

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

Notes to the interim consolidated reports published in the 1st quarter
of 2014 “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 31.03.2014 the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1429 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 in full. Deferred income tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred tax amounts on securities are adjusted on a quarterly basis.

Income tax assets and liabilities are offset when the Bank:

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

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

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

CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents consist of cash drams, funds kept in Central Bank of Armenia (except amounts deposited for mutual settlement through ARCA clearing system) and amounts

of other banks, which may be converted into cash in short period and are not exposed to considerable risk of change of value. Cash facilities and their equivalents are recorded by amortized value.

FINANCIAL INSTRUMENTS

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

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

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

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

Held for trading assets are the assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. An asset should be classified as held for trading if, regardless of why it was acquired, it is part of a portfolio for which there exists an evidence of actual possibility of short-term profit making. During the initial recognition securities held for trading are accounted by fair value. Afterwards they are re-accounted by fair value based on the existing market prices. All the corresponding realized and unrealized gains and losses are registered in the income statement (Item of income received from the securities held for trading).

Available-for-sale investments are those intended by the Bank to be held for an indefinite period of time, which may be sold, arising from liquidity needs or changes in interest rates, exchange rates or equity prices. Realized or unrealized gains and losses arising from changes in the fair value of available-for-sale securities are reflected in the financial results as profit and loss from equity revaluation. When the securities are sold, the adjustments of their fair value are recognized in the statement on financial results as profit or loss from classified available-for-sale securities. If there exists an evidence of a real possibility to gain profit in a short time on classified available-for-sale financial assets, then the assets are reclassified into

assets-held-for-trading. Dividends on available-for-sale chief instruments are entered into the statement on financial results, when the Bank becomes entitled to collect the dividends. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The fair value of financial Instruments is based on their quoted market prices. If a quoted market price is not available then the fair value of the instrument is estimated using price models and discounted cash flow techniques. The investments in subsidiaries that have no material impact on the bank's financial statements are accounted in their prime value, less the amount of possible loss provision.

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

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

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

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

REPURCHASE AGREEMENTS

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

Securities sold under repurchase agreements are accounted for as securities held-for trading and available-for-sale securities and funds received under these agreements are included into amounts due to other banks or amounts due to customers. The amounts extended against securities purchased under Repurchase Agreement are accounted for as Due to other banks or Loans and Borrowings to Customers. Any income or expense arising from purchase

and sale of the underlying securities is recognized as interest income or expense, accrued during the period that the related transactions are open.

LEASES

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

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

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

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%
Network devices	5 years, 20 %
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 of fixed assets acquired after January 1 2014, is calculated in accordance with ‘‘Profit Tax’’ law. Annual interest rate of that group’s fixed assets is set by the Bank’s Board decision.

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	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Interest income from bank's current accounts, deposits and loans allocated with banks and another financial institutions		9,996		35,562
Interest income form loans and advances to customers		1,565,011		1,352,542
Interest income from debt securities		190,934		150,189
Interest income from REPO agreements		47,067		33,807
other interest income		38		16,613
Total		1,813,046		1,588,713
Interest and similar expenses				
Interest expenses from the banks' current accounts deposits and loans allocated from banks and other financial institutions		261,200		252,941
Interest expenses on terms deposits and current accounts of customers		581,354		438,030
Interest expenses on issued securities				-
Interest expenses under REPO agreements		122,101		55,812
Other interest expenses				8,773
Total		964,655		755,556
Net interest and similar income		848,391		833,157

Note4: “Commission and Other Fee Income and Expenses”

				Thousand AMD
Commission and other fee income from	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Cashier's operations		33,816		34,689

Settlement services		215,548		223,522
Guarantees, warranties letters of credit operations trust management operations		2,253		3,350
Foreign currency and security operations		2,702		7,757
Payment card servicing		8,066		9,857
Other commission fees		136,438		114,765
Total		398,823		393,940
Commission and other fee expenses				
Commission fee from correspondent and other accounts		633		2
Expenses for payment card operations		31,508		31,064
Guarantees, warranties, letter of credit operations, trust management operations		17		204
Foreign currency and security operations		11,741		10,503
Other commission fees		37,139		44,050
Total		81,038		85,823
Net commission and other fees received		317,785		308,117

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

Note5: “Net Income from Commercial Operations”

				Thousand AMD
Held for- Trading investments	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Net income from sale/purchase of held-for- trading investments		(12,087)		(18,126)
Shares				
Debt securities				
Derivatives		(12,087)		(18,126)
Net income from changes in real value of held-for-trading investments for commercial		21,939		(28,340)

Total		9,852		(46,466)
Available for sale investments				
Net income from sale/purchase of available for sale investments from		43,146		2,371
Shares				
Debt securities		43,146		2,371
Derivatives				
Net income from changes in real value of available for sale investments				
Total		43,146		2,371
Foreign currency operations				
Net income from foreign currency sale/purchase		181,084		150,371
Net income from foreign currency revaluation		(38,552)		82,961
Net income from precious standardized bullions and coins trade		3,221		1,693
Net income from revaluation of precious standardized bullions and coins trade		5,683		1,163
Total		151,436		236,188
Net income from commercial operations		204,434		192,093

Note6: “Other Operational Income”

				Thousand AMD
Other operational income	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Income from penalties and fines		36,018		25,174
Income from factoring				-
Net income from disposal of fixed and intangible assets		(2,831)		(2)
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets				-
Other income		68,904		5,781
Total		102,091		30,953

*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.

Note7: “Net Deductions to Possible Asset Losses Provision”

				Thousand AMD
Due from banks (Note 14)	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Initial balance		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
Due from financial institutions (Note 14)	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Initial balance		3,634		5,403
Net deductions to reserve		125		(895)
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	-	3,759	-	4,508
From loans and advances to customers (Note 16)	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Initial balance		817,447		662,477
Net deductions to reserve		76,510		239,722
Return of amounts previously charged to off balance item		3,026		40,096
Usage of reserve		(22,390)		(1,541)
Summary balance	-	874,593	-	940,754
On investments (Note18)	01.01.2014- 31.03.2014	01.01.2014- 31.03.2014	01.01.2013-31.03.2013	01.01.2013- 31.03.2013
Initial balance		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
On other assets	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Initial balance		12,438		8,194
Net deductions to reserve		8,845		(1,986)
Return of amounts previously charged to off balance item		1,034		1,500
Usage of reserve		(12)		(37)
Summary balance	-	22,305	-	7,671
Post balance sheet articles containing loan exposures (note 30)	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
Total deductions to reserve	-	85,480	-	236,841

Note8: “Total Administrative Expenses”

				Thousand AMD
Total administrative expenses	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Salary and similar payments		810,560		673,086
Allocations to social insurance state fund				1,633
Training and tutorship		507		-
Business trip expenses		6,291		14,618
Operational leases		38,784		32,168
Insurance costs		15,663		10,756
Servicing and maintenance of the bank equipment		14,280		9,650
Maintenance and safekeeping of Bank buildings		60,696		39,757
Audit and consulting				

services		3,461		12,612
Communication and transmission costs		24,320		28,396
Transportation costs		22,620		21,529
Taxes (except income tax) penalties and other mandatory payments		43,171		43,890
Office and organizational expenses		20,117		19,866
Lending and recovery expenses				-
other administrative expenses		3,475		2,528
Total		1,063,945		910,489

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

	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Average number of bank employees		895		846
Monthly average salary falling to a single employee (Thousand AMD)		284		251

Note9: “Other Operational Expenses”

	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	Thousand AMD 01.01.2013-31.03.2013
Other operational expenses				
Paid fines and penalties				1
Payments made for collection		62,500		60,000
Advertising and representative expenses		39,786		38,527
Factoring expenses				-
Amortization costs of fixed assets and intangible assets		87,115		63,769
Assets' depreciation losses				-
Deductions to the Fund of Recovery of Deposits		14,754		11,689
Other expenses		60,385		68,821
Total		264,540		242,807

In other Expenses line of other operational expenses, mainly quarterly fees for VISA admission and costs of acquisition of payment cards are included.

Note10: “Net Gain/Losses from Investments in Controlled Units”

Thousand AMD

Net income from investments in controlled units	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Income from investments in associated companies	-	(7,711)		37,481

Note11: “Profit Tax Expenses (Reimbursement)”

	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	01.01.2013-31.03.2013
Profit tax expenses				
Current tax expenses		-		(13,150)
Dividends on preferential shares calculated for the current accounting period				
Deferred tax expenses		6,932		15,208
Total	-	6,932	-	2,058

	01.01.2014-31.03.2014	Efficient rate (%)	01.01.2014-31.03.2014	Efficient rate (%)	01.01.2013-31.03.2013	Efficient rate (%)	01.01.2013-31.03.2013	Efficient rate (%)
Profit before taxation	51,025		51,025		11,664		11,664	
Profit tax with tare	10,205	20	10,205	20	2,333	20	2,333	20
Corrections of income and expenses for taxation purposes against non temporary differences.								
Non-taxable income	(8,219)	(16)	(8,219)	(16)	(25)	(0)	(25)	(0)
Non-deductible expenses	1,137	2	1,137	2	18,208	156	18,208	156
Unevaluated tax loss		-		-		-		-
Foreign currency negative (positive) difference	6,573	13	6,573	13	(16,825)	(144)	(16,825)	(144)
Verification of tax expenses calculated previous year		-		-		-		-

Other privileges	(2,764)	(5)	(2,764)	(5)	(1,633)	(14)	(1,633)	(14)
Profit tax expenses	6,932	13.59	6,932	13.59	2,058	17.64	2,058	17.64

Calculation of deferred tax on temporary differences

	Balance as of the previous period	Recognized by financial results	Recognized by equity	Thousand AMD Balance at the accounting period
Deferred tax assets including	111,732	14,126	-	125,858
Fixed assets	2,326	337		2,663
Other liabilities	109,406	13,789		123,195
Deferred tax liabilities including	(318,130)	(7,192)	44,880	(280,442)
Available for sale securities	(266,431)		44,880	(221,551)
Contingent liabilities	(6,063)	1,400		(4,663)
Claims to banks and other financial institutions	(10,716)	(9,615)		(20,331)
Loans and advances to customers	(34,920)	1,023		(33,897)
Net deferred tax asset/liability	(206,398)	6,934	44,880	(154,584)

Note12: “Basic Profit Falling to a Single Share”

	01.01.2014-31.03.2014	01.01.2014-31.03.2014	01.01.2013-31.03.2013	Thousand AMD 01.01.2013-31.03.2013
Net profit of the accounting period before taxation		57,957		13,722
Dividends on preferential shares calculated for the current accounting period				
Net gains/losses of given period referring to owners of common shares		57,957		13,722
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	-	0.06	-	0.01

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	31.03.2014	31.12.2013
Cash	7,235,959	5,440,352
Other money placements	2,317,240	3,025,936
Correspondent accounts with the RA CB	3,632,695	5,002,552
Deposit accounts with the RA CB		
Funds deposited with the RA CB	270,000	1,270,000
Other demand with the RA CB		
Accrued interest		
Cash and balances with the RA CB	13,455,894	14,738,840

*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 are 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	31.03.2014	31.12.2013
Cash and payment documents equivalent to cash	9,553,199	8,466,288
Correspondent accounts with the CBA	3,632,695	5,002,552
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	38,166	26,534
Correspondent accounts with non resident banks	6,465,142	4,371,366
Total cash and cash equivalents	19,689,202	17,866,740

Note14: “Due to Banks and Other Financial Institutions”

		Thousand AMD
Current accounts	31.03.2014	31.12.2013
with RA banks	38,166	26,534
with banks having BBB (Baa3) and higher ratings	5,192,828	2,108,038
with banks having rating lower than BBB (Baa3) or no rating at all	1,269,249	2,260,384
Accrued interest	3,065	2,943
Total	6,503,308	4,397,899
with RA banks		
loans and deposits	413,309	
repo agreements		
other	393,891	716,211
with banks having BBB(Baa3) and higher ratings		
loans and advances	1,239,930	
other		
with the banks having a rating lower than BBB(Baa3) or no rating at all		71,183
other	219,847	777
Accrued interest	776	
Total	2,267,753	788,171
Possible loss provision for amounts due from banks (note 7)	(23,873)	(23,873)
Net receivables to banks	8,747,188	5,162,197

		Thousand AMD
Loans and advances with Financial Institutions and other receivables	31.03.2014	31.12.2013
with RA Financial Institutions		
loans and advances	350,733	222,250
repo agreements	2,664,464	1,376,074
other	58,669	57,473
With Financial Institutions having BB(Baa3) and higher ratings		
other	45,464	44,620
With Financial Institutions having rating lower than BB(Baa3) or no rating at all		

other	241,296	162,871
Accrued interest	5,853	6,777
Total	3,366,479	1,870,065
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,759)	(3,634)
Net receivables to Financial Institutions	3,362,720	1,866,431
Net receivables to banks and Financial Institutions	12,109,908	7,028,628

**As of 31.12.13 and 31.03.14 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 45,464 thousand on 31.03.2014) in Visa International and USD 134,495 (AMD 54,557 on 31.12.2013 and AMD 55,558 on 31.03.2014) 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-trading	31.03.2014	31.12.2013
Derivative instruments		
Swap		134
Total		134
Possible loss provision on held- for -trading financial assets (note 7)		

Note16: "Loans and Advances to Customers"

		Thousand AMD
Loans and other borrowings	31.03.2014	31.12.2013
Loans, including	39,345,829	39,325,077
Mortgage	3,256,603	3,173,200
Credit cards	2,469,744	1,924,819
Factoring		
Accrued interest on mentioned articles	280,776	261,293
Total loans	42,096,349	41,511,189
Possible loss provision on customer loans and advances (note 7)	(874,594)	(817,447)

Net total loans	41,221,755	40,693,742
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	31.03.2014		31.12.2013	
	Amount	Quantity	Amount	Quantity
The structure of depreciated (non-performing) loans and borrowings extended to customers in the loan portfolio as of the end of accounting period				Thousand AMD
Loans and advances including	42,096,349	31,127	41,511,189	28,212
Performing loans	41,464,965	30,972	40,972,771	28,120
Depreciated (non- performing) loans and borrowings including	631,384	155	538,418	92
Overdue	67,578	114	59,390	61
Restructured	59,289	2	60,485	2
Refinanced				
Total loans	42,096,349	31,127	41,511,189	28,212
Possible loss provision on customer loans and borrowings (note 7)	(874,594)		(817,447)	
Net total loans	41,221,755		40,693,742	

	31.03.2014	31.12.2013
Analysis of extended loans and advances per financial sectors	014	13
State industries	89,356	83,305
Private industries including	18,492,180	18,864,207
Major enterprises	4,160,888	4,930,176
Small and medium enterprises	14,331,292	16,934,031
Including business cards	75,216	59,037
Individuals, including	19,614,664	18,695,097
Consumer loans	12,001,183	12,801,690
Mortgage loans	3,256,603	3,172,045
Credit cards		

	2,394,528	1,865,782
Private entrepreneurs	3,619,373	3,607,287
Accrued interest	280,776	261,293
Total loan	42,096,349	41,511,189
Possible loss provision on customer loans and borrowings (note 7)	(874,594)	(817,447)
Net total loans	41,221,755	40,693,742

		Thousand AMD
Loan liabilities on 20 major borrowers and related parties	31.03.2014	31.12.2013
Balance sheet	11,651,647	11,597,384
Balance of off-balance sheet contingent liabilities	687,149	1,136,888
Total	12,338,796	12,734,272
Loan investments	41,221,755	40,693,742
Percentage ratio in loan portfolio	30%	31%
Total normative capital	8,661,598	9,305,898
Percentage correlation to capital	142%	137%

Loan investments	31.03.2014	
	Balance Thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,334,910	202
GAF micro and small private enterprises RA Governmental loan program	822,680	62
GAF "Renewable Energy Development" program	166,105	1
Commerzbank	863	1
EBRD/1 syndicated loan program	16,838	2
EBRD/2 syndicated loan program	432,079	35
Co-financing	271,624	2
IFC	29,386	2
Black Sea Loan Program 1	130,517	13
Black Sea loan Program 2	1,419,997	57

World Bank Loan Program	211,726	78
Loan program of Russian Federation for Economic Stabilization	48,750	6
New IFC loan program (IFC FMO)	2,107,745	45
EBRD micro small and middle lending program EBRD/MSME	3,009,924	479
EBRD Micro lending program	3,115	7
Atlantic Forfaitierungs AG lending program	472,489	4
Mortgage loans	146,332	53
including		
GAF	131,719	51
EBRD		
IFC	14,613	2
Total	11,625,080	1,049

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	150,867	52
including		
GAF	129,850	48
EBRD	6,340	2
IFC	14,677	2
Total	11,635,958	1,070

				Thousand AMD
Breakdown of extended loans and advances per lending sectors	31.03.2014	Percentage	31.12.2013	Percentage
Industry	5,804,644	14	7,546,671	18
Agriculture	1,885,457	4	1,978,443	5
Construction	1,459,109	3	752,081	2
Transportation and communication	233,645	1	234,615	1
Trade	9,175,649	22	8,719,094	21
Consumer	14,516,055	34	12,891,853	31
Mortgage loans	3,277,796	8	3,189,897	8
Service	3,967,087	9	4,024,415	10
Other ^{***}	1,776,908	4	2,174,119	5
Total	42,096,350	100	41,511,188	100

Thousand AMD

Breakdown of loan portfolio per customer residency	31.03.2014		31.12.2013	
		Percentage		Percentage
RA residents	40,938,156	100	40,432,449	100
Residents of countries with Baa33 and higher ratings including		-		-
Russia	2,823	0		-
Residents of countries with Baa33 and lower ratings or no rating at all				
Accrued interest	280,776		261,293	
Total	41,221,755	100	40,693,742	100

Note17: “Financial Assets Available-for-Sale”

	Thousand AMD	
	31.03.2014	31.12.2013
State bonds		
RA Governmental T-Bills		
Treasury bonds	7,728	2,375,194
Total state bonds	7,728	2,375,194

	31.03.2014		31.12.2013		Thousand AMD
	Listed	Unlisted	Listed	Unlisted	
RA non-state securities					
Issuer having BBB+(Baa1) and lower rating ,other rating or no rating at all					
Short term debt instruments	47,817		46,576		
Capital instruments		102,252			102,252
Total non-state securities of RA	47,817	102,252	46,576		102,252
Investments in RA non-governmental securities		(4,690)			(4,690)
Net investments in RA non-state securities	47,817	97,562	46,576		97,562

	31.03.2014		31.12.2013		Thousand AMD
Non governmental securities of other countries					

	Listed	Unlisted	Listed	Unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		1,715		1,715
Total non-state securities of other countries		1,715		1,715
Total available-for-sale securities	55,545	99,277	2,421,770	99,277

Investments in share capital of other entities as of 31.03.2014

					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 Subsidiary	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

	31.03.2014		31.12.2013	
	Asset	Liability	Asset	Liability
Pledged securities in RA CB	7,729,635	7,511,617	4,624,479	4,504,784
Total pledged securities (Note 17.1)	7,729,635	7,511,617	4,624,479	4,504,784

Note18: “Held-to-Maturity Investments”

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

Note19: “Investments in the 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	277,388
Increase	
Disposal (sale)	
Profit/loss from operations of associated companies	(7,711)
Other comprehensive profit/loss	(92)
Balance at the end of the period	269,585

	Thousand AMD	
Investments in controlled units	31.03.2014	31.12.2013
Investments in associated organizations	269,585	277,388
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
Total	269,585	277,388

					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	269,585	20.0
Total				269,585	

Note20: “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	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	841,907
Disposal			(39,482)	(276)			(39,758)
Depreciation	-	-		-	-	-	-
Reclassification	37,339	1,909		93	(37,339)		2,002
Written off		(56,563)		(19,706)			(76,269)
Revaluation	-		-	-	-	-	-
Balance at the end of previous period	3,073,574	1,826,337	491,230	1,280,522	298,668	164,967	7,135,298
Increase	181,866	36,227	11,821	24,758	78,460	1,307	334,439
Disposal			(10,197)				(10,197)
Reclassification	2,285				(2,285)		-
Written off							-
Revaluation							-
Depreciation	-	-	-	-	-	-	-
Adjustment of amortization from revaluation				-	-	-	-
Balance at the end of accounting period	3,257,725	1,862,564	492,854	1,305,280	374,843	166,274	7,459,540
Accumulated amortization							
Balance at the beginning of previous	1,269,769	1,145,209	173,570	723,524		27,830	3,339,902

period							
Increase	40,649	115,645	36,188	72,308		10,316	275,106
including 01.01.2013- 31.03.2013	9,958	23,965	7,180	15,416		3,895	60,414
Disposal			(30,191)	(9)			(30,200)
Written off		(56,563)		(19,703)			(76,266)
Depreciation							-
Reclassification		1,640		93			1,733
Revaluation							-
Balance at the end of accounting period	1,310,418	1,205,931	179,567	776,213	-	38,146	3,510,275
Increase	10,949	35,361	12,020	23,246		2,179	83,755
including 01.01.2014 - 31.03.2014	10,949	35,361	12,020	23,246		2,179	83,755
Disposal			(6,929)				(6,929)
Written off							-
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of accounting period	1,321,367	1,241,292	184,658	799,459	-	40,325	3,587,101
Net balance sheet value							-
At the end of accounting period	1,936,358	621,272	308,196	505,821	374,843	125,949	3,872,439
At the end of previous accounting period	1,763,156	620,406	311,663	504,309	298,668	126,821	3,625,023

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	122,465	50	14,357	-	158,951
Increase	1,120	1,536	-		-	2,656
Disposal						-
Written off						-
Depreciation	-	-	-		-	-
Reclassification		(2,002)				(2,002)
Revaluation	-	-	-		-	-
Balance at the end of previous period	23,199	121,999	50	14,357	-	159,605
Increase					-	-
Disposal						-
Written off						-
Reclassification						-
Revaluation						-
Disposal	-	-	-		-	-
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	18,684	34,896	19	4,678		58,277
Increase	1,066	12,287	6	1,205		14,564
including 01.01..2013-31.03.2013	253	2,797	1	304		3,355
Disposal						-
Written off						-
Depreciation						-
Reclassification		(1,733)				(1,733)
Revaluation						-
Balance at the end of previous period	19,750	45,450	25	5,883	-	71,108

Increase	278	2,786	1	295		3,360
including 01.01.2014 - 31.03.2014	278	2,786	1	295		3,360
Disposal						-
Written off						-
Reclassification						-
Adjustment of amortization from revaluation						-
Disposal						-
Balance at the end of accounting period	20,028	48,236	26	6,178	-	74,468
Net balance sheet value						
At the end of accounting period	3,171	73,763	24	8,179	-	85,137
At the end of previous accounting period	3,449	76,549	25	8,474	-	88,497

As of 31.03.2014, AMD 113347 thousand worth out-of-use assets were put into use.

As of 31.03.2014, the bank had an intangible asset developed in-house, new Operational Day software: initial value AMD 750 thous., depreciation AMD 562 thous., residual value AMD 188 thous.

As of 31.03.2014, the value of fully worn off assets included in the fixed assets was AMD 1162277 thousand (AMD 1166176 thousand as of 31.12.2013).

Note21: "Other Assets"

	Thousand AMD	
	31.03.2014	31.12.2013
Amounts receivable from bank operations		
Amounts receivable from other operations	83,787	83,455
Total	83,787	83,455
On bank operations	(11,624)	(6,098)
Possible loss provision (note 7)		
Net amounts receivable from bank operations	72,163	77,357
Debtor liabilities and prepayments	31.03.2014	31.12.2013
Debtor liabilities on budget	745	1,186
Debtor liabilities on suppliers		
Prepayments to employees		

		47
Prepayments to suppliers	98,100	150,039
Prepayments on budget and mandatory social insurance payments	2,712	12
Other debtor liabilities and prepayments	8,823	23,781
Total	110,380	175,065
Possible loss provision on other assets (note 7)	(8,915)	(5,104)
Total	101,465	169,961
Other assets		
Reserve	198,874	191,978
Sequestered pledge and available for sale assets		
Future period expenses	75,858	62,080
Other assets	45,435	22,851
Possible loss provision on other assets (note 7)	(1,764)	(1,235)
Total	318,403	275,674
Total other assets	492,031	522,992

Note22: “Liabilities to Banks and Other Financial Institutions”

Thousand AMD

Current accounts	31.03.2014	31.12.2013
RA Banks	116,156	98,115
Banks with BB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	6,838	1,188
Accrued interest	39	38
Total	123,033	99,341
Interbank loans and advances ,other		
RA CB		
loans	2,407,419	2,427,927
repo agreements	5,500,000	4,000,000
other		
RA banks		
loans and advances	1,653,240	1,622,500
repo agreements	1,488,433	500,787
other		
Banks having BBB(Baa3) and higher		

rating		
loans and advances		
other	2,482	2,030
Banks having rating lower than BBB(Baa3) or no rating at all		
loans and advances	2,066,550	2,028,260
other	27,794	
Accrued interest	138,801	116,903
Total	13,284,719	10,698,407
Financial Institutions		
current accounts	312,019	451,674
loans and advances	6,161,499	6,176,544
repo agreements	507,898	
other	910,459	174,004
Accrued interest	102,454	52,362
Total	7,994,329	6,854,584
Total liabilities to banks and financial institutions	21,402,081	17,652,332

In the chart below, the amounts of financing realized 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	31.03.2014		31.12.2013	
	Lending amount	Accrued interest	Lending amount	Accrued interest
German Armenian Fund " Mortgage finance" program	134,670	487	141,890	537
German Armenian Fund " Micro and small business development program"	2,100,000	39,390	2,100,000	38,864
"Renewable energy development" program	172,749	7,893	186,037	11,964
Loan program for SME			0	0
Total	2,407,419	47,770	2,427,927	51,365

Note23: “Liabilities to Customers”

		Thousand AMD
RA Government and local self-governing bodies	31.03.2014	31.12.2013
Loans	39,629	39,629
Other	4,599	4,056
Accrued interest	806	8
Total	45,034	43,693

RA resident legal entities and institutions	31.03.2014	31.12.2013
Current accounts	10,708,312	10,058,131
Term deposits	5,396,266	5,279,248
Repo agreements		
Other	21,172	25,879
Accrued interest	35,440	40,484
Total	16,161,190	15,403,742

Non resident legal entities, institutions	31.03.2014	31.12.2013
Current accounts	9,520	7,241
Other		
Total	9,520	7,241

RA resident private entrepreneurs	31.03.2014	31.12.2013
Current accounts	122,662	137,558
Term deposits	6,570	7,493
other	2,699	2,559
Accrued interest	13	17
Total	131,944	147,627

RA resident individuals	31.03.2014	31.12.2013
Current accounts	7,989,621	9,329,533
Term deposits	19,204,190	18,156,890
other	363,151	374,387
Accrued interest	123,574	128,374
Total	27,680,536	27,989,184

Non resident individuals	31.03.2014	31.12.2013
Current accounts	1,540,559	248,515
Term deposits	570,377	567,027
Other	26,414	26,193

Accrued interest	2,359	2,247
Total	2,139,709	843,982
Total liabilities to customers	46,167,933	44,435,469

As of 31.03.14 AMD 2.593.456 thousand amount necessary to secure obligations.
Court decision dated 31.03.14 and amount frozen by tax authorities AMD 149.897 thousand.

Note24: “Deposit Certificate Issued by the Bank”

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

Note25: “Liabilities Held for Commercial Purposes”

		Thousand AMD
Liability held for commercial purpose	31.03.2014	31.12.2013
Derivative instruments held for commercial purpose		
Liability held for commercial purpose		
Swap		
	55,950	6,740
Total	55,950	6,740

Note26: “Amounts Payable”

		Thousand AMD
Amounts payable	31.03.2014	31.12.2013
Dividends		
	38,343	38,558
For insurance of deposit		
	14,754	13,750
Total	53,097	52,308

Note27: “Other Liabilities”

		Thousand AMD
Other liabilities	31.03.2014	31.12.2013
On income tax of non-resident		
	2,048	2,104
On VAT		
	2,112	2,433
On other taxes and penalties		
	81,809	87,071
On social insurance payments		
Salary liabilities to employees		
	395,508	351,147
Accounts payable to suppliers		
	45,002	35,006

Accounts payable to equity increase		
Other liabilities	74,737	121,425
Balance at the end of the period	601,216	599,186

Note28: “Chartered Capital”

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous., including 933,335 common shares with a nominal value of AMD 2500 per share. There are no owned shares 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 AMD216 thous. have been paid. The chart below shows information on the majority shareholders of the Bank as of the end of accounting period.

Name of the major shareholder	Participation amount	The size of participation in percentage ratio	Thousand AMD 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

Note29: “Other Equity Components”

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

Note30: “Reserves, Contingencies, Potential Liabilities”

The Bank's legal liabilities: as of 31.03.2014 there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation. The Bank's tax liabilities: as of 31.03.2014 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

	31.03.2014	31.12.2013
Unutilized credit lines	1,999,640	2,557,262
Extended guarantees	332,228	474,077
Extended letters of credit		
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		146,989
1-5 years		590,366
more than 5 year		15,140
Total		752,495

Note31: “Transactions with Related Parties”

In the context of present note the bank related parties are the Bank’s management, shareholders, entities related to them in the prescribed order set forth by RA law on the "Banks and Banking". The Bank’s 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 the Bank’s administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank’s subdivisions, heads of the Bank’s 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	31.03.2014	31.12.2013
Initial balance	1,322,820	970,726
Loans and advances extended over the year	661,362	1,218,917
Bank shareholder	34,296	105,317
Shareholder related entity	602,914	931,482
Bank manager	21,534	169,529
Manager related entity	2,618	12,589
Loans and advances repaid over the year	675,463	866,823
Bank shareholder	35,470	101,185
Shareholder related entity	602,813	562,273
Bank manager	34,632	194,761
Manager related entity	2,548	8,604

Summary balance	1,308,719	1,322,820
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		Thousand AMD
Item	31.03.2014	31.03.2013
Interest income	43,762	34,454

		Thousand AMD
Liabilities to customers	Demand	Term
Balance as of 31.12.2013	201,833	1,385,204
Amounts received over the accounting period of 2014 first quarter	7,745,510	661,353
bank shareholder	146,644	168,871
shareholder related entity	6,825,082	366,412
bank manager	548,068	65,542
manager related entity	225,716	60,529
Amounts paid over the accounting period of 2014 first quarter	7,446,606	390,025
bank shareholder	141,934	30,162
shareholder related entity	6,491,983	202,305
bank manager	548,720	98,045
manager related entity	263,969	59,514
Exchange rate difference (+/-)	6,229	23,744
Balance 31.03.2014	506,965	1,680,276
Interest expenses as of 2014 first quarter	1,200	32,189

		Thousand AMD
Salary or similar payment to the bank management	31.03.2014	31.03.2013
Board	30,360	23,814
Salary	30,360	23,814

Awarding	-	-
Executive body	43,571	33,182
Salary	43,371	33,182
Awarding	200	-
Internal Audit	19,018	15,827
Salary	19,018	15,627
Awarding	-	200
Total	92,949	72,823

Note32: “Minimum Revelations on Financial Risks”

1)The Bank's own definition of credit 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

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency

The calculations of VAR model of foreign currency risk assessment are made on a daily basis, taking into account previous period data of foreign currency exchange rates and foreign currency position data. As a risk exponent on separate foreign currency position the possible maximum size of revaluation loss incurred, as a result of a 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.

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

31.03.2014

Thousand
AMD

Accounting period	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	XAG	Total
2013 I Q.	636.04	101.11	313.02	62.57	38.05	374.48	725.18	72.72	228.72	0.00	2,551.88
2014 I Q.	774.48	32.63	124.91	221.38	120.63	245.70	500.73	161.51	17.76	0.00	2,199.73
growth/decline	138.44	-68.48	-188.11	158.81	82.57	-128.78	-224.44	88.79	-210.96	0.00	-352.16

	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash and balances with CBA	8,475,848	3,183,438	1,796,608	13,455,894
Bank standardized bullions of precious metals and coins	443	60,785	-	61,228
Receivables to banks and other financial institutions	2,937,128	8,413,777	759,003	12,109,908
Held for trading financial instruments	-	-	-	-
Loans and advances extended to customers	25,040,808	16,180,947	-	41,221,755
Available for sale financial assets	154,821	-	-	154,821
Investments in chartered capital of controlled entities	269,585	-	-	269,585
Securities pledged under repurchase agreements	7,729,635	-	-	7,729,635
Other assets	22,833	60,115	-	82,948
Total assets	44,631,101	27,899,062	2,555,611	75,085,774
Liabilities				
Liabilities to banks and other financial institutions	14,917,991	6,468,773	15,317	21,402,081
Liabilities to customers	21,943,117	23,744,824	479,992	46,167,933
Available for sale financial liability	55,950	-	-	55,950
Liabilities on current taxes	93,000	-	-	93,000
Amounts payable	53,097	-	-	53,097
Deferred tax liabilities	154,584	-	-	154,584

other liabilities	527,183	71,957	442	599,582
Total liabilities	37,744,922	30,285,554	495,751	68,526,227
Net position	6,886,179	(2,386,492)	2,059,860	6,559,547

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
Held for trading liabilities	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

* 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

Interest rate risk

Evaluation of interest rate change risk

The analysis of misbalance show that the average accumulated misbalance of the 1st quarter of 2014 is negative forming AMD -2,962,301.0 thousand against - AMD 1,079,731.0 thousand of the same period of the previous year by increasing in absolute value by AMD 1,882,570.0 or more than 2,7 times, so in average the bank was sensitive to assets in the 1st quarter of 2014. In the 1st quarter of 2014 the average accumulated misbalance increased in absolute value by AMD 1,093,596.0 thousand or 58.5%.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for 1st quarter of 2014 has decreased by 8.0 percent forming 94.6% against 102.6% average value of 1st quarter of 2013; that is, in 1st quarter of 2014 the assets sensitive to interest rate changes have exceeded the liabilities by average 94.6%.

M The duration of assets as of the end of 1st quarter 2014 was 0.732 year (against 0.768 of 1st quarter 2013) as it increased by 0.004 year or by 0,5%: Against the end of the previous quarter (0.768 year), this indicator has decreased by 0.036 year or 4.7%.

M The duration of assets as of the end of 1st quarter 2014 was 0.420 year (against 0.474 of 1st quarter 2013) as it declined by 0.054 year or by 11,4 %: Against the end of the previous quarter (0.416 year), this indicator has increased by 0.004 year or 1,0%.

M The duration gap as of the end of 1st quarter 2014 was 0.355 (against 0.309 as of the end of 1st quarter 2013) as it grew by 0.046 or 14,9%. Against the end of the previous quarter (0.375), this indicator has grown by 0.02 or 5,3%.

Assets and liabilities with changeable interest rate

31.03.2014

Item	up to 1 month		1-3 months		3-6 months	
	AMD	foreign currency	foreign currency	foreign currency	AMD	foreign currency
Distributed funds						
Loans and advances extended to customers						6,915

Total	-	-	-	-	-	6,915
Liabilities to banks and other financial institutions						
loans				2,540,996		1,356,116
Total	-	-	-	2,540,996	-	1,356,116
Net position	-	-	-	(2,540,996)	-	(1,349,201)

6 months to 1 year		1-5 year		more than 5 years	
AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
	34,416				
-	34,416	-	-	-	-
	385,680				
-	385,680	-	-	-	-
-	(351,264)	-	-	-	-

31.12.2013

Item	up to 1 month		1-3 months		3-6 months	
	AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
Distributed funds						
Loans and advances extended to customers						
Total	-	-	-	-	-	-
Liabilities to banks and other financial institutions						
loans		208,905		1,519,906		2,347,980
Total	-	208,905	-	1,519,906	-	2,347,980
Net position	-	(208,905)	-	(1,519,906)	-	(2,347,980)

6 months to 1 year		1-5 year		more than 5 years	
AMD	Foreign currency	AMD	Foreign currency	AMD	Foreign currency
	35,185		13,492		
-	35,185	-	13,492	-	-
	378,602				
-	378,602	-	-	-	-
	(343,417)				
-		-	13,492	-	-

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	8.53	1.01	9.22	0.09
Interbank loans	14.93	3.81	13.80	
Interbank repo	8.46	0.00	9.19	
Loans and advances extended to customers	19.49	14.28	19.74	15.92
Held for trading and available for sale securities	15.63		15.18	-
Liabilities				
Liabilities to banks and other financial institutions	8.83	6.90	8.98	6.76
Liabilities to customers	4.18	5.61	4.27	5.65

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 is 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 dis-balance) 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

Liquidity risk assessment

Over the I quarter of 2014 instant liquidity indicator decreased by 0.22% and up to 90 days' accumulative indicator and general liquidity indicator have increased accordingly by 32.94 and 5.5 %.

Item	Accounting period		31.03.2014							Termless	Total
	Term	Non-performing	Demand	up to 3 months	3-6 months	6-12 months	1-5 year	More than 5 year			
On maturity terms of assets											
Cash and cash equivalents - balances with CBA			13,185,893							270,000	13,455,893
Standardized precious metal bullions			61,228								61,228
Receivables to banks and other financial institutions			3,454,394	8,340,615				3		314,896	12,109,908
Financial assets held for commercial purposes											-
Loans and advances extended to customers	415,700	44,664		8,691,549	3,256,175	5,197,708	19,929,974	3,685,984	-	-	41,221,754
Securities including				7,729,635	15	47,817	1,268	6,445		368,862	8,154,042
Held for trading											-
Available for sale						15	47,817	1,268	6,445	368,862	424,407
Held to maturity											-
Sold by repo agreements				7,729,635							7,729,635
Other receivables				82,950							82,950
Contractual receivables											-
Total	415,700	44,664	16,701,515	24,844,749	3,256,190	5,245,528	19,931,242	3,692,429	953,758	-	75,085,775
I group foreign currency	151,270	27,488	6,210,909	9,199,368	886,560	2,360,873	7,166,028	1,796,524	100,042	-	27,899,062
II group foreign currency	-	-	2,345,060	210,551	-	-	-	-	-	-	2,555,611
By floating interest rate					6,915		34,416				41,331
By fixed interest rate	415,700	44,664	2,573,963	21,402,565	3,256,190	5,197,678	19,931,242	3,692,429	-	-	56,514,431
Non-interest	-	-	14,127,552	3,442,184		47,850	-	-	953,758	-	18,571,344
On maturity of liabilities repayment											
Liabilities to banks and other financial institutions			600,030	9,561,602	3,560,768	2,558,280	4,774,438	346,462	500		21,402,080
Liabilities to customers including			20,761,833	7,171,769	5,569,336	10,963,983	1,761,148	137,983	1,881		46,167,933
Demand deposits			-	-	-	1,072	-	-	-	1,881	20,325,440
Term deposits			-	7,133,820	5,368,264	10,963,983	1,740,093	137,983	-	-	25,344,143
Other			495,705								495,705
Held for trade liability				55,950							55,950
Liability on current tax							93,000				93,000
Amounts payable			53,097								53,097
Deferred tax liabilities							154,584				154,584
Other liabilities			599,582								599,582
Off balance sheet contingent liabilities			-	237,918	96,084	637,872	1,285,598	66,130	8,266		2,331,868
Contractual liabilities											-
Total	-	-	22,014,542	16,789,321	8,930,104	13,769,847	6,535,586	484,445	2,381	-	68,526,226
I group foreign currency	-	-	5,725,914	5,435,305	6,450,548	10,265,395	2,309,233	99,159	-	0	30,285,554
II group foreign currency	-	-	865,492	73,609	31,209	24,329	1,052	-	-	-	495,751
Major liabilities				5,812,630	629,056	32,610	1,487,944				7,962,240
By floating interest rate					2,540,996	1,356,116	385,680				4,282,792
Fixed interest rate			10,463,415	14,973,925	7,871,236	12,664,661	2,352,849	484,407	-	-	48,810,493
Non-interest			11,551,127	1,394,208	725,924	295,237	1,464,025	38	2,381		15,432,940
Net liquidity gap	415,700	44,664	(5,313,027)	8,055,428	(5,673,914)	(8,524,319)	13,395,656	3,207,984	951,377	-	6,559,549
I group foreign currency	151,270	27,488	484,995	3,764,063	(5,563,988)	(7,904,522)	4,856,795	1,697,365	100,042	-	(2,386,492)
II group foreign currency	-	-	1,979,568	136,942	(31,269)	(24,329)	(1,052)	-	-	-	2,059,860
Floating interest rate			-	(2,540,996)	(1,349,201)	(351,264)	-	-	-	-	(4,241,461)
Fixed interest rate	415,700	44,664	(7,889,452)	6,428,640	(4,615,046)	(7,466,983)	17,578,393	3,208,022	-	-	7,703,938
Accumulative liquidity gap	415,700	460,364	(4,852,663)	3,202,765	(2,471,149)	(10,995,468)	2,400,188	5,608,172	-	-	6,559,549

Item	Previous accounting period		31.12.2013		Repayment date				
	Term	Non-performing	Overdue	Demand	up to 3 month	3-6 months	6-12 months	1-5 year	more than 5 year
On maturity terms of assets									
Cash and cash equivalents, balances with CBA				13,468,840					
Standardized precious metal bullions				23,883					
Receivables to banks and other financial institutions				3,142,198	3,573,385			7	
Financial assets held for commercial purposes					134				
Loans and advances extended to customers	339,383		40,635		9,438,992	4,568,255	4,272,300	19,107,801	2,926,376
Securities including					4,633,414	3,231	46,576	470,303	1,892,725
Held-for-trade									
Available for sale					8,935	3,231	46,576	470,303	1,892,725
Held-to-maturity									
Sold by repo agreements					4,624,479				
Other receivables					82,620				
Contractual receivables									
Total	339,383	40,635	16,634,921	17,728,545	4,571,486	4,318,883	19,578,104	4,819,101	
Including									
I group foreign currency	155,937	30,731	6,639,371	6,204,597	2,220,424	1,209,360	6,311,069	1,388,261	
II group foreign currency	-	-	2,779,529	19,169	-	-	-	-	-
Including									
Floating interest rate						35,185	13,492		
Fixed interest rate	339,383	40,635	30,585	14,072,540	4,548,240	4,315,689	19,578,104	4,819,101	
Non-interest	-	-	16,604,336	3,662,890	23,246	3,194	-	-	-
On maturity of liabilities repayment									
Liabilities to banks and other financial institutions				726,507	6,515,495	1,141,231	3,973,252	4,945,319	350,028
Liabilities to customers				20,148,991	9,886,730	5,106,981	7,460,576	1,694,577	135,891
Demand deposits				19,302,775	74,133	184	1,487	21,055	-
Term deposits				4,056	9,812,597	5,106,797	7,459,089	1,673,522	135,891
Other				842,160					
Liability held for trade					6,740				
Liability on current taxes							145,992		
Amounts payable				52,308					
Deferred tax liabilities							206,398		
Other liabilities				597,426					
Off balance sheet contingent liabilities				-	526,842	957,595	1,538,792		
Contractual liabilities				-	-	-	-	-	-
Total	-	-	21,525,232	16,408,965	6,248,212	11,786,218	6,639,896	485,919	
Including									
I group foreign currency	-	-	4,566,507	5,981,244	6,358,753	8,445,948	1,373,674	85,934	
II group foreign currency	-	-	200,314	101,945	22,165	15,880	500	-	
Major liabilities				5,043,713	156,274	1,385,127	2,788,662	486,037	
Including									
Floating interest rate					208,905	1,519,906	2,347,980	378,602	
Fixed interest rate				10,211,967	16,005,047	6,237,849	11,775,652	6,618,699	485,919
Non-interest				11,313,265	403,918	10,363	10,566	21,197	
Net liquidity gap	339,383	40,635	(4,890,311)	1,319,580	(1,676,726)	(7,467,355)	12,938,208	4,333,182	
Including									
I group foreign currency	155,937	30,731	2,072,864	223,353	(4,138,329)	(7,236,588)	4,937,395	1,302,327	
II group foreign currency	-	-	2,579,215	(82,776)	(22,165)	(15,880)	(500)	-	
Floating interest rate	-	-	-	(208,905)	(1,484,721)	(2,334,488)	(378,602)	-	
Fixed interest rate	339,383	40,635	(10,181,382)	(1,932,507)	(1,689,609)	(7,459,963)	12,959,405	4,333,182	
Accumulative liquidity gap	339,383	380,018	(4,510,293)	(3,190,713)	(4,867,439)	(12,334,774)	603,434	4,936,616	

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 5.000.000. 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
	31.03.2014	31.12.2013
Chartered capital	2,333,338	2,333,338
Reserves	6,295,002	6,474,523
Main reserve	5,405,133	5,405,133
Revaluation reserve	889,869	1,069,390
Undistributed profit/loss	2,210,227	2,173,890
Total capital	10,838,567	10,981,751

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
	Involved in the calculation of standards						
2014year	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent actual %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,240,862	1,046,908	9,287,770	53,052,950	1,118,598	14.89	12
February	7,905,841	983,126	8,888,967	53,826,057	1,103,906	14.10	12
March	7,834,785	826,813	8,661,598	55,481,270	1,067,818	13.45	12

							Thousand AMD
	Involved in the calculation of standards						
2013year	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent actual %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	7,892,162	108,346	8,000,508	45,786,461	804,288	15.24	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						14.68	12

	8,214,404	1,091,494	9,305,898	54,446,360	1,074,943		
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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 Charter 2 approved by the CBA.

					Thousand AMD
as of 31.03.2014					
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete operation	term	Total credit risk
0%	23,377,225	94,341			-
10%	2,845,274				284,527
20%	4,831,228				966,246
30%	1,254,976				376,493
50%	2,813,826	14			1,406,920
75%	312,374				234,281
100%	28,070,095	436,413		18,021	28,524,529
150%	15,054,554	717,782			23,658,504
Total	78,559,552				55,451,499

					Thousand AMD
as of 31.12.2013					
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete operation	term	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

Note34: “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 31.03.14 the following 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 31.03.14 the bank had no financial assets accounted for by amount exceeding their real values.

Note35: “Hedging of Envisaged Future Transactions”

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

Note36: “De-recognition”

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

Note37: “Pledged Assets”

As of 31.03.14 the Bank has no pledged assets.

Note38: “Accepted Pledge”

As of 31.03.14 there are no assets accepted as pledge that the bank is entitled to sell or re-pledge, 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	31.03.2014		31.12.2013	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	19,291,115	72,948,550	18,506,766	70,396,804
Car	4,138,649	11,724,815	3,872,395	10,663,295
Equipment	321,127	577,433	354,827	597,834
Ready made goods	306,315	706,000	154,891	718,000
Guarantee	7,893,563	32,556,997	7,300,346	30,736,201
Monetary funds	1,758,811	2,572,046	1,432,915	2,470,653
Golden items	5,898,959	6,899,663	5,448,944	6,395,409
Standard gold	26,668	39,485	28,653	35,029
State securities				
Securities issued by the RA CB	-	-	-	-
Other securities	-	-	-	-
Other pledge	50,525	186,537	58,518	191,998
No collateral available	2,410,616		4,352,934	
Total	42,096,348	128,211,526	41,511,189	122,205,223

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. Azatayan

Approval date: 18 April 2014