

INTERIM CONSOLIDATED REPORT
on financial results
30.06.2013.

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Name	Notes	Current interim period	Accounting period	Comparable current interim period of previous fiscal year	Previous operiod
Interest and similar income	3	1,755,721	3,344,434	1,524,035	2,899,658
Interest and similar expenses	3	(860,857)	(1,616,413)	(706,401)	(1,378,577)
Net interest and similar income		894,864	1,728,021	817,634	1,521,081
Income as commissions and other fees	4	464,790	858,730	354,177	666,822
Expenses as commissions and other fees	4	(118,049)	(203,872)	(71,018)	(134,835)
Net commissions and other fees		346,741	654,858	283,159	531,987
Income from dividends				-	-
Net commercial income	5	231,207	423,300	189,407	343,132
Other operational income	6	44,601	75,554	34,791	67,776
Operational income		1,517,413	2,881,733	1,324,991	2,463,976
Net allocations to possible asset loss provisions	7	101,634	(137,192)	(41,566)	(94,835)
Total administrative expenses	8	(926,080)	(1,836,569)	(850,599)	(1,723,966)
Other operational expenses	9	(243,714)	(486,521)	(351,342)	(672,344)
Operational profit		449,253	421,451	81,484	(27,169)
Profit/loss from associated company	10	2,563	2,563		
Profit/loss before taxation		451,816	424,014	81,484	(27,169)
Profit tax expenses	11	(128,131)	(115,285)	(17,317)	(14,356)
Profit for period		323,685	308,729	64,167	(41,525)
Including					
Holding Institution's stock					
Uncontrolled stock					

CEO

A.Naljyan

Chief Accountant

D.Azatyanyan

Approval date July 13 2013

INTERIM CONSOLIDATED REPORT
on other comprehensive financial results
30.06.2013

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Name	Note	Current interim period	Accounting period	Comparable current interim period of previous fiscal year	Previous period
Other comprehensive financial result					
Փոխարժեքային տարբերություններ արտերկրյա գործարարությունների վերահաշվարկից					
Revaluations for financial assets available for sale		181,279	182,909	(106,565)	13,061
Դրամական հոսքերի հեջավորում				-	
Ոչ ընթացիկ ակտիվների վերագնահատումներից օգուտներ				-	
Revaluation for financial assets available for sale		(318)	(318)		
Profit tax on other comprehensive income		(36,256)	(36,582)	21,313	(2,612)
Other comprehensive financial result before taxation		144,705	146,009	(85,252)	10,449
Comprehensive financial result		144,705	146,009	(85,252)	10,449
Including					
Holding Institution's stock					
Uncontrolled stock					

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INTERIM CONSOLIDATED REPORT

on financial position

30.06.2013

ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

	ITEM	Notes	As of the end of current interim period (unchecked)	AS of the end of previous financial year (checked)
1	Assets			
1.1	Cash and balances with RA CB	13	15,065,555	12,540,847
1.2	Bank standardized bullion of precious metals and memorial coins		17,679	57,002
1.3	Claims to banks and other financial institutions	14	7,382,335	9,040,764
1.4	Financial assets held for commercial purposes	15	20,488	20,030
1.5	Loans and advances to customers	16	37,020,829	33,379,320
1.6	Financial assets available for sale	17	538,935	864,758
1.6.1	Securities pledged under repurchase agreements	17.1	5,618,178	4,037,132
1.7	Advance payment of profit tax			
1.8	Investment in chartered capital of controlled entities	19	264,405	262,160
1.9	Non-current assets held for sale		50,887	50,887
1.10	Fixed assets	20	3,215,375	3,067,514
1.10.1	Intangible assets	20	93,935	100,674
1.11	Deferred tax liabilities	11		
1.12	Other assets	21	489,168	468,640
	Total assets		69,777,769	63,889,728
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	19,949,892	16,719,326
2.2	Liabilities to customers	23	39,345,062	37,264,854
2.3	Liabilities for current taxes		68,971	22,455
2.4	Securities issued by the bank	24		
2.5	Liabilities held for commercial purposes	25	11,481	8,012
2.6	Amounts payable	26	51,616	56,171
2.7	Deferred tax liabilities	11	26,123	9,214
2.8	Reserves	30		
2.9	Other liabilities	27	415,112	354,922
	Total liabilities		59,868,257	54,434,954
3	Capital			
3.1	Chartered capital	28	2,333,338	2,333,338
3.2	Emission income			
3.3	Reserves			
3.3.1	Main reserve		5,405,133	5,405,133
3.3.2	Revaluation reserve		325,529	179,520
3.4	Undistributes profit/loss		1,845,512	1,536,783
3.5	Other elements of capital	29		
	Capital owned by Holding institution			
	Minority stock			
	Total capital		9,909,512	9,454,774
	Total liabilities and capital		69,777,769	63,889,728

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INTERIM CONSOLIDATED REPORT
on Cash Flows
30.06. 2013.
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Item	Note	Accounting period (unchecked)	Previous period (unchecked)
1. Cash flows from operations			
<i>Net cash flows before changes in operational assets and liabilities</i>		865,680	351,382
Interest received		3,381,131	2,800,029
Interest paid		(1,610,588)	(1,369,583)
Fees earned		858,730	667,047
Fees paid		(203,872)	(134,834)
Gain/loss from financial assets held for commercial purpose:		9,751	24,495
Gain /loss from forex operations		463,794	334,635
recovery of previously written-off assets		48,511	29,734
Paid salaries and similar payments		(1,322,896)	(1,054,776)
Other income received from operations and other expenses paid		(758,880)	(945,364)
<i>Cash flows from changes in operational assets and liabilities</i>			
Decrease.increase in operational assets		(1,773,608)	(5,078,445)
including claims to financial institution		2,839,540	(3,223,853)
loans and advances to customers		(4,018,720)	(774,899)
Increase/decrease in securities held for commercial purposes and available for sale		(1,116,578)	(954,448)
Increase/decrease of other operational assets		522,150	(125,245)
Increase/decrease of operational liabilities		3,475,156	(2,532,610)
liabilities to financial institutions (decrease)		3,505,087	(3,778,852)
liabilities to customers (decrease)		(43,226)	1,287,733
Increase/decrease of other operational liabilities		13,295	(41,491)
Net cash flows from operations before profit tax		2,567,228	(7,259,672)
Profit tax paid		(88,441)	(214,524)
Net cash flows from operations		2,478,787	(7,474,196)
2. Cash flows from investments			
Decrease.increase of investments in chartered capitals of other parties			
Decrease/ increase of capital investments in fixed assets and intangible assets		(85,762)	(47,735)
Acquisition of fixed assets and intangible assets		(198,100)	(226,030)
Sale of fixed assets and intangible assets			2,194
Net cash flows from investment operations		(283,862)	(271,571)
3. Cash flows from financial operations			
Dividends paid		(5,618)	(3,683)
Increase.decrease of borrowings from the Central bank of Armenia:		275,805	(32,962)
Increase/decrease of borrowings from banks		1,635,612	(1,700,000)
Increase/decrease of other borrowings		(2,064,884)	1,052,764
Net cash flows from financial operations		(159,085)	(683,881)
Impact of exchange rate change on cash and its equivalents		(5,110)	408,850
Net increase/decrease of cash and its equivalents		2,035,840	(8,429,648)
Cash and equivalents at the beginning of the period	13_2	14,988,251	19,332,887
cash and its equivalents at the end of the period	13_2	17,018,981	11,312,089

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INTERIM CONSOLIDATED REPORT
on equity changes
30.06.2013
ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Thousand AMD

Equity elements	Chartered capital			Emission income/loss	Main reserve	Exchange differences from recalculation of overseas operations	Revaluation of financial assets available for sale	Hedging of cash flows	Gains from revaluation of non-current assets	Undistributed profit/loss	Interim dividends	Total	Uncontrolled stock	Total capital
	Chartered capital	Repurchased capital	Net amount											
Items	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Comparable current interim period of previous financial year (ascending from the beginning of the year) (I table)														
<i>1. Balance as of the beginning of the previous financial year. 01 January 2012 (checked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	82,126	-	-	1,401,298	-	9,221,895	-	9,221,895
1.1. General results of changes in accounting policy and correction of material errors.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Recalculated balance	2,333,338	-	2,333,338	-	5,405,133	-	82,126	-	-	1,401,298	-	9,221,895	-	9,221,895
3.2. Decrease of chartered capital including such on the account of shares (shareholding stock) repurchases and taken out of circulation.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Comprehensive income	-	-	-	-	-	-	10,449	-	-	(41,525)	-	(31,076)	-	(31,076)
5. Dividends	-	-	-	-	-	-	-	-	-	(210,000)	-	(210,000)	-	(210,000)
6.1. Deductions to main reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>8. Balance as of the end of current interim period in previous financial year. 30.06.2012 (checked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	92,575	-	-	1,149,773	-	8,980,819	-	8,980,819
Interim period of current year (ascending from the beginning of the year) (II table)														
<i>9. Balance as of the beginning of the previous financial year. 01 January 2013 (unchecked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
9.1. General results of changes in accounting policy and correction of material errors.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Recalculated balance	2,333,338	-	2,333,338	-	5,405,133	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
12. Comprehensive income	-	-	-	-	-	-	146,009	-	-	308,729	-	454,738	-	454,738
13. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>16. Balance as of the end of the comparable interim period of previous financial year. 30.06.2013 (unchecked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	325,529	-	-	1,845,512	-	9,909,512	-	9,909,512

CEO

A. Naljyan

Chief Accountant

D. Azatyan

Approval date July 13 2013

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

Notes to the interim consolidated reports published in the 2nd 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

L. Petrosyan,

I. Managadze

S. Gharibyan

Structure and members of the Bank's management

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO

R.Hayrapetyan

Chief Accountant

D. Azatyan

Head of Territorial Management Department

A. Araqelyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

T.Simonyan

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

As of 30.06.2013 the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1423 shareholders.

Main participants

Sukiasyan Saribek Albert	22.6 %
Sukiasyan Khachatur Albert	19.5 %

Sukiasyan Robert Albert	10.3 %
European Bank for Reconstruction and Development	25.0 %

Remuneration Policy of the Bank’s Management

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

Payments to statutory auditors

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

Note2. “Accounting Policy”

Preparation and submission of ARMECONOMBANK OJSC financial statements

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

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

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

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

RECOGNITION OF INCOME AND EXPENSES

Interest incomes and expenses for all interest earning financial tools, except tools

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

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

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

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

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

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

FOREIGN EXCHANGE OPERATIONS

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

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

TAX ACCOUNTING

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

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

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

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

Income tax assets and liabilities are offset when the Bank:

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

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

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

CASH AND CASH EQUIVALENTS

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

REPURCHASE AGREEMENTS

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

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

banks or Loans and Borrowings to Customers. Any income or expense arising from purchase and sale of the underlying securities is recognized as interest income or expense, accrued during the period that the related transactions are open.

LEASES

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

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

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

FINANCIAL ASSETS' POSSIBLE LOSS PROVISION

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

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

INTANGIBLE ASSETS

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

The prime cost of internally generated intangible assets is defined in the development period of the asset in compliance with accounting standards if it is possible to show the correspondence of the internally generated intangible asset to the requirements set by the standard. The initial value of internally generated computer software is defined in compliance with criteria of asset recognition.

Attribution of the item of intangible asset to any category (computer software, licenses and power of attorney, copyrights, etc.) set by the "Card of Accounts of the Banks Operating within the Territory of RA" and "The Application Order of the Card of Accounts of the Banks Operating within the Territory of RA" is made based on the methodical instructions of the

Chief accountant, arising from its usage specifications.

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

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

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

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

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

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

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

Fixed assets

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

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

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

Attribution of the unit of fixed assets to any category (property and stationery communication means, calculating, computer and automated equipment, vehicles, depreciable property, etc.) set by the Card of Accounts of the Banks Operating within the Territory of RA and The Application Order of the Card of Accounts of the Banks Operating within the Territory

of RA is made based on the methodical instructions of the Chief accountant, arising from their usage specifications and purposes.

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

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

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

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

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

Depreciation is not calculated for land.

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

The expenditures raising the operational efficacy of property, plant and equipment compared with the preliminary evaluated normative indicators are recognized as capital expenditures and are added to the initial value of the asset. If the size of construction expenses performed during the year exceeds the 10% of the asset's initial value (re-estimation value if the revaluation has been made in the order set by the law) then the expenses are also recognized as capital expenditures and are added to the initial value of the asset. The abovementioned expenditures are

amortized using the straight-line method over the residual term of the asset's useful life if they don't exceed the 10% of the residual value of property, plant and equipment as of January 1 of the year; otherwise they are amortized during the whole period of useful life.

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

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

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

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

INVENTORY

The Bank's inventory includes: short-life items, goods, including property which has passed to the Bank as a result of sequestration of pledge, materials and supplies, which are to be used by the bank during its performance. Short-life items are assets the useful lives of which do not exceed a year. The inventories are measured at the lower of cost and net realizable value.

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

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

SETTLEMENTS BETWEEN THE BANK AND BRANCHES

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

SHARE CAPITAL AND TREASURY STOCK

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

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

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

ATTRACTED FUNDS

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

SOCIAL INSURANCE BENEFITS

The Bank does not have any pension arrangement separate from the state pension fund of RA, which requires current contributions by the employer calculated as a percentage of current gross Salary payments. The expenses related to contributions to the above mentioned fund are charged to the statement on financial results in the period, which they are related to.

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

CONSOLIDATED FINANCIAL STATEMENTS

In cases set forth by legislation the Bank prepares consolidated financial statements in

accordance with accounting standards and the Procedure on Compilation of Consolidated Financial Statements Presented to the Central Bank of Armenia by the Banks Acting within the Territory of Armenia" approved by the Board of the Central Bank of Armenia.

SEGMENT STATEMENTS

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

ISSUED CORPORATE BONDS

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

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

COMPARABLE INFORMATION

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

AFTER BALANCE SHEET DATE EVENTS

Respective corrections in the balance sheet, if necessary, after the date of balance sheet formed on the last working day of the fiscal year, are made in the following cases:

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

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

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

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

Note3. Net interest and similar income

Thousand AMD

Interest and similar income	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Interest income from bank's current accounts, deposits and loans allocated with banks and other financial institutions	33,123	65,439	79,362	174,698
Interest income from loans and advances to customers	1,475,241	2,831,029	1,249,949	2,398,339
Interest income from debt securities	169,341	319,530	133,673	236,594
Interest income from REPO agreements	35,520	69,327	60,951	89,927
Other interest income	42,496	59,109	100	100
Total	1,755,721	3,344,434	1,524,035	2,899,658
Interest and similar expenses				
Interest expenses from the banks' current accounts deposits and loans allocated from banks and other financial institutions	294,264	547,205	276,989	536,186
Interest expenses on terms deposits and current accounts of customers	473,878	911,908	409,595	809,577
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	92,715	148,527	13,799	24,949
Other interest expenses	-	8,773	6,018	7,865
Total	860,857	1,616,413	706,401	1,378,577
Net interest and similar income	894,864	1,728,021	817,634	1,521,081

Note4. Commission and other fee income and expenses

Thousand AMD

Commission and other fee income from	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Cashier's operations	43,865	78,554	48,989	84,324
Settlement services	276,140	499,662	182,757	335,396
Guarantees, warranties letters of credit operations trust management operations	3,856	7,206	3,248	5,202
Foreign currency and security operations	16,073	23,830	7,671	13,867
payment card servicing	7,929	17,786	18,907	36,523
Other commission fees	116,927	231,692	92,605	191,510
Total	464,790	858,730	354,177	666,822
Commission and other fee expenses				
Commission fee from correspondent and other accounts	838	1,480	972	1,958
Expenses for payment card operations	33,411	64,474	24,342	44,988
Guarantees, warranties, letter of credit operations, trust management operations	2,309	2,513	1,090	2,115
Foreign currency and security operations	35,900	46,587	3,615	5,488
Other commission fees	45,591	88,816	40,999	80,286
Total	118,049	203,872	71,018	134,835
Net commission and other fees received	346,741	654,858	283,159	531,987

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

Note5. Net income from commercial operations

Thousand AMD

Held for- trading investments	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Net income from sale/purchase of held-for-trading investments	18,126	-	(18,351)	(19,368)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	18,126	-	-	(1,017)
Net income from changes in real value of held-for-trading investments for commercial	55,649	27,309	2,586	2,545
Total	73,775	27,309	(15,765)	(16,823)
Available for sale investments				
Net income from sale/purchase of available for sale investments from	7,381	9,752	8,123	24,495
shares	-	-	-	-
debt securities	7,381	9,752	-	-
derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	-	-	-
Total	7,381	9,752	8,123	24,495
Foreign currency operations				
Net income from foreign currency sale/purchase	313,423	463,794	177,269	330,504
Net income from foreign currency revaluation	(155,340)	(72,379)	20,680	3,975
Net income from precious standardized bullions and coins trade	2,573	4,266	3,010	4,130
Net income from revaluation of precious standardized bullions and coins trade	(10,605)	(9,442)	(3,910)	(3,149)
Total	150,051	386,239	197,049	335,460
Net income from commercial operations	231,207	423,300	189,407	343,132

Note 6. Other operational income

Thousand AMD

Other operational income	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Income from penalties and fines	31,332	56,506	21,818	45,114
Income from factoring	-	-	-	1,847
Net income from disposal of fixed and intangible assets	5,833	5,831	-	1,575
net income from revaluation and counteractions taken against depreciation of fixed and intangible assets	-	-	-	-
Other income	7,436	13,217	12,973	19,240
Total	44,601	75,554	34,791	67,776

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

Note 7. Net deductions to possible asset losses provision

Thousand AMD

	01/04/2013- 30/06/2013	01/01/2013- 30/06/2013	01/04/2012- 30/06/2012	01/01/2012- 30/06/2012
Due from banks (Note 14)				
Initial balance	23,873	23,873	23,873	23,873
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	23,873	23,873	23,873	23,873
Due from financial institutions (Note 14)				
Initial balance	4,508	5,403	5,835	7,707
net deductions to reserve	(511)	(1,406)	2,178	306
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,997	3,997	8,013	8,013
From loans and advances to customers (Note 16)				
Initial balance	940,754	662,477	628,009	625,829
Net deductions to reserve	(95,069)	146,638	29,696	80,830
Return of amounts previously charged to off balance item	5,416	45,511	27,493	29,734
Usage of reserve	(37,724)	(41,249)	(20,656)	(71,845)
Summary balance	813,377	813,377	664,542	664,548
On investments (Note18)				
Initial balance	4,690	4,690	4,690	4,690
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	4,690	4,690	4,690	4,690
On other assets				
Initial balance	7,671	8,192	10,990	7,008
Net deductions to reserve	(6,054)	(8,040)	9,692	13,699
Return of amounts previously charged to off balance item	1,500	3,000	44	44
Usage of reserve	(36)	(71)		(25)
Summary balance	3,081	3,081	20,726	20,726
Post balance sheet articles containing loan exposures (note 30)				
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
Total deductions to reserve	(101,634)	137,192	41,566	94,835

Note 8. Total administrative expenses

Thousand AMD

	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Total administrative expenses				
Salary and similar payments	688,956	1,362,042	561,249	1,105,576
Allocations to social insurance state fund	119	1,752	61,210	123,915
training and tutorship	470	470	437	1,595
Business trip expenses	15,318	29,936	16,272	26,699
Operational leases	37,370	69,538	31,759	60,607
Insurance costs	13,586	24,342	8,692	17,002
Servicing and maintenance of the bank equipment	14,136	23,786	12,164	29,882
Maintenance and safekeeping of Bank buildings	37,331	77,088	25,483	74,802
Audit and consulting services	7,510	20,122	7,164	19,800
Communication and transmission costs	25,786	54,182	27,894	61,628
Transportation costs	20,817	42,346	29,907	55,853
Taxes (except income tax) penalties and other mandatory payments	42,227	86,117	46,561	88,965
Office and organizational expenses	20,726	40,592	21,345	49,878
Lending and recovery expenses	-	-	-	-
other administrative expenses	1,728	4,256	462	7,764
Total	926,080	1,836,569	850,599	1,723,966

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

	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Average number of bank employees	862	852	872	882
Monthly average salary falling to a single employee (thousand AMD)	252	251	197	195

Note 9. Other operational expenses

THOUSAND AMD

	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012
Other operational expenses				
Paid fines and penalties	316	317	(13)	77
Payments made for collection	62,500	122,500	61,750	114,190
Advertising and representative expenses	42,771	81,298	62,512	110,806
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	67,568	131,337	154,431	300,228
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	12,095	23,784	10,377	20,074
other expenses	58,464	127,285	62,285	126,969
Total	243,714	486,521	351,342	672,344

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

Note 10. net gain/losses from investments in controlled units

There are no data to show for the accounting and previous period.

Note 11. Profit tax expenses (reimbursement)

Thousand AMD

Profit tax expenses	01.04.2013 30.06.2013		01.01.2013 30.06.2013		01.04.2012 30.06.2012		01.01.2012 30.06.2012	
	Current tax expenses		(132,596)		(134,958)		31,797	
Dividends on preferential shares calculated for the current accounting period								(439)
Deferred tax expenses		4,465		19,673		(14,480)		(17,441)
Total		(128,131)		(115,285)		17,317		14,356

Thousand AMD

	01.04.2013 30.06.2013		Efficient rate (%)	01.01.2013 30.06.2013		Efficient rate (%)	01.04.2012 30.06.2012		Efficient rate (%)	01.01.2012 30.06.2012		Efficient rate (%)
Profit before taxation		451,816			424,014			81,484			(27,169)	
Profit tax with tare		90,363	20.00		84,802.80	20.00		16,297	20.00		(5,434)	20.00
Corrections of income and expenses for taxation purposes against non temporary differences.												
non-taxable income		(26)	(0.01)		(51)	(0.01)		(26)	(0.03)		(51)	0.19
non-deductible expenses		6,190	1.37		17,387	4.10		5,544	6.80		16,009	(58.92)
Unevaluated tax loss		-	-		-	-		-	-		-	-
Foreign currency negative (positive) difference		33,189	7.35		16,364	3.86		(3,354)	(4.12)		6,543	(24.08)
Verification of tax expenses calculated previous year		-	-		-	-		-	-		(440)	1.62
other previliges		(1,585)	(0.35)		(3,218)	(0.76)		(1,144)	(1.40)		(2,271)	8.36
profit tax expenses		128,131	28.36		115,285	27.19		17,317	21.25		14,356	(52.84)

Calculation of deferred tax on temporary differences

Thousand AMD

	Balance as of the previous period	Recognized by financial results	Recongized by equity	Balance at the accounting period
Deferred tax assets including	74,102	14,370	-	88,472
other assets	-	-	-	-
Derivative instruments	4,557	(4,557)	-	-
Fixed assets	1,349	386	-	1,735
other liabilities	68,196	18,541	-	86,737
Deferred tax liabilities including	(83,317)	5,303	(36,581)	(114,595)
available for sale securities	(44,200)	397	(36,581)	(80,384)
derivative instruments	-	(904)	-	(904)
contingent liabilities	(4,932)	212	-	(4,720)
claims to banks and other fiancnial institutions	(15,333)	3,637	-	(11,696)
loans and advances to customers	(18,852)	1,961	-	(16,891)
Net deferred tax asset/liability	(9,215)	19,673	(36,581)	(26,123)

Note 12. Basic profit falling to a single share

Thousand AMD

Basic profit falling to a single share	01.04.2013-30.06.2013	01.01.2013-30.06.2013	01.04.2012-30.06.2012	01.01.2012-30.06.2012
Net profit of the accounting period before taxation	323,685	308,729	64,167	(41,525)
Dividends on preferential shares calculated for the current accounting period	-	-	-	-
Net gains/loses of given period referring to owners of common shares	323,685	308,729	64,167	(41,525)
Net weighted average number of common shares in circulation during the given period	933,335	933,335	933,335	933,335
Basic profit falling to a single share	0.35	0.33	0.07	(0.04)

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

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

Thousand AMD

Cash, cash equivalents and balances with the RA CB	30.06.2013	31.12.2012
Cash	6,070,617	4,073,197
other money placements	2,281,627	2,814,397
Correspondent accounts with the RA CB	5,943,311	4,383,253
Deposit accounts with the RA CB		
Funds deposited with the RA CB	770,000	1,270,000
Other demand with the RA CB		
Accrued interest		
Cash and balances with the RA CB	15,065,555	12,540,847

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

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

Thousand AMD

Cash and cash equivalents	30.06.2013	31.12.2012
Cash and payment documents equivalent to cash	8,352,244	6,887,594
Correspondent accounts with the CBA	5,943,311	4,383,253
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	53,680	40,430
Correspondent accounts with non resident banks	2,669,745	3,676,974
Total cash and cash equivalents	17,018,980	14,988,251

Note14. Due to Banks and other Financial Institutions

Thousand AMD

Current accounts	30.06.2013	31.12.2012
with RA banks	53,680	40,430
with banks having BBB(Baa3) and higher ratings	1,597,852	1,077,319
with banks haviwng rating lower than BBB (Baa3) or no rating at all	708,597	1,209,626
Accrued interest	2,773	459
Total	2,362,902	2,327,834
with RA banks		
loans and deposits	1,319,799	1,307,161
repo agreements		
other	461,640	527,051
with banks having BBB(Baa3) and higher ratings		
loans and advances	360,507	1,389,556
other	118	83
with the banks having a rating lower than BBB(Baa3) or no rating at all	74,255	
other	707,250	740,638
Accrued interest	1,535	2,376
Total	2,925,104	3,966,865
Possible loss provision for amounts due from banks (note 7)	(23,873)	(23,873)
Net receivables to banks	5,264,133	6,270,826

Thousand AMD

Loand and advances with Financial Institutions and other receivables	30.06.2013	31.12.2012
with RA Financial Institutions		
loand and advances	471,384	1,115,380
repo agreements	1,266,900	1,344,460

other	128,997	231,557
With Financial Institutions having BB(Baa3) and higher ratings		
other	45,089	44,390
With Financial Institutions having rating lower than BB(Baa3) or no rating at all		
other	200,411	32,129
Accrued interest	9,417	7,426
Total	2,122,198	2,775,342
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,996)	(5,403)
Net receivables to Financial Institutions	2,118,202	2,769,939
Net receivables to banks and Financial Institutions	7,382,335	9,040,765

**As of 30.06.13 and 31.12.12 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,000 (AMD 45,079 thousand on 30.06.2013,AMD 44,394 thousand on 31.12.2012) in Visa International and and USD 134,495 (AMD 55,129 on 30.06.2013 and AMD54,279 on 31.12.2012) in Armenian card CJSC,as well as debtor liabilities against clearing systems.

Note15. Held- for- trading financial assets

	Thousand AMD	
Other financial assets held -for -tarding	30.06.2013	31.12.2012
Derivative instruments		
Swap	20,488	20,030
Total	20,488	20,030
Possible loss provision on held- for -tarding financial assets (note 7)		

Note16. Loans and Advances to customers

	Thousand AMD	
Loans and other borrowings	30.06.2013	31.12.2012
Loans,including	35,674,290	32,410,713
Mortgage	3,301,167	3,126,988
Credit cards	1,929,183	1,436,551
Factoring		
Accrued interes on mentioned articles	230,733	194,533
Total loans	37,834,206	34,041,797
Possible loss provisionon customer loans and advances (note 7)	(813,377)	(662,477)
Net total loans	37,020,829	33,379,320

Thousand AMD

The structure of depreciated (non-performing) loans and borrowings extended to customers in the loan portfolio as of the end of accounting period	30.06.2013		31.12.2012	
	amount	quantity	amount	quantity
Loans and advances including	37,834,206	32,789	34,041,797	30,433
performing loans	37,416,802	32,680	33,713,005	30,397
depreciated (non-performing) loans and borrowings including	417,404	109	328,792	36
overdue	29,413	57	14,397	20
restructured	72,078	3	68,352	2
refinanced				
total loans	37,834,206	32,789	34,041,797	30,433
Possible loss provision on customer loans and borrowings (note 7)	(813,377)		(662,477)	
Net total loans	37,020,829		33,379,320	

Thousand AMD

Analyses of extended loans and advances per financial sectors	30.06.2013	31.12.2012
	State industries	47,205
Private industries including	16,259,846	14,950,811
major enterprises	4,321,503	5,123,614
small and medium enterprises	11,938,343	9,827,197
including business cards	71,511	50,537
Individuals, including	17,574,389	15,003,856
consumer loans	9,214,982	7,073,117
mortgage loans	3,301,167	3,126,988
credit cards	1,857,672	1,386,013
private entrepreneurs	3,722,033	3,865,420
Accrued interest	230,733	194,533
Total loan	37,834,206	34,041,797
Possible loss provision on customer loans and borrowings (note 7)	(813,377)	(662,477)
Net total loans	37,020,829	33,379,320

Thousand AMD

Loan liabilities on 20 major borrowers and related parties	30.06.2013	31.12.2012
	balance sheet	9,759,570
balance of off-balance sheet contingent liabilities	975,486	555,835
Total	10,735,056	9,496,036
Loan investments	37,020,829	33,379,320
Percentage ratio in loan portfolio	29%	28%
Total normative capital	8,267,601	7,936,871
Percentage correlation to capital	130%	120%

Loan investments	30.06.2013	
	Balance	Quantity
GAF micro and small private enterprises loan program	2,140,388	174
GAF micro and small private enterprises RA Governmental loan program	1,019,315	84
GAF "Renewable Energy Development" program	186,037	1
Commerzbank	5,430	2
EBRD/1 syndicated loan program	56,189	5
EBRD/2 syndicated loan program	786,937	46
Co-financing	416,094	2
IFC	116,021	6
Black Sea Loan Program 1	212,087	17
Black Sea loan Program 2	1,591,409	56
World Bank Loan Program	303,242	71
Loan program of Russian Federation for Economic Stabilization	121,921	15
New IFC loan program (IFC FMO)	2,609,547	55
EBRD micro small and middle lending program.EBRD/MSME	1,935,247	451
EBRD Micro lending program	52,083	58
Mortgage loans	174,747	56
including		
GAF	159,218	54
IFC	15,529	2
Total	11,726,694	1,099

Loan investments	31.12.2012	
	Balance	Quantity
GAF micro and small private enterprises loan program	2,041,649	176
GAF micro and small private enterprises RA Governmental loan program	958,069	91
GAF "Renewable Energy Development" program	191,267	1
Commerzbank	10,906	3
EBRD/1 syndicated loan program	205,177	8
EBRD/2 syndicated loan program	1,145,041	63
Co-financing	546,201	3
IFC	140,419	7
Black Sea Loan Program 1	305,627	27
Black Sea Loan Program 2	1,911,797	63

World Bank Loan Program	301,716	58
Loan program of Russian Federation for Economic Stabilization.	192,841	18
New IFC loan program(IFC FMO)	1,610,540	35
	1,474,372	
EBRD micro samll and middle lending program /EBRD MSME/		381
EBRD Micro lending program	148,546	123
Mortgage loans		
including	198,258	60
GAF	181,240	57
IFC	17,018	3
Total	11,382,426	1,117

Thousand AMD

Breakdown of extended loans and advances per lending sectors	30.06.2013	Percentage	31.12.2012	Percentage
Industry	6,965,805	18	6,235,398	18
Agriculture	3,125,168	8	3,347,994	10
Construction	431,486	1	373,905	1
Transportation and communication	109,336	0	150,407	0
Commence	8,871,929	23	8,397,059	25
Consumer	11,167,498	30	8,946,311	26
Mortgage loans	3,322,354	9	3,168,340	9
Service	2,637,449	7	2,160,995	6
other	1,203,181	3	1,261,388	4
		-		-
Total	37,834,206	100	34,041,797	100

Thousand AMD

Breakdown of loan portfolio per customer residency	30.06.2013	Percentage	31.12.2012	Percentage
RA residents	36,790,096	100	33,184,168	100
Residents of countries with Baa33 and higher ratings including		-		-
		-		-
Residents of countries with Baa33and lower ratings or no rating at all			619	
Accrued interest	230,733		194,533	
Total	37,020,829	100	33,379,320	100

Note 17. Financaill assets available for sale

Thousand AMD

State bonds	30.06.2013	31.12.2012
RA Governmental T-Bills		
Treasury bonds	390,965	693,754
Total state bonds	390,965	693,754

Thousand AMD

RA non-state securities	30.06.2013		31.12.2012	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating ,other rating or no rating at all				
Short term debt instruments	48,694		71,624	
Capital instruments		102,252		102,252
Total non-state securities of RA	48,694	102,252	71,624	102,252
Investments in RA non-governmental securities		(4,690)		(4,690)
Net investments in RA non-state securities	48,694	97,562	71,624	97,562

Thousand AMD

Non governmental securities of other countries	30.06.2013		31.12.2012	
	Listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating,other rating or no rating at all				
Capital instruments		1,715		1,818
Total non-state securities of other countries		1,715		1,818
Total available-for-sale securities	439,659	99,277	765,378	99,380

Investments in share capital of other entities as of 30.06.2013

Thousand AMD

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

Note 17.1 Pledged Securities through Repurchase Agreement

Thousand AMD

	30.06.2013		31.12.2012	
	Asset	Liability	Asset	Liability
Pledged securities in RA CB	5,618,178	5,418,522	4,037,132	4,255,724
Total pledged securities (Note 17.1)	5,618,178	5,418,522	4,037,132	4,255,724

Note 18.Held-to maturity investments

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

Note 19. Investments in chartered capital of controlled entities

Thousand AMD

Movement of investments in controlled units	Investments in chartered capital of controlled entities
Balance at the beginning of the period	262,160
Increase	
Disposal (sale)	
profit/loss from operations of associated companies	2,563
Other comprehensive profit/loss	(318)
Balance at the end of the period	264,405

Thousand AMD

Investments in controlled units	30.06.2013	31.12.2012

Investments in associated organizations	264,405	262,160
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
Total	264,405	262,160

Thousand AMD

Investments in controlles unit's capital					
Name of the entity	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share %
SIL INSURANCE	Insurance	RA	22/02/2000	264,405	20.0
Total				264,405	

Note 20. Fixed Assets and Intangible Assets

Thousand AMD

Article	Land,buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets	Total
Initial value							
Balance at the beginning of previous period	2,918,502	1,549,326	372,543	997,447	84,553	153,686	6,076,057
Increase		192,677	42,896	136,689	98,062	1,063	471,387
Disposal		(2,135)	(62,037)				(64,172)
depreciation	-	-	-	-	-	-	-
Reclassification	93,073	(350)		350	(93,073)		-
Written off		(58,797)		(17,059)			(75,856)
Revaluation	-	-	-	-	-	-	-
Balance at the end of previous period	3,011,575	1,680,721	353,402	1,117,427	89,542	154,749	6,407,416
Increase		98,877	11,495	76,329	80,660	5,101	272,462
Disposal]			(20,720)				(20,720)
Reclassification							-
Written off				(19,194)			(19,194)
Revaluation							-
Depreciation	-	-	-	-	-	-	-
Adjustment of amortization from revaluation							-
Balance at the end of accounting period	3,011,575	1,779,598	344,177	1,174,562	170,202	159,850	6,639,964
Accumulated amortization							
Balance at the beginning of previous period	1,110,685	975,735	172,005	608,361		21,881	2,888,667
Increase	159,084	230,022	63,602	131,987		5,949	590,644
including 01.04.2012- 30.06.2012	39,485	59,102	15,405	33,337		3,632	150,961
Disposal		(1,516)	(62,037)				(63,553)
Written off		(58,797)		(17,059)			(75,856)
Depreciation							-
Reclassification		(235)		235			-
Revaluation							-
Balance at the end of previous period	1,269,769	1,145,209	173,570	723,524	-	27,830	3,339,902
Increase	20,027	52,346	14,650	31,581		5,995	124,599
including 01.04.2013 - 30.06.2013	10,069	28,381	7,470	16,165		2,100	64,185
Disposal			(20,720)				(20,720)
Written off				(19,192)			(19,192)
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of accounting period	1,289,796	1,197,555	167,500	735,913	-	33,825	3,424,589
Net balance sheet value							
at the end of accounting period	1,721,779	582,043	176,677	438,649	170,202	126,025	3,215,375
at the end of previous accounting period	1,741,806	535,512	179,832	393,903	89,542	126,919	3,067,514

Intangible assets

Thousand AMD

Article	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of previous period	22,079	116,268	50	14,357	-	152,754
Increase		6,197	-			6,197
Disposal						-
Written off						-
Depreciation	-	-	-	-	-	-
Reclassification						-
Revaluation	-	-	-	-	-	-
Balance at the end of previous period	22,079	122,465	50	14,357	-	158,951
Increase	-					-
Disposal						-
Written off						-
Revaluation						-
Depreciation	-	-	-	-	-	-
Adjustment of amortization from revaluation	-	-	-	-	-	-
Balance at the end of accounting period	22,079	122,465	50	14,357	-	158,951
Accumulated amortization						
Balance at the beginning of previous period	17,658	23,176	15	3,372		44,221
Increase	1,026	11,720	4	1,306		14,056
including 01.04.2012- 30.06.2012	255	2,889	1	325		3,470
Disposal						-
Written off						-
Depreciation						-
Revaluation						-
Reclassification						-
Balance at the end of previous period	18,684	34,896	19	4,678	-	58,277
Increase	508	5,626	3	602		6,739
including 01.04.2013 - 30.06.2013	255	2,829	1	298		3,383
Disposal						-
Written off						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of accounting period	19,192	40,522	22	5,280	-	65,016
Net balance sheet value						
at the end of accounting period	2,887	81,943	28	9,077	-	93,935
at the end of previous accounting period	3,395	87,569	31	9,679	-	100,674

As of 30.06.2013, AMD 67300 thousand worth of out-of-use assets were put into use.

As of 30.06.2013, the bank had an intangible asset developed in-house, new Operational Day software: initial value AMD 750 thousand, depreciation AMD 506 thousand, residual value AMD 244 thousand.

As of 30.06.2013, the value of fully worn off assets included in the fixed assets was AMD 1166465 thousand (AMD 1258342 thousand as of 31.12.2012).

Note 21. Other assets

Thousand AMD

	30.06.2013	31.12.2012
Amounts receivable from bank operations		
Amounts receivable from other operations	55,690	48,718
Total	55,690	48,718
on bank operations	(558)	(487)
possible loss provision (note 7)		
net amounts receivable from bank operations	55,132	48,231
Debtor liabilities and prepayments	30.06.2013	31.12.2012
debtor liabilities on budget	928	1,058
debtor liabilities on suppliers		
prepayments to employees		2,549
prepayments to suppliers	99,948	110,853
prepayments on budget and mandatory social insurance payments	16	17
Other debtor liabilities and prepayments	7,338	
Total	108,230	114,477
Possible loss provision on other assets (note 7)	(1,102)	(1,324)
Total	107,128	113,153
Other assets		
Reserve	245,532	236,067
Sequestered pledge and available for sale assets		
Future period expenses	59,209	60,072
other assets	23,589	17,499
Possible loss provision on other assets (note 7)	(1,422)	(6,382)
Total	326,908	307,256
Total other assets	489,168	468,640

Note 22. Liabilities to banks and other financial institutions

Thousand AMD

	30.06.2013	31.12.2012
Current accounts		
RA Banks	79,171	126,948
Banks with BB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	4,702	2,976
Accrued interest	37	38
Total	83,910	129,962
Interbank loans and advances ,other		
RA CB		
loans	2,755,142	2,479,337
repo agreements	5,000,000	2,845,292
other		
RA banks		
loand and advances	1,229,700	
repo agreements		1,006,344
other		
Banks having BBB(Baa3) and higher rating		
loans and advances	368,910	
other	1,303	527
Banks having rating lower than BBB(Baa3) or no rating at all		
loans and advances		
other	18,125	38,087
Accrued interest	67,603	58,934
Total	9,440,783	6,428,521
Financial Institutions		
current accounts	1,685,936	354,021
loans and advances	8,007,646	9,168,235
repo agreements	407,353	400,315
other	239,358	133,224
Accrued interest	84,906	105,048
Total	10,425,199	10,160,843
Total liabilities to banks and financial institutions	19,949,892	16,719,326

Thousand AMD

Project	30.06.2013		31.12.2012	
	Lending amount	Accrued interest	Lending amount	Accrued interest
German Armenian Fund " Mortgage finance" program	169,375	549	184,837	637
German Armenian Fund " Micro and small business development program"	2,100,000	38,659	1,800,000	38,186
"Renewable energy development" program	191,267	5,015	200,000	5,519
Loan program for SME	294,500	10,988	294,500	11,170
Total	2,755,142	55,211	2,479,337	55,512

Note23. Liabilites to customers

Thousand AMD

RA Government and local self-governing bodies	30.06.2013	31.12.2012
Loans	946,207	1,002,784
Other	5,270	3,215
Accrued interest	17,771	18,157
Total	969,248	1,024,156

RA resident legal entities and institutions	30.06.2013	31.12.2012
Current accounts	9,058,831	9,225,482
Term deposits	3,800,671	3,257,982
Repo agreements		
Other	55,046	8,515
Accrued interest	35,533	34,673
Total	12,950,081	12,526,652

Non resident legal entities,institutions	30.06.2013	31.12.2012
Current accounts	414,303	5,512
other		
Total	414,303	5,512

RA resident private entrepreneurs	30.06.2013	31.12.2012
Current accounts	143,292	120,549
Term deposits	6,535	7,524
other		
Accrued interest	7	13
Total	149,834	128,073

RA resident individuals	30.06.2013	31.12.2012
Current accounts	8,160,830	8,913,623
Term deposits	15,841,133	13,646,411
other	277,188	286,596
Accrued interest	110,542	91,094
Total	24,389,693	22,937,724

Non resident individuals	30.06.2013	31.12.2012
Current accounts	317,780	480,530
Term deposits	138,420	143,776
Other	14,867	17,752
Accrued interest	836	679
Total	471,903	642,737
Total liabilities to customers	39,345,062	37,264,854

As of 30.06.13, the amount necessary to secure obligations was AMD 2.016.418 thousand.

As of 30.06.13, the amount frozen by court order and tax authorities was AMD 112.768 thousand.

Note 24. Deposit certificate issued by the bank.

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

Note 25. liabilities held for commercial purposes

Thousand AMD

Liability held for commercial purpose	30.06.2013	31.12.2012
derivative instruments held for commercial purpose		
Liability held for commercial purpose		
Swap	11,481	8,012
Total	11,481	8,012

Note 26. Amounts payable

Thousand AMD

Amounts payable	30.06.2013	31.12.2012
Dividends	39,521	45,140
For insurance of deposit	12,095	11,031
Total	51,616	56,171

Note 27. Other liabilities

Thousand AMD

Other liabilities	30.06.2013	31.12.2012
On income tax of non-resident	1,495	5,113
On VAT	2,392	15,547
On other taxes and penalties	73,290	34,649
On social insurance payments		24,531
Salary liabilities to employees	264,027	223,202
Accounts payable to suppliers	41,980	27,246
Accounts payable to equity increase		
Other liabilities	31,928	24,634
Balance at the end of the period	415,112	354,922

Note 28. Chartered capital

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous., including 93335 common shares with a nominal value of AMD 2500 per share. There are no owned shares repurchases by the bank. During the accounting period no increase or decrease of chartered capital on the account of repurchased and out of circulation shares is made. Over the accounting quarter, dividends amounting to AMD 3,005 thous. have been paid. The below chart shows information on the majority shareholders of the bank as of the end of accounting period.

Thousand AMD

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

Note 29. Other equity components

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

Note 30. Reserves, contingencies, potential liabilities

The bank's legal liabilities: as of 30.06.2013 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 30.06.2013 the bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

Thousand AMD

	30.06.2013	31.12.2012
Unutilized credit lines	1,834,659	1,809,202
Extended guarantees	525,100	422,948
Extended letters of credit		39,787
Reserve on mentioned articles (note 7)		

Liabilities on operational leases

Thousand AMD

Structure of minimum rental fees	Amounts payable in AMD equivalent to foreign currency	Amounts payable in AMD
Up to 1 year		153,518
1-5 years		544,953
more than 5 year		18,286
Total		716,757

Note 31. Transactions with related parties

In the context of present note the bank related parties are Bank management,shareholders,entities related to them in the prescribed order set forth by RA law on the "Banks and Banking".The bank management comprises the Chairman of the Bank's Board,Deputy Chairman of the Board and the members of the Board,the Chief Executive Officer,the Deputy Chief Executive Officer,Chief Accountant,Deputy Chief Accountant,Head of Internal Audit Department,employees of Internal Audit Department,members of bank administration,as well as the heads of the bank's territorial subdivisions,heads of bank subdivisions,heads of bank administration,departments and divisions. The transactions with the bank related parties have been made on the basis of current market conditions and interest rates.

Thousand AMD		
Loans and advances to customers	30.06.2013	31.12.2012
Initial balance	970,726	973,632
Loans and advances extended over the year	505,428	826,356
bank shareholder	47,668	80,755
shareholder related entity	370,494	577,349
bank manager	84,393	161,858
manager related entity	2,873	6,394
Loans and advances repaid over the year	372,834	829,262
bank shareholder	33,026	64,909
shareholder related entity	265,203	454,470
bank manager	71,393	287,810
manager related entity	3,213	22,073
Summary balance	1,103,319	970,726

Thousand AMD		
Item	30.06.2013	30.06.2012
Interest income	72,944	64,911

Thousand AMD		
Liabilities to customers	demand	term
Balance as of 31.12.2012	225,526	551,150
Amounts received over the accounting period (I Q 2013) including	2,319,785	1,080,795
bank shareholder	253,691	81,668
shareholder related entity	1,020,673	208,149
bank manager	929,521	690,625
manager related entity	115,900	100,354
Amounts paid over the accounting period (I Q 2013) including	2,335,901	4,367
bank shareholder	297,728	69,923
shareholder related entity	1,014,499	-
bank manager	902,146	(141,747)
manager related entity	121,528	76,191
Exchange rate difference (+/-)	1,407	14,756
Balance 30.06.2013	210,816	1,642,334
Interest expense as of I Q 2013	1,912	48,727

Thousand AMD		
Salary or similar payment to the bank management	30.06.2013	30.06.2012
Board	48,265	36,315
salary	48,265	36,315
awarding	-	-
Executive body	66,462	53,434
salary	66,462	53,334
awarding	-	100
Internal Audit	32,390	46,901
salary	32,190	46,901
awarding	200	-
Total	147,117	136,650

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 balance calculation results of the relevant model. By simultaneous consideration of mathematical and economic arguments the credit risks assessment model provides a comprehensive assessment approach, resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables. In 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 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 considered shock scenes.

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

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

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

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

The surplus amounts transferable to the reserve fund are calculated in case of various possible scenarios which are used on purpose of analysis of possible scenario 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 level of risk. The analysis of written off scenarios of a certain percent of doubtful, standard, and general loans classified on the basis of the minimum size of the bank and adequacy standards include determination of critical points of breach of a standard which enables to assess the probability of a breach of a standard on the given

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

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

- V per sectors of economy
- V per regions
- V per a single borrower and related Parties
- V per loan terms
- V per pledge, etc.

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

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

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

OECD-Organization for Economic Co-operation and Development

Item	31.03.2013				Thousand AMD
	RA	CIS countries	OECD countries	Non OECD countries	Total
Assets					
Cash and Balances with CBA	15,065,555				15,065,555
Receivables to banks and other financial institutions	3,686,433	1,139,920	2,199,504	356,478	7,382,335
Standard bank precious metal bullions and coins	17,679				17,679
held for trade financial assets	20,378		110		20,488
loans and advances extended to customers	37,020,829				37,020,829
Available for sale securities	537,220		1,715		538,935
Investments in the chartered capital of controlled entities	264,405				264,405
Securities pledged under repurchase agreement	5,618,178				5,618,178
Other assets	55,154				55,154
Total assets	62,285,831	1,139,920	2,201,329	356,478	65,983,558
Off balance sheet items containing credit risks	23,597,661				23,597,661
Liabilities					
Liabilities to banks and other financial institutions	13,204,834	2,706	6,736,313	6,039	19,949,892
Liabilities to customers	38,543,537	249,605	104,565	447,355	39,345,062
Total liabilities	51,748,371	252,311	6,840,878	453,394	59,294,954
Net position	10,537,460	887,609	(4,639,549)	(96,916)	6,688,604

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

Loans allocated in the territory of RA per RA regions

Thousand AMD

RA regions	30.06.2013	31.12.2012
Yerevan	26,622,431	23,607,085
Ararat	526,225	613,311
Armavir	1,127,560	1,000,316
Kotayq	1,819,525	1,514,148
Shirak	1,117,957	927,808
Lori	1,081,123	1,000,663
Aaragatsotn	2,748,303	2,662,284
Syuniq	828,971	868,477
Tavush	398,743	432,118
Gegharghuniq	251,832	195,124
Vayoc Dzor	376,002	431,626
Artsakh	122,159	126,361
Total	37,020,829	33,379,320

Analysis of credit portfolio as per regions and risk level

30.06.2013

Thousand AMD

Assets	Performing		Non performing		
	Standard/ Non Risky	Watched/ Risky	Non standard/Medium risky	Suspicious/ Highly risky	Lost
Loans including					
1. RA residents	36,717,682	110,876	144,655	47,616	3,281,710
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
				-	
4 Residents on non OECD countries					
5.Total	36,717,682	110,876	144,655	47,616	3,282,111

31.12.2012

Thousand AMD

Assets	Performing		Non performing		
	Standard/Non risky	Watched/Risky	Non standard/Medium risky	Suspicious/ Highly risky	Lost
Loans including					
1.RA residents	33,159,296	10,202	159,730	49,466	3,275,260
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
4. Residents of non OECD countries Georgia	626			-	
	626				
5. Total	33,159,922	10,202	159,730	49,466	3,275,661

Credit risk analysis

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

It should be noted that in loan portfolio the unsecured loans as of 30.06.2013 did not exceed 10,2%. The bulk of unsecured loans consists of those given to the customers of ARMECONOMBANK OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have significant ratio. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organization are available.

3) As of 30.06.2013 loans amounted to AMD 37,834,206. Non-performing loans as of 30.06.2013 amounted to AMD 417,404. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 0.33; 0.49 and 0.29 percent.

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

5) The volume of repo transactions effected in the 2nd quarter 2013 was AMD 59,674,546 against AMD 12,780,315 of the same period of previous year. Reverse repo transactions in the 2nd quarter 2013 totalled AMD 7,847,435 against AMD 11,950,782 of the same period of the previous year.

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

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

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

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

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

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

On purpose of rising the efficiency of lending process a regular monitoring of extended loans is performed. The monitoring is performed by the bank's special unit, Loan Monitoring Division. The day-by-day monitoring of loans is made by loan officers in case of necessity.

Two types of monitoring are performed

1. Monitoring via actual visits
2. Monitoring by phone

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

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

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

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

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

Collection of written off loans is made by special units of the bank, jointly by problematic loan division and security department

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

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

1. prudential discovery process of lending object
2. collection of standard portfolio of loan documentation
3. loan monitoring
4. problematic loan repayment process

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

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

Thousand AMD

Quantitative indicators applied for loan risk analysis				
Indicators	Amount	Indicator	Amount	Correlation
31.12.12				
Non-performing loans	328,792	total loans	33,379,320	1.0%
30.06.13				
Non-performing loans	417,404	Total loans	37,020,829	1.1%
31.12.12				
Provisions for non-performing loans	109,394	Total capital	9,454,774	1.2%
30.06.13				
Provisions for non-performing loans	114,256	Total capital	9,909,512	1.2%
31.12.12				
Provisions for loans	662,477	Total loans	33,379,320	2.0%
30.06.13				
Provisions for loans	813,377	Total loans	37,020,829	2.2%
31.12.12				
Possible loss provisions	662,477	non-performing loans	328,792	201.5%
30.06.13				
Possible loss provisions	813,377	non-performing loans	417,404	194.9%
31.12.12				
Write-offs-reimbursements	100,818	Average total loans	32,069,806	0%
30.06.13				
Write-offs-reimbursements	4,262	Average total loans	33,965,287	0.0%
31.12.12				
Reimbursements	78,404	Loan losses	100,818	77.8%
30.06.13				
Reimbursements	45,511	loan losses	4,262	1067.8%
31.12.12				
Profit coverage ratio = (net operational income+provisioning expenses)	4,077,483	net loan loss	100,818	4044.4%
30.06.13				
Profit coverage ratio = (net operational income+ provisioning expenses)	2,532,404	net loan loss	4,262	59418.2%
31.12.12				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,993,768	loan investments	33,379,320	9.0%
30.06.13				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	1,723,759	loan investments	37,020,829	4.7%
31.12.12				
Major borrowings	9,496,036	capital	9,454,774	100.4%
30.06.13				
Major borrowings	10,735,056	capital	9,909,512	108.3%

Market risk**1) bank's definition of credit risk**

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

2) The methods of market risk measurement and assessment

Foreign currency risk

Assessment of foreign exchange risk and position management efficiency.

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

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

Thousand AMD

Accounting period	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	XAG	Total
2012 II Q	545.79	65.26	311.13	317.71	0.00	276.14	475.88	93.06	418.28	0.00	1,090.92
2013 II Q	905.80	209.47	494.72	172.11	39.17	251.27	2,436.29	72.57	484.01	9.03	2,692.02
growth/decline	360.01	144.21	183.59	-145.60	39.17	-24.87	1,960.41	-20.49	65.74	9.03	1,601.10

The analysis of forex risk is presented per financial assets

30.06.2013

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash and balances with CBA	7,618,733	6,060,302	1,386,520	15,065,555
Bank standardized bullions of precious metals and coins	443	14,783	2,453	17,679
Receivables to banks and other financial institutions	2,068,535	4,369,053	944,747	7,382,335
Held for trading financial instruments	20,488	-	-	20,488
Loans and advances extended to customers	21,871,190	15,149,639	-	37,020,829
Available for sale financial assets	538,935	-	-	538,935
Investments in chartered capital of controlled entities	264,405	-	-	264,405
Securities pledged under repurchase agreements	5,618,178	-	-	5,618,178
Other assets	37,585	17,569	-	55,154
Total assets	38,038,492	25,611,346	2,333,720	65,983,558
Liabilities				
Liabilities to banks and other financial institutions	12,106,643	7,831,712	11,537	19,949,892
Liabilities to customers	20,570,787	18,487,073	287,202	39,345,062
Available for sale financial liability	11,481	-	-	11,481
Liabilities on current taxes	68,971	-	-	68,971
Amounts payable	51,616	-	-	51,616
Deferred tax liabilities	26,123	-	-	26,123
other liabilities	375,320	36,449	1,329	413,098
Total liabilities	33,210,941	26,355,234	300,068	59,866,243
Net position	4,827,551	(743,888)	2,033,652	6,117,315

31.12.2012

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash and balances with CBA	7,710,130	4,093,687	737,029	12,540,846
Bank standardized bullions of precious metals and coins	443	56,559	-	57,002
Receivables to banks and other financial institutions	2,520,118	5,314,281	1,206,365	9,040,764
Held for trading financial instruments	20,030	-	-	20,030
Loans and advances extended to customers	19,501,126	13,878,194	-	33,379,320
Available for sale financial assets	814,758	-	-	814,758
Investments in chartered capital of controlled entities	349,000	-	-	349,000
Securities pledged under repurchase agreements	4,364,982	-	-	4,364,982
other assets	31,539	15,680	-	47,219
Total assets	35,312,126	23,358,401	1,943,394	60,613,921
Liabilities				
Liabilities to banks and other financial institutions	10,227,327	8,038,848	10,705	18,276,880
Liabilities to customers	19,868,091	17,130,921	265,846	37,264,858
Held for trading liabilities	335,862	-	-	335,862
Liabilities on current taxes	13,150	-	-	13,150
Amounts payable	56,171	-	-	56,171
Deferred tax liabilities	27,321	-	-	27,321
other liabilities	325,277	21,477	5,900	352,654
Total liabilities	30,853,199	25,191,246	282,451	56,326,896

Net position	4,458,927	(1,832,845)	1,660,943	4,287,025
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* I group foreign currency comprises the following currencies : USD,GBP,EUR,CHF standardizez gold bullions and metal account.

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

Interest rate risk

Evaluation of interest rate change risk

The analysis of misbalance show that the average accumulated misbalance of the 2nd quarter of 2013 is positive forming AMD 809,959.0 thousand against - AMD 305,960.0 thousand of the same period of the previous year by increasin in absolute value by 60.71% - so in average the bank was sensitive to assets in the 2nd quarter of 2013.In the 2nd quarter of 2013 the average acumulated misbalance in creased in absolute value by AMD 269,772.0 thousand or 24.99% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for 2nd quarter of 2013 has increased by 0.5 % forming 101,8 % against 101,3% average value of 2nd quarter of 2013 ,that is in the 2nd quarter of 2013 the assets sensitive to interest rate changes have exceeded the liabilities by average 1,8%.

Ø The duration of assets as of the end of 2nd quarter 2013 was 0,673 year as it declined by 0,144 year or by 17,65 % .Against the end of the previous quarter

Ø The duration of liabilities as of the end of 2nd quarter of 2013 was 0.449 year (against 0,628 of 2nd quarter of 2012) is declined by 0,179 year or 28,50% .In correlation with the end of previous quarter (0,474) indicator has increased by 0,026 year or 5,27 %.

Ø The duartion gap as of the end of 2nd quarter of 2013 was 0,267 (against 0,230 of 2nd quarter of 2012) grew by 0,037 Or 16,09 % .In correlation with the previous quarter 0,309 indicator has i9ncreased 0,04 or 13,59 %.

30.06.2013

Thousand AMD

Item	up to 1 month		1-3 months		3-6 months		6months to 1 year		1-5 year		more than 5 year	
	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign	AMD	foreign currency
Distributed funds		6833		13,666		20,499		40,998		54,631		-
Loans and advances extended to customers		6,833		13,666		20,499		40,998		54,631		-
Total	-	6,833	-	13,666	-	20,499	-	40,998	-	54,631	-	-
Liabilities to banks and other financial institutions												
loans		584,347		2,228,505		2,451,172						
Total	-	584,347	-	2,228,505	-	2,451,172	-	-	-	-	-	-
Net position	-	(577,514)	-	(2,214,839)	-	(2,430,673)	-	40,998	-	54,631	-	-

31.12.2012

Item	up to 1 month		1-3 months		3-6 months		6months to 1 year		1-6 year		more than 5 year	
	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	AMD	foreign	AMD	foreign currency
Distributed funds												
receivables to banks and other financial institutions												
Total	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to banks and other financial institutions												
loans		1,155,739		2,699,153		139,153						
Total	-	1,155,739	-	2,699,153	-	139,153	0	0	0	0	0	0
Net position	-	(1,155,739)	-	(2,699,153)	-	(139,153)	0	0	0	0	0	0

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

Item	Interest rates of accounting period		Interest rates of previous period	
	AMD	Foreign	AMD	Foreign
Assets				
Balances with RA CB	-	-	-	-
Receivables to banks and other financial institutions	9.85	4.07	9.99	4.83
Interbank loans	8.97	4.07	10.41	4.33
Interbank repo	10.20		-	-
Loans and advances extended to customers	19.58	15.43	19.69	16.27
Held for trading and available for sale securities	15.29	-	15.53	-
Liabilities				
Liabilities to banks and other financial institutions	9.13	5.30	9.29	6.12
Liabilities to customers	4.09	5.44	4.00	4.64

3) Description of models

Foreign currency risk

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

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

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

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

Interest rate risk

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

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

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

Under the frames of present model following suppositions are made.

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

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

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

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

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

Price risk

Price risk is the danger for the Bank to incur due to unfavorable changes in the market prices of securities conditioned by factors related to general fluctuations of market prices of securities under the circulation in the market, as well as factors related to given security and its issuer.

Possible minimum level of price risk is maintained through the following measures undertaken

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

V Assessment of possible losses

V Application of hedging instruments

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

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

Liquidity risk

1) The bank's definition of Liquidity Risk

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

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

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

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

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

The following shock scenarios are applied for assessment of liquidity risk

1. Pre-term withdrawal of 25% of term deposits by individuals.

2. Pre-term withdrawal of 25% of term deposits of corporate entities.

3. Withdrawal of 25% of all demand liabilities.

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

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

The possibility of breach in N 21 N22 liquidity standards are discovered under the mentioned conditions and the sizes of such breaches are calculated .The calculation of critical points of breaches standards gives an opportunity to get accurate assessments of the bank's liquidity risk through analysis of the impact of call in of Individuals term deposits and demand liabilities before termination of the Agreement on standards and assessment of probability of their breaches .

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

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

Liquidity risk assessment

Over the II quarter of 2013 instant liquidity indicator and up to 90 days' accumulative indicator have increased accordingly by 20.02 and 8.16percent and general liquidity indicator has declined by 0.38 percent.

Accounting period		30.06.13								Thousand AMD	
Item	Non-performing			Repayment date in					termless	Total	
	Term	Overdue	Demand	up to 3 month	3- 6 month	6-12 month	1- 5 year	more than 5 year			
On maturity terms of assets											
Cash and cash equivalents ,balances with CBA			14,295,555						770,000	15,065,555	
Standardized precious metal bullions			17,679							17,679	
Receivables to banks and other financial institutions			2,434,430	4,633,240	297	302			314,067	7,382,336	
Financial assets held for commercial purposes			20,488							20,488	
Loans and advances extended to customers	273,168	23,412		7,975,887	5,521,446	4,679,740	16,899,533	1,647,643	-	37,020,829	
Securities,including				5,623,907	53,370	-	362,745	17,814	363,682	6,421,518	
available for sale				5,729	53,370	-	362,745	17,814	363,682	803,340	
sold by repo agreements				5,618,178						5,618,178	
other receivables				55,154						55,154	
Total	273,168	23,412	16,768,152	18,288,188	5,575,113	4,680,042	17,262,278	1,665,457	1,447,749	65,983,559	
Including										0	
I group foreign currency	110,400	13,300	8,262,492	5,397,327	3,517,970	2,280,260	5,431,364	499,016	99,216	25,611,345	
II group foreign currency			1,635,688	698,035						2,333,723	
Including											
By floating interest rate				20,499	20,499	40,998	54,631			136,627	
By fixed interest rate	273,168	23,412	85,245	18,212,535	5,554,614	4,639,044	17,207,647	1,665,457		47,661,122	
Non-interest			16,682,907	55,154					1,133,682	17,871,743	
On maturity of liabilities repayment											
liabilities to banks and other financial institutions			2,433,205	6,941,254	1,973,659	2,931,556	5,233,548	436,169	500	19,949,891	
Liabilities to customers,including	-	-	18,403,300	5,704,087	5,268,399	9,073,044	776,143	117,432	2,655	39,345,060	
demand deposits			17,889,974	36,696	5,638	6,676	22,699	-	2,655	17,964,338	
term deposits			5,270	5,667,391	5,262,761	9,066,368	753,444	117,432	-	20,872,666	
other			508,056							508,056	
held for trade liability				11,481						11,481	
liability on current tax						68,971				68,971	
amounts payable			51,616							51,616	
deferred tax liabilities						26,123				26,123	
other liabilities			413,099							413,099	
off balance sheet contingent liabilities				118,153	265,873	771,220	1,186,382	9,838	8,294	2,359,760	
Total	-	-	21,301,220	12,656,822	7,242,058	12,099,694	6,009,691	553,601	3,155	59,866,241	
including											
I group foreign currency			6,285,661	5,106,783	4,357,574	9,081,064	1,443,636	80,514		26,355,232	
II group foreign currency			235,353	25,361	26,005	12,535	814	-		300,068	
Major liabilities				6,219,602	940,071	823,419	3,147,523	491,267		11,621,882	
Including											
Floating interest rate				2,812,852	2,451,172					5,264,024	
Fixed interest rate			9,783,137	9,832,489	4,790,886	12,099,694	6,009,691	553,601	3,155	43,072,653	
Non-interest			11,518,083	11,481	-	-	-	-	-	11,529,564	
net liquidity gap	273,168	23,412	(4,533,068)	5,631,366	(1,666,945)	(7,419,652)	11,252,587	1,111,856	1,444,594	6,117,318	
Including											
I group foreign currency	110,400	13,300	1,976,831	290,544	(839,604)	(6,800,804)	3,987,728	418,502	99,216	(743,887)	
II group foreign currency	-	-	1,400,335	672,674	(26,005)	(12,535)	(814)	-	-	2,033,655	
Floating interest rate	-	-	-	(2,792,353)	(2,430,673)	40,998	54,631	-	-	(5,127,397)	
Fixed interest rate	273,168	23,412	(9,697,892)	8,380,046	763,728	(7,460,650)	11,197,956	1,111,856	(3,155)	4,588,469	
Accumulative liquidity gap	273,168	296,580	(4,236,488)	1,394,878	(272,067)	(7,691,719)	3,560,868	4,672,724	6,117,318		

Previous accounting period		31.12.2012								Thousand AMD	
Item	Non-performing			Repayment date in					termless	Total	
	Term	Overdue	Demand	up to 3 months	3- 6 months	6-12 months	1- 5 year	more than 5 year			
On maturity terms of assets											
Cash and cash equivalents ,balances with CBA			11,270,847						1,270,000	12,540,847	
Standardized precious metal bullions			57,002							57,002	
receivables to banks and other financial institutions			2,451,626	6,269,505	29				319,604	9,040,764	
Financial assets held for commercial purposes				20,030						20,030	
loans and advances extended to customers	203,814	10,056		7,548,713	5,154,820	4,849,594	14,182,030	1,430,293	-	33,379,320	
securities including				4,056,678	51,190	22,815	84,781	587,046	361,540	5,164,050	
available for sale				19,546	51,190	22,815	84,781	587,046	361,540	1,126,918	
sold by repo agreements				4,037,132						4,037,132	
other receivables				47,219						47,219	
Total	203,814	10,056	13,779,475	17,942,145	5,206,039	4,872,409	14,266,811	2,017,339	1,951,144	60,249,232	

	Including										
I group foreign currency	95,754	4,912	5,838,449	6,793,700	2,724,377	2,436,678	5,129,636	407,937	100,769	23,532,212	
II group foreign currency			1,581,527	350,384		-	-	-	3,981	1,935,892	
	Including										
Floating interest rate										-	
Fixed interest rate	203,814	10,056	696,494	15,282,281	5,206,013	4,872,409	14,266,811	2,017,339	-	42,555,217	
Non-interest		-	13,082,981	2,659,864	26	-	-	-	1,951,144	17,694,015	
On maturity of liabilities repayment											
Liabilities to banks and other financial institutions			2,212,833	4,146,362	1,199,586	2,848,556	5,781,894	529,595	500	16,719,326	
Liabilities to customers	-	-	18,990,938	7,782,792	4,259,273	5,991,539	122,081	116,885	1,350	37,264,858	
demand deposits			18,520,113	74,073	1,204	27,777			1,350	18,624,517	
term deposits			131,095	7,708,719	4,258,069	5,963,762	122,081	116,885		18,300,611	
other			339,730							339,730	
Liability held for trade				335,862						335,862	
Liability on current taxes					13,150					13,150	
Amounts payable			56,171							56,171	
Deferred tax liabilities					27,321					27,321	
other liabilities			245,568	107,086						352,654	
Off balance sheet contingent liabilities		1,958		169,975	113,222	552,978	1,416,046	9,685	8,072	2,271,936	
Contractual liabilities											
Total	-	-	21,505,510	12,372,102	5,499,330	8,840,095	5,903,975	646,480	1,850	54,769,342	
	Including										
I group foreign currency			7,044,697	5,674,245	3,702,171	5,093,992	1,678,885	79,242		23,273,232	
II group foreign currency			230,659	32,765	11,821					275,245	
Major liabilities				3,711,714	412,810	1,764,587	4,034,400	80,172		10,003,683	
	Including										
Floating interest rate				3,854,892	3,449,964					7,304,856	
Fixed interest rate			9,529,778	9,893,605	2,906,412	8,840,095	5,903,975	646,480	1,850	37,722,195	
Non-interest			11,975,732	181,159	1,204	-				12,158,095	
Net liquidity gap	203,814	10,056	(7,726,035)	5,570,043	(293,291)	(3,967,686)	8,362,836	1,370,859	1,949,294	5,479,890	
	Including										
I group foreign currency	95,754	4,912	(1,206,248)	1,119,455	(977,794)	(2,657,314)	3,450,751	328,695	100,769	258,980	
II group foreign currency	-	-	1,350,868	317,619	(11,821)	-	-	-	3,981	1,660,647	
Floating interest rate	-	-	-	(3,854,892)	(3,449,964)	-	-	-	-	(7,304,856)	
Fixed interest rate	203,814	10,056	(8,833,284)	5,388,676	2,299,601	(3,967,686)	8,362,836	1,370,859	(1,850)	4,833,022	
Accumulative liquidity gap	203,814	213,870	(7,512,165)	(1,942,122)	(2,235,413)	(6,203,099)	2,159,737	3,530,596	5,479,890		

Note33. Capital and capital adequacy ratio

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

We present the structure of balance sheet capital

	Thousand AMD	
	30.06.2013	31.12.2012
Chartered capital	2,333,338	2,333,338
Reserves	5,730,339	5,584,012
Main reserve	5,405,133	5,405,133
Revaluation reserve	325,206	178,879
Undistributed profit/loss	1,817,882	1,477,228
Total capital	9,881,559	9,394,578

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

Thousand AMD							
2013.0	Involved in the calculation of standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Ն³Ù³ñÁ»ù.ó³ԷԹՉ %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	7,892,162	108,346	8,000,508	45,786,461	804,288	15.24	12
February	7,754,683	102,485	7,857,168	44,917,641	696,987	15.49	12
March	7,776,466	161,007	7,937,473	48,414,080	784,597	14.44	12
April	7,827,139	190,711	8,017,850	50,746,695	852,560	13.86	12
May	7,842,727	231,127	8,073,854	51,998,911	819,794	13.72	12
June	7,932,096	335,505	8,267,601	51,451,990	159,292	15.66	12

Thousand AMD							
2012.0	Involved in the calculation of standards						
	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Ն³Ù³ñÁ»ù.ó³ԷԹՉ %	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 weight of risks of assets and off balance sheet contingent liabilities, incomplete operations as of the end of current and previous accounting periods ,per the classes of risk weights under regulation 2 approved by the CBA.

Thousand AMD

as of 30.06.13				
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	23,772,119	127,480		-
10%	1,605,644			160,564
20%	1,737,705			347,541
30%	1,219,405			365,822
50%	1,381,419	14,629		698,024
75%	1,656,620			1,242,465
100%	25,092,597	471,175	14,550	25,578,322
150%	13,493,964	779,905	15,755	21,434,436
Total	69,959,473	1,393,189	30,305	49,827,174

Thousand AMD

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

Note 34. Real value of financial assets and liabilities

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

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

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

As of 31.03.13 the following methods and assessments have been used by the bank during evaluation of real value of each class of financial instrument.

Cash and balances with the CBA.

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

Loans and advances extended to customers, receivables to banks and other financial institutions.

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

Resources attracted from banks and other financial institutions.

The balance sheet value is close to real value.

Customer deposits and bank accounts.

The balance sheet value is close to real value.

As of 31.03.13 the bank had no financial assets accounted for by amount exceeding their real values.

Note 35. Hedging of Envisaged Future Transactions

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

Note 36. Derecognition

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

Note 37. Pledged assets

As of 31.03.13 the bank has no pledged assets

Note 38. Accepted pledge

As of 30.06.13 there are no assets accepted as pledge that the bank is entitled to sell or repledge, even in case if customer has not breached its obligations.

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

Collateral type	30.06.2013		31.12.2012	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	16,913,877	62,462,250	16,493,824	60,038,030
Car	3,077,993	7,963,215	2,176,317	5,545,375
Equipment	463,583	807,834	433,667	744,034
Ready made goods	149,135	764,500	141,639	733,500
Guarantee	5,123,602	20,403,959	4,114,261	15,324,937
Monetary funds	1,248,286	1,949,363	266,786	456,452
Golden items	6,927,854	8,216,131	6,926,883	8,401,989
Standard gols				
State securities				
Securities issued by the RA CB	-	-	-	-
other securities	-	-	-	-
other pledge	69,563	188,335	82,037	191,666
No collateral available	3,860,313		3,406,383	-
Total	37,834,206	102,755,587	34,041,797	92,745,506

Note39 Non-performance/Breach of liabilities

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

CEO

A.Naljyan

Chief Accountant

D.Azatyan

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