |
| small and medium-sized enterprises | 10,508,248 | 9,358,784 |
| including business cards | 97,737 | 50,537 |
| Individuals, including | 16,819,007 | 15,003,856 |
| consumer loans | 8,148,544 | 7,073,117 |
| mortgage loans | 3,254,233 | 3,126,988 |
| credit cards | 1,620,001 | 1,386,013 |
| Private entrepreneurs | 3,798,724 | 3,865,420 |
| Accrued interest | 225,483 | 194,533 |
| Total loans | 36,850,498 | 33,573,384 |
| Possible loss provision for loans and advances to customers (Note 7) | (940,754) | (662,477) |
| Net total loans | 35,909,744 | 32,910,907 |

Thousand AMD

| Loan debentures on 20 major borrowers and related parties | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Balance sheet value | 10,022,045 | 8,940,201 |

| | | |
|--|------------|------------|
| Balance of off- balance sheet contingent liabilities | 332,840 | 555,835 |
| Total | 10,354,885 | 9,496,036 |
| Loan investments | 35,909,744 | 32,910,907 |
| Percentage ratio in loan portfolio | 29% | 25% |
| Total normative capital | 7,937,473 | 7,936,871 |
| Percentage correlation to capital | 130% | 102% |

| Loan investments | 31.03.2013 | |
|--|-------------------|--------------|
| | Balance (th. AMD) | Number |
| GAF micro and small private enterprise loan program | 2,247,294 | 184 |
| GAF micro and small private enterprises RA Governmental loan program | 975,504 | 96 |
| GAF "Renewable Energy Development" program | 190,667 | 1 |
| Commerzbank | 8,128 | 3 |
| EBRD/1 st syndicated loan/ | 110,512 | 7 |
| EBRD/2 nd syndicated loan/ | 963,808 | 50 |
| Co-financing | 502,660 | 3 |
| IFC | 129,876 | 6 |
| Black Sea Loan Program 1 | 244,341 | 22 |
| Black Sea Loan Program 2 | 1,877,864 | 65 |
| World Bank Loan Agreement | 297,106 | 64 |
| Loan project of Russian Federation for Economic Stabilization | 160,181 | 16 |
| New IFC program (IFC FMO) | 2,416,623 | 48 |
| EBRD micro small and middle sized lending /EBRD MSME/ | 1,512,514 | 414 |
| EBRD Micro lending program | 91,987 | 77 |
| Mortgage loans | 191,767 | 58 |
| including | | |
| GAF | 175,649 | 56 |
| IFC | 16,118 | 2 |
| Total | 11,920,832 | 1,114 |

| Loan Investments | 31.12.2012 | |
|--|-------------------|--------|
| | Balance (th. AMD) | Number |
| GAF micro and small private enterprises loan program | 2,041,649 | 176 |
| GAF micro and small private enterprises RA Governmental loan program | 958,069 | 91 |
| GAF "Renewable Energy Development" program | 191,267 | 1 |
| Commerzbank | 10,906 | 3 |
| EBRD/1 st syndicated loan/ | 205,177 | 8 |
| EBRD/2 nd syndicated loan/ | 1,145,041 | 63 |
| Co-financing | 546,201 | 3 |
| IFC | 140,419 | 7 |
| Black Sea Loan Program 1 | 305,627 | 27 |
| Black Sea Loan Program 2 | 1,911,797 | 63 |
| World Bank Loan Agreement | 301,716 | 58 |
| Loan project of Russian Federation for Economic Stabilization | 192,841 | 18 |
| New IFC program (IFC FMO) | 1,610,540 | 35 |
| EBRD micro small and middle sized lending /EBRD MSME/ | 1,474,372 | 381 |

| | | |
|----------------------------|-------------------|--------------|
| EBRD Micro lending program | 148,546 | 123 |
| Mortgage loans | | |
| including | 198,258 | 60 |
| GAF | 181,240 | 57 |
| IFC | 17,018 | 3 |
| Total | 11,382,426 | 1,117 |

Thousand AMD

| Breakdown of extended loans and advances per financed sectors (less the possible loss revision amount) | 31.03.2013 | Percentage | 31.12.2012 | Percentage |
|--|-------------------|------------|-------------------|------------|
| Industry | 6,050,586 | 16 | 6,235,398 | 19 |
| Agriculture | 3,704,801 | 10 | 3,347,994 | 10 |
| Construction | 401,577 | 1 | 373,905 | 1 |
| Transportation and communication | 123,784 | 0 | 150,407 | 0 |
| Commerce | 9,386,926 | 25 | 8,397,059 | 25 |
| Consumer | 9,848,666 | 27 | 8,477,898 | 25 |
| Mortgage loans | 3,296,836 | 9 | 3,168,340 | 9 |
| Public Catering | 2,752,472 | 7 | 2,160,995 | 6 |
| Other [~] | 1,284,850 | 3 | 1,261,388 | 4 |
| | | - | | - |
| Total | 36,850,498 | 100 | 33,573,384 | 100 |

Thousand AMD

| Breakdown of loan portfolio per customer residency | 31.03.2013 | Percentage | 31.12.2012 | Percentage |
|--|-------------------|------------|-------------------|------------|
| RA residents | 35,684,261 | 100 | 32,715,755 | 100 |
| Residents of countries with Baa33/ and higher ratings, including | | - | | - |
| | | - | | - |
| Residents of countries with BBB-/Baa3/- and lower ratings or no rating at all, including | | | 619 | |
| Accrued interests | 225,483 | | 194,533 | |
| Total | 35,909,744 | 100 | 32,910,907 | 100 |

Thousand AMD

| RA Government Bonds | 31.03.2013 | 31.12.2012 |
|--------------------------|------------------|----------------|
| T-Bills | | |
| Treasury bonds | 1,297,215 | 693,754 |
| Total State bonds | 1,297,215 | 693,754 |

Thousand AMD

| RA non-state securities | 31.03.2013 | | 31.12.2012 | |
|--|---------------|---------------|---------------|---------------|
| | listed | unlisted | listed | unlisted |
| Securities of Issuer having BBB+ /Baa1/ and lower rating, other rating and no rating at all | | | | |
| Short term debt instruments | 23,342 | | 71,624 | |
| Capital Instruments | | 52,252 | | 52,252 |
| Total non-state securities of RA | 23,342 | 52,252 | 71,624 | 52,252 |
| Investments in RA non-governmental securities (possible loss provision) | | (4,690) | | (4,690) |
| Net investments in RA non-state securities | 23,342 | 47,562 | 71,624 | 47,562 |

Thousand AMD

| Non-governmental securities of other countries | 31.03.2013 | | 31.12.2012 | |
|---|------------------|---------------|----------------|---------------|
| | listed | unlisted | listed | unlisted |
| Non-governmental securities of Issuer having BBB+/Baa1/ and lower rating, other rating and no rating at all | | | | |
| Capital Instruments | | 1,715 | | 1,818 |
| Total non-governmental securities of other countries | | 1,715 | | 1,818 |
| Total available-for-sale securities | 1,320,557 | 49,277 | 765,378 | 49,380 |

Investments in share capital of other entities as of 31.03.2013

Thousand AMD

| Name | Main activities | Country of registration | Investment date | Investment | Share % |
|----------------------------|----------------------|-------------------------|-----------------|------------|---------|
| S.W.I.F.T | Telecommunication | Belgium | 13/09/1996 | 1,715 | - |
| ARMENIAN CARD CJSC | Clearing services | RA | 22/02/2000 | 48,572 | 5 |
| ACRA CREDIT REPORTING CJSC | Information services | RA | 23/06/2006 | 3,680 | 1 |
| Total | | | | 53,967 | |

The balance-sheet and real values of available-for-sale financial assets (except investments in capital instruments) correspond to each other.

Investments in capital instruments in RA are not quoted at any stock exchange and have limited market. There are no certain acceptable principles and methods for exact determination of the real value of those instruments, therefore those securities are accounted at their prime cost less the depreciation reserve amount.

Note 17.1 Pledged Securities Through Repurchase Agreement

Thousand AMD

| | 31.03.2013 | | 31.12.2012 | |
|---|------------------|------------------|------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Securities pledged in RA CB | 3,486,648 | 3,391,133 | 4,364,982 | 4,255,724 |
| Total pledged securities (note 17.1) | 3,486,648 | 3,391,133 | 4,364,982 | 4,255,724 |

Note 18. Held-to-maturity investments

There are no data available for this note during the accounting and previous period.

Note 19. Investments in chartered capital of controlled entities

Thousand AMD

| Movement of investments in controlled units | Investments in chartered capital of controllable entities |
|--|--|
| Balance in the beginning of the period | 349,000 |
| Increase | |
| Disposal (sale) | |
| Value depreciation | |
| Balance at the end of the period | 349,000 |

Thousand AMD

| Investments in controlled units | 31.03.2013 | 31.12.2012 |
|---|-------------------|-------------------|
| Investments in associated organizations | 299,000 | 299,000 |
| Investments in mutual controllable units | | |
| Investments in subsidiaries | | |
| Investments in other subsidiary companies | 50,000 | 50,000 |
| Dividends | | |
| Total | 349,000 | 349,000 |

Thousand AMD

| Investments in controlled units' capital | | | | | |
|---|----------------------|-----------------------------|------------------------|----------------------------------|----------------|
| Name of the entity | Main activity | Registration country | Investment date | Investment thousand drams | Share % |
| ECONOMINKASSACIA SCJSC | cash collection | RA | 01/11/1998 | 50,000 | 100.0 |
| SIL INSURANCE ICJSC | insurance | RA | 22/02/2000 | 299,000 | 20.0 |
| Total | | | | 349,000 | |

Note 20. "Fixed and intangible assets"

Thousand AMD

| Article | Land, buildings | Computer and communication | Vehicles | Other fixed assets | Investments in fixed assets | Investments in leased fixed assets | Total |
|--|------------------|----------------------------|----------------|--------------------|-----------------------------|------------------------------------|------------------|
| Initial value | | | | | | | |
| Balance in the beginning of previous period | 2,918,502 | 1,549,326 | 372,543 | 997,447 | 84,553 | 153,686 | 6,076,057 |
| Increase | | 192,677 | 31,496 | 136,689 | 98,062 | 1,063 | 459,987 |
| Disposal | | (2,135) | (62,037) | | | | (64,172) |
| Depreciation | - | - | - | - | - | - | - |
| Reclassification | 93,073 | (350) | | 350 | (93,073) | | - |
| Written off | | (58,797) | | (17,059) | | | (75,856) |
| Revaluation | - | - | - | - | - | - | - |
| Balance in the beginning of previous period | 3,011,575 | 1,680,721 | 342,002 | 1,117,427 | 89,542 | 154,749 | 6,396,016 |
| Increase | | 85,673 | 11,448 | 31,543 | 30,036 | 5,101 | 163,801 |
| Disposal | | | | | | | - |
| Reclassification | | | | | | | - |
| Write off | | | | (12,155) | | | (12,155) |
| Revaluation* | | | | | | | - |
| Devaluation | - | - | - | - | - | - | - |
| Adjustment of amortization from revaluation | | | | | | | - |
| Balance at the end of the accounting period | 3,011,575 | 1,766,394 | 353,450 | 1,136,815 | 119,578 | 159,850 | 6,547,662 |
| Accumulated amortization | | | | | | | |
| Balance in the beginning of previous period | 1,110,685 | 975,735 | 172,005 | 608,361 | | 21,881 | 2,888,667 |
| Increase | 159,084 | 230,022 | 63,602 | 131,987 | | 5,949 | 590,644 |
| including 01.01.2012- 31.03.2012 | 39,495 | 52,187 | 16,686 | 30,338 | | 3,621 | 142,327 |
| Disposal | | (1,516) | (62,037) | | | | (63,553) |
| Write off | | (58,797) | | (17,059) | | | (75,856) |
| Depreciation | | | | | | | - |
| Reclassification | | (235) | | 235 | | | - |
| Revaluation | | | | | | | - |
| Balance in the beginning of previous period | 1,269,769 | 1,145,209 | 173,570 | 723,524 | - | 27,830 | 3,339,902 |
| Increase | 9,958 | 23,965 | 7,180 | 15,416 | | 3,895 | 60,414 |
| including 01.01.2013 - 31.03.2013 | 9,958 | 23,965 | 7,180 | 15,416 | | 3,895 | 60,414 |
| Disposal | | | | | | | - |
| Write off | | | | (12,153) | | | (12,153) |
| Reclassification | | | | | | | - |
| Adjustment of amortization from revaluation | | | | | | | - |
| Depreciation | | | | | | | - |
| Balance at the end of accounting period | 1,279,727 | 1,169,174 | 180,750 | 726,787 | - | 31,725 | 3,388,163 |
| Net balance sheet value | | | | | | | |
| At the end of accounting period | 1,731,848 | 597,220 | 172,700 | 410,028 | 119,578 | 128,125 | 3,159,499 |
| At the end of previous accounting period | 1,741,806 | 535,512 | 168,432 | 393,903 | 89,542 | 126,919 | 3,056,114 |

Intangible assets

Thousand AMD

| Article | Software programs | License and warranties | Intellectual property rights | Other intangible assets | Capital investments in intangible assets | Total |
|--|-------------------|------------------------|------------------------------|-------------------------|--|----------------|
| Initial value | | | | | | |
| Balance in the beginning of previous period | 22,079 | 116,268 | 50 | 14,357 | - | 152,754 |
| Increase | | 6,197 | - | | | 6,197 |
| Disposal | | | | | | - |
| Write off | | | | | | - |
| Depreciation | - | - | - | - | - | - |
| Reclassification | | | | | | - |
| Revaluation | - | - | - | - | - | - |
| Balance in the beginning of previous period | 22,079 | 122,465 | 50 | 14,357 | - | 158,951 |
| Increase | | | | | | - |
| Disposal | | | | | | - |
| Write off | | | | | | - |

| | | | | | | |
|--|---------------|----------------|-----------|---------------|----------|----------------|
| Revaluation | | | | | | - |
| Depreciation | | - | - | - | - | - |
| Adjustment of amortization from revaluation | | - | - | - | - | - |
| Balance in the beginning of previous period | 22,079 | 122,465 | 50 | 14,357 | - | 158,951 |
| Accumulated Amortization | | | | | | |
| Balance in the beginning of previous period | 17,658 | 23,176 | 15 | 3,372 | - | 44,221 |
| Increase | 1,026 | 11,720 | 4 | 1,306 | | 14,056 |
| including 01.01.2012- 31.03.2012 | 255 | 2,889 | 1 | 325 | | 3,470 |
| Disposal | | | | | | - |
| Write off | | | | | | - |
| Depreciation | | | | | | - |
| Revaluation | | | | | | - |
| Reclassification | | | | | | - |
| Balance in the beginning of previous period | 18,684 | 34,896 | 19 | 4,678 | - | 58,277 |
| Increase | 253 | 2,797 | 2 | 304 | | 3,356 |
| including 01.01.2013 - 31.03.2013 | 253 | 2,797 | 2 | 304 | | 3,356 |
| Disposal | | | | | | - |
| Write off | | | | | | - |
| Adjustment of amortization from revaluation | | | | | | - |
| Depreciation | | | | | | - |
| Balance in the beginning of previous period | 18,937 | 37,693 | 21 | 4,982 | - | 61,633 |
| Net balance sheet value | | | | | | |
| Balance at the end of accounting period | 3,142 | 84,772 | 29 | 9,375 | - | 97,318 |
| Balance at the end of the previous period | 3,395 | 87,569 | 31 | 9,679 | - | 100,674 |

As of 31.03.2013 AMD 20239 thousand worth of out-of-use assets were put into use.

As of 31.03.2013 the bank had an intangible asset developed in-house, new Operational Day software, initial value: AMD750 thousand, amortization: AMD 487 thousand, residual value: AMD 263 thousand.

As of 31.03.2013 the value of fully worn-off assets included in the fixed assets was AMD 1250523 thousand (AMD 1258342 thousand on 31.12.2012).

Note 21. Other assets

Thousand AMD

| | 31.03.2013 | 31.12.2012 |
|---|-------------------|-------------------|
| Amounts receivable from bank operations | | |
| Amounts receivable from other operations | 66,431 | 48,718 |
| Total | 66,431 | 48,718 |
| On bank operations | (681) | (487) |
| Possible loss provision on Bank operations (note 7) | | |
| Net amounts receivable from bank operations | 65,750 | 48,231 |
| Debtor liabilities and Prepayments | 31.03.2013 | 31.12.2012 |
| Debtor liabilities on budget | 1,920 | 1,058 |
| Debtor liabilities on suppliers | | |
| Prepayments to employees | 8 | 2,549 |
| Prepayments to suppliers | 118,451 | 110,853 |
| Prepayments on budget and mandatory social insurance payments | 505 | 17 |
| Other debtor debts and prepayments | 1,830 | |
| Total | 122,714 | 114,477 |
| Possible loss provision on other assets (Note 7) | (5,294) | (1,324) |
| Total | 117,420 | 113,153 |
| Other assets | | |
| Reserve | 231,559 | 236,067 |
| Sequestered pledge and available-for-sale assets | | |
| Deferred period expenses | 76,620 | 60,068 |
| Other total assets | 19,587 | 497,312 |
| Possible loss provision on other assets (Note 7) | (1,693) | (6,382) |
| Total | 326,073 | 787,065 |
| Other total assets | 509,243 | 948,449 |

Note 22. Liabilities to banks and other financial Institutions

Thousand AMD

| | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Current accounts | | |
| RA banks | 137,997 | 126,948 |
| Banks with BBB-(Baa3) and higher rating | | |
| Banks with BBB-(Baa3) and lower rating or no rating at all | 2,827 | 2,976 |
| Accrued interests | 39 | 38 |
| Total | 140,863 | 129,962 |
| Interbank loans and advances, other | | |
| RA Central bank | | |
| Loans | 2,463,076 | 2,479,337 |
| Repo (repurchase) agreements | 2,930,633 | 2,845,292 |
| Other | | |
| RA banks | | |
| Loans and advances | 1,255,740 | |
| Repo (repurchase) agreements | | 1,006,344 |
| Other | | |
| Banks with BBB-(Baa3) and higher rating | | |
| Loans and advances | 376,722 | |
| other | 3,103 | 527 |
| Banks with BBB-(Baa3) and lower rating or no rating at all | | |
| loans and deposits | | |
| other | 117,429 | 38,087 |
| Accrued interests | 55,480 | 58,934 |
| Total | 7,202,183 | 6,428,521 |
| Financial Institutions | | |
| Current accounts | 152,565 | 354,021 |
| Loans and advances | 8,700,062 | 9,168,235 |
| Repo (repurchase) agreements | 449,929 | 400,315 |
| Other | 536,613 | 1,690,778 |
| Accrued interests | 149,530 | 105,048 |
| Total | 9,988,699 | 11,718,397 |
| Total liabilities on banks and International financial Institutions | 17,331,745 | 18,276,880 |

In the below chart, the amounts of financing realized under various projects of International Financial Institutions, included in the loans received from the Central Bank of Armenia and interest accrued on those amounts are given.

Thousand AMD

| Project | 31.03.2013 | | 31.12.2012 | |
|---|------------------|------------------|------------------|------------------|
| | Lending amount | Accrued interest | Lending amount | Accrued interest |
| German-Armenian Fund/ "Mortgage finance" program | 177,310 | 695 | 184,837 | 637 |
| German-Armenian Fund/ Micro and small business development program/ | 1,800,000 | 37,356 | 1,800,000 | 38,186 |
| German-Armenian Fund "Renewable Energy Development" Program | 191,266 | 2,392 | 200,000 | 5,519 |
| German/Armenian Fund Loan program for SME | 294,500 | 5,464 | 294,500 | 11,170 |
| Total | 2,463,076 | 45,907 | 2,479,337 | 55,512 |

Note 23. Liabilities to customers

Thousand AMD

| Due to RA Government and local self-governing bodies | 31.03.2013 | 31.12.2012 |
|--|------------------|------------------|
| Loans | 1,002,784 | 1,002,784 |
| Other | 3,222 | 3,215 |
| Accrued interest | 20,410 | 18,157 |
| Total | 1,026,416 | 1,024,156 |

| Due to RA resident legal entities,Institutions | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Current accounts | 9,873,923 | 9,225,482 |
| Term Deposits | 2,941,238 | 3,257,982 |
| Repo (repurchase) agreements | | |
| Other | 8,673 | 8,515 |
| Accrued interests | 28,896 | 34,673 |
| Total | 12,852,730 | 12,526,652 |

| Due to non-resident legal entities and companies | 31.03.2013 | 31.12.2012 |
|--|---------------|--------------|
| Current accounts | 16,416 | 5,512 |
| Other | | |
| Total | 16,416 | 5,512 |

| Due to RA resident private Entrepreneurs | 31.03.2013 | 31.12.2012 |
|--|----------------|----------------|
| Current accounts | 108,546 | 120,549 |
| Time deposits | 3,537 | 7,524 |
| other | 1,577 | |
| accrued interests | 7 | 13 |
| Total | 113,667 | 128,073 |

| Due to RA resident Individuals | 31.03.2013 | 31.12.2012 |
|---------------------------------------|-------------------|-------------------|
| Current accounts | 7,771,807 | 8,913,627 |
| Time deposits | 14,256,893 | 13,646,411 |
| Other | 464,483 | 286,596 |
| Accrued interests | 94,661 | 91,094 |
| Total | 22,587,844 | 22,937,728 |

| Due to non-resident Individuals | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Current accounts | 282,932 | 480,530 |
| Time deposits | 153,798 | 143,776 |
| Other | 14,261 | 17,752 |
| Accrued interests | 761 | 679 |
| Total | 451,752 | 642,737 |
| Total amounts due to customers | 37,048,825 | 37,264,858 |

As of 31.03.13 AMD 346,800 thousand amount necessary to secure obligations.
Court decision of 31.03.13 and amount frozen by tax authorities AMD 36,112 thousand.

Note 24. Deposit certificates issued by the bank

There are no data available for this note during the accounting and previous period.

Note 25. Liabilities held for commercial purposes

| | Thousand AMD | |
|--|-------------------|-------------------|
| Liability held for commercial purposes | 31.03.2013 | 31.12.2012 |
| Derivative instruments held for commercial purposes | | |
| Liabilities held for commercial purposes | | 327,850 |
| Swap | 20,222 | 8,012 |
| Total | 20,222 | 335,862 |

Note 26. Amounts payable

| | Thousand AMD | |
|---------------------------|-------------------|-------------------|
| Amounts payable | 31.03.2013 | 31.12.2012 |
| Dividends | 42,142 | 45,140 |
| For insurance of deposits | 11,689 | 11,031 |
| Total | 53,831 | 56,171 |

In the below chart, the amounts of financing realized under various projects of International Financial Institutions, included in the loans received from the Central Bank of Armenia and interest accrued on those amounts are given.

Thousand AMD

| Project | 31.03.2013 | | 31.12.2012 | |
|---|------------------|------------------|------------------|------------------|
| | Lending amount | Accrued interest | Lending amount | Accrued interest |
| German-Armenian Fund/ "Mortgage finance" program | 177,310 | 695 | 184,837 | 637 |
| German-Armenian Fund/ Micro and small business development program/ | 1,800,000 | 37,356 | 1,800,000 | 38,186 |
| German-Armenian Fund "Renewable Energy Development" Program | 191,266 | 2,392 | 200,000 | 5,519 |
| German/Armenian Fund Loan program for SME | 294,500 | 5,464 | 294,500 | 11,170 |
| Total | 2,463,076 | 45,907 | 2,479,337 | 55,512 |

Note 23. Liabilities to customers

Thousand AMD

| Due to RA Government and local self-governing bodies | 31.03.2013 | 31.12.2012 |
|--|------------------|------------------|
| Loans | 1,002,784 | 1,002,784 |
| Other | 3,222 | 3,215 |
| Accrued interest | 20,410 | 18,157 |
| Total | 1,026,416 | 1,024,156 |

| Due to RA resident legal entities,Institutions | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Current accounts | 9,873,923 | 9,225,482 |
| Term Deposits | 2,941,238 | 3,257,982 |
| Repo (repurchase) agreements | | |
| Other | 8,673 | 8,515 |
| Accrued interests | 28,896 | 34,673 |
| Total | 12,852,730 | 12,526,652 |

| Due to non-resident legal entities and companies | 31.03.2013 | 31.12.2012 |
|--|---------------|--------------|
| Current accounts | 16,416 | 5,512 |
| Other | | |
| Total | 16,416 | 5,512 |

| Due to RA resident private Entrepreneurs | 31.03.2013 | 31.12.2012 |
|--|----------------|----------------|
| Current accounts | 108,546 | 120,549 |
| Time deposits | 3,537 | 7,524 |
| other | 1,577 | |
| accrued interests | 7 | 13 |
| Total | 113,667 | 128,073 |

| Due to RA resident Individuals | 31.03.2013 | 31.12.2012 |
|---------------------------------------|-------------------|-------------------|
| Current accounts | 7,771,807 | 8,913,627 |
| Time deposits | 14,256,893 | 13,646,411 |
| Other | 464,483 | 286,596 |
| Accrued interests | 94,661 | 91,094 |
| Total | 22,587,844 | 22,937,728 |

| Due to non-resident Individuals | 31.03.2013 | 31.12.2012 |
|--|-------------------|-------------------|
| Current accounts | 282,932 | 480,530 |
| Time deposits | 153,798 | 143,776 |
| Other | 14,261 | 17,752 |
| Accrued interests | 761 | 679 |
| Total | 451,752 | 642,737 |
| Total amounts due to customers | 37,048,825 | 37,264,858 |

As of 31.03.13 AMD 346,800 thousand amount necessary to secure obligations.
Court decision of 31.03.13 and amount frozen by tax authorities AMD 36,112 thousand.

Note 24. Deposit certificates issued by the bank

There are no data available for this note during the accounting and previous period.

Note 25. Liabilities held for commercial purposes

| | Thousand AMD | |
|--|-------------------|-------------------|
| Liability held for commercial purposes | 31.03.2013 | 31.12.2012 |
| Derivative instruments held for commercial purposes | | |
| Liabilities held for commercial purposes | | 327,850 |
| Swap | 20,222 | 8,012 |
| Total | 20,222 | 335,862 |

Note 26. Amounts payable

| | Thousand AMD | |
|---------------------------|-------------------|-------------------|
| Amounts payable | 31.03.2013 | 31.12.2012 |
| Dividends | 42,142 | 45,140 |
| For insurance of deposits | 11,689 | 11,031 |
| Total | 53,831 | 56,171 |

Note 27. Other Liabilities

| | Thousand AMD | |
|---|-------------------|-------------------|
| Other liabilities | 31.03.2013 | 31.12.2012 |
| On income tax of non-resident | 9,438 | 5,113 |
| On VAT | 2,321 | 15,547 |
| On other taxes and penalties | 63,484 | 34,649 |
| On social insurance payments | | 24,531 |
| Salary liabilities to employees | 251,179 | 223,202 |
| Accounts payable to suppliers | 48,756 | 27,246 |
| Accounts payable for replenishment of chartered capital | | |
| Other liabilities | 18,072 | 24,633 |
| Balance at the end of the period | 393,250 | 354,921 |

Note 28. Chartered capital

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous, including 933,335 common shares with a nominal value of AMD 2500 per share.

There are no owned shares repurchased by the Bank. During the accounting period no increase or decrease of chartered capital on the account of repurchased and out of circulation shares is made.

Over the accounting quarter, dividends amounting to AMD 3,005 thousand have been paid.

The below chart shows information on the majority shareholders of the Bank as of the end of the accounting period:

| | Thousand AMD | | |
|--------------------------------------|---------------------------------|--|---|
| Name of the major shareholder | The participation amount | The size of participation in percentage ratio | Major shareholders business activity type (for legal entities) |
| Sukiasyan Saribek Albert | 527,573 | 22.6 | |
| Sukiasyan Khachatur Albert | 455,413 | 19.5 | |
| Sukiasyan Robert Albert | 240,930 | 10.3 | |
| Sukiasyan Eduard Albert | 49,040 | 2.1 | |
| EBRD | 583,338 | 25 | Financial |

Note 29. Other equity components

There are no data available for this note during the accounting and previous periods.

Note 30. Reserves, contingencies and potential liabilities

The bank's legal liabilities: as of 31.03.2013 there are no such liabilities on which the bank has made provisioning. The bank carries out activities within the framework of requirements set forth by the legislation.

The bank's tax liabilities as of 31.03.2013: the bank has fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

The bank's contingent liabilities on off-balance sheet items containing credit risk

Thousand AMD

| | 31.03.2013 | 31.12.2012 |
|--|------------|------------|
| Unutilized credit lines | 1,388,828 | 1,809,202 |
| Extended guarantees | 473,588 | 422,948 |
| Extended letters of credit | | 39,787 |
| Reserve on mentioned articles (Note 7) | | |

Liabilities on operational leases

Thousand AMD

| Structure of minimum rental fees | Amounts payable in AMD equivalent of foreign currency | Amounts payable in AMD |
|----------------------------------|---|------------------------|
| Up to one year | | 143,134 |
| 1-5 years | | 1,162,017 |
| more than 5 years | | 26,140 |
| Total | | 1,331,291 |

Note 31. Transactions with related parties

In the context of present note the bank related parties are Bank management, shareholders and entities related to them in the prescribed order set forth by RA Law on the "Banks and Banking".

The bank management comprises The Chairman of the Bank's Board, Deputy Chairman of the Board and members of the Board, The Chief Executive Officer, The Deputy Chief Executive Officers, Chief Accountant, Deputy Chief Accountant, Head of Internal Audit Department, employees of Internal Audit Department, members of bank administration, as well as heads of the Bank's territorial subdivisions, heads of Bank subdivisions, heads of bank administration, departments and divisions.

The transactions with the Bank related parties have been made on the basis of current market conditions and interest rates.

Thousand AMD

| <u>Loans and advances to customers</u> | 31.03.2013 | 31.12.2012 |
|--|------------------|----------------|
| Initial balance | 970,726 | 973,632 |
| <u>Loans and advances to customers over the year</u> | 212,297 | 826,356 |
| Bank shareholder | 19,546 | 80,755 |
| Shareholder related entity | 166,391 | 577,349 |
| Bank manager | 25,484 | 161,858 |
| Manager related entity | 876 | 6,394 |
| <u>Loans and advances repaid over the year</u> | 158,611 | 829,262 |
| Bank shareholder | 8,405 | 64,909 |
| Shareholder related entity | 113,891 | 454,470 |
| Bank manager | 35,129 | 287,810 |
| Manager related entity | 1,185 | 22,073 |
| Summary balance* | 1,024,412 | 970,726 |

Thousand AMD

| Item | 31.03.2013 | 31.03.2012 |
|------------------|------------|------------|
| Interest incomes | 34,455 | 32,866 |

Thousand AMD

| Obligations towards customers | Demand | Term |
|---|----------------|----------------|
| Balance as of 31.12.2012 | 225,526 | 551,150 |
| <u>Amounts received over the accounting period (I Q 2013) including</u> | 868,373 | 232,723 |
| Bank shareholder | 134,489 | 81,518 |
| Shareholder related entity | 363,921 | 95,184 |
| Bank manager | 323,408 | 56,000 |
| Manager related entity | 46,556 | 21 |
| <u>Amounts paid over the accounting period (I Q 2013) including</u> | 856,054 | 42,998 |

| | | |
|---------------------------------|----------------|----------------|
| Bank shareholder | 160,470 | 31,446 |
| Shareholder related entity | 329,626 | - |
| Bank manager | 308,100 | 7,082 |
| Manager related entity | 57,857 | 4,469 |
| Exchange rate difference (+/-) | 1,500 | 11,430 |
| Balance os of 31.03.2013 | 239,345 | 752,306 |
| Interest expense as of I Q 2013 | 912 | 13,665 |

| | Thousand AMD | |
|--|-------------------|-------------------|
| Salary or similar payments to the bank management | 31.03.2013 | 31.03.2012 |
| Board | 23,814 | 18,450 |
| salary | 23,814 | 18,450 |
| awarding | | |
| Executive body | 33,182 | 26,230 |
| salary | 33,182 | 26,230 |
| awarding | | |
| Internal audit | 15,827 | 20,992 |
| salary | 15,627 | 20,992 |
| awarding | 200 | |
| Total | 72,823 | 65,672 |

Note 32. Minimum Revelations on Financial Risks

1) Bank's own definition of credit risk

The credit risk is the possible danger of delay or non-repayment of the loan, calculated interest or a part of it conditioned by deterioration of the financial state of the borrower, pledge depreciation and other similar reasons.

2) The methods of measurement and assessment of credit risk

A loan risk assessment and management methodology has been elaborated at the Bank, which gives a Possibility to assess the risks connected with the loan based on the calculation results of the relevant model.

By simultaneous consideration of mathematical and economic arguments the credit risk assessment model provides a complex risk assessment approach, resulting in facilitation of grounded decision-making on loan extension applying also the experts' assessments as exogenous variables. During the preliminary analysis of the borrower's creditworthiness the Bank finds out the potential borrower's conformity to the general criteria set forth by its credit policy, and if the outcome is positive a scrupulous analysis of factors of creditworthiness is made.

3) Description of models (if available).

In addition to the above mentioned methodology the Bank applies the "stress test" method, that envisages calculation of bank losses in case of occurrence of various considered shock scenes.

When applying "stress tests" number of scenarios concerning the risk are being considered and in case each scenario losses of the bank are calculated through relevant method. For the loan risk assessment following shocking scenarios apply.

1. The write off of classified loans to the extent of X%,
2. Classification of Y% of doubtful loans to bad loans,
3. Classification of Z% of standard loans to watchlist,
4. Classification of U% of foreign currency standard loans to watchlist
5. The fact of the loan becoming bad as a result of major borrower's bankruptcy,
6. Classification of K% of total loans to bad loans,
7. Transformation of L% of post-balance sheet conditional liabilities and post-balance sheet term operations into balance sheet articles
8. A scene of having the first,(with exception of those classified doubtful) second,third and seventh scenes in one place.

Where the parameters of X, Y, Z, K scenes are (figures from 1-100).

As a result of application of stress tests the impact of mentioned shock situations on the minimum size of the bank's general capital adequacy standard (N1) is calculated, the possibilities and sizes of breach of those standards, the size of surplus amount (Bank loss) transferable to reserve fund are assessed.

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios (for various values of each scenario parameter), which are used on purpose of analysis of possible scenarios drafted on the basis of previous period data. The analysis of more possible scenarios enables to assess the riskiness of loan portfolio undertake measures for insurance of minimum level of risk. The analysis of write off scenarios of a certain percent of doubtful, standard and general loans classified on the basis of the minimum size of the bank's equity and adequacy standards include determination of critical points of breach of a standard, which enables to assess the probability (risk) of breach of a standard on the given date.

4) Determination of allowable level of loan risk; quantitative analysis and quantitative assessment of risk

While generating its loan portfolio the Bank records and tabulates statistics on centralization of certain types of loans:

- v Per sectors of economy,
- v Per regions,
- v Per a single borrower and related parties,
- v Per loan terms,
- v Per pledge, etc.

5) Loan risk regulation, works carried out on mitigation or elimination of credit risk impact.

The loan policy adopted by the Bank pursues a goal to maximize the efficiency of allocation of attracted funds as loan providing relevant liquidity and risk diversification under conditions of necessary profitability.

The Bank's loan risk management is performed via procedures regulating this process, that set forth the criteria of assessment of the borrower's creditworthiness presented to the borrower, assessment of loan security level, analysis of pledge disposal, restrictions on extension of large loans, forecast of external environmental changes, credit monitoring, control, supervision, etc.

OECD* - Organization for Economic Co-operation and Development

| Item Name | 31.03.2013 | | | | Thousand AMD |
|---|-------------------|----------------|--------------------|--------------------|-------------------|
| | RA | CIS countries | OECD* countries | Non OECD countries | Total |
| Assets | | | | | |
| Cash in hand and balances with the CBA | 11,154,255 | | | | 11,154,255 |
| Claims to banks and other financial institutions | 3,667,501 | 915,846 | 3,215,437 | 384,607 | 8,183,391 |
| Standard bank precious metal bullions and coins | 36,793 | | | | 36,793 |
| Held-for-trading financial Instruments | 1,982 | | | | 1,982 |
| Loans and advances to customers | 35,909,744 | | | | 35,909,744 |
| Available-for-sale securities | 1,368,119 | | 1,715 | | 1,369,834 |
| Investments in controlled parties chartered capital | 349,000 | | | | 349,000 |
| Securities pledged under repurchase agreement | 3,486,648 | | | | 3,486,648 |
| Other assets | 65,762 | | 6 | | 65,768 |
| Total assets | 56,039,804 | 915,846 | 3,217,158 | 384,607 | 60,557,415 |
| Off balance sheet items containing credit risk | 1,862,416 | | | | 1,862,416 |
| Liabilities | | | | | |
| Due to banks and other financial Institutions | 9,508,511 | 22,138 | 7,798,154 | 2,942 | 17,331,745 |
| Due to customers | 36,580,656 | 216,832 | 160,448 | 90,889 | 37,048,825 |
| Total liabilities | 46,089,167 | 238,970 | 7,958,602 | 93,831 | 54,380,570 |
| Net position | 9,950,637 | 676,876 | (4,741,444) | 290,776 | 6,176,845 |

| Item Name | 31.12.2012 | | | | Thousand AMD |
|---|-------------------|------------------|--------------------|--------------------|-------------------|
| | RA | CIS countries | OECD* countries | Non OECD countries | Total |
| Assets | | | | | |
| Cash in hand and balances with the CBA | 12,540,846 | | | | 12,540,846 |
| Claims to banks and other financial institutions | 5,923,854 | 1,374,038 | 2,978,732 | 321,701 | 10,598,325 |
| Standard bank precious metal bullions and coins | 57,002 | | | | 57,002 |
| Held-for-trading financial Instruments | 20,030 | | | | 20,030 |
| Loans and advances to customers | 32,910,280 | | | 627 | 32,910,907 |
| Available-for-sale securities | 812,940 | | 1,818 | | 814,758 |
| Investments in controlled parties chartered capital | 349,000 | | | | 349,000 |
| Securities pledged under repurchase agreement | 4,364,982 | | | | 4,364,982 |
| Other assets | 47,219 | | | | 47,219 |
| Total assets | 57,026,153 | 1,374,038 | 2,980,550 | 322,328 | 61,703,069 |
| Off balance sheet items containing credit risk | 2,232,150 | | | | 2,232,150 |
| Liabilities | | | | | |
| Due to banks and other financial Institutions | 9,875,726 | 37,451 | 8,359,027 | 4,676 | 18,276,880 |
| Due to customers | 36,616,608 | 395,956 | 159,834 | 92,460 | 37,264,858 |
| Total liabilities | 46,492,334 | 433,407 | 8,518,861 | 97,136 | 55,541,738 |
| Net position | 10,533,819 | 940,631 | (5,538,311) | 225,192 | 6,161,331 |

OECD* - Organization for Economic Co-operation and Development

| Item Name | 31.03.2013 | | | | Thousand AMD |
|---|-------------------|----------------|--------------------|----------------|-------------------|
| | RA | CIS countries | OECD* | Non OECD | Total |
| Assets | | | | | |
| Cash in hand and balances with the CBA | 11,154,255 | | | | 11,154,255 |
| Claims to banks and other financial institutions | 3,667,501 | 915,846 | 3,215,437 | 384,607 | 8,183,391 |
| Standard bank precious metal bullions and coins | 36,793 | | | | 36,793 |
| Held-for-trading financial Instruments | 1,982 | | | | 1,982 |
| Loans and advances to customers | 35,909,744 | | | | 35,909,744 |
| Available-for-sale securities | 1,368,119 | | 1,715 | | 1,369,834 |
| Investments in controlled parties chartered capital | 349,000 | | | | 349,000 |
| Securities pledged under repurchase agreement | 3,486,648 | | | | 3,486,648 |
| Other assets | 65,762 | | 6 | | 65,768 |
| Total assets | 56,039,804 | 915,846 | 3,217,158 | 384,607 | 60,557,415 |
| Off balance sheet items containing credit risk | 1,862,416 | | | | 1,862,416 |
| Liabilities | | | | | - |
| Due to banks and other financial Institutions | 9,508,511 | 22,138 | 7,798,154 | 2,942 | 17,331,745 |
| Due to customers | 36,580,656 | 216,832 | 160,448 | 90,889 | 37,048,825 |
| Total liabilities | 46,089,167 | 238,970 | 7,958,602 | 93,831 | 54,380,570 |
| Net position | 9,950,637 | 676,876 | (4,741,444) | 290,776 | 6,176,845 |

| Item Name | 31.12.2012 | | | | Thousand AMD |
|---|-------------------|------------------|------------------|----------------|-------------------|
| | RA | CIS countries | OECD* | Non OECD | Total |
| Assets | | | | | |
| Cash in hand and balances with the CBA | 12,540,846 | | | | 12,540,846 |
| Claims to banks and other financial institutions | 5,923,854 | 1,374,038 | 2,978,732 | 321,701 | 10,598,325 |
| Standard bank precious metal bullions and coins | 57,002 | | | | 57,002 |
| Held-for-trading financial Instruments | 20,030 | | | | 20,030 |
| Loans and advances to customers | 32,910,280 | | | 627 | 32,910,907 |
| Available-for-sale securities | 812,940 | | 1,818 | | 814,758 |
| Investments in controlled parties chartered capital | 349,000 | | | | 349,000 |
| Securities pledged under repurchase agreement | 4,364,982 | | | | 4,364,982 |
| Other assets | 47,219 | | | | 47,219 |
| Total assets | 57,026,153 | 1,374,038 | 2,980,550 | 322,328 | 61,703,069 |

| | | | | | |
|--|-------------------|----------------|--------------------|----------------|-------------------|
| Off balance sheet items containing credit risk | 2,232,150 | | | | 2,232,150 |
| Liabilities | | | | | |
| Due to banks and other financial Institutions | 9,875,726 | 37,451 | 8,359,027 | 4,676 | 18,276,880 |
| Due to customers | 36,616,608 | 395,956 | 159,834 | 92,460 | 37,264,858 |
| Total liabilities | 46,492,334 | 433,407 | 8,518,861 | 97,136 | 55,541,738 |
| Net position | 10,533,819 | 940,631 | (5,538,311) | 225,192 | 6,161,331 |

RA regions

Thousand AMD

| RA regions | 31.03.2013 | 31.12.2012 |
|--------------|-------------------|-------------------|
| Yerevan | 24,760,619 | 23,138,672 |
| Ararat | 602,187 | 613,311 |
| Armavir | 1,298,462 | 1,000,316 |
| Kotayk | 1,825,687 | 1,514,148 |
| Shirak | 1,144,403 | 927,808 |
| Lori | 1,175,258 | 1,000,663 |
| Aragatsotn | 2,961,060 | 2,662,284 |
| Syunik | 950,438 | 868,477 |
| Tavush | 454,081 | 432,118 |
| Gegharkunik | 203,043 | 195,124 |
| Vayots Dzor | 390,210 | 431,626 |
| Artsakh | 144,296 | 126,361 |
| Total | 35,909,744 | 32,910,907 |

Analysis of credit portfolio as per regions and risk level

31.03.2013

Thousand AMD

| Assets | Performing | | Non-performing | | |
|---|--------------------|-----------------|--------------------------|------------------------|------------------|
| | Standard/Not risky | Watchlist/Risky | Substandard/Medium risky | Doubtful/ Highly risky | Lost |
| Loans, including | | | | | |
| 1. RA residents | 35,608,673 | 79,175 | 163,272 | 58,624 | 3,362,894 |
| 2. Residents of CIS countries (per countries) | | | | | 401 |
| Russia | | | | | 401 |
| 3. Residents of OECD countries (per countries) | | | | | - |
| 4. Residents of non-OECD countries | | | | | |
| 5. Total | 35,608,673 | 79,175 | 163,272 | 58,624 | 3,363,295 |

31.12.2012

thousand AMD

| Assets | Performing | | Non-performing | | |
|---|--------------------|-----------------|--------------------------|------------------------|------------------|
| | Standard/Not risky | Watchlist/Risky | Substandard/Medium risky | Doubtful/ Highly risky | Lost |
| Loans, including | | | | | |
| 1. RA residents | 32,690,883 | 10,202 | 159,730 | 49,466 | 3,275,260 |
| 2. Residents of CIS countries (per countries) | | | | | 401 |
| Russia | | | | | 401 |
| 3. Residents of OECD countries (per countries) | | | | | |
| 4. Residents of non-OECD countries | 626 | | | | - |
| Georgia | 626 | | | | |
| 5. Total | 32,691,509 | 10,202 | 159,730 | 49,466 | 3,275,661 |

Credit risk analysis

1-2) To raise the efficiency of loan portfolio security, loans at the Bank are extended to the extent of maximum 70%-80% of assessed value of the pledge and during further repayments of that loan the loan/pledge ratio factor decreases. The assessment of pledged properties is made in AMD, loans are also extended in foreign currency. Within conditions of exchange rate fluctuations and overdue loans in case of deficit of pledge value, arising from the growth of borrower liabilities on account of accumulated penalties the risks of the Bank are mitigated due to the fact that according to Loan agreements the bank is entitled to satisfy its credit requirements, from funds available on the borrower's bank account, and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans as of 31.03.2013 did not exceed 9.97%: The bulk of unsecured loans consists of those given to the customers of ARMECONOMBANK OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have significant ratio. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and, in some cases, guarantees of reputable organizations are available.

3) As of 31.03.2013, loans amounted to AMD 36,850,498,000. Non-performing loans as of 31.03.2013 amounted AMD 441,157,000. The proportions of watchlist, substandard, and doubtful loans in the loan portfolio were respectively 0.24; 0.58 and 0.37 percent.

4) The provisioning of loan portfolio corresponds to the requirements of IFRS.

5) The volume of repo transactions effected in 1st quarter 2013 (except those prolonged) was AMD 8,694,266,000 against AMD 4,082,986,000 of the same period of the previous year. Reverse repo transactions in 1st quarter 2013 totalled AMD 28,025,808,000 against AMD 5,724,156,000 of the same period of the previous year.

6) The lending procedure at ARMECONOMBANK OJSC is performed by a dedicated team of employees with excellent professional qualification and work experience. The engagement of employees is made via competitive examination held by a special competition committee. The announcements on competitions are placed in the mass media and in the bank's Website page.

7) On purpose of rising the efficiency of lending process and mitigation of risks connected with commercial loans, loan officers make careful analysis of borrower's performance. On purpose of analysis the specialist of Loan extension unit visit the place where the customer's business is located, and not only uses the existing accounting documents, but elaborates and uses his own versions of balance-sheet, income-expenses, cash flows, capital movement statements.

The balance sheet compiled by the bank specialist reflects the situation at the time when the analysis is made/cash in the pay desk, bank accounts, savings/, accounts receivable/receivable amounts, goods in transit, prepayments made/, good supplies/raw materials, half-ready goods, goods/, fixed assets/equipments related to customer's business activity, cars, real estate and other property/.

The statement of income/expenses is compiled taking into account the average indicators of customers-disposal/averaged data/, value of goods and services/cost of raw materials, prime cost of goods/, surplus costs/salary, rental fee, transportation expenses, communal expenses, taxes, etc./, other income, expenses, repayments of extendable loan principal and interests.

During the process of analysis the following economic ratios and indicators reflecting the financial state of the borrower are calculated: capital adequacy ratio, liquidity ratio, circulation ratio, surplus, gross margin, net margin, limit of allowable decrease of liquidity volumes. The ratio of loan servicing is also calculated separately.

The loan amount is extended only after checking the conformity of the borrower's financial state with the requirements of the bank for those ratios, set forth by the internal procedures regulating the lending process.

performed by the bank's special unit, Loan Monitoring Division. The day-by-day monitoring of loans is made by loan officers in case of necessity.

Two types of monitoring are performed:

1. Monitoring via actual visits
2. Monitoring by phone

During the process of monitoring the specialists of the loan monitoring division gather information on the following issues:

2. Information on changes in borrower's market position (competitors, price fluctuations, disposal, etc.).
3. In case of extension of loans by installments, as well as in case of availability of operative loan, a monitoring (analysis) of previously extended loan is performed before extension of the consecutive installment or the new loan.
4. Changes related to supplier, consumer structure and raw material prices.
5. Other ratio describing the financial state of the borrower.

During monitoring relevant specialists discover cases of non purposeful usage of loan or provision of untrue information by the borrower the Bank may terminate further lending in case if the lending is by installments, or may terminate the loan agreement and perform preterm repayment of principal, credit line extended for commercial purposes and accrued interests based on its rights under pledge agreement.

The assessment of pledge is made by a specialized company with a license for assessment. The assessment of property reflects the market situation, taking into account the forecast of property prices.

The Loan and pledge agreements signed with the customers contain a provision on mandatory security.

Collection of written off loans is made by special units of the Bank, jointly by Problematic Loan Division and Security Department.

8) Lending process at ARMECONOMBANK OJSC includes all relevant impetus for detection of credit risks.)

Credit risk management at the bank is performed by the following main procedures.

1. Prudential discovery process of lending object,
2. Collection of standard portfolio of loan documentation,
3. Loan monitoring,
4. Problematic loans' repayment process.

As a result of the above mentioned processes the following data are discovered and assessed: borrower's competency, loan purpose, borrower's creditworthiness and loan repayment sources, risks connected with the borrower related parties, borrowers loan history, experience of entrepreneurial activities, market position, conformity of pledge object.

Business activity of customers financed by the Bank is in many cases interconnected, which enables the Bank to check the correctness of information presented by the customer comparing that information with the information presented by another bank customer, who acts as the supplier, buyer or competitor of the first.

Thousand AMD

| Quantative indicators applied for loan risk analysis | | | | |
|---|------------|----------------------|------------|------------|
| Indicators | amount | indicator | amount | Corelation |
| 31.12.12 | | | | |
| Non-performing loans | 328,792 | Total loans | 32,910,907 | 1.0% |
| 31.03.13 | | | | |
| Non-performing loans | 441,157 | Total loans | 35,909,744 | 1.2% |
| 31.12.12 | | | | |
| Provisions for non-performing loans | 109,394 | Total capital | 9,482,811 | 1.2% |
| 31.03.13 | | | | |
| Provisions for non-performing loans | 140,086 | Total capital | 9,469,158 | 1.5% |
| 31.12.12 | | | | |
| Provisions for loans | 662,477 | Total loans | 32,910,907 | 2.0% |
| 31.03.13 | | | | |
| Provisions for loans | 940,754 | Total loans | 35,909,744 | 2.6% |
| 31.12.12 | | | | |
| Possible loss provisions | 662,477 | Non-performing loans | 328,792 | 201.5% |
| 31.03.13 | | | | |
| Possible loss provisions | 940,754 | Non-performing loans | 441,157 | 213.2% |
| 31.12.12 | | | | |
| Write-offs - reimbursements | 100,818 | Average total loans | 30,411,816 | 0.3% |
| 31.03.13 | | | | |
| Write-offs - reimbursements | 38,555 | Average total loans | 35,909,744 | 0.1% |
| 31.12.12 | | | | |
| Reimbursements | 78,404 | loan losses | 100,818 | 77.8% |
| 31.03.13 | | | | |
| Reimbursements | 40,096 | loan losses | - 38,555 | -104.0% |
| 31.12.12 | | | | |
| Profit coverage ratio = (net operational income + provisioning expenses) | 4,077,483 | net loan loss | 100,818 | 4044.4% |
| 31.03.13 | | | | |
| Profit coverage ratio = (net operational income + provisioning expenses) | 1,358,354 | net loan loss | 38,555 | 3523.2% |
| 31.12.12 | | | | |
| Net interest margin adjusted by credit risk = (interest income -interest expenses- loan losses) | 2,993,768 | loan investments | 32,910,907 | 9.1% |
| 31.03.13 | | | | |
| Net interest margin adjusted by credit risk = (interest income -interest expenses- loan losses) | 794,602 | loan investments | 35,909,744 | 2.2% |
| 31.12.12 | | | | |
| Major borrowings | 9,520,874 | capital | 9,482,811 | 100.4% |
| 31.03.13 | | | | |
| Major borrowings | 10,022,045 | capital | 9,469,158 | 105.8% |

Market risk

1) Bank's definition of market risk

Market risk is the foreign currency, interest rate and price risk, which depend on exchange rate, interest rate and security price fluctuations.

assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

The calculations of VAR model of foreign currency risk assessment are made on a daily basis, taking into account previous period data of foreign currency exchange rates and foreign currency position data. As a risk exponent on separate foreign currency position the possible maximum size of revaluation loss incurred as a result of a day's (10 days') exchange rate fluctuation is reviewed under the conditions of given reliability level. The calculations of the model are made under 99% reliability level conditions. Under the frames of the model the correlation matrix of foreign currency exchange rate fluctuations is calculated, on the basis of which the assessment of possible maximum loss incurred from foreign currency positions (risk of foreign currency assets' and liabilities' portfolio) is made.

By the results of accounting quarter the possible maximum average daily loss (foreign currency risk) per separate foreign currency positions and foreign currency assets and liabilities portfolio under 99% reliability has formed.

| Accounting period | Thousand AMD | | | | | | | | | |
|-------------------|-----------------|--------|--------|---------|-------|--------|--------|--------|---------|----------|
| | USD | GBP | EUR | CHF | CNY | AED | RUB | GEL | XAU | Total |
| 2012 I Q | 627.73 | 129.61 | 350.35 | 375.28 | 0.00 | 302.43 | 390.89 | 98.70 | 573.48 | 1,128.00 |
| 2013 I Q | 636.04 | 101.11 | 313.02 | 62.57 | 38.05 | 374.48 | 725.18 | 72.72 | 228.72 | 1,370.62 |
| growth/decline | 8.31 | -28.49 | -37.33 | -312.72 | 38.05 | 72.04 | 334.29 | -25.98 | -344.75 | 242.62 |

Below please find the breakdown of the bank's foreign currency risk per financial assets and liabilities

31.03.2013

Thousand AMD

| | AMD | I group foreign currency* | II group foreign currency** | Total |
|---|-------------------|------------------------------|--------------------------------|-------------------|
| Assets | | | | |
| Cash in hand and balances with CBA | 5,870,578 | 3,934,382 | 1,349,295 | 11,154,255 |
| Bank standardized bullions of precious metals and coins | 443 | 36,350 | - | 36,793 |
| Due from Banks and other Financial Institutions | 1,932,885 | 5,441,214 | 809,292 | 8,183,391 |
| Held-for-trading financial Instruments | 1,982 | - | - | 1,982 |
| Loans and advances to customers | 20,320,143 | 15,589,601 | - | 35,909,744 |
| Available-for-sale financial assets | 1,369,834 | - | - | 1,369,834 |
| Investments in controlled parties' chartered capital | 349,000 | - | - | 349,000 |
| Securities pledged under repurchase agreements | 3,486,648 | - | - | 3,486,648 |
| <i>Other assets</i> | 42,729 | 23,039 | - | 65,768 |
| Total assets | 33,374,242 | 25,024,586 | 2,158,587 | 60,557,415 |
| Liabilities | | | | |
| Liabilities to banks and other financial Institutions | 9,527,411 | 7,701,386 | 102,948 | 17,331,745 |
| Liabilities to customers | 19,973,306 | 16,832,055 | 243,464 | 37,048,825 |
| Held-for-trading liabilities | 20,222 | - | - | 20,222 |
| Liabilities against current taxes | - | - | - | - |
| Amounts payable | 53,832 | - | - | 53,832 |
| Deferred tax liabilities | 12,440 | - | - | 12,440 |
| Other liabilities | 365,410 | 24,594 | 1,104 | 391,108 |
| Total liabilities | 29,952,621 | 24,558,035 | 347,516 | 54,858,172 |
| Net position | 3,421,621 | 466,551 | 1,811,071 | 5,699,243 |

31.12.2012

Thousand AMD

| | AMD | I group foreign currency* | II group foreign currency** | Total |
|---|------------|------------------------------|--------------------------------|------------|
| Assets | | | | |
| Cash in hand and balances with CBA | 7,710,130 | 4,093,687 | 737,029 | 12,540,846 |
| Bank standardized bullions of precious metals and coins | 443 | 56,559 | - | 57,002 |
| Due from Banks and other Financial Institutions | 2,520,123 | 6,871,837 | 1,206,365 | 10,598,325 |
| Held-for-trading financial Instruments | 20,030 | - | - | 20,030 |
| Loans and advances to customers | 19,032,713 | 13,878,194 | - | 32,910,907 |
| Available-for-sale financial assets | 814,758 | - | - | 814,758 |
| Investments in controlled parties' chartered capital | 349,000 | - | - | 349,000 |

| | | | | |
|---|-------------------|-------------------|------------------|-------------------|
| Securities pledged under repurchase agreements | 4,364,982 | | | 4,364,982 |
| Other assets | 31,539 | 15,680 | | 47,219 |
| Total assets | 34,843,718 | 24,915,957 | 1,943,394 | 61,703,069 |
| Liabilities | | | | |
| Liabilities to banks and other financial Institutions | 10,227,327 | 8,038,848 | 10,705 | 18,276,880 |
| Liabilities to customers | 19,868,091 | 17,130,921 | 265,846 | 37,264,858 |
| Held-for-trading liabilities | 335,862 | | | 335,862 |
| Liabilities against current taxes | 13,150 | | | 13,150 |
| Amounts payable | 56,171 | | | 56,171 |
| Deferred tax liabilities | 27,321 | | | 27,321 |
| Other liabilities | 325,277 | 21,477 | 5,900 | 352,654 |
| Total liabilities | 30,853,199 | 25,191,246 | 282,451 | 56,326,896 |
| Net position | 3,990,519 | (275,289) | 1,660,943 | 5,376,173 |

* I group foreign currency comprises the following currencies: USD, GBP, EUR, CHF, stansardized gold bar and metal account.

** II group foreign currency comprises: RUR, GEL, CNY and AED. **

Ինթերեսային ռիսկի գնահատում

Evaluation of interest rate change risk

The analysis of misbalance show that the average accumulated misbalance (accumulation gap of assets and liabilities sensitive to interest rate) of the 1st quarter of 2013 is positive forming AMD 1,079,731.0 thousand against -AMD559,461.0 thousand of the same period in the previous year by increasing in absolute value by AMD 520,270.0 thousand or 92.99%, so in average the bank was sensitive to assets in the 1st quarter of 2013. In 1st quarter of 2013, the average accumulated misbalance increased in absolute value by AMD 867,797.0 thousand or 4.09 times, against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for 1st quarter of 2013 has increased by 1.2 percent forming 102.6% against 101.4% average value of 1st quarter of 2012, that is in 1st quarter of 2013 the assets sensitive to interest rate changes have exceeded the liabilities by average 2.6%.

M The duration of assets as of the end of 1st quarter 2013 was 0.736 year (against 0.802 of 1st quarter 2012) as it declined by 0.066 year or by 8.23%: Against the end of the previous quarter (0.638 year), this indicator has increased by 0.098 year or 15.36%.

M The duration of liabilities as of the end of 1st quarter 2013 was 0.474 year (against 0.582 of 1st quarter 2012) as it declined by 0.108 year or 18.56%. Against the end of the previous quarter (0.423), this indicator has increased by 0.051 year or 12.06%.

M The duration gap as of the end of 1st quarter 2013 was 0.309 (against 0.261 as of the end of 1st quarter 2012) as it grew by 0.048 or 18.39%. Against the end of the previous quarter (0.248), this indicator has grown by 0.061 or 24.60%.

31.03.2013

Thousand AMD

| Item | up to 1 month | | 1 to 3 months | | 3 to 6 months | | 6 months to 1 year | | 1 to 5 years | | over 5 years | |
|--|---------------|------------------|---------------|------------------|---------------|------------------|--------------------|------------------|--------------|------------------|--------------|------------------|
| | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency |
| Distributed funds | | | | | | | | | | | | |
| Due from banks and other financial Institutions including | | 26646 | | 55,814 | | 83,721 | | 104,653 | | 76,722 | | |
| Total | - | 26,646 | - | 55,814 | - | 83,721 | - | 104,653 | - | 76,722 | - | - |
| Liabilities to banks and other financial institutions, including | | | | | | | | | | | | |
| loans | | 45,301 | | 2,917,908 | | 2,835,499 | | | | | | |
| total | - | 45,301 | - | 2,917,908 | - | 2,835,499 | - | - | - | - | - | - |
| net position | - | (18,655) | - | (2,862,094) | - | (2,751,778) | - | 104,653 | - | 76,722 | - | - |

31.12.2012

| Item | up to 1 month | | 1 to 3 months | | 3 to 6 months | | 6 months to 1 year | | 1 to 5 years | | over 5 years | |
|--|---------------|------------------|---------------|------------------|---------------|------------------|--------------------|------------------|--------------|------------------|--------------|------------------|
| | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency | AMD | foreign currency |
| Distributed funds | | | | | | | | | | | | |
| Due from banks and other financial Institutions including | | | | | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to banks and other financial institutions, including | | | | | | | | | | | | |
| loans | | 1,155,739 | | 2,699,153 | | 139,153 | | | | | | |
| total | - | 1,155,739 | - | 2,699,153 | - | 139,153 | 0 | 0 | 0 | 0 | 0 | 0 |
| net position | - | (1,155,739) | - | (2,699,153) | - | (139,153) | 0 | 0 | 0 | 0 | 0 | 0 |

The average interest rates applicable for interest-bearing assets and liabilities as of the end of the accounting and previous periods are presented in the below chart:

| Item | Interest rates of accounting period | | Interest rates of previous period | |
|--|-------------------------------------|------------------|-----------------------------------|------------------|
| | AMD | foreign currency | AMD | foreign currency |
| Assets | | | | |
| Balances with the CBA | - | - | - | - |
| Due from banks and other financial institutions, including | 9.57 | 7.35 | 9.99 | 4.83 |
| - Interbank loans | 9.95 | 7.66 | 10.41 | 4.33 |
| - Interbank repo | - | - | - | - |
| Loans and advances to customers | 19.94 | 17.84 | 19.69 | 16.27 |
| Held-for-trading and available-for-sale securities | 15.63 | - | 15.60 | - |
| Liabilities | | | | |
| Due to Banks and other financial Institutions | 9.41 | 6.97 | 9.29 | 6.12 |
| Due to customers | 4.00 | 4.60 | 4.00 | 4.64 |

3) Description of models

Foreign currency risk

Foreign currency risk is the possible maximum loss from revaluation arising from exchange rate fluctuation, assessed per separate currencies, as well as for the whole portfolio.

On purpose of measurement and assessment of foreign currency risk the VAR (Value at risk) model accepted in International practice is used, on the basis of which the size of maximum possible loss (under given reliability) is calculated per separate types of foreign currency (foreign currency positions), as well as for the whole portfolio. According to VAR model the size of possible maximum loss is calculated on the basis of foreign currency open positions time series describing the interest rate fluctuations. On the basis of one day VARs calculated for the Bank's foreign currency assets and liabilities the values of 10 day VARs are assessed for separate foreign currencies and total portfolio.

The calculation of possible maximum loss gives the Bank an opportunity to assess the efficiency of its foreign currency operations, taking into account the level of exposure to risk, manage the foreign currency positions, arising from the size of possible maximum loss, limiting the volumes of foreign currency positions in case of necessity.

The bank's foreign currency policy is aimed at efficient management of foreign currency positions and is paralleled with justified risk level and is calculated in accordance with foreign currency risk calculation standard methodology during the calculation of standards.

Interest rate risk

The interest rate risk is the possibility of negative impact of changes in market interest rates on the Bank's net interest income or economic value of capital.

The evaluation of interest rate risk is made via application of "Model of gap in assets and liabilities sensitive to interest rate changes" ("GAP model") and "Duration model", which enable to assess the impact of interest rate changes on the Bank's net interest income and economic value of capital.

GAP indicator (gap) is calculated as a difference between assets and liabilities sensitive to interest rate changes. The calculations are made each month for evaluation of the impact of interest rate changes on the net interest income during the upcoming 3 months period.

Under the frames of the present model the following suppositions are made:

1. During the period under review the structure and volumes of assets and liabilities remain unchanged. That means that the repaid assets and liabilities are again allocated and attracted, but in this case by new interest rates.
2. The review of interest rates is made in the middle point of each period.
3. The interest rates of all the assets and liabilities with different maturities change in the same extent, that is a simultaneous movement of profitability curves of assets and liabilities occur.

The Bank's sensitivity to interest rate changes is assessed by "Gap correlation" indicator (GAP/ASSETS), which is calculated through correlation of assets' and liabilities accumulative gap to assets.

In case of duration model the impact of interest rate changes on the economic value of capital is evaluated as of the end of the accounting period.

Under the frames of this model first of all the durations (average weighed terms) of the Bank's assets and liabilities portfolio are calculated, then, on the basis of the later the change in the economic value of capital, which is the difference of the changes in present values (conditioned by interest rate fluctuations) of assets and liabilities (future flows) is calculated. For evaluation of change in the economic value of capital the duration gap (DGAP) is calculated which reflects the incongruity level of assets and liabilities durations, that is the incongruity of average weighed terms of assets' and liabilities' future flows. ()

The high value of duration gap evidences about the high level of interest rate risk. The retaining of low level of duration gap brings to hedging of interest rate risk (stability of capital value against interest rate changes).

The dynamics and fluctuations of changing interest rates are constantly reviewed and the impact of their probable changes on the bank's assets and liabilities at changing interest rates is assessed.

On purpose of mitigation of interest rate risk the accumulative gap (accumulative disbalance) and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk. Taking into account the general tendency of interest rate changes and applying the elaborated models measures are undertaken for insurance of efficient time and volume correlations of attractable and distributable funds.

Price risk

Price risk is the danger for the Bank to incur financial losses due to unfavorable changes in the market prices of securities, conditioned by factors related to general fluctuations of market prices of securities under circulation in the market (in the environment of long or short positions on the given security), as well as by factors related to given security and its issuer.

The possible minimum level of price risk is maintained through the following measures undertaken:

V Analysis of dynamics of structure, volume and price indicators of financial market, and liquidity of separate financial instruments, discovery of existing tendencies,

V Assessment of possible losses,

V Application of hedging instruments,

V Setting limits on financial instruments (per type of security operation, per dealer, per issuer, stop- loss),

V Diversification of security portfolio per issuer, sectors, maturities, etc

Liquidity risk

1) The Bank's Definition of Liquidity Risk

Liquidity is the Bank's possibility of fully and timely repayment of its obligations

The liquidity risk is the probability, that the Bank will not be able to meet its debtors' requirements in time without bearing additional losses, which will negatively influence the bank's profit and/or capital.

2) Description of models of assessment and measurement of liquidity risk

For evaluation of liquidity risk stress test method is used, which envisages discovery of probability of breaches of liquidity standards of the Bank in case of various shock scenarios considered and calculation of size of those breaches and time-constraints gap method, that envisages calculation of liquidity indicators, by which the assessment of liquidity management quality is made.

When applying the stress tests a number of scenarios related to the given are taken into consideration. During each scenario the sizes of breaches of the bank's standards are calculated via relevant methods.

The following shock scenarios are applied for assessment of liquidity risk:

1. Pre-term withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposit by legal entities.
3. Withdrawal of 25% of all demand liabilities.

4. Pre-term withdrawal of 25% of term deposit and simultaneous withdrawal of 25% of all demand liabilities by individuals.

5. Pre-term withdrawal of X% of term deposit and Y% of all demand liabilities by individuals and legal entities (moreover 3 levels of the scenario are observed: mild, medium and severe, which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits (pre-term) and all demand liabilities by individuals and legal entities).

The possibility of breach in N21 and N22 liquidity standards is discovered under the mentioned conditions and the sizes of such breaches are calculated. The calculation of critical points of breaches of standards gives an opportunity to get accurate assessments of the bank's liquidity risk through analysis of the impact of call in of Individuals' term deposits and demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches.

The methodology of time-constraint gaps of assessment of liquidity risk enables to assess and analyze the bank's liquidity risk, as well as to maintain the satisfactory level of liquidity of the bank's policy. On this purpose the time-constraint gaps of the bank's assets and liabilities are discovered, the liquidity indicators are calculated and the Bank's liquidity management quality is assessed. In present methodology of liquidity assessment separation of instant, up to 90 days accumulative and general (up to a year accumulative) liquidities is made, also time series of liquidity indicators are considered for assessment of bank liquidity management quality.

3) Determination of allowable level of liquidity risk – quantitative analysis and assessment of risk

Liquidity risk assessment

Over the I quarter 2013 instant liquidity indicator and up to 90 days' accumulative indicator have increased accordingly by 5.50 and 11.51 percent, and general liquidity indicator has declined by 19.73 percent.

| Accounting period | | 31.03.13 | | | | | | | | Thousand AMD | |
|--|----------------|---------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|--|
| Item | Non-performing | | | | | | | | Termless | Total | |
| | Term | Overdue | Demand | up to 3 month | 3 to 6 month | 6 to 12 month | 1 to 5 years | over 5 years | | | |
| On maturity terms of assets | | | | | | | | | | | |
| Cash in hand and cash equivalents, balances with the CBA | | | 10,134,255 | | | | | | 1,020,000 | 11,154,255 | |
| Standardized precious metal bars | | | 36,793 | | | | | | | 36,793 | |
| Due from banks and other financial Institutions | | | 2,129,389 | 5,521,335 | 209,283 | 2 | | | 323,382 | 8,183,391 | |
| Financial assets kept for commercial purposes | | | | 1,982 | | | | | | 1,982 | |
| Loans and advances to customers | 273,095 | 18,907 | | 9,727,273 | 3,697,314 | 4,934,350 | 15,727,829 | 1,530,976 | - | 35,909,744 | |
| Securities, including: | | | | 3,548,458 | 8,469 | 23,342 | 1,042,713 | 184,223 | 398,277 | 5,205,482 | |
| - Held-for-trading | | | | | | | | | | - | |
| - Available-for-sale | | | | 61,810 | 8,469 | 23,342 | 1,042,713 | 184,223 | 398,277 | 1,718,834 | |
| - Held-to-maturity | | | | | | | | | | - | |
| - Sold by repo agreements | | | | 3,486,648 | | | | | | 3,486,648 | |
| Other claims | | | | 65,768 | | | | | | 65,768 | |
| Contractual claims** | | | | | | | | | | - | |
| Total | 273,095 | 18,907 | 12,300,437 | 18,864,816 | 3,915,066 | 4,957,694 | 16,770,542 | 1,715,199 | 1,741,659 | 60,557,415 | |
| including | | | | | | | | | | | |
| I group foreign currency | 137,546 | 13,013 | 5,750,096 | 8,582,253 | 1,657,391 | 2,723,817 | 5,600,084 | 455,902 | 104,484 | 25,024,586 | |
| II group foreign currency | | | 1,716,999 | 437,539 | | - | - | - | 4,047 | 2,158,585 | |
| including | | | | | | | | | | | |
| By floating interest rates | | | | 26,646 | 139,535 | 104,653 | 76,722 | | | 347,556 | |
| By fixed interest rates | 273,095 | 18,907 | 147,945 | 16,081,981 | 3,915,066 | 4,957,692 | 16,770,542 | 1,715,199 | - | 43,880,427 | |
| Non-interest | | - | 12,152,492 | 2,782,835 | | | | | 1,741,659 | 16,676,986 | |
| On maturity of liabilities' repayment | | | | | | | | | | | |
| Due to banks and other financial Institutions | | | 855,365 | 5,092,019 | 1,835,736 | 3,548,153 | 5,517,977 | 481,995 | 500 | 17,331,745 | |
| Due to customers, including | - | - | 24,658,559 | 3,460,892 | 8,395,435 | 387,802 | 144,082 | - | 2,055 | 37,048,825 | |
| - demand deposits | | | 17,803,685 | 58,208 | 33,113 | 11,420 | 21,055 | - | 2,055 | 17,929,536 | |
| - Time deposits | | | 6,209,015 | 3,402,684 | 8,362,322 | 376,382 | 123,027 | - | | 18,473,430 | |
| - Other | | | 645,859 | | | | | | | 645,859 | |
| Held-for-trade liabilities | | | | 20,222 | | | | | | 20,222 | |
| Liabilities against current tax | | | | | | | | | | - | |
| Amounts payable | | | 53,832 | | | | | | | 53,832 | |
| Deferred tax liabilities | | | | | 12,440 | | | | | 12,440 | |
| Other liabilities | | | 391,108 | | | | | | | 391,108 | |
| Off-balance sheet contingent liabilities | | | | 97,975 | 210,179 | 446,785 | 1,088,965 | 10,046 | 8,468 | 1,862,418 | |
| Contractual liabilities | | | | | | | | | | | |
| Total | - | - | 25,958,864 | 8,573,133 | 10,243,611 | 3,935,955 | 5,662,059 | 481,995 | 2,555 | 54,858,172 | |
| including | | | | | | | | | | | |
| I group foreign currency | | | 5,515,465 | 5,417,430 | 3,518,609 | 8,579,107 | 1,442,055 | 85,369 | - | 24,558,035 | |
| II group foreign currency | | | 229,322 | 107,836 | 4,658 | 5,701 | - | | | 347,517 | |
| **Major** Liabilities | | | | 3,680,953 | 1,172,354 | 983,032 | 3,950,745 | 66,630 | | 9,853,714 | |
| including | | | | | | | | | | | |
| Floating interest rates | | | | 2,963,209 | 2,835,499 | | | | | 5,798,708 | |
| By fixed interest rates | | | 9,866,579 | 8,494,703 | 10,198,058 | 3,924,535 | 5,641,004 | 481,995 | 2,555 | 38,609,429 | |
| Non-interest | | | 16,092,285 | 78,430 | 45,553 | 11,420 | 21,055 | | | 16,248,743 | |
| Net liquidity gap | 273,095 | 18,907 | (13,658,427) | 10,291,683 | (6,328,545) | 1,021,739 | 11,108,483 | 1,233,204 | 1,739,104 | 5,699,243 | |
| including | | | | | | | | | | | |
| I group foreign currency | 137,546 | 13,013 | 234,631 | 3,164,823 | (1,861,218) | (5,855,290) | 4,158,029 | 370,533 | 104,484 | 466,551 | |
| II group foreign currency | - | - | 1,487,677 | 329,703 | (4,658) | (5,701) | - | | 4,047 | 1,811,068 | |
| Floating interest rates | - | - | - | (2,936,563) | (2,695,964) | 104,653 | 76,722 | - | - | (5,451,152) | |
| By fixed interest rates | 273,095 | 18,907 | (9,718,634) | 7,587,278 | (6,282,992) | 1,033,157 | 11,129,538 | 1,233,204 | (2,555) | 5,270,998 | |
| Accumulative liquidity gap | 273,095 | 292,002 | (13,366,425) | (3,074,742) | (9,403,287) | (8,381,548) | 2,726,935 | 3,960,139 | 5,699,243 | | |

| Accounting period | | 31.12.2012 | | | | | | | | Thousand AMD | |
|--|----------------|------------|------------|---------------|--------------|---------------|--------------|--------------|-----------|--------------|--|
| Item | Non-performing | | | | | | | | Termless | Total | |
| | Term | Overdue | Demand | up to 3 month | 3 to 6 month | 6 to 12 month | 1 to 5 years | over 5 years | | | |
| On maturity terms of assets | | | | | | | | | | | |
| Cash in hand and cash equivalents, balances with the CBA | | | 11,270,846 | | | | | | 1,270,000 | 12,540,846 | |

| | | | | | | | | | | |
|--|----------------|---------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| Standardized precious metal bars | | | 57,002 | | | | | | | 57,002 |
| Due from banks and other financial Institutions | | | 2,451,626 | 7,827,066 | 29 | | | | 319,604 | 10,598,325 |
| Financial assets kept for commercial purposes | | | | 20,030 | | | | | | 20,030 |
| Loans and advances to customers | 203,814 | 10,056 | | 7,080,300 | 5,154,820 | 4,849,594 | 14,182,030 | 1,430,293 | - | 32,910,907 |
| Securities, including, | | | | 4,384,528 | 51,190 | 22,815 | 84,781 | 587,046 | 398,380 | 5,528,740 |
| - Held-for-trading | | | | | | | | | | - |
| - Available-for-sale | | | | 19,546 | 51,190 | 22,815 | 84,781 | 587,046 | 398,380 | 1,163,758 |
| - Held-to-maturity | | | | | | | | | | - |
| - Sold by repo agreements | | | | 4,364,982 | | | | | | 4,364,982 |
| Other claims | | | | 47,219 | | | | | | 47,219 |
| Contractual claims** | | | | | | | | | | - |
| Total | 203,814 | 10,056 | 13,779,474 | 19,359,143 | 5,206,039 | 4,872,409 | 14,266,811 | 2,017,339 | 1,987,984 | 61,703,069 |
| including | | | | | | | | | | 0 |
| I group foreign currency | 95,754 | 4,912 | 5,838,449 | 8,351,261 | 2,724,377 | 2,436,678 | 5,129,636 | 407,937 | 100,769 | 25,089,773 |
| II group foreign currency | | | 1,581,527 | 350,384 | | - | - | - | 3,981 | 1,935,892 |
| including | | | | | | | | | | |
| Floating interest rates | | | | | | | | | | - |
| By fixed interest rates | 203,814 | 10,056 | 696,494 | 16,699,279 | 5,206,013 | 4,872,409 | 14,266,811 | 2,017,339 | - | 43,972,215 |
| Non-interest | | | - | 13,082,980 | 2,659,864 | 26 | - | - | 1,987,984 | 17,730,854 |
| On maturity of liabilities' repayment | | | | | | | | | | |
| Due to banks and other financial Institutions | | | 2,212,833 | 5,703,916 | 1,199,586 | 2,848,556 | 5,781,894 | 529,595 | 500 | 18,276,880 |
| Due to customers, including | - | - | 18,990,938 | 7,782,792 | 4,259,273 | 5,991,539 | 122,081 | 116,885 | 1,350 | 37,264,858 |
| - demand deposits | | | 18,520,113 | 74,073 | 1,204 | 27,777 | | | 1,350 | 18,624,517 |
| - Time deposits | | | 131,095 | 7,708,719 | 4,258,069 | 5,963,762 | 122,081 | 116,885 | | 18,300,611 |
| - Other | | | 339,730 | | | | | | | 339,730 |
| Held-for-trade liabilities | | | | 335,862 | | | | | | 335,862 |
| Liabilities against current tax | | | | | 13,150 | | | | | 13,150 |
| Amounts payable | | | 56,171 | | | | | | | 56,171 |
| Deferred tax liabilities | | | | | 27,321 | | | | | 27,321 |
| Other liabilities | | | 245,568 | 107,086 | | | | | | 352,654 |
| Off-balance sheet contingent liabilities | | 1,958 | | 169,975 | 113,222 | 552,978 | 1,416,046 | 9,685 | 8,072 | 2,271,936 |
| Contractual liabilities | | | | | | | | | | 0 |
| Total | - | - | 21,505,510 | 13,929,656 | 5,499,330 | 8,840,095 | 5,903,975 | 646,480 | 1,850 | 56,326,896 |
| including | | | | | | | | | | - |
| I group foreign currency | | | 7,044,697 | 7,231,806 | 3,702,171 | 5,093,992 | 1,678,885 | 79,242 | | 24,830,793 |
| II group foreign currency | | | 230,659 | 32,765 | 11,821 | | | | | 275,245 |
| **Major** Liabilities | | | | 3,711,714 | 412,810 | 1,764,587 | 4,034,400 | 80,172 | | 10,003,683 |
| including | | | | | | | | | | - |
| Floating interest rates | | | | 3,854,892 | 3,449,964 | | | | | 7,304,856 |
| By fixed interest rates | | | 9,529,778 | 9,893,605 | 2,906,412 | 8,840,095 | 5,903,975 | 646,480 | 1,850 | 37,722,195 |
| Non-interest | | | 11,975,732 | 181,159 | 1,204 | - | | | | 12,158,095 |
| Net liquidity gap | 203,814 | 10,056 | (7,726,036) | 5,429,487 | (293,291) | (3,967,686) | 8,362,836 | 1,370,859 | 1,986,134 | 5,376,173 |
| including | | | | | | | | | | |
| I group foreign currency | 95,754 | 4,912 | (1,206,248) | 1,119,455 | (977,794) | (2,657,314) | 3,450,751 | 328,695 | 100,769 | 258,980 |
| II group foreign currency | - | - | 1,350,868 | 317,619 | (11,821) | - | - | - | 3,981 | 1,660,647 |
| Floating interest rates | - | - | - | (3,854,892) | (3,449,964) | - | - | - | - | (7,304,856) |
| By fixed interest rates | 203,814 | 10,056 | (8,833,284) | 6,805,674 | 2,299,601 | (3,967,686) | 8,362,836 | 1,370,859 | (1,850) | 6,250,020 |
| Accumulative liquidity gap | 203,814 | 213,870 | (7,512,166) | (2,082,679) | (2,375,970) | (6,343,656) | 2,019,180 | 3,390,039 | 5,376,173 | |

Note 33. Capital and capital adequacy ratio

The Bank does not have defined internal requirements for the capital level. The Central Bank of RA has set forth a 12% capital adequacy ratio to risk weighed assets for all Armenian Banks. The Central Bank of Armenia has also defined a minimum amount for total capital forming AMD 5bn. During the accounting period the Bank has met the established standard requirements on capital level.

We present below the structure of balance sheet capital:

| | Thousand AMD | |
|-----------------------------|------------------|------------------|
| | 31.03.2013 | 31.12.2012 |
| Chartered capital | 2,333,338 | 2,333,338 |
| Reserves | 5,585,295 | 5,584,012 |
| Main reserve | 5,405,133 | 5,405,133 |
| Revaluation reserves | 180,162 | 178,879 |
| Undistributed profit (loss) | 1,478,383 | 1,477,228 |
| Total capital | 9,397,016 | 9,394,578 |

Below please find the core and general capitals applied for calculation of main prudential standards defined by the CBA, and the capital adequacy indicators per months during the accounting period, with their comparison with standard requirements.

| Thousand AMD | | | | | | | |
|--------------|--|--------------------|---------------|-------------|-----------------------------|------------------------|-------------|
| 2013 | Involved in the calculation of standards | | | | | | |
| | Main capital | Additional capital | Total Capital | Credit risk | Market and Operational risk | Total capital adequacy | CBA limit % |
| | 1 | 2 | 3 (1+2) | 4 | 5 | 6 | 7 |
| January | 7,892,162 | 108,346 | 8,000,508 | 45,786,461 | 804,288 | 15 | 12 |
| February | 7,754,683 | 102,485 | 7,857,168 | 44,917,641 | 696,987 | 15 | 12 |
| March | 7,776,466 | 161,007 | 7,937,473 | 48,414,080 | 784,597 | 14 | 12 |

| Thousand AMD | | | | | | | |
|--------------|--|--------------------|---------------|-------------|-----------------------------|------------------------|-------------|
| 2012 | Involved in the calculation of standards | | | | | | |
| | Main capital | Additional capital | Total Capital | Credit risk | Market and Operational risk | Total capital adequacy | CBA limit % |
| | 1 | 2 | 3 (1+2) | 4 | 5 | 6 | 7 |
| January | 7,504,112 | 70,099 | 7,574,211 | 43,431,345 | 515,386 | 15.87 | 12 |
| February | 7,438,686 | 80,027 | 7,518,713 | 42,522,590 | 520,012 | 16.05 | 12 |
| March | 7,214,366 | 153,375 | 7,367,741 | 42,038,028 | 657,662 | 15.50 | 12 |
| April | 7,475,290 | 125,868 | 7,601,158 | 42,767,020 | 675,368 | 15.45 | 12 |
| May | 7,558,439 | 115,542 | 7,673,981 | 43,705,159 | 729,152 | 15.18 | 12 |
| June | 7,656,744 | 174,071 | 7,830,815 | 44,490,595 | 737,383 | 15.12 | 12 |
| July | 7,332,795 | 112,496 | 7,445,291 | 44,263,734 | 727,873 | 14.57 | 12 |
| August | 7,412,772 | 90,365 | 7,503,137 | 43,319,371 | 609,329 | 15.32 | 12 |
| September | 7,564,799 | 158,362 | 7,723,161 | 42,763,812 | 671,390 | 15.64 | 12 |
| October | 7,744,266 | 193,053 | 7,937,319 | 43,004,154 | 790,833 | 15.62 | 12 |
| November | 7,719,277 | 190,119 | 7,909,396 | 43,174,668 | 779,733 | 15.54 | 12 |
| December | 7,936,871 | 176,132 | 8,113,003 | 46,746,874 | 802,925 | 14.85 | 12 |

We hereby present the weights of risks of assets and off-balance sheet contingent liabilities, incomplete operations as of the end of current and previous accounting periods, per the classes of risk weights under Regulation 2 approved by the CBA.

Thousand AMD

| 31.03.13 | | | | |
|--------------|-------------------|--|----------------------------|-------------------|
| Risk weight | Assets | Off-balance sheet contingent liabilities | Incomplete term operations | Total credit risk |
| 0% | 18,705,203 | 88,771 | | - |
| 10% | 218,847 | | | 21,885 |
| 20% | 3,214,381 | | | 642,876 |
| 30% | 1,286,458 | | | 385,937 |
| 50% | 1,004,857 | 46 | 20,797 | 512,850 |
| 75% | 2,200,119 | | | 1,650,089 |
| 100% | 23,090,481 | 375,950 | 12,391 | 23,478,822 |
| 150% | 14,245,174 | 697,036 | 2,012 | 22,416,333 |
| Total | 63,965,520 | 1,161,803 | 35,200 | 49,108,793 |

Thousand AMD

| 31.12.12 | | | | |
|--------------|-------------------|--|----------------------------|-------------------|
| Risk weight | Assets | Off-balance sheet contingent liabilities | Incomplete term operations | Total credit risk |
| 0% | 21,007,248 | 83,304 | | - |
| 10% | 969,939 | | | 96,994 |
| 20% | 2,852,654 | | | 570,531 |
| 30% | 1,228,228 | | | 368,468 |
| 50% | 1,531,043 | 16,390 | | 773,717 |
| 75% | 3,036,873 | | | 2,277,655 |
| 100% | 22,332,217 | 411,985 | | 22,744,202 |
| 150% | 13,338,336 | 858,614 | | 21,295,425 |
| Total | 66,296,538 | 1,370,293 | - | 48,126,991 |

Note 34. Real value of financial assets and liabilities

We hereby present explanations on assessed real value of financial Instruments given in accordance to requirements of IFRS 32 on Revelation and Presentation of Financial Instruments.

The real value of financial instruments is the amount, by which the asset may be exchanged or the liability may be repaid by well-informed and willing parties during "extended hand distance" deal.

The real values of RA governmental T-Bills and Central Bank of Armenia securities are determined on the basis of market quotations.

As of 31.03.2013, the following methods and assessments have been used by the Bank during evaluation of real value of each class of financial Instrument.

Cash in hand and balances with the CBA

The balance sheet value of these short-term instruments exactly reflects their real value

Loans and advances to customers, due from Banks and other financial Institutions

The real value of loan portfolio depends on credit and interest rate peculiarities of separate loan included in each class of loans that form the loan portfolio. The assessment of loan loss provision takes into account risks characteristic of classes of loans, depending on such factors as, the state of the sector of economy in which each borrower is engaged, financial state of each borrower and purchased guarantees. Therefore the loan loss provision is the exact assessment of the size that reflects the influence of loan risk.

Resources attracted from Banks and other financial Institutions.

The Balance sheet value is close to real value

Customer deposits and bank accounts

The Balance sheet value is close to real value

As of 31.03.2013 the Bank had no financial assets accounted for by amount exceeding their real values.

Note 35. Hedging of Envisaged Future Transactions

There are no data available for this note in the accounting and previous periods.

Note 36. Derecognition

There are no data available for this note in the accounting and previous periods.

Note 37. Pledged assets

As of 31.03.2013 the Bank has no pledged assets.

Note 38. Accepted Pledge

As of 31.03.2013 there are no assets accepted as pledge that the bank is entitled to sell or repledge, even in case if the customer has not breached its obligations.

Please find below the assets and warrantees accepted as a pledge with their relevant loan investments.

Thousand AMD

| Collateral type | 31.03.2013 | | 31.12.2012 | |
|-----------------|-------------|-------------------|-------------|-------------------|
| | Loan amount | Collateral amount | Loan amount | Collateral amount |

| | | | | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Real estate | 16,611,714 | 60,779,650 | 16,025,411 | 60,038,030 |
| Car | 2,556,858 | 6,535,325 | 2,176,317 | 5,545,375 |
| Equipment | 480,988 | 858,034 | 433,667 | 744,034 |
| Ready made goods | 714,820 | 1,468,500 | 141,639 | 733,500 |
| Guarantee | 4,892,771 | 18,691,991 | 4,114,261 | 15,324,937 |
| Monetary funds | 193,495 | 256,373 | 266,786 | 456,452 |
| Golden items | 7,647,048 | 9,040,784 | 6,926,883 | 8,401,989 |
| Standard gold | | | | |
| State securities | | | | |
| Securities issued by the CBA | - | - | - | - |
| Other securities | - | - | - | - |
| Other pledge | 77,419 | 190,305 | 82,037 | 191,666 |
| No collateral available | 3,675,386 | - | 3,406,383 | - |
| Total | 36,850,499 | 97,820,962 | 33,573,384 | 92,745,506 |

Note 39. Non-performance/breach of liabilities

There are no data available for this note in the accounting and previous periods.

Chairman of Executive Board

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 19 April 2013