

Interim report  
on financial results  
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

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

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

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

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

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

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report  
on financial position  
31 March 2013

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

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

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report  
on cash flows  
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

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

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

Interim report  
on equity changes  
31-Mar-13

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

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

Chairman of the Executive Board (CEO)

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 13 April 2013

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

## Note 1. Legal Field and Corporate Governance

### **Legal Field**

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

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

### **Main activities**

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

### **Business environment**

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

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

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

### **Corporate Governance**

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

## **Structure and members of the Board**

### **Chairman of the Board**

S. Sukiasyan

### **Board members**

A. Melikyan

A. Simonyan,

C. Falco

S. Gharibyan

## **Structure and members of the Bank's management**

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO

A. Ter-Hakobyan

Chief Accountant

D. Azatyan

Head of Territorial Management Department

A. Araqelyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Lending and Resource Attraction Department

R. Hayrapetyan

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

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

### **Main participants**

Sukiasyan Saribek Albert

22.6 %

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

### **Remuneration Policy of the Bank’s Management**

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

### **Payments to statutory auditors**

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

### **Note2. “Accounting Policy”**

#### **Preparation and submission of ARMECONOMBANK OJSC financial statements**

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

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

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

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

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

### **RECOGNITION OF INCOME AND EXPENSES**

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

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

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

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

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

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

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

## **FOREIGN EXCHANGE OPERATIONS**

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

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

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

## **TAX ACCOUNTING**

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

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

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

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

Income tax assets and liabilities are offset when the Bank:

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

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

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

## **CASH AND CASH EQUIVALENTS**

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

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

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

## **FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

## **REPURCHASE AGREEMENTS**

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

transactions.

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

## **LEASES**

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

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

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

## **FINANCIAL ASSETS' POSSIBLE LOSS PROVISION**

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

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

## **INTANGIBLE ASSETS**

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

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

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

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

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

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

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

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

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

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

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

### **Fixed assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **INVENTORY**

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

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

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

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

## **SETTLEMENTS BETWEEN THE BANK AND BRANCHES**

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

## **SHARE CAPITAL AND TREASURY STOCK**

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

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

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

## **ATTRACTED FUNDS**

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

## **SOCIAL INSURANCE BENEFITS**

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

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

## **PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

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

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

## **SEGMENT STATEMENTS**

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

## **ISSUED CORPORATE BONDS**

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

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

## **COMPARABLE INFORMATION**

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

## **AFTER BALANCE SHEET DATE EVENTS**

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

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

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

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

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

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

Note 3. Net Interest and Similar Income

Thousand AMD

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

Note 4. Commission and other fee income and expenses

Thousand AMD

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

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

Note 5. Net income from commercial operations

Thousand AMD

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

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

**Note 6. Other operational income**

Thousand AMD

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

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

**Note 7 Net deductions to possible asset losses provision**

Thousand AMD

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

Net Deductions to reserve	236,841	53,269
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**Note 8. Total administrative expenses**

Thousand AMD

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

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

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

**Note 9. Other operational expenses**

Thousand AMD

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

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

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

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

**Note 11. Profit tax expense (reimbursement)**

Thousand AMD

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

Thousand AMD

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

**Calculation of deferred tax on temporary differences**

Thousand AMD

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

**Notes 16. Loans and Advances to Customers**

Thousand AMD

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

Thousand AMD

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

Thousand AMD

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

Thousand AMD

<b>Loan debentures on 20 major borrowers and related parties</b>	<b>31.03.2013</b>	<b>31.12.2012</b>
Balance sheet value	10,022,045	8,940,201

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

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

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

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

Thousand AMD

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

Thousand AMD

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

Thousand AMD

RA Government Bonds	31.03.2013	31.12.2012
T-Bills		
Treasury bonds	1,297,215	693,754
<b>Total State bonds</b>	<b>1,297,215</b>	<b>693,754</b>

Thousand AMD

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

Thousand AMD

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

#### Investments in share capital of other entities as of 31.03.2013

Thousand AMD

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

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

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

#### Note 17.1 Pledged Securities Through Repurchase Agreement

Thousand AMD

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

#### Note 18. Held-to-maturity investments

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

#### Note 19. Investments in chartered capital of controlled entities

Thousand AMD

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

Thousand AMD

<b>Investments in controlled units</b>	<b>31.03.2013</b>	<b>31.12.2012</b>
Investments in associated organizations	299,000	299,000
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies	50,000	50,000
Dividends		
<b>Total</b>	<b>349,000</b>	<b>349,000</b>

Thousand AMD

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

Note 20. "Fixed and intangible assets"

Thousand AMD

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

Intangible assets

Thousand AMD

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

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

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

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

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

**Note 21. Other assets**

Thousand AMD

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

**Note 22. Liabilities to banks and other financial Institutions**

Thousand AMD

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

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

Thousand AMD

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

**Note 23. Liabilities to customers**

Thousand AMD

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

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

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

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

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

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

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

**Note 24. Deposit certificates issued by the bank**

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

**Note 25. Liabilities held for commercial purposes**

	Thousand AMD	
<b>Liability held for commercial purposes</b>	<b>31.03.2013</b>	<b>31.12.2012</b>
<b>Derivative instruments held for commercial purposes</b>		
Liabilities held for commercial purposes		327,850
Swap	20,222	8,012
<b>Total</b>	<b>20,222</b>	<b>335,862</b>

**Note 26. Amounts payable**

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

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

Thousand AMD

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

**Note 23. Liabilities to customers**

Thousand AMD

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

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

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

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

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

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

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

**Note 24. Deposit certificates issued by the bank**

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

**Note 25. Liabilities held for commercial purposes**

	Thousand AMD	
<b>Liability held for commercial purposes</b>	<b>31.03.2013</b>	<b>31.12.2012</b>
<b>Derivative instruments held for commercial purposes</b>		
Liabilities held for commercial purposes		327,850
Swap	20,222	8,012
<b>Total</b>	<b>20,222</b>	<b>335,862</b>

**Note 26. Amounts payable**

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

**Note 27. Other Liabilities**

Thousand AMD

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

**Note 28. Chartered capital**

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

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

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

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

Thousand AMD

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

**Note 29. Other equity components**

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

**Note 30. Reserves, contingencies and potential liabilities**

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

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

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

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

**Liabilities on operational leases**

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

**Note 31. Transactions with related parties**

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

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

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

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

	Thousand AMD	
Item	31.03.2013	31.03.2012
Interest incomes	34,455	32,866

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

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

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

### Note 32. Minimum Revelations on Financial Risks

#### 1) Bank's own definition of credit risk

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

#### 2) The methods of measurement and assessment of credit risk

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

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

#### 3) Description of models (if available),

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

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

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

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

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

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

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

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

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

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

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

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

OECD\* - Organization for Economic Co-operation and Development

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

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

OECD\* - Organization for Economic Co-operation and Development

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

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

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

### RA regions

Thousand AMD

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



Analysis of credit portfolio as per regions and risk level

31.03.2013

Thousand AMD

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

31.12.2012

thousand AMD

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

Credit risk analysis

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

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

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

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

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

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

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

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

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

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

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

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

Two types of monitoring are performed:

1. Monitoring via actual visits
2. Monitoring by phone

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

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

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

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

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

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

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

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

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

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

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

Thousand AMD

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

## Market risk

### 1) Bank's definition of market risk

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

#### assessment

#### Foreign currency risk

*Assessment of foreign exchange risk and position management efficiency*

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

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

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

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

31.03.2013

Thousand AMD

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

31.12.2012

Thousand AMD

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

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

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

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

#### Ինթերեսային ռիսկի գնահատում

##### Evaluation of interest rate change risk

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

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

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

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

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

31.03.2013

Thousand AMD

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

31.12.2012

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

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

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

### 3) Description of models

#### Foreign currency risk

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

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

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

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

### **Interest rate risk**

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

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

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

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

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

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

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

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

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

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

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

### **Price risk**

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

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

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

V Assessment of possible losses,

V Application of hedging instruments,

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

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

### **Liquidity risk**

#### **1) The Bank's Definition of Liquidity Risk**

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

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

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

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

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

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

1. Pre-term withdrawal of 25% of term deposits by individuals.
2. Pre-term withdrawal of 25% of term deposit by legal entities.
3. Withdrawal of 25% of all demand liabilities.
  
4. Pre-term withdrawal of 25% of term deposit and simultaneous withdrawal of 25% of all demand liabilities by individuals.
  
5. Pre-term withdrawal of X% of term deposit and Y% of all demand liabilities by individuals and legal entities (moreover 3 levels of the scenario are observed: mild, medium and severe, which are simultaneous withdrawal situations of 10%, 15% and 20% of term deposits (pre-term) and all demand liabilities by individuals and legal entities).

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

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

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

##### **Liquidity risk assessment**

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

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

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

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

**Note 33. Capital and capital adequacy ratio**

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

We present below the structure of balance sheet capital:

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

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

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

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

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

Thousand AMD

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

Thousand AMD

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

#### Note 34. Real value of financial assets and liabilities

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

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

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

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

**Cash in hand and balances with the CBA**

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

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

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

**Resources attracted from Banks and other financial Institutions.**

The Balance sheet value is close to real value

**Customer deposits and bank accounts**

The Balance sheet value is close to real value

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

**Note 35. Hedging of Envisaged Future Transactions**

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

**Note 36. Derecognition**

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

**Note 37. Pledged assets**

As of 31.03.2013 the Bank has no pledged assets.

**Note 38. Accepted Pledge**

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

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

Thousand AMD

Collateral type	31.03.2013		31.12.2012	
	Loan amount	Collateral amount	Loan amount	Collateral amount

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

**Note 39. Non-performance/breach of liabilities**

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

Chairman of Executive Board

A. Naljyan

Chief Accountant

D. Azatyan

Approval date: 19 April 2013