

Interim consolidated report
on financial results
31.12.2013 .
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Name	Notes	Current interim period	Accounting period	Comparable current interim period of previous fiscal year	Previous operiod
Interest and similar income	3	1,806,507	6,958,705	1,556,782	5,951,838
Interest and simliar expenses	3	(946,542)	(3,462,824)	(757,953)	(2,851,367)
Net interest and similar income		859,965	3,495,881	798,829	3,100,471
Income as commissions and other fees	4	579,739	1,918,991	457,827	1,494,069
Expenses as commissions and other fees	4	(100,241)	(423,637)	(106,841)	(315,906)
Net commissions and other fees		479,498	1,495,354	350,986	1,178,163
Net commercial income	5	234,849	967,427	275,563	850,675
Other operational income	6	49,068	170,961	33,662	143,581
Operational income		1,623,380	6,129,623	1,459,040	5,272,890
Net allocations to possible asset loss provisions	7	(44,445)	(139,918)	(77,349)	(139,590)
Total administrative expenses	8	(1,153,119)	(3,929,301)	(718,098)	(3,262,963)
Other operational expenses	9	(326,509)	(1,071,286)	(329,454)	(1,334,991)
Operational profit		99,307	989,118	334,139	535,346
Profit/loss from associated company	10		14,416	(37,481)	(37,481)
Profit/loss before taxation		99,307	1,003,534	296,658	497,865
Profit tax expenses	11	(30,129)	(252,517)	(85,017)	(152,380)
Profit for period		69,178	751,017	211,641	345,485
Including					
Holding Institution's stock					
Uncontrolled stock					

CEO

A.Naljyan

Chief Accountant

D.Azatyan

Approval date January 14 2014

Interim consolidated report
on other comprehensive financial results
31.12.2013
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Name	Note	Current interim period	Accounting period	Comparable current interim period of previous fiscal year	Previous period
Other comprehensive financial result					
Revaluations for financial assets available for sale		1,004,017	1,113,139	70,151	120,941
Profit tax on other comprehensive income		(200,804)	(222,628)	(14,030)	(24,188)
Revaluation for financial assets available for international companys sale			812	641	641
Other comprehensive financial result before taxation		803,213	891,323	56,762	97,394
Comprehensive financial result		872,391	1,642,340	268,403	442,879
Including					
Holding Institution's stock					
Uncontrolled stock					

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Interim consolidated report
on Financial position
31.12.2013
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 previous financial year (checked)
1	Assets			
1.1	Cash and balances with RA CB	13	14,738,840	12,540,847
1.2	memorial coins		23,883	57,002
1.3	Claims to banks and other financial institutions	14	7,028,628	9,040,764
1.4	Financial assets held for commercial purposes	15	134	20,030
1.5	Loans and advances to customers	16	40,693,742	33,379,320
1.6	Financial assets available for sale	17	2,521,046	864,758
1.6.1	Securities pledged under repurchase agreements	17.1	4,624,479	4,037,132
1.8	Investment in chartered capital of controlled entities	19	277,388	262,160
1.9	Non-current assets held for sale		50,887	50,887
1.10	Fixed assets	20	3,625,023	3,067,514
1.10.1	Intangible assets	20	88,497	100,674
1.11	Deferred tax liabilities	11		
1.12	Other assets	21	522,992	468,640
	Total assets		74,195,539	63,889,728
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	17,652,332	16,719,326
2.2	Liabilities to customers	23	44,435,469	37,264,854
2.3	Liabilities for current taxes		145,992	22,455
2.5	Liabilities held for commercial purposes	25	6,740	8,012
2.6	Amounts payable	26	52,308	56,171
2.7	Deferred tax liabilities	11	206,398	9,214
2.9	Other liabilities	27	599,186	354,922
	Total liabilities		63,098,425	54,434,954
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		1,070,843	179,520
3.4	Undistributes profit/loss		2,287,800	1,536,783
3.5	Other elements of capital	29		
	Capital owned by Holding institution			
	Minority stock			
	Total capital		11,097,114	9,454,774
	Total liabilities and capital		74,195,539	63,889,728

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Approval date January 14 2014

Interim consolidated report
on Cash Flows
31.13.2013
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Item	Note	Accounting period (unchecked)	Previous period (checked)
1. Cash flows from operations			
<i>Net cash flows before changes in operational assets and liabilities</i>		1,832,244	1,443,343
Interest received		7,053,467	6,092,164
Interest paid		(3,433,990)	(2,855,942)
Fees earned		1,918,991	1,494,067
Fees paid		(423,637)	(315,905)
Gain/loss from financial assets held for commercial purposes		35,623	61,073
Gain /loss from forex operations		1,041,653	867,227
Recovery of previously written-off assets		69,174	79,949
Paid salaries and similar payments		(2,840,027)	(2,121,118)
Other income received from operations and other expenses paid		(1,589,009)	(1,858,172)
<i>Cash flows from changes in operational assets and liabilities</i>			
Decrease.increase in operational assets		(4,264,421)	(8,886,075)
Including claims to financial institutions		4,170,924	(3,541,016)
Loans and advances to customers		(7,903,400)	(3,641,820)
Increase/decrease in securities held for commercial purposes and available for sale		(1,115,735)	(1,656,910)
Other operational assets		583,790	(46,329)
Increase/decrease of operational liabilities		6,272,639	6,340,429
Liabilities to financial institutions		1,197,880	845,632
Liabilities to customers		5,052,937	5,550,455
Decrease of other operation liability		21,822	(55,658)
Net cash flows from operations before profit tax		3,840,462	(1,102,303)
Profit Tax paid		(154,424)	(291,274)
Net cash flows from operations		3,686,038	(1,393,577)
2. Cash flows from investments			
Investments in chartered capitals of other parties			(25,000)
Deposits allocated in other banks			
Capital investments in fixed assets and intangible assets		(256,683)	(98,062)
Acquisition of fixed assets and intangible assets		(587,880)	(368,122)
Sale of fixed assets and intangible assets		9,558	4,986
Net cash flows from investment operations			3,756
Net cash flows from investment operations		(835,005)	(486,198)
3. Cash flows from financial operations			
Dividends paid		(6,581)	(203,227)
Increase.decrease of borrowings from the Central bank of Armenia		(51,410)	(82,392)
Increase/decrease of borrowings from banks		3,715,694	(1,701,400)
Increase/decrease of other borrowings		(3,730,596)	(780,245)
Increase.decrease of securities issued by the Bank			
Net cash flows from financial operations		(72,893)	(2,767,264)
Impact of exchange rate change on cash and its equivalents		100,350	302,403
Net increase/decrease of cash and its equivalents		2,778,140	(4,647,039)
Cash and equivalents at the beginning of the period	13_2	14,988,251	19,332,887
Cash and its equivalents at the end of the period	13_2	17,866,741	14,988,251

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Interim consolidated report
on equity changes
31.12.2013
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Equity elements	Chartered capital			Emission income/loss	Main reserve	Exchange 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 stock	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 ineterim period of previous financial year (ascending from the beginning of the year) (I table)														
1. Balance as of the beginning of the pervious 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) repurchaes and taken out of circulation.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Comprehensive income	-	-	-	-	-	-	97,394	-	-	345,485	-	442,879	-	442,879
5. Dividends	-	-	-	-	-	-	-	-	-	(210,000)	-	(210,000)	-	(210,000)
6.1. Deductions to main reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Balance as of the end of current interim period in previous financila year. 31.12.2012 (checked)	2,333,338	-	2,333,338	-	5,405,133	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
Interim period of current year (ascending form the beginning of the year) (II table)														
1. Balance as of the beginning of the financial year. 01 January 2013 (checked)	2,333,338	-	2,333,338	-	5,405,133	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
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	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
12. Comprehensive income	-	-	-	-	-	-	891,323	-	-	751,017	-	1,642,340	-	1,642,340
13. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16. Balance as of the end of the comparable interim period 31.12.2013 (unchecked)	2,333,338	-	2,333,338	-	5,405,133	-	1,070,843	-	-	2,287,800	-	11,097,114	-	11,097,114

CEO

A. Naljyan

Chief Accountant

D. Azatyan

Approval date January 14 2014

ARMECONOMBANK 2013 4th Quarter Interim Financial Report

Appendix 5 Approved by Resolution N205N of the Board of the
Central Bank of Armenia Dated 10 July 2007

Notes to the interim reports published in the 4th 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 20 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

L. Petrosyan,

I. Managadze

S. Gharibyan

Structure and members of the Bank's management

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO

R.Hayrapetyan

Chief Accountant

D. Azatyan

Head of Territorial Management Department

A. Araqelyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

T.Simonyan

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

As of 31.12.2013 the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1425 shareholders.

Main participants

Sukiasyan Saribek Albert

22.6 %

Sukiasyan Khachatur Albert	19.5 %
Sukiasyan Robert 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.

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 deferred 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 drafts, 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.

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.

Note3. Net interest and similar income

Thousand AMD

Interest and similar income	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Ineterst income from bank's current accounts,deposits and loans allocated with banks and aother financial institutions	13,661	92,642	111,691	373,123
Interest income form loans and advances to customers	1,546,166	5,879,482	1,207,356	4,798,261
Interest income from debt securities	185,936	725,840	147,469	504,449
Interest income from REPO agreements	60,606	177,751	90,037	275,401
other interest income	138	82,990	229	604
Total	1,806,507	6,958,705	1,556,782	5,951,838
Interest and similar expenses	-	-	-	-
Interest expenses from the banks' current accounts deposits and loans allocated from banks and other financial institutions	284,279	1,113,734	251,807	1,051,230
Interest expenses on terms deposits and current accounts of customers	543,219	1,969,848	448,440	1,680,782
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	118,577	369,140	47,806	93,257
Other ineterest expenses	467	10,102	9,900	26,098
Total	946,542	3,462,824	757,953	2,851,367
Net interest and similar income	859,965	3,495,881	798,829	3,100,471

Note4. Commission and other fee income and expenses

Thousand AMD

Commission and other fee income from	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Cashier's operations	53,748	181,161	61,367	190,741
Settlement services	331,177	1,127,744	231,777	779,782
Guarantees, warranties letters of credit operations trust management operations	3,827	15,976	4,487	14,092
Foreign currency and security operations	21,319	54,113	6,586	23,487
payment card servicing	37,294	61,044	25,748	75,945
other commission fees	132,374	478,953	127,862	410,022
Total	579,739	1,918,991	457,827	1,494,069
Commission and other fee expenses	-	-	-	-
Commission fee from correspondent and other accounts	711	2,968	713	3,348
Expenses for payment card operations	34,825	134,873	28,475	98,428
Guaratees, warranties , letter of credit operations ,trust management operations	2,007	7,376	341	4,170
Foreigh currency and security operations	16,351	97,864	27,952	43,945
other commission fees	46,347	180,556	49,360	166,015
Total	100,241	423,637	106,841	315,906
Net commission and other fees received	479,498	1,495,354	350,986	1,178,163

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

Note5. Net income from commercial operations

Thousand AMD

Held for- trading investments	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Net income from sale/purchase of held-for-trading investments	(15,542)	(32,799)	6,419	(3,234)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	(15,542)	(32,799)	-	(1,017)
Net income from changes in real value of held-for-trading investments for commercial	32,215	44,056	14,434	(22,788)
Total	16,673	11,257	20,853	(26,022)
Available for sale investments	-	-	-	-
Net income from sale/purchase of available for sale investments from shares	16,330	35,623	14,962	61,072
debt securities	-	-	-	-
derivatives	16,330	35,623	-	-
Net income from changes in real value of available for sale investments	-	-	-	-
Total	16,330	35,623	14,962	61,072
Foreign currency operations	-	-	-	-
Net income from foreign currency sale/purchase	232,018	1,041,653	279,635	867,227
Net income from foreign currency revaluation	(32,116)	(131,981)	(36,624)	(56,283)
Net income from precious standardized bullions and coins trade	8,113	16,283	2,800	9,075
Net income from revaluation of precious standardized bullions and coins trade	(6,169)	(5,408)	(6,063)	(4,394)
Total	201,846	920,547	239,748	815,625
Net income from commercial operations	234,849	967,427	275,563	850,675

Note 6. Other operational income

Thousand AMD

Other operational income	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Income from penalties and fines	35,456	128,880	23,347	103,306
Income from factoring	-	-	-	1,847
Net income from disposal of fixed and intangible assets	3,990	9,785	1,292	4,367
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets	-	-	-	-
Other income	9,622	32,296	9,023	34,061
Total	49,068	170,961	33,662	143,581

*The main sources of generation of other income are the amounts charged for provision of statement, 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

Due from banks (Note 14)	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance	23,873	23,873	23,873	23,873
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				

Summary balance	23,873	23,873	23,873	23,873
Due from financial institutions (Note 14)	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance	3,936	5,403	7,668	7,707
Net deductions to reserve	(302)	(1,769)	(2,265)	(2,304)
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,634	3,634	5,403	5,403
From loans and advances to customers (Note 16)	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance	758,868	662,477	630,424	625,829
Net deductions to reserve	47,977	143,858	77,084	137,466
Return of amounts previously charged to off balance item	30,599	88,667	(22,897)	42,904
Usage of reserve	(19,997)	(77,555)	(22,134)	(143,722)
Summary balance	817,447	817,447	662,477	662,477
On investments (Note18)	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	4,690	4,690	4,690	4,690
On other assets	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance	6,678	8,192	4,164	20,903
Net deductions to reserve	(3,230)	(2,171)	2,530	4,428
Return of amounts previously charged to off balance item	9,000	13,500	1,498	1,542
Usage of reserve	(10)	(7,083)	-	(18,681)
Summary balance	12,438	12,438	8,192	8,192
Post balance sheet articles containing loan exposures (note 30)	01/10/2013-31/12/2013	01/01/2013-31/12/2013	01/10/2012-31/12/2012	01/01/2012-31/12/2012
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
Total deductions to reserve	44,445	139,918	77,349	139,590

Note 8. Total administrative expenses

Thousand AMD

Total administrative expenses	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Salary and similar payments	896,890	2,960,441	433,076	2,087,875
Allocations to social insurance state fund	871	3,374	61,400	246,766
training and tutorship	442	952	538	2,341
Business trip expenses	12,223	54,993	23,418	63,852
Operational leases	40,117	148,764	30,711	122,031

Insurance costs	16,054	54,158	9,375	35,578
Servicing and maintenance of the bank equipment	16,677	52,715	13,766	52,318
Maintenance and safekeeping of Bank buildings	45,272	165,476	31,074	135,047
Audit and consulting services	2,807	28,861	(4,936)	17,484
Communication and transmission costs	24,471	104,338	26,391	118,606
Transportation costs	25,424	88,964	21,973	101,466
Taxes (except income tax) penalties and other mandatory payments	44,384	167,068	41,493	171,068
Office and organizational expenses	20,023	81,993	22,077	92,500
Lending and recovery expenses	-	-	-	-
other administrative expenses	7,464	17,204	7,742	16,031
Total	1,153,119	3,929,301	718,098	3,262,963

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

	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Average number of bank employees	892	873	853	887
Monthly average salary falling to a single employee (thousand AMD)	306	267	212	252

Note 9. Other operational expenses

Thousand AMD

Other operational expenses	01.10.2013-31.12.2013	01.01.2013-31.12.2013	01.10.2012-31.12.2012	01.01.2012-31.12.2012
Paid fines and penalties	-	2,147	700	777
Payments made for collection	62,500	247,500	49,950	232,690
Advertising and representative expenses	95,763	221,995	53,290	211,012
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	84,029	289,668	150,731	604,701
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	13,750	50,533	11,031	41,577
other expenses	70,467	259,443	63,752	244,234
Total	326,509	1,071,286	329,454	1,334,991

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 gain/losses from investments in controlled units

Thousand AMD

Net income from investments in controlled units	01.10.2013 31.12.2013	01.01.2013 31.12.2013	01.10.2012 31.12.2012	01.01.2012 31.12.2012
Income from investments in associated companies	-	14,416	(37,481)	(37,481)

Note 11. Profit tax expenses (reimbursement)

Thousand AMD

Profit tax expenses	01.10.2013 31.12.2013	01.01.2013 31.12.2013	01.10.2012 31.12.2012	01.01.2012 31.12.2012
Current tax expenses	58,086	277,961	73,636	175,957
Dividends on preferential shares calculated for the current accounting period				(439)
Deferred tax expenses	(27,957)	(25,444)	11,381	(23,138)
Total	30,129	252,517	85,017	152,380

Thousand AMD

	01.10.2013 31.12.2013	Efficient rate (%)	01.01.2013 31.12.2013	Efficient rate (%)	01.10.2012 31.12.2012	Efficient rate (%)	01.01.2012 31.12.2012	Efficient rate (%)
Profit before taxation	99,307		1,003,534		296,658		497,865	
Profit tax with tare	19,861	20	200,707	20	59,332	20	99,573	20
Corrections of income and expenses for taxation purposes against non temporary differences.								
non-taxable income	(25)	(0)	(101)	(0)	(25)	(0)	(101)	(0)
non-deductible expenses	5,012	5	31,399	3	18,488	6	46,030	9
Unevaluated tax loss		-		-		-		-
Foreign currency negative (positive) difference	6,623	7	26,596	3	8,534	3	12,132	2
Verification of tax expenses calculated previous year		-		-		-		(0)
other previliges	(1,342)	(1)	(6,084)	(1)	(1,312)	(0)	(4,815)	(1)
profit tax expenses	30,129	30.34	252,517	25.16	85,017	28.66	152,380	30.61

Calculation of deferred tax on temporary differences

Thousand AMD

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets including	74,102	37,630	-	111,732
Dervivative instruments	4,557	(4,557)		-
Fixed assets	1,349	977		2,326
other liabilities	68,196	41,210		109,406
Deferred tax liabilities including	(83,316)	(12,186)	(222,628)	(318,130)
available for sale securities	(44,199)	396	(222,628)	(266,431)
contingent liabilities	(4,932)	(1,131)		(6,063)
claims to banks and other fiancnial institutions	(15,333)	4,617		(10,716)
loans and advances to customers	(18,852)	(16,068)		(34,920)
Net deferred tax asset/liability	(9,214)	25,444	(222,628)	(206,398)

Note 12. Basic profit falling to a single share

Thousand AMD

Basic profit falling to a single share	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012
Net profit of the accounting period before taxation	69,178	751,017	211,641	345,485
Dividends on preferential shares calculated for the current accounting period	-	-		
Net gains/losses of given period referring to owners of common shares	69,178	751,017	211,641	345,485
Net weighted average number of common shares in circulation during the given period	933,335	933,335	933,335	933,335
Basic profit falling to a single share	0.07	0.80	0.23	0.37

The basic profit falling to a single share is the correlation between net gain or loss referring to common share owners of the given period and average weighted number of common shares in circulation during the given period

Note 13**13-1. Cash, cash equivalents and balances with the RA CB**

Thousand AMD

Cash, cash equivalents and balances with the RA CB	31.12.2013	31.12.2012
Cash	5,440,352	4,073,197
other money placements	3,025,936	2,814,397
Correspondent accounts with the RA CB	5,002,552	4,383,253
Deposit accounts with the RA CB		
Funds deposited with the RA CB	1,270,000	1,270,000
Other demand with the RA CB		
Accrued interest		
Cash and balances with the RA CB	14,738,840	12,540,847

*Correspondent accounts with the CBA include mandatory provisioning funds calculated against the bank's attracted funds according to RA Bank Legislation. ** Funds deposited with the CBA is a guarantee deposit for mutual settlements made via ArCa payment system.

13-2. Cash and cash equivalents included in Cash flow statement

Thousand AMD

Cash and cash equivalents	31.12.2013	31.12.2012
	8,466,288	6,887,594
Cash and payment documents equivalent to cash		
Correspondent accounts with the CBA	5,002,552	4,383,253
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	26,534	40,430
Correspondent accounts with non resident banks	4,371,366	3,676,974
Total cash and cash equivalents	17,866,740	14,988,251

Note 14. Due to Banks and other Financial Institutions

Thousand AMD

Current accounts	31.12.2013	31.12.2012
with RA banks	26,534	40,430
with banks having BBB(Baa3) and higher ratings	2,108,038	1,077,319

with banks haviwng rating lower than BBB (Baa3) or no rating at all	2,260,384	1,209,626
Accrued interest	2,943	459
Total	4,397,899	2,327,834
with RA banks		
loans and deposits		1,307,161
repo agreements		
other	716,211	527,051
with banks having BBB(Baa3) and higher ratings		
loans and advances		1,389,556
other		83
with the banks having a rating lower than BBB(Baa3) or no rating at all	71,183	
other	777	740,638
Accrued interest		2,376
Total	788,171	3,966,865
Possible loss provision for amounts due from banks (note 7)	(23,873)	(23,873)
Net receivables to banks	5,162,197	6,270,826

Thousand AMD

Loans and advances with Financial Institutions and other receivables	31.12.2013	31.12.2012
with RA Financial Institutions		
loans and advances	222,250	1,115,380
repo agreements	1,376,074	1,344,460
other	57,473	231,557
With Financial Institutions having BB(Baa3) and higher ratings		
other	44,620	44,390
With Financial Institutions having rating lower than BB(Baa3) or no rating at all		
other	162,871	32,129
Accrued interest	6,777	7,426
Total	1,870,065	2,775,342
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,634)	(5,403)
Net receivables to Financial Institutions	1,866,431	2,769,939
Net receivables to banks and Financial Institutions	7,028,628	9,040,765

**As of 31.12.13 and 31.12.12 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,000 (AMD 44,620 thousand on 31.12.2013,AMD 44,394 thousand on 31.12.2012) in Visa International and and USD 134,495 (AMD 54,557 on 31.12.2013 and AMD54,279 on 31.12.2012) in Armenian card CJSC,as well as debtor liabilities against clearing systems.

Note15. Held- for- trading financial assets

	Thousand AMD	
Other financial assets held -for -tarding	31.12.2013	31.12.2012
Derivative instruments		
Swap	134	20,030
Total	134	20,030
Possible loss provision on held- for -trading financial assets (note 7)		

Note16. Loans and Advances to customers

Thousand AMD

	31.12.2013	31.12.2012
Loans and other borrowings		
Loans,including	39,325,077	32,410,713
Mortgage	3,173,200	3,126,988
Credit cards	1,924,819	1,436,551
Factoring		
Accrued interes on mentioned articles	261,293	194,533
Total loans	41,511,189	34,041,797
Possible loss provisionon customer loans and advances (note 7)	(817,447)	(662,477)
Net total loans	40,693,742	33,379,320

Thousand AMD

The structure of depreciated (non-performing) loans and borrowings extended to customers in the loan portfolio as of the end of accounting period	31.12.2013		31.12.2012	
	amount	quantity	amount	quantity
Loans and advances including	41,511,189	28,212	34,041,797	30,433
performing loans	40,972,771	28,120	33,713,005	30,397
depreciated (non- performing) loans and borrowings including	538,418	92	328,792	36
overdue	59,390	61	14,397	20
restructured	60,485	2	68,352	2
refinanced				
total loans	41,511,189	28,212	34,041,797	30,433
Possible loss provision on customer loans and borrowings (note 7)	(817,447)		(662,477)	
Net total loans	40,693,742		33,379,320	

Thousand AMD

Analysis of extended loans and advances per financial sectors	31.12.2013	31.12.2012
State industries	83,305	27,177
Private industries including	18,864,207	14,950,811
major enterprises	4,930,176	5,123,614
small and medium enterprises	16,934,031	9,827,197
including business cards	59,037	50,537
Individuals,including	18,695,097	15,003,856
consumer loans	12,801,690	7,073,117
mortgage loans	3,172,045	3,126,988
credit cards	1,865,782	1,386,013
private entrepreneurs	3,607,287	3,865,420
Accrued interest	261,293	194,533
Total loan	41,511,189	34,041,797
Possible loss provision on customer loans and borrowings (note 7)	(817,447)	(662,477)
Net total loans	40,693,742	33,379,320

Thousand AMD

Loan liabilities on 20 major borrowers and related parties	31.12.2013	31.12.2012
balance sheet	11,597,384	8,940,201

balance of off-balance sheet contingent liabilities	1,136,888	555,835
Total	12,734,272	9,496,036
Loan investments	40,693,742	33,379,320
Percentage ratio in loan portfolio	31%	28%
Total normative capital	9,305,898	7,936,871
Percentage correlation to capital	137%	120%

Loan investments	31.12.2013	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,297,482	193
GAF micro and small private enterprises RA Governmental loan program	941,046	73
GAF "Renewable Energy Development" program	172,749	1
Commerzbank	2,680	2
EBRD/1 syndicated loan program	26,936	2
EBRD/2 syndicated loan program	526,070	38
Co-financing	314,979	2
IFC	58,399	5
Black Sea Loan Program 1	144,137	15
Black Sea loan Program 2	1,606,966	60
World Bank Loan Program	274,469	92
Loan program of Russian Federation for Economic Stabilization	65,334	7
New IFC loan program (IFC FMO)	2,349,074	54
EBRD micro small and middle lending program.EBRD/MSME	2,694,142	461
EBRD Micro lending program	10,628	13
Mortgage loans	3,173,208	537
including		
GAF	129,850	48
EBRD	6,340	2
IFC	14,677	2
TOTAL	14,658,299	1,555

Loan investments	31.12.2012	
	Balance thousand AMD	Quantity
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 syndicated loan program	205,177	8
EBRD/2 syndicated loan program	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 Program	301,716	58

Loan program of Russian Federation for Economic Stabilization.	192,841	18
New IFC loan program(IFC FMO)	1,610,540	35
	1,474,372	
EBRD micro small and middle lending program /EBRD MSME/		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 lending sectors	31.12.2013	Percentage	31.12.2012	Percentage
Industry	7,546,671	18	6,235,398	18
Agriculture	1,978,443	5	3,347,994	10
Construction	752,081	2	373,905	1
Transportation and communication	234,615	1	150,407	0
Commence	8,719,094	21	8,397,059	25
Consumer	12,891,853	31	8,946,311	26
Mortgage loans	3,189,897	8	3,168,340	9
Service	4,024,415	10	2,160,995	6
other	2,174,119	5	1,261,388	4
		-		-
Total	41,511,188	100	34,041,797	100

Thousand AMD

Breakdown of loan portfolio per customer residency	31.12.2013	Percentage	31.12.2012	Percentage
RA residents	40,432,449	100	33,184,168	100
Residents of countries with Baa33 and higher ratings including		-		-
		-		-
Residents of countries with Baa33and lower ratings or no rating at all			619	
Accrued interest	261,293		194,533	
Total	40,693,742	100	33,379,320	100

Note 17. Financial assets available for sale

Thousand AMD

State bonds	31.12.2013	31.12.2012
RA Governmental T-Bills		
Treasury bonds	2,375,194	693,754
Total state bonds	2,375,194	693,754

Thousand AMD

RA non-state securities	31.12.2013		31.12.2012	
	Listed	Unlisted	Listed	Unlisted
Issuer having BBB+(Baa1) and lower rating ,other rating or no rating at all				
Short term debt instruments	46,576		71,624	
Capital instruments		102,252		102,252
Total non-state securities of RA	46,576	102,252	71,624	102,252
Investments in RA non-governmental securities		(4,690)		(4,690)
Net investments in RA non-state securities	46,576	97,562	71,624	97,562

Thousand AMD

Non governmental securities of other countries	31.12.2013		31.12.2012	
	Listed	Unlisted	Listed	Unlisted
Issuer having BBB+(Baa1) and lower rating,other rating or no rating at all				
Capital instruments		1,715		1,818
Total non-state securities of other countries		1,715		1,818
Total available-for-sale securities	2,421,770	99,277	765,378	99,380

Investments in share capital of other entities as of 31.12.2013

Thousand AMD

Name	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	1,715	-
Armenian Card CJSC	Payment service	RA	22/02/2000	48,572	5
Economincassacia	Collection	RA	01/11/1998	50,000	100
ACRA Credit Reporting CJSC	Information service	RA	23/06/2006	3,680	1
Total				103,967	

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

	31.12.2013		31.12.2012	
	Asset	Liability	Asset	Liability
Pledged securities in RA CB	4,624,479	4,504,784	4,037,132	4,255,724
Total pledged securities (Note 17.1)	4,624,479	4,504,784	4,037,132	4,255,724

Note 18. Held-to maturity investments

There is 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 controlled entities
Balance at the beginning of the period	262,160
Increase	
Disposal (sale)	
profit/loss from operations of associated companies	14,416
Other comprehensive profit/loss	812
Balance at the end of the period	277,388

Thousand AMD

Investments in controlled units	31.12.2013	31.12.2012
Investments in associated organizations	277,388	262,160
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
Total	277,388	262,160

Thousand AMD

Investments in controlled unit's capital					
Name of the entity	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share %
SIL INSURANCE	Insurance	RA	22/02/2000	277,388	20.0
Total				277,388	

Note 20. Fixed Assets 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 at 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	42,896	136,689	98,062	1,063	471,387
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 at the end of previous period	3,011,575	1,680,721	353,402	1,117,427	89,542	154,749	6,407,416
Increase	24,660	200,270	177,310	182,984	246,465	10,218	272,462
Disposal			(39,482)	(276)			(20,720)
Reclassification	37,339	1,909		93	(37,339)		-
Written off		(56,563)		(19,706)			(19,194)
Revaluation							-
Depreciation	-	-	-	-	-	-	-
Adjustment of amortization from revaluation				-	-	-	-
Balance at the end of accounting period	3,073,574	1,826,337	491,230	1,280,522	298,668	164,967	7,135,298
Accumulated amortization							
Balance at 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 01.10.2012- 31.12.2012	40,116	61,759	15,585	34,638		(4,976)	150,961
Disposal		(1,516)	(62,037)				(63,553)
Written off		(58,797)		(17,059)			(75,856)
Depreciation							-
Reclassification		(235)		235			-
Revaluation							-
Balance at the end of previous period	1,269,769	1,145,209	173,570	723,524	-	27,830	3,339,902
Increase	40,649	115,645	36,188	72,308		10,316	124,599
including 01.10.2013 - 31.12.2013	10,348	33,665	11,510	21,950		2,171	64,185
Disposal			(30,191)	(9)			(20,720)
Written off		(56,563)		(19,703)			(19,192)
Reclassification		1,640		93			-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of previous period	1,310,418	1,205,931	179,567	776,213	-	38,146	3,510,275
Net balance sheet value							
at the end of accounting period	1,763,156	620,406	311,663	504,309	298,668	126,821	3,625,023
at the end of previous accounting period	1,741,806	535,512	179,832	393,903	89,542	126,919	3,067,514

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 at the beginning of previous period	22,079	116,268	50	14,357	-	152,754
Increase		6,197	-		-	6,197
Disposal						-
Written off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
Balance at the end of previous period	22,079	122,465	50	14,357	-	158,951
Increase	1,120	1,536			-	-
Disposal						-
Written off						-
Reclassification		(2,002)				-
Revaluation						-
Depreciation	-	-	-		-	-
Adjustment of amortization from revaluation	-	-	-		-	-
Balance at the end of accounting period	23,199	121,999	50	14,357	-	159,605
Accumulated amortization						
Balance at 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 01.10.2012- 31.12.2012	259	3,021	1	328		3,470
Disposal						-
Written off						-
Depreciation						-
Reclassification						-
Revaluation						-
Balance at the end of previous period	18,684	34,896	19	4,678	-	58,277
Increase	1,066	12,287	6	1,205		14,564
including 01.10.2013 - 31.12.2013	280	3,802	2	302		4,386
Disposal						-
Written off						-
Reclassification		(1,733)				(1,733)
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of accounting period	19,750	45,450	25	5,883	-	71,108
Net balance sheet value						
at the end of accounting period	3,449	76,549	25	8,474	-	88,497
at the end of previous accounting period	3,395	87,569	31	9,679	-	100,674

As of 31.12.2013, AMD 355304 thousand worth of out-of-use assets were put into use.

As of 31.12.2013, the bank had an intangible asset developed in-house, new Operational Day software: initial value AMD 750 thousand, depreciation AMD 543 thousand, residual value AMD 207 thousand.

As of 31.12.2013, the value of fully worn off assets included in the fixed assets was AMD 1166176 thousand (AMD 1258342 thousand as of 31.12.2012).

Note 21. Other assets

Thousand AMD

	31.12.2013	31.12.2012
Amounts receivable from bank operations		
Amounts receivable from other operations	83,455	48,718
Total	83,455	48,718
on bank operations	(6,098)	(487)
possible loss provision (note 7)		
net amounts receivable from bank operations	77,357	48,231
Debtor liabilities and prepayments	31.12.2013	31.12.2012
debtor liabilities on budget	1,186	1,058
debtor liabilities on suppliers		
prepayments to employees	47	2,549
prepayments to suppliers	150,039	110,853
prepayments on budget and mandatory social insurance payments	12	17
Other debtor liabilities and prepayments	23,781	
Total	175,065	114,477
Possible loss provision on other assets (note 7)	(5,104)	(1,324)
Total	169,961	113,153
Other assets		
Reserve	191,978	236,067
Sequestered pledge and available for sale assets		
Future period expenses	62,080	60,072
other assets	22,851	17,499
Possible loss provision on other assets (note 7)	(1,235)	(6,382)
Total	275,674	307,256
Total other assets	522,992	468,640

Note 22. Liabilities to banks and other financial institutions

Thousand AMD

	31.12.2013	31.12.2012
Current accounts		
RA Banks	98,115	126,948
Banks with BB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	1,188	2,976
Accrued interest	38	38

Total	99,341	129,962
Interbank loans and advances ,other		
RA CB		
Loans	2,427,927	2,479,337
Repo agreements	4,000,000	2,845,292
Other		
RA banks		
Loand and advances	1,622,500	
Repo agreements	500,787	1,006,344
Other		
Banks having BBB(Baa3) and higher rating		
Loans and advances		
Other	2,030	527
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and advances	2,028,260	
Other		38,087
Accrued interest	116,903	58,934
Total	10,698,407	6,428,521
Financial Institutions		
Current accounts	451,674	354,021
Loans and advances	6,176,544	9,168,235
Repo agreements		400,315
Other	174,004	133,224
Accrued interest	52,362	105,048
Total	6,854,584	10,160,843
Total liabilites to banks and financial institutions	17,652,332	16,719,326

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

Thousand AMD

Project	31.12.2013		31.12.2012	
	Lending amount	Accrued interest	Lending amount	Accrued interest
German Armenian Fund " Mortgage finance" program	141,890	537	184,837	637
German Armenian Fund " Micro and small business development program"	2,100,000	38,864	1,800,000	38,186
"Renewable energy development" program	186,037	11,964	200,000	5,519
Loan program for SME	0	0	294,500	11,170
Total	2,427,927	51,365	2,479,337	55,512

Note23. Liabilites to customers

Thousand AMD

RA Government and local self-governing bodies	31.12.2013	31.12.2012
Loans	39,629	1,002,784
Other	4,056	3,215
Accrued interest	8	18,157
Total	43,693	1,024,156

RA resident legal entities and institutions	31.12.2013	31.12.2012
Current accounts	10,058,131	9,225,482
Term deposits	5,279,248	3,257,982
Repo agreements		
Other	25,879	8,515
Accrued interest	40,484	34,673
Total	15,403,742	12,526,652

Non resident legal entities, institutions	31.12.2013	31.12.2012
Current accounts	7,241	5,512
other		
Total	7,241	5,512

RA resident private entrepreneurs	31.12.2013	31.12.2012
Current accounts	137,558	120,549
Term deposits	7,493	7,524
other	2,559	
Accrued interest	17	13
Total	147,627	128,073

RA resident individuals	31.12.2013	31.12.2012

Current accounts	9,329,533	8,913,623
Term deposits	18,156,890	13,646,411
other	374,387	286,596
Accrued interest	128,374	91,094
Total	27,989,184	22,937,724

Non resident individuals	31.12.2013	31.12.2012
Current accounts	248,515	480,530
Term deposits	567,027	143,776
Other	26,193	17,752
Accrued interest	2,247	679
Total	843,982	642,737
Total liabilities to customers	44,435,469	37,264,854

As of 31.12.13 AMD 2,602.293 thousand amount necessary to secure obligations.

Court decision of 31.12.13 and amount frozen by tax authorities AMD 67.651thousand.

Note 24. Deposit certificate 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 purpose	31.12.2013	31.12.2012
derivative instruments held for commercial purpose		
Liability held for commercial purpose		
Swap	6,740	8,012
Total	6,740	8,012

Note 26. Amounts payable

Thousand AMD

Amounts payable	31.12.2013	31.12.2012
Dividends	38,558	45,140
For insurance of deposit	13,750	11,031
Total	52,308	56,171

Note 27. Other liabilities

Thousand AMD

Other liabilities	31.12.2013	31.12.2012
On income tax of non-resident	2,104	5,113
On VAT	2,433	15,547
On other taxes and penalites	87,071	34,649
On social insurance payments		24,531
Salary liabilities to employees	351,147	223,202
Accounts payable to suppliers	35,006	27,246
Accounts payable to equity increase		
Other liabilities	121,425	24,634
Balance at the end of the period	599,186	354,922

Note 28. Chartered capital

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous.,including 93335 common shares with a nominal value of AMD 2500 per share. There are no owned shares repurchases 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 6,581 thous. have been paid. The below chart shows information on the majority shareholders of the bank as of the end of accounting period.

Thousand AMD

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Shareholders 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 in accounting and previous periods.

Note 30. Reserves, contingencies, potential liabilities

The bank's legal liabilities: as of 31.12.2013 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 31.12.2013 the bank had 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 risks

Thousand AMD

	31.12.2013	31.12.2012
Unutilized credit lines	2,557,262	1,809,202
Extended guarantees	474,077	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 to foreign currency	Amounts payable in AMD
Up to 1 year		147,092
1-5 years		605,339
more than 5 year		19,150
Total		771,581

Note 31. Transactions with related parties

In the context of present note the bank related parties are Bank management,shareholders,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 the members of the Board,the Chief Executive Officer,the Deputy Chief Executive Officer,Chief Accountant,Deputy Chief Accountant,Head of Internal Audit Department,employees of Internal Audit Department,members of bank administration,as well as the 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

Loans and advances to customers	31.12.2013	31.12.2012
Initial balance	970,726	973,632
Loans and advances extended over the year	1,218,917	826,356
Bank shareholder	105,317	80,755
Shareholder related entity	931,482	577,349
Bank manager	169,529	161,858
Manager related entity	12,589	6,394
Loans and advances repaid over the year	866,823	829,262
Bank shareholder	101,185	64,909
Shareholder related entity	562,273	454,470
Bank manager	194,761	287,810
Manager related entity	8,604	22,073
Summary balance	1,322,820	970,726

Thousand AMD

Item	31.12.2013	31.12.2013
Interest income	164,927	130,376

Thousand AMD

Liabilities to customers	Demand	Term
balance of 31.12.2012	225,526	551,150
Amounts received over the accounting period as of 12 months 2013 including	5,560,278	1,551,330
Bank shareholder	858,710	360,914
Shareholder related entity	2,761,325	399,827
Bank manager	1,457,588	236,259
Manager related entity	482,656	554,331
Amounts paid over the accounting period as of 12 months 2013	5,585,607	718,732
Bank shareholder	901,701	181,117
Shareholder related entity	2,780,539	93,816
Bank manager	1,421,957	125,771
Manager related entity	481,410	318,028
Exchange rate difference (+/-)	1,636	1,455
Balance 31.12.2013	201,833	1,385,204
Interest expenses as of 12 months 2013	3,982	129,105

Thousand AMD

Salary or similar payment to the bank management	31.12.2013	31.12.2012
Board	109,724	80,891
Salary	101,352	80,891
Awarding	8,372	-
Executive body	153,034	109,545
Salary	140,867	109,345
Awarding	12,167	200
Internal Audit	70,171	95,595
Salary	64,793	95,595
Awarding	5,378	-
Total	332,929	286,031

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 methodolgy 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 simulteneous consideration of mathematical and economic arguments the credit risks assessment model provides a complex risk assessment approach,resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables.During the premirely analysis of the borrower's creditwothiness the bank finds out the potential borrower's conformity to the general criteria set foth by its credit policy and if the outcome is positive a scrupulous analysis of factors of creditwothiness 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 occurence of various considered shock scenes.

When applying "stress test" 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 followinf shocking scenarios apply

1. The written off of the 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% 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. The scene of having the first ,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 test 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 transferable to reserve fund are assessed.

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios 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 riskness of loan portfolio undertake measures for insurance of minimum level of risk.The analysis of written 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 of a breach of a standard on the given date.

4) Determination of allowable level of loan risk :quantitative analysis and 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 and 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

<i>Item</i>	31.12.2013				Thousand AMD
	<i>RA</i>	<i>CIS countries</i>	<i>OECD countries</i>	<i>Non OECD countries</i>	<i>Total</i>
<i>Assets</i>					
Cash and Balances with CBA	14,738,840				14,738,840
Receivables to banks and other financial institutions	2,478,492	1,740,446	2,263,547	546,143	7,028,628
Standard bank precious metal bullions and coins	23,883				23,883
Held for trade financial assets			134		134
Loans and advances extended to customers	40,693,742				40,693,742
Available for sale securities	2,519,331		1,715		2,521,046
Investments in the chartered capital of controlled entities	277,388				277,388
Securities pledged under repurchase agreement	4,624,479				4,624,479
Other assets	82,620				82,620
<i>Total assets</i>	65,438,775	1,740,446	2,265,396	546,143	69,990,760
Off balance sheet items containing credit risks	2,720,539				2,720,539
<i>Liabilities</i>					-
Liabilities to banks and other financial institutions	10,952,798	2,073,371	4,624,976	1,187	17,652,332
Liabilities to customers	43,584,246	628,425	136,309	86,489	44,435,469
<i>Total liabilities</i>	54,537,044	2,701,796	4,761,285	87,676	62,087,801
<i>Net position</i>	10,901,731	(961,350)	(2,495,889)	458,467	7,902,959

<i>Item</i>	31.12.2012				Thousand AMD
	<i>RA</i>	<i>CIS countries</i>	<i>OECD countries</i>	<i>Non OECD countries</i>	<i>Total</i>
<i>Assets</i>					
Cash and balances with the CBA	12,540,847				12,540,847
Receivables to banks and other financial institutions	4,366,293	1,374,038	2,978,732	321,701	9,040,764
Standard bank precious metal bullions and coins	57,002				57,002
Held for trade financial asset	20,030				20,030
Loan and advances extended to customers	33,378,693			627	33,379,320
Available for sale securities	862,940		1,818		864,758
Investments in chartered capital of controlled entities	262,160				262,160
Securities pledged under repurchase agreement	4,037,132				4,037,132
Other assets	65,065				65,065
<i>Total assets</i>	55,590,162	1,374,038	2,980,550	322,328	60,267,078
Off balance sheet items containing credit risks	2,232,150				2,232,150
<i>Liabilities</i>					
Liabilities to banks and other financial institutions	8,498,490	37,451	8,178,709	4,676	16,719,326
Liabilities to customers	36,616,607	395,955	159,833	92,459	37,264,854
<i>Total liabilities</i>	45,115,097	433,406	8,338,542	97,135	53,984,180
<i>Net position</i>	10,475,065	940,632	(5,357,992)	225,193	6,282,898

Loans allocated in the territory of RA per RA regions

Thousand AMD

RA regions	31.12.2013	31.12.2012
Yerevan	31,030,578	23,607,085
Ararat	427,492	613,311
Armavir	1,116,874	1,000,316
Kotayq	1,657,113	1,514,148
Shirak	915,369	927,808
Lori	893,142	1,000,663
Aragatsotn	2,792,968	2,662,284
Syuniq	767,623	868,477
Tavush	348,912	432,118
Gegharghuniq	295,042	195,124
Vayoc Dzor	348,867	431,626
Artsakh	99,762	126,361
Total	40,693,741	33,379,320

31.12.2013

Thousand AMD

Assets	Performing Standard/Not Risky	Non performing			
		Watched/ Risky	Non standard/Medium	Suspicious/ Highly risky	Lost
Loans including					
1. RA residents	40,298,266	109,297	237,969	48,210	3,264,205
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
				-	
4 Residents on non OECD countries					
5.Total	40,298,266	109,297	237,969	48,210	3,265,007

31.12.2012

Thousand AMD

Assets	Performing Standard/Not Risky	Non performing			
		Watched/ Risky	Non standard/Medium	Suspicious/ Highly risky	Lost
Loans including					
1.RA residents	33,159,296	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	33,159,922	10,202	159,730	49,466	3,275,661

Credit risk analysis

1-2) To rise the efficiency of loan portfolio security, loans at the bank are extended to extent of maximum 70-80% of assessed value of pledge and during further repayments of the loan 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 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 loan portfolio the unsecured loans as of 31.12.2013 did not exceed 10,46%. 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 organization are available.

3) As of 31.12.2013 loan investments amounted to AMD 41,511,189 th. Non-performing loans as of 31.12.2013 amounted to AMD 538,418. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 0.29; 0.74 and 0.26 percent.

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

5) The volume of repo transactions effected in the 4th quarter 2013 was AMD 15 543 162 against AMD 33 579 147 of the same period of previous year. Reverse repo transactions in the 4th quarter 2013 totalled AMD 21 039 224 against AMD 72 415 656 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 of competitions are placed in 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 place where 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 receivables/receivable amounts, goods transit, prepayments made/, good supplies/raw materials, half ready goods, fixed assets/equipments related to customers business activity, cars, real estate and other property.

The statement of income /expenses is compiled taking into account the average indicators of customers disposal/average 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 interest.

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.

On purpose of rising the efficiency of lending process a regular monitoring of extended loans is performed. The monitoring is 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)
3. In case of extension of loans by installments as well as in case of availability of operative loan, a monitoring of previously extended loan is performed before the 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 specialist discover cases of non purposful 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 interest 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 situations, 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 ARMECONOMBAK 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 loan repayment process

As result of 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, borrower's loan history, experience of entrepreneurial activities, market position, conformity of pledge object.

The 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 by another bank customer who acts as a supplier, buyer or competitor of the first.

Thousand AMD

Indicators	Amount	Indicator	Amount	Correlation
31.12.12				
Non-performing loans	328,792	Total loans	33,379,320	1.0%
31.12.13				
Non-performing loans	538,418	Total loans	40,693,742	1.3%
31.12.12				
Provisions for non-performing loans	109,394	Total loans	9,454,774	1.2%
31.12.13				
Provisions for non-performing loans	142,942	Total loans	11,097,114	1.3%
31.12.12				
Provisions for loans	662,477	Total loans	33,379,320	2.0%
31.12.13				
Provisions for loans	817,447	Total loans	40,693,742	2.0%
31.12.12				
Possible loss provisions	662,477	Non-performing loans	328,792	201.5%
31.12.13				
Possible loss provisions	817,447	Non-performing loans	538,418	151.8%
31.12.12				
Write-offs-reimbursements	100,818	Average total loans	32,069,806	0%

31.12.13				
Write-offs-reimbursements	-11,112	Average total loans	37,869,279	0.0%
31.12.12				
Reimbursements	78,404	Loan losses	100,818	77.8%
31.12.13				
Reimbursements	88,667	Loan losses	- 11,112	-797.9%
31.12.12				
Profit coverage ratio = (net operational	4,077,483	Net loan loss	100,818	4044.4%
31.12.13				
Profit coverage ratio = (net operational	5,198,255	Net loan loss	-11,112	-46780.6%
31.12.12				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,993,768	Loan investments	33,379,320	9.0%
31.12.13				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	3,506,993	Loan investments	40,693,742	8.6%
31.12.12				
Major borrowings	9,496,036	Capital	9,454,774	100.4%
31.12.13				
Major borrowings	12,734,272	Capital	11,097,114	114.8%
Major borrowings		Capital	-	

Market risk

1) bank's definition of market risk

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

2) The methods of market risk measurement and assessment

risk

Assessment of foreign exchange risk and position

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 days' exchange rate fluctuations 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 is made.

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

Thousand AMD

Accounting period	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	XAG	Total
2012 IV Q.	712.81	163.80	252.96	148.70	37.38	370.78	784.61	72.29	291.35	0.00	1,606.17
2013 IV Q.	979.68	280.94	103.51	173.14	123.98	375.29	419.75	66.29	57.70	0.00	2,086.35
growth/decline	266.87	117.14	-149.44	24.45	86.60	4.51	-364.86	-6.00	-233.65	0.00	480.18

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

31.12.2013

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash and balances with CBA	8,452,850	5,163,739	1,122,251	14,738,840
Bank standardized bullions of precious metals and coins	443	23,440	-	23,883
Receivables to banks and other financial institutions	2,017,736	3,334,445	1,676,447	7,028,628
Held for trading financial instruments	134	-	-	134
Loans and advances extended to customers	25,020,568	15,673,174	-	40,693,742
Available for sale financial assets	2,521,046	-	-	2,521,046
Investments in chartered capital of controlled entities	277,388	-	-	277,388
Securities pledged under repurchase agreements	4,624,479	-	-	4,624,479
Other assets	19,483	63,137	-	82,620
Total assets	42,934,127	24,257,935	2,798,698	69,990,760
Liabilities				
Liabilities to banks and other financial institutions	10,705,126	6,946,426	780	17,652,332
Liabilities to customers	24,352,832	19,744,080	338,557	44,435,469
Available for sale financial liability	6,740	-	-	6,740
Liabilities on current taxes	145,992	-	-	145,992
Amounts payable	52,308	-	-	52,308
Deferred tax liabilities	206,398	-	-	206,398
Other liabilities	474,405	121,554	1,467	597,426
Total liabilities	35,943,801	26,812,060	340,804	63,096,665
Net position	6,990,326	(2,554,125)	2,457,894	6,894,095

31.12.2012

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash 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
Receivables to banks and other financial institutions	2,520,118	5,314,281	1,206,365	9,040,764
Held for trading financial instruments	20,030			20,030
Loans and advances extended to customers	19,501,126	13,878,194		33,379,320
Available for sale financial assets	864,758			864,758
Investments in chartered capital of controlled entities	349,000			349,000
Securities pledged under repurchase agreements	4,037,132			4,037,132
Other assets	49,384	15,681		65,065
Total assets	35,052,121	23,358,402	1,943,394	60,353,917
Liabilities				
Liabilities to banks and other financial institutions	10,227,329	6,481,292	10,705	16,719,326
Liabilities to customers	19,868,087	17,130,921	265,846	37,264,854
Held for trading liabilities	335,862			335,862
Liabilities on 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	30,853,197	23,633,690	282,451	54,769,338
Net position	4,198,924	(275,288)	1,660,943	5,584,579

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

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

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

Item	Interest rates of accounting period		Interest rates of previous period	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Balances with RA CB	-	-	-	-
Receivables to banks and other financial institutions	9.22	0.09	9.99	4.83
Interbank loans	13.80		10.41	4.33
Interbank repo	9.19		-	-
Loans and advances extended to customers	19.74	15.92	19.69	16.27
Held for trading and available for sale securities	15.18		15.64	-
Liabilities				
Liabilities to banks and other financial institutions	8.98	6.76	9.29	6.12
Liabilities to customers	4.27	5.65	4.00	4.64

3) Description of models

Foreign currency risk

Foreign currency risk is the 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 model accepted in International practice is used, on the basis of which the size of maximum possible loss is calculated per separate types of foreign currency, 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 Banks' 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

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 is calculated as a difference between assets and liabilities sensitive to interest rate changes. The calculation 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 present model 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 rate.
2. The review of interest rate is made in the middle point of each period.
3. The interest rates of all assets and liabilities with different maturities change in the same extent that is 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 accounting period.

Under the frames of this model durations of the Bank's assets and liabilities portfolio are calculated ,then on the basis of the latters the change in economic value of capital,which is the difference of the changes in present values of assets and liabilities 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 weighted 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 due to unfavorable changes in the market prices of securities conditioned by factors related to general fluctuations of market prices of securities under the circulation in the market,as well as factors related to given security and its issuer.

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/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 test 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 method.

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 deposits of corporate entities.

3. Withdrawal of 25% of all demand liabilities.

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

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

The possibility of breach in N 21 N22 liquidity standards are discovered under the mentioned conditions and the sizes of such breaches are calculated .The calculation of critical points of breaches 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 liquidities is made, also time series of liquidity indicators are considered for assessment of the bank liquidity management quality.

3) determination of allowable level of liquidity risk - quantitative analysis and assessment of risk

On maturity terms of assets										
Cash and cash equivalents ,balances with CBA			11,270,847						1,270,000	12,540,847
Standardized precious metal bullions			57,002							57,002
receivables to banks and other financial institutions			2,451,626	6,269,505	29				319,604	9,040,764
Financial assets held for commercial purposes				20,030						20,030
loans and advances extended to customers	203,814	10,056		7,548,713	5,154,820	4,849,594	14,182,030	1,430,293	-	33,379,320
securities including				4,056,678	51,190	22,815	84,781	587,046	361,540	5,164,050
Held-for-trade										-
available for sale				19,546	51,190	22,815	84,781	587,046	361,540	1,126,918
held-to-maturity										-
sold by repo agreements				4,037,132						4,037,132
other receivables				65,065						65,065
Contractual receivables										-
Total	203,814	10,056	13,779,475	17,959,991	5,206,039	4,872,409	14,266,811	2,017,339	1,951,144	60,267,078
Including										0
I group foreign currency	95,754	4,912	5,838,449	6,793,700	2,724,377	2,436,678	5,129,636	407,937	100,769	23,532,212
II group foreign currency			1,581,527	350,384		-	-	-	3,981	1,935,892
Including										
Floating interest rate										-
Fixed interest rate	203,814	10,056	696,494	15,300,127	5,206,013	4,872,409	14,266,811	2,017,339	-	42,573,063
Non-interest		-	13,082,981	2,659,864	26	-	-	-	1,951,144	17,694,015
On maturity of liabilities repayment										
Liabilities to banks and other financial institutions			2,212,833	4,146,362	1,199,586	2,848,556	5,781,894	529,595	500	16,719,326
Liabilities to customers	-	-	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
term deposits			131,095	7,708,719	4,258,069	5,963,762	122,081	116,885		18,300,611
other			339,730							339,730
Liability held for trade				335,862						335,862
Liability on current taxes					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	12,372,102	5,499,330	8,840,095	5,903,975	646,480	1,850	54,769,342
Including										-
I group foreign currency			7,044,697	5,674,245	3,702,171	5,093,992	1,678,885	79,242		23,273,232
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 rate				3,854,892	3,449,964					7,304,856
Fixed interest rate			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	(7,726,035)	5,587,889	(293,291)	(3,967,686)	8,362,836	1,370,859	1,949,294	5,497,736
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 rate	-	-	-	(3,854,892)	(3,449,964)	-	-	-	-	(7,304,856)
Fixed interest rate	203,814	10,056	(8,833,284)	5,406,522	2,299,601	(3,967,686)	8,362,836	1,370,859	(1,850)	4,850,868
Accumulative liquidity gap	203,814	213,870	(7,512,165)	(1,924,276)	(2,217,567)	(6,185,253)	2,177,583	3,548,442	5,497,736	

Note33. Capital and capital adequacy ratio

The bank does not have defined internal requirements for the capital level. The Central Bank of RA set forth a 12% capital adequacy ratio to risk weighted 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 the structure of balance sheet capital

Thousand AMD

	31.12.2013	31.12.2012
Chartered capital	2,333,338	2,333,338
Reserves	6,474,523	5,584,012
Main reserve	5,405,133	5,405,133
Revaluation reserve	1,069,390	178,879
Undistributed profit/loss	2,173,890	1,477,228
Total capital	10,981,751	9,394,578

We present 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

2013.0	Main capital	Additional capital	Involved in the calculation of standards				
			Total capital	Credit risk	Market and operational risk	Equivalent actual %	CBA limit %
			3 (1+2)	4	5	6	7
January	7,892,162	108,346	8,000,508	45,786,461	804,288	15.24	12
February	7,754,683	102,485	7,857,168	44,917,641	696,987	15.49	12
March	7,776,466	161,007	7,937,473	48,414,080	784,597	14.44	12
April	7,827,139	190,711	8,017,850	50,746,695	852,560	13.86	12
May	7,842,727	231,127	8,073,854	51,998,911	819,794	13.72	12
June	7,932,096	335,505	8,267,601	51,451,990	159,292	15.66	12
July	8,204,784	302,954	8,507,738	52,803,975	158,132	15.72	12
August	8,218,598	252,008	8,470,606	53,650,440	161,224	15.40	12

September	8,261,962	240,581	8,502,543	52,501,587	896,463	14.18	12
October	8,325,015	279,973	8,604,988	52,737,884	888,034	14.31	12
November	8,242,245	564,989	8,807,234	53,186,376	921,686	14.47	12
December	8,214,404	1,091,494	9,305,898	54,446,360	1,074,943	14.68	12

Thousand AMD

2012.0	Main capital	Additional capital	Involved in the calculation of standards				
			Total capital	Credit risk	Market and operational risk	Equivalent actual %	CBA limit %
			1	2	3 (1+2)	4	5
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 weight 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

as of 31.12.2013				
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	24,298,596	185,870		-
10%	1,401,723			140,172
20%	2,080,456			416,091
30%	1,220,872			366,262
50%	1,494,184	14		747,099
75%	1,564,799			1,173,599
100%	27,626,108	577,596	17,154	28,220,858
150%	15,049,913	878,098		23,892,017
TOTAL	74,736,651	1,641,578	17,154	54,956,098

Thousand AMD

as of 31.12.2012				
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete term operation	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 Government T-Bills and the Central Bank of Armenia securities are determined on the basis of market quotations.

As of 31.12.13 the followin methods and assessments have been used by the bank during evaluation of real value of each class of financial instrument.

Cash and balances with the CBA.

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

Loans and advances extended to customers, receivables to 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 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 31.12.13 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 31.12.13 the bank has no pledged assets

Note 38. Accepted pledge

As of 31.12.13 there are no assets accepted as pledge that the bank is entitled to sell or repledge, even in case if customer has not breaches its obligations.

We present assets and warrantees accepted as a pledge with their relevant loan investments.

Thousand AMD

Collateral type	31.12.2013		31.12.2012	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	18,506,766	70,396,804	16,493,824	60,038,030
Car	3,872,395	10,663,295	2,176,317	5,545,375
Equipment	354,827	597,834	433,667	744,034
Ready made goods	154,891	718,000	141,639	733,500
Guarantee	7,300,346	30,736,201	4,114,261	15,324,937
Monetary funds	1,432,915	2,470,653	266,786	456,452
Golden items	5,448,944	6,395,409	6,926,883	8,401,989
Standard gols	28,653	35,029		
State securities				
Securities issued by the RA CB	-	-	-	-
other securities	-	-	-	-
other pledge	58,518	191,998	82,037	191,666
No collateral available	4,352,934		3,406,383	-
Total	41,511,189	122,205,223	34,041,797	92,745,506

Note39 Non-performance/Breach of liabilities

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

CEO

A.Naljyan

Chief Accountant

D.Azatyan

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