

INTERIM CONSOLIDATED REPORT  
on financial results

30.09.2013.

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	1,807,764	5,152,198	1,495,398	4,395,056
Interest and simliar expenses	3	(899,869)	(2,516,282)	(714,837)	(2,093,414)
<b>Net interest and similar income</b>		<b>907,895</b>	<b>2,635,916</b>	<b>780,561</b>	<b>2,301,642</b>
Income as commissions and other fees	4	480,522	1,339,252	369,420	1,036,242
Expenses as commissions and other fees	4	(119,524)	(323,396)	(74,230)	(209,065)
<b>Net commissions and other fees</b>		<b>360,998</b>	<b>1,015,856</b>	<b>295,190</b>	<b>827,177</b>
Income from dividents					
Net commercial income	5	309,278	732,578	231,980	575,112
Other operational income	6	46,339	121,893	42,143	109,919
<b>Operational income</b>		<b>1,624,510</b>	<b>4,506,243</b>	<b>1,349,874</b>	<b>3,813,850</b>
Net allocations to posible asset loss provisions	7	41,719	(95,473)	32,594	(62,241)
Total administrative expenses	8	(939,613)	(2,776,182)	(820,899)	(2,544,865)
Other operational expenses	9	(258,256)	(744,777)	(333,192)	(1,005,537)
<b>Operational profit</b>		<b>468,360</b>	<b>889,811</b>	<b>228,377</b>	<b>201,207</b>
Profit/loss from associated company	10	11,853	14,416		
<b>Profit/loss before taxation</b>		<b>480,213</b>	<b>904,227</b>	<b>228,377</b>	<b>201,207</b>
Profit tax expenses	11	(107,103)	(222,388)	(53,007)	(67,363)
<b>Profit for period</b>		<b>373,110</b>	<b>681,839</b>	<b>175,370</b>	<b>133,844</b>
Including					
Holding Institution's stock					
Uncontrolled stock					

CEO

Chief Accountant

Approval date October 14 2013

A.NALJYAN

D.AZATYAN

INTERIM CONSOLIDATED REPORT  
on other comprehensive financial results  
30.09.2013

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
<b>Other comprehensive financial result</b>					
Revaluations for financial assets available for sale		(73,787)	109,122	37,728	50,790
Revaluation for financial assets available for sale		14,758	(21,824)	(7,546)	(10,158)
Profit tax on other comprehensive income		1,130	812		
Other comprehensive financial result before taxation		(57,899)	88,110	30,182	40,632
<b>Comprehensive financial result</b>		<b>315,211</b>	<b>769,949</b>	<b>205,552</b>	<b>174,476</b>
<b>Including</b>					
Holding Institution's stock					
Uncontrolled stock					

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INTERIM CONSOLIDATED REPORT  
on financial position  
30.09.2013  
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)
<b>1</b>	<b>Assets</b>			
1.1	Cash and balances with RA CB	13	9,814,718	12,540,847
1.2	Bank standardized bullion of precious metals and memorial coins		69,516	57,002
1.3	Claims to banks and other financial institutions	14	12,262,547	9,040,764
1.4	Financial assets held for commercial purposes	15	1,367	20,030
1.5	Loans and advances to customers	16	37,852,800	33,379,320
1.6	Financial assets available for sale	17	1,829,842	864,758
1.6.1	Securities pledged under repurchase agreements	17.1	4,104,068	4,037,132
1.8	Investment in chartered capital of controlled entities	19	277,388	262,160
1.9	Non-current assets held for sale		50,887	50,887
1.10	Fixed assets	20	3,410,819	3,067,514
1.10.1	Intangible assets	20	91,320	100,674
1.12	Other assets	21	577,122	468,640
	<b>Total assets</b>		<b>70,342,394</b>	<b>63,889,728</b>
<b>2</b>	<b>Liabilities</b>			
2.1	Liabilities to banks and other financial institutions	22	19,070,928	16,719,326
2.2	Liabilities to customers	23	40,418,631	37,264,854
2.3	Liabilities for current taxes		120,898	22,455
2.5	Liabilities held for commercial purposes	25	600	8,012
2.6	Amounts payable	26	52,248	56,171
2.7	Deferred tax liabilities	11	33,552	9,214
2.9	other liabilities	27	420,814	354,922
	<b>Total liabilities</b>		<b>60,117,671</b>	<b>54,434,954</b>
<b>3</b>	<b>Capital</b>			
3.1	Chartered capital	28	2,333,338	2,333,338
3.2	Emission income			
3.3	Reserves			
3.3.1	Main reserve		5,405,133	5,405,133
3.3.2	revaluation reserve		267,630	179,520
3.4	Undistributes profit/loss		2,218,622	1,536,783
3.5	Other elements of capital	29		
	Capital owned by Holding institution			
	Minority stock			
	<b>Total capital</b>		<b>10,224,723</b>	<b>9,454,774</b>
	<b>Total liabilities and capital</b>		<b>70,342,394</b>	<b>63,889,728</b>

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Approval date October 14 2013

INTERIM CONSOLIDATED REPORT

on Cash Flows  
30.09. 2013.

ARMECONOMBANK OJSC 23/1 Amiryar str., Yerevan

Thousand AMD

Item	Note	Accounting period (unchecked)	Previous period (unchecked)
<b>1. Cash flows from operations</b>			
<b>Net cash flows before changes in operational assets and liabilities</b>		<b>1,453,030</b>	<b>992,015</b>
Interest received		5,189,096	4,464,842
Interest paid		(2,477,436)	(2,071,151)
Fees earned		1,339,252	1,050,093
Fees paid		(323,396)	(209,064)
Gain/loss from financial assets held for commercial purposes		19,293	46,110
Gain /loss from forex operations		809,635	587,593
recovery of previously written-off assets		54,782	39,960
Paid salaries and similar payments		(2,024,020)	(1,584,124)
Other income received from operations and other expenses paid		(1,134,176)	(1,332,244)
<b>Cash flows from changes in operational assets and liabilities</b>			
<b>Decrease/increase in operational assets</b>		<b>(3,517,396)</b>	<b>(4,230,837)</b>
including claims to financial institutions		2,017,160	(3,353,539)
loans and advances to customers		(4,933,987)	536,643
Increase/decrease in securities held for commercial purposes and available for sale		(961,338)	(1,390,628)
Increase/decrease of other operational assets		360,769	(23,313)
<b>Increase/decrease of operational liabilities</b>		<b>1,840,179</b>	<b>(1,727,957)</b>
liabilities to financial institutions (decrease)		677,793	(3,577,011)
liabilities to customers (decrease)		1,150,435	1,890,442
Increase/decrease of other operational liabilities		11,951	(41,388)
<b>Net cash flows from operations before profit tax</b>		<b>(224,187)</b>	<b>(4,966,779)</b>
Profit tax paid		(121,432)	(252,899)
<b>Net cash flows from operations</b>		<b>(345,619)</b>	<b>(5,219,678)</b>
<b>2. Cash flows from investments</b>			
Decrease/increase of investments in chartered capitals of other parties			(25,000)
Decrease/ increase of capital investments in fixed assets and intangible assets		(120,606)	(71,865)
Acquisition of fixed assets and intangible assets		(419,632)	(287,363)
Sale of fixed assets and intangible assets		645	3,693
<b>Net cash flows from investment operations</b>		<b>(539,593)</b>	<b>(380,535)</b>
<b>3. Cash flows from financial operations</b>			
Dividends paid		(5,890)	(198,948)
Increase/decrease of borrowings from the Central bank of Armenia		249,677	(67,332)
Increase/decrease of borrowings from banks		3,712,744	(1,701,400)
Increase/decrease of other borrowings		(3,099,936)	(380,589)
<b>Net cash flows from financial operations</b>		<b>856,595</b>	<b>(2,348,269)</b>
Impact of exchange rate change on cash and its equivalents		38,220	291,090
<b>Net increase/decrease of cash and its equivalents</b>		<b>(28,617)</b>	<b>(7,948,482)</b>
Cash and equivalents at the beginning of the period	13_2	<b>14,988,251</b>	<b>19,332,887</b>
cash and its equivalents at the end of the period	13_2	<b>14,997,854</b>	<b>11,675,495</b>

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Chief Accountant

D.AZATYAN

Approval date October 14 ,2013

INTERIM CONSOLIDATED REPORT  
on equity changes  
30.09.2013  
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 profits/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
<b>Comparable current interim period of previous financial year (ascending from the beginning of the year) (I table)</b>														
<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.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Recalculated balance</b>	2,333,338	-	2,333,338	-	5,405,133	-	82,126	-	-	1,401,298	-	9,221,895	-	9,221,895
3.2. Decrease of chartered capital including such on the account of shares (shareholding stock) repurchased and taken out of circulation.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Comprehensive income</b>	-	-	-	-	-	-	40,632	-	-	133,844	-	174,476	-	174,476
<b>5. Dividends</b>	-	-	-	-	-	-	-	-	-	(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. 30.09.2012 (checked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	122,758	-	-	1,325,142	-	9,186,371	-	9,186,371
<b>Interim period of current year (ascending from the beginning of the year) (II table)</b>														
<i>1. Balance as of the beginning of the financial year. 01 January 2012 (checked)</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.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>10. Recalculated balance</b>	2,333,338	-	2,333,338	-	5,405,133	-	179,520	-	-	1,536,783	-	9,454,774	-	9,454,774
<b>12. Comprehensive income</b>	-	-	-	-	-	-	88,110	-	-	681,839	-	769,949	-	769,949
<b>13. Dividends</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>16. Balance as of the end of the comparable interim period 30.09.2013 (unchecked)</i>	2,333,338	-	2,333,338	-	5,405,133	-	267,630	-	-	2,218,622	-	10,224,723	-	10,224,723

CEO

A.NALJYAN

Chief Accountant

D.AZATYAN

Approval date October 14 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 3<sup>rd</sup> quarter  
2013 ARMECONOMBANK OJSC 23/1 Amiryan str., Yerevan

Note 1. Legal Field and Corporate Governance

### **Legal Field**

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

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

### **Main activities**

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

### **Business environment**

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

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

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

### **Corporate Governance**

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

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

### **Chairman of the Board**

S. Sukiasyan

### **Board members**

A. Melikyan

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 30.09.2013 the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1424 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

<b>Interest and similar income</b>	<b>01.07.2013-30.09.2013</b>	<b>01.01.2013-30.09.2013</b>	<b>01.07.2012-30.09.2012</b>	<b>01.01.2012-30.09.2012</b>
Ineterst income from bank's current accounts,deposits and loans allocated with banks and aother financial institutions	13,542	78,981	86,734	261,432
Interest income form loans and advances to customers	1,502,287	4,333,316	1,192,566	3,590,905
Interest income from debt securities	220,374	539,904	120,386	356,980
Interest income from REPO agreements	47,818	117,145	95,437	185,364
other interest income	23,743	82,852	275	375
<b>Total</b>	<b>1,807,764</b>	<b>5,152,198</b>	<b>1,495,398</b>	<b>4,395,056</b>
<b>Interest and similar expenses</b>				
Interest expenses from the banks' current accounts deposits and loans allocated from banks and other financial institutions	282,250	829,455	263,236	1,918,345
Interest expenses on terms deposits and current accounts of customers	514,721	1,426,629	422,766	1,655,109
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	102,036	250,563	20,503	65,955
Other interest expenses	862	9,635	8,332	24,529
<b>Total</b>	<b>899,869</b>	<b>2,516,282</b>	<b>714,837</b>	<b>2,093,414</b>
<b>Net interest and similar income</b>	<b>907,895</b>	<b>2,635,916</b>	<b>780,561</b>	<b>2,301,642</b>

**Note4. Commission and other fee income and expenses**

Thousand AMD

<b>Commission and other fee incoem from</b>	<b>01.07.2013-30.09.2013</b>	<b>01.01.2013-30.09.2013</b>	<b>01.07.2012-30.09.2012</b>	<b>01.01.2012-30.09.2012</b>
Cashier's operations	48,859	127,413	45,050	129,374
Settlement services	296,905	796,567	212,609	548,005
Guarantees, warranties letters of credit operations trust management operations	4,943	12,149	4,403	9,605
Foreign currency and security operations	8,964	32,794	3,034	16,901
payment card servicing	5,964	23,750	13,674	50,197
other commission fees	114,887	346,579	90,650	282,160
<b>Total</b>	<b>480,522</b>	<b>1,339,252</b>	<b>369,420</b>	<b>1,036,242</b>
<b>Commission and other fee expenses</b>		-		-
Commission fee from correspondent and other accounts	777	2,257	677	2,635
Expenses for payment card operations	35,574	100,048	24,965	69,953
Guaratees, warranties , letter of credit operations ,trust management operations	2,856	5,369	1,714	3,829
Foreigh currency and sercurity operations	34,926	81,513	10,505	15,993
other commission fees	45,391	134,209	36,369	116,655
<b>Total</b>	<b>119,524</b>	<b>323,396</b>	<b>74,230</b>	<b>209,065</b>
<b>Net commission and other fees received</b>	<b>360,998</b>	<b>1,015,856</b>	<b>295,190</b>	<b>827,177</b>

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

**Note5. Net income from commercial operations**

Thousand AMD

<b>Held for- trading investments</b>	<b>01.07.2013-30.09.2013</b>	<b>01.01.2013-30.09.2013</b>	<b>01.07.2012-30.09.2012</b>	<b>01.01.2012-30.09.2012</b>
Net income from sale/purchase of held-for-trading investments	(17,257)	(17,257)	9,715	(9,653)
Shares	-	-	-	-
Debt securities	-	-	-	-
Derivatives	(17,257)	(17,257)	-	(1,017)
Net income from changes in real value of held-for-trading investments for commercial	(15,468)	11,841	(39,767)	(37,222)
<b>Total</b>	<b>(32,725)</b>	<b>(5,416)</b>	<b>(30,052)</b>	<b>(46,875)</b>
<b>Available for sale investments</b>	-	-	-	-
Net income from sale/purchase of available for sale investments from shares	9,541	19,293	21,615	46,110
debt securities	9,541	19,293	-	-
derivatives	-	-	-	-
Net income from changes in real value of available for sale investments	-	-	-	-
<b>Total</b>	<b>9,541</b>	<b>19,293</b>	<b>21,615</b>	<b>46,110</b>
<b>Foreign currency operations</b>	-	-	-	-
Net income from foreign currency sale/purchase	345,841	809,635	257,088	587,592
Net income from foreign currency revaluation	(27,486)	(99,865)	(23,634)	(19,659)
Net income from precious standardized bullions and coins trade	3,904	8,170	2,145	6,275
Net income from revaluation of precious standardized bullions and coins trade	10,203	761	4,818	1,669
<b>Total</b>	<b>332,462</b>	<b>718,701</b>	<b>240,417</b>	<b>575,877</b>
<b>Net income from commercial operations</b>	<b>309,278</b>	<b>732,578</b>	<b>231,980</b>	<b>575,112</b>

#### Note 6. Other operational income

Thousand AMD

<b>Other operational income</b>	<b>01.07.2013-30.09.2013</b>	<b>01.01.2013-30.09.2013</b>	<b>01.07.2012-30.09.2012</b>	<b>01.01.2012-30.09.2012</b>
Income from penalties and fines	36,918	93,424	34,845	79,959
Income from factoring	-	-	1,500	3,347
Net income from disposal of fixed and intangible assets	(36)	5,795	-	1,575
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets	-	-	-	-
Other income	9,457	22,674	5,798	25,038
<b>Total</b>	<b>46,339</b>	<b>121,893</b>	<b>42,143</b>	<b>109,919</b>

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

#### Note 7. Net deductions to possible asset losses provision

Thousand AMD

<b>Due from banks (Note 14)</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
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
<b>Due from financial institutions (Note 14)</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
Initial balance	3,997	5,403	8,016	7,707
Net deductions to reserve	(61)	(1,467)	(348)	(39)
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	3,936	3,936	7,668	7,668
<b>From loans and advances to customers ( Note 16)</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
Initial balance	813,377	662,477	664,542	625,829
Net deductions to reserve	(50,757)	95,881	(34,340)	60,382
Return of amounts previously charged to off balance item	10,969	58,068	36,067	65,801
Usage of reserve	(14,721)	(57,558)	(35,845)	(121,588)
Summary balance	758,868	758,868	630,424	630,424
<b>On investments (Note18)</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
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
<b>On other assets</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
Initial balance	3,081	8,192	20,726	20,903
Net deductions to reserve	9,099	1,059	2,094	1,898
Return of amounts previously charged to off balance item	1,509	4,509		44
Usage of reserve	(7,011)	(7,082)	(18,656)	(18,681)
Summary balance	6,678	6,678	4,164	4,164
<b>Post balance sheet articles containing loan exposures (note 30)</b>	<b>01/07/2013-30/09/2013</b>	<b>01/01/2013-30/09/2013</b>	<b>01/07/2012-30/09/2012</b>	<b>01/01/2012-30/09/2012</b>
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-
<b>Total deductions to reserve</b>	<b>(41,719)</b>	<b>95,473</b>	<b>(32,594)</b>	<b>62,241</b>

**Note 8. Total administrative expenses**

Thousand AMD

<b>Total administrative expenses</b>	<b>01.07.2013-30.09.2013</b>	<b>01.01.2013-30.09.2013</b>	<b>01.07.2012-30.09.2012</b>	<b>01.01.2012-30.09.2012</b>
Salary and similar payments	701,509	2,063,551	549,223	1,654,799
Allocations to social insurance state fund	751	2,503	61,451	185,366
training and tutorship	40	510	458	2,053
Business trip expenses	12,834	42,770	13,735	40,434

Operational leases	39,109	108,647	30,713	91,320
Insurance costs	13,762	38,104	9,201	26,203
Servicing and maintenance of the bank equipment	12,252	36,038	8,670	38,552
Maintenance and safekeeping of Bank buildings	43,116	120,204	29,171	103,973
Audit and consulting services	5,932	26,054	2,620	22,420
Communication and transmission costs	25,685	79,867	30,587	92,215
Transportation costs	21,194	63,540	23,640	79,493
Taxes (except income tax) penalties and other mandatory payments	36,567	122,684	40,610	129,575
Office and organizational expenses	21,378	61,970	20,545	70,423
Lending and recovery expenses	-	-	-	-
other administrative expenses	5,484	9,740	275	8,039
<b>Total</b>	<b>939,613</b>	<b>2,776,182</b>	<b>820,899</b>	<b>2,544,865</b>

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

	01.07.2013-30.09.2013	01.01.2013-30.09.2013	01.07.2012-30.09.2012	01.01.2012-30.09.2012
Average number of bank employees	892	867	877	880
Monthly average salary falling to a single employee (thousand AMD)	260	254	199	197

**Note 9. Other operational expenses**

Thousand AMD

	01.07.2013-30.09.2013	01.01.2013-30.09.2013	01.07.2012-30.09.2012	01.01.2012-30.09.2012
<b>Other operational expenses</b>				
Paid fines and penalties	1,830	2,147	-	77
Payments made for collection	62,500	185,000	68,550	182,740
Advertising and representative expenses	44,934	126,232	46,916	157,722
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	74,302	205,639	153,742	453,970
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	12,999	36,783	10,472	30,546
other expenses	61,691	188,976	53,512	180,482
<b>Total</b>	<b>258,256</b>	<b>744,777</b>	<b>333,192</b>	<b>1,005,537</b>

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

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

Thousand AMD

	01.07.2013 30.09.2013	01.01.2013 30.09.2013	01.07.2012 30.09.2012	01.01.2012 30.09.2012
<b>Net income from investments in controlled units</b>				
<b>Income from investments in associated companies</b>	11,853	14,416	-	-

Note 11. Profit tax expenses (reimbursement)

Thousand AMD

Profit tax expenses	01.07.2013 30.09.2013		01.01.2013 30.09.2013		01.07.2012 30.09.2012		01.01.2012 30.09.2012	
	Current tax expenses		84,917		219,875		70,086	
Dividends on preferential shares calculated for the current accounting period								(439)
Deferred tax expenses		22,186		2,513		(17,079)		(34,520)
<b>Total</b>		<b>107,103</b>		<b>222,388</b>		<b>53,007</b>		<b>67,363</b>

	01.07.2013 30.09.2013		Efficient rate (%)	01.01.2013 30.09.2013		Efficient rate (%)	01.07.2012 30.09.2012		Efficient rate (%)	01.01.2012 30.09.2012	
	Profit before taxation		480,213			904,227			228,377		
Profit tax with tare		96,043	20.00		180,845.40	20.00		45,675	20.00		40,241
Corrections of income and expenses for taxation purposes against non temporary differences.											
non-taxable income		(25)	(0.01)		(76)	(0.01)		(25)	(0.01)		(76)
non-deductible expenses		7,112	1.48		26,388	2.92		4,827	2.11		27,543
Unevaluated tax loss			-			-			-		
Foreign currency negative (positive) difference		5,497	1.14		19,973	2.21		3,762	1.65		3,598
Verification of tax expenses calculated previous year			-			-			-		(440)
other privileges		(1,524)	(0.32)		(4,742)	(0.52)		(1,232)	(0.54)		(3,503)
profit tax expenses		<b>107,103</b>	<b>22.30</b>		<b>222,388</b>	<b>24.59</b>		<b>53,007</b>	<b>23.21</b>		<b>67,363</b>

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
<b>Deferred tax assets including</b>	<b>74,102</b>	<b>17,935</b>	-	<b>92,037</b>
other assets	-	-	-	-
Derivative instruments	4,557	(4,557)	-	-
Fixed assets	1,349	613	-	1,962
other liabilities	68,196	21,879	-	90,075
<b>Deferred tax liabilities including</b>	<b>(83,317)</b>	<b>(20,448)</b>	<b>(21,824)</b>	<b>(125,589)</b>
available for sale securities	(44,200)	397	(21,824)	(65,627)
derivative instruments	-	-	-	-
contingent liabilities	(4,932)	(509)	-	(5,441)
claims to banks and other financial institutions	(15,333)	(4,615)	-	(19,948)
loans and advances to customers	(18,852)	(15,721)	-	(34,573)
<b>Net deferred tax asset/liability</b>	<b>(9,215)</b>	<b>(2,513)</b>	<b>(21,824)</b>	<b>(33,552)</b>

Note 12. Basic profit falling to a single share

Thousand AMD

Basic profit falling to a single share	01.07.2013-30.09.2013		01.07.2012-30.09.2012	
	Net profit of the accounting period before taxation	373,110	681,839	175,370
Dividends on preferential shares calculated for the current accounting period	-	-	-	-
Net gains/loses of given period referring to owners of common shares	373,110	681,839	175,370	133,844
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	<b>0.40</b>	<b>0.73</b>	<b>0.19</b>	<b>0.14</b>

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 A		
Cash, cash equivalents and balances with the RA CB	30.09.2013	31.12.2012
Cash	5,077,761	4,073
other money placements	2,387,755	2,814
Correspondent accounts with the RA CB	2,079,202	4,383
Deposit accounts with the RA CB		
Funds deposited with the RA CB	270,000	1,270
Other demand with the RA CB		
Accrued interest		
<b>Cash and balances with the RA CB</b>	<b>9,814,718</b>	<b>12,540</b>

\*Correspondent accounts with the CBA include mandatory provisioning funds calculated against the bank's attracted funds according to RA Bank Legislation. \*\* Funds deposited with t 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 A		
Cash and cash equivalents	30.09.2013	31.12.2012
Cash and payment documents equivalent to cash	7,465,516	6,887
Correspondent accounts with the CBA	2,079,202	4,383
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	41,827	40
Correspondent accounts with non resident banks	5,411,309	3,676
<b>Total cash and cash equivalents</b>	<b>14,997,854</b>	<b>14,988</b>

Note14. Due to Banks and other Financial Institutions

Thousand A		
Current accounts	30.09.2013	31.12.2012
with RA banks	41,827	40
with banks having BBB(Baa3) and higher ratings	4,036,658	1,077
with banks haviwng rating lower than BBB (Baa3) or no rating at all	1,371,651	1,209
Accrued interest	3,000	
<b>Total</b>	<b>5,453,136</b>	<b>2,327</b>
<b>with RA banks</b>		
loans and deposits		1,307
repo agreements		
other	452,346	527
<b>with banks having BBB(Baa3) and higher ratings</b>		
loans and advances	3,242,320	1,389
other		
<b>with the banks having a rating lower than BBB(Baa3) or no rating at all</b>	67,221	
other	299,384	740
Accrued interest	8	2
<b>Total</b>	<b>4,061,279</b>	<b>3,966</b>
Possible loss provision for amounts due from banks (note 7)	(23,873)	(23,
<b>Net receivables to banks</b>	<b>9,490,542</b>	<b>6,270</b>

Thousand A		
Loand and advances with Financial Institutions and other receivables	30.09.2013	31.12.2012
<b>with RA Financial Institutions</b>		
loand and advances	162,116	1,115
repo agreements	2,235,322	1,344
other	89,717	231
<b>With Financial Institutions having BB(Baa3) and higher ratings</b>		
other	162,102	44
<b>With Financial Institutions having rating lower than BB(Baa3) or no rating at all</b>		
other	121,397	32
Accrued interest	5,287	7
<b>Total</b>	<b>2,775,941</b>	<b>2,775</b>
Possible loss provision for receivables due to Financial Institutions (Note 7)	(3,936)	(5,
<b>Net receivables to Financial Institutions</b>	<b>2,772,005</b>	<b>2,769</b>
<b>Net receivables to banks and Financial Institutions</b>	<b>12,262,547</b>	<b>9,040</b>

\*\*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 44,582 thousand 30.09.2013,AMD 44,394 thousand on 31.12.2012) in Visa International and and USD 134,495 ( AMD 55,129 on 30.09.2013 and AMD54,509 on 31.12.2012 ) in Armenian card CJSC,as we debtor liabilities against clearing systems.

**Note15. Held- for- trading financial assets**

Thousand AMD

<b>Other financial assets held -for -tarding</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
<b>Derivative instruments</b>		
Swap	1,367	20,030
<b>Total</b>	<b>1,367</b>	<b>20,030</b>
<b>Possible loss provision on held- for -trading financial assets (note 7)</b>		

**Note16. Loans and Advances to customers**

Thousand AMD

<b>Loans and other borrowings</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Loans,including	36,530,297	32,410,713
Mortgage	3,265,840	3,126,988
Credit cards	1,839,598	1,436,551
Factoring		
Accrued interes on mentioned articles	241,773	194,533
Total loans	38,611,668	34,041,797
Possible loss provisionon customer loans and advances (note 7)	(758,868)	(662,477)
<b>Net total loans</b>	<b>37,852,800</b>	<b>33,379,320</b>

Thousand AMD

<b>The structure of depreciated (non-performing) loans and borrowings extended to customers in the loan portfolio as of the end of accounting period</b>	<b>30.09.2013</b>		<b>31.12.2012</b>	
	amount	quantity	amount	quantity
Loans and advances including	38,611,668	30,224	34,041,797	30,433
performing loans	38,065,553	30,107	33,713,005	30,397
depreciated (non- performing) loans and borrowings including	546,115	117	328,792	36
overdue	42,027	86	14,397	20
restructured	62,616	2	68,352	2
refinanced				
total loans	38,611,668	30,224	34,041,797	30,433
Possible loss provision on customer loans and borrowings (note 7 )	(758,868)		(662,477)	
<b>Net total loans</b>	<b>37,852,800</b>		<b>33,379,320</b>	

Thousand AMD

<b>Anlayises of extended loans and advances per financial sectors</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
<b>State industries</b>	<b>75,395</b>	<b>27,177</b>
<b>Private industries including</b>	<b>17,487,953</b>	<b>14,950,811</b>
major enterprises	4,159,730	5,123,614
small and medium enterprises	13,328,223	9,827,197
including business cards	75,975	50,537
<b>Individuals,including</b>	<b>17,143,125</b>	<b>15,003,856</b>
consumer loans	11,589,134	7,073,117
mortgage loans	3,265,840	3,126,988
credit cards	1,763,623	1,386,013
<b>private entrepreneurs</b>	<b>3,663,422</b>	<b>3,865,420</b>
<b>Accrued interest</b>	<b>241,773</b>	<b>194,533</b>
<b>Total loan</b>	<b>38,611,668</b>	<b>34,041,797</b>
Possible loss provision on customer loans and borrowings (note 7)	(758,868)	(662,477)
<b>Net total loans</b>	<b>37,852,800</b>	<b>33,379,320</b>

Thousand AMD

<b>Loan liabilities on 20 major borrowers and related parties</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
balance sheet	10,511,121	8,940,201
balance of off-balance sheet contingent liabilities	1,101,548	555,835
<b>Total</b>	<b>11,612,669</b>	<b>9,496,036</b>
Loan investments	37,852,800	33,379,320
Percentage ratio in loan portfolio	31%	28%
Total normative capital	8,502,543	7,936,871
Percentage correlation to capital	137%	120%

<b>Loan investments</b>	<b>30.09.2013</b>	
	<b>balance AMD</b>	<b>quantity</b>
GAF micro and small private enterprises loan program	2,193,677	180
GAF micro and small private enterprises RA Governmental loan program	1,076,442	79
GAF "Renewable Energy Development" program	179,393	1
Commerzbank	3,876	2
EBRD/1 syndiated loan program	44,431	5
EBRD/2 syndicated loan program	599,952	41
Co-financing	363,061	2
IFC	103,308	6
Black Sea Loan Program 1	162,794	16
Black Sea loan Program 2	1,485,785	56
World Bank Loan Program	309,560	80
Loan program of Russian Federation for Economic Stabilization	89,106	13
New IFC loan program (IFC FMO)	2,456,631	56
EBRD micro small and middle lending program.EBRD/MSME	2,538,904	455
EBRD Micro lending program	25,384	33
Mortgage loans	3,245,657	551
including		
GAF	147,266	51
IFC	15,044	2
<b>Total</b>	<b>14,877,961</b>	<b>1,576</b>

<b>Loan investments</b>	<b>31.12.2012</b>	
	<b>balance AMD</b>	<b>quantity</b>
GAF micro and small private enterprises loan program	2,041,649	176
GAF micro and small private enterprises RA Governmental loan program	958,069	91
GAF "Renewable Energy Development" program	191,267	1
Commerzbank	10,906	3
EBRD/1 syndicated loan program	205,177	8
EBRD/2 syndicated loan program	1,145,041	63
Co-financing	546,201	3
IFC	140,419	7
Black Sea Loan Program 1	305,627	27
Black Sea Loan Program 2	1,911,797	63
World Bank Loan Program	301,716	58
Loan program of Russian Federation for Economic Stabilization.	192,841	18
New IFC loan program(IFC FMO)	1,610,540	35
	1,474,372	
EBRD micro small and middle lending program /EBRD MSME/		381
EBRD Micro lending program	148,546	123
Mortgage loans		
including	198,258	60
GAF	181,240	57
IFC	17,018	3
<b>Total</b>	<b>11,382,426</b>	<b>1,117</b>

Thousand AMD

Breakdown of extended loans and advances per lending sectors	30.09.2013		31.12.2012	
		percentage		percentage
Industry	6,734,098	17	6,235,398	18
Agriculture	2,323,903	6	3,347,994	10
Construction	604,558	2	373,905	1
Transportation and communication	96,337	0	150,407	0
Commence	8,722,611	23	8,397,059	25
Consumer	11,662,530	30	8,946,311	26
Mortgage loans	3,286,024	9	3,168,340	9
Service	4,152,600	11	2,160,995	6
other	1,029,007	3	1,261,388	4
		-		-
<b>Total</b>	<b>38,611,668</b>	<b>100</b>	<b>34,041,797</b>	<b>100</b>

Thousand AMD

Breakdown of loan portfolio per customer residency	30.09.2013		31.12.2012	
		percentage		percentage
RA residents	37,611,067	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	241,733		194,533	
<b>Total</b>	<b>37,852,800</b>	<b>100</b>	<b>33,379,320</b>	<b>100</b>

## Note 17. Finanail assets available for sale

Thousand AMD

State bonds	30.09.2013		31.12.2012	
RA Governmental T-Bills				
Treasury bonds	1,680,778		693,754	
<b>Total state bonds</b>	<b>1,680,778</b>		<b>693,754</b>	

Thousand AMD

RA non-state securities	30.09.2013		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	49,788		71,624	
Capital instruments		102,252		102,252
<b>Total non-state securities of RA</b>	<b>49,788</b>	<b>102,252</b>	<b>71,624</b>	<b>102,252</b>
<b>Investments in RA non-governmental securities</b>		<b>(4,690)</b>		<b>(4,690)</b>
<b>Net investments in RA non-state securities</b>	<b>49,788</b>	<b>97,562</b>	<b>71,624</b>	<b>97,562</b>

Thousand AMD

Non governmental securities of other countries	30.09.2013		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
<b>Total non-state securities of other countries</b>		<b>1,715</b>		<b>1,818</b>
<b>Total available-for-sale securities</b>	<b>1,730,566</b>	<b>99,277</b>	<b>765,378</b>	<b>99,380</b>

**Investments in share capital of other entities as of 30.09.2013**

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	

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

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

**Note 17.1 Pledged Securities through Repurchase Agreement**

Thousand AMD

	30.09.2013		31.12.2012	
	Asset	Liability	Asset	Liability
Pledged securities in RA CB	4,104,068	4,005,666	4,037,132	4,255,724
<b>Total pledged securities (Note 17.1)</b>	<b>4,104,068</b>	<b>4,005,666</b>	<b>4,037,132</b>	<b>4,255,724</b>

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

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

**Note19. Investments in chartered capital of controlled entities**

Thousand AMD

<b>Movement of investments in controlled units</b>	<b>Investments in chartered capital of controlled entities</b>
Balance at the beginning of the period	262,160
Increase	
Disposal (sale)	
profit/loss from operations of associated companies	14,416
Other comprehensive profit/loss	812
Balance at the end of the period	277,388

Thousand AMD

<b>Investments in controlled units</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Investments in associated organizations	277,388	262,160
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
<b>Total</b>	<b>277,388</b>	<b>262,160</b>

Thousand AMD

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

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
<b>Initial value</b>							
<b>Balance at the beginning of previous period</b>	<b>2,918,502</b>	<b>1,549,326</b>	<b>372,543</b>	<b>997,447</b>	<b>84,553</b>	<b>153,686</b>	<b>6,076,057</b>
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	-		-	-	-	-	-
<b>Balance at the end of previous period</b>	<b>3,011,575</b>	<b>1,680,721</b>	<b>353,402</b>	<b>1,117,427</b>	<b>89,542</b>	<b>154,749</b>	<b>6,407,416</b>
Increase	24,660	134,932	104,211	155,005	115,505	5,101	272,462
Disposal			(22,989)	(276)			(20,720)
Reclassification	2,226	(93)		93	(2,226)		-
Written off		(56,452)		(19,194)			(19,194)
Revaluation							-
Depreciation	-	-	-	-	-	-	-
Adjustment of amortization from revaluation							-
<b>Balance at the end of accounting period</b>	<b>3,038,461</b>	<b>1,759,108</b>	<b>434,624</b>	<b>1,253,055</b>	<b>202,821</b>	<b>159,850</b>	<b>6,847,919</b>
<b>Accumulated amortization</b>							
<b>Balance at the beginning of previous period</b>	<b>1,110,685</b>	<b>975,735</b>	<b>172,005</b>	<b>608,361</b>		<b>21,881</b>	<b>2,888,667</b>
Increase	159,084	230,022	63,602	131,987		5,949	590,644
including 01.07.2012- 30.09.2012	40,005	56,943	15,927	33,687		3,672	150,961
Disposal		(1,516)	(62,037)				(63,553)
Written off		(58,797)		(17,059)			(75,856)
Depreciation							-
Reclassification		(235)		235			-
Revaluation							-
<b>Balance at the end of previous period</b>	<b>1,269,769</b>	<b>1,145,209</b>	<b>173,570</b>	<b>723,524</b>	<b>-</b>	<b>27,830</b>	<b>3,339,902</b>
Increase	30,301	81,980	24,678	50,358		8,145	124,599
including 01.07.2013 - 30.09.2013	10,274	29,634	10,028	18,774		2,150	64,185
Disposal			(22,611)	(9)			(20,720)
Written off		(56,452)		(19,192)			(19,192)
Reclassification		(93)		93			-
Adjustment of amortization from revaluation							-
Depreciation							-
<b>Balance at the end of accounting period</b>	<b>1,300,070</b>	<b>1,170,644</b>	<b>175,637</b>	<b>754,774</b>	<b>-</b>	<b>35,975</b>	<b>3,437,100</b>
<b>Net balance sheet value</b>							
<b>at the end of accounting period</b>	<b>1,738,391</b>	<b>588,464</b>	<b>258,987</b>	<b>498,281</b>	<b>202,821</b>	<b>123,875</b>	<b>3,410,819</b>
<b>at the end of previous accounting period</b>	<b>1,741,806</b>	<b>535,512</b>	<b>179,832</b>	<b>393,903</b>	<b>89,542</b>	<b>126,919</b>	<b>3,067,514</b>

## Intangible assets

Thousand AMD

Article	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
<b>Initial value</b>						
<b>Balance at the beginning of previous period</b>	<b>22,079</b>	<b>116,268</b>	<b>50</b>	<b>14,357</b>	<b>-</b>	<b>152,754</b>
Increase		6,197	-		-	6,197
Disposal						-
Written off						-
Depreciation	-	-	-		-	-
Reclassification						-
Revaluation	-	-	-		-	-
<b>Balance at the end of previous period</b>	<b>22,079</b>	<b>122,465</b>	<b>50</b>	<b>14,357</b>	<b>-</b>	<b>158,951</b>
Increase	824				-	-
Disposal						-
Written off						-
Revaluation						-
Depreciation	-	-	-		-	-
Adjustment of amortization from revaluation	-	-	-		-	-
<b>Balance at the end of accounting period</b>	<b>22,903</b>	<b>122,465</b>	<b>50</b>	<b>14,357</b>	<b>-</b>	<b>159,775</b>
<b>Accumulated amortization</b>						
<b>Balance at the beginning of previous period</b>	<b>17,658</b>	<b>23,176</b>	<b>15</b>	<b>3,372</b>	<b>-</b>	<b>44,221</b>
Increase	1,026	11,720	4	1,306		14,056
including 01.09.2012- 30.09.2012	258	2,921	1	328		3,470
Disposal						-
Written off						-
Depreciation						-
Revaluation						-
Reclassification						-
<b>Balance at the end of previous period</b>	<b>18,684</b>	<b>34,896</b>	<b>19</b>	<b>4,678</b>	<b>-</b>	<b>58,277</b>
Increase	786	8,485	4	903		6,739
including 01.09.2013 - 30.09.2013	278	2,859	1	302		3,383
Disposal						-
Written off						-
Adjustment of amortization from revaluation						-
Depreciation						-
<b>Balance at the end of accounting period</b>	<b>19,470</b>	<b>43,381</b>	<b>23</b>	<b>5,581</b>	<b>-</b>	<b>68,455</b>
<b>Net balance sheet value</b>						
<b>at the end of accounting period</b>	<b>3,433</b>	<b>79,084</b>	<b>27</b>	<b>8,776</b>	<b>-</b>	<b>91,320</b>
<b>at the end of previous accounting period</b>	<b>3,395</b>	<b>87,569</b>	<b>31</b>	<b>9,679</b>	<b>-</b>	<b>100,674</b>

As of 30.09.2013, AMD 247138 thousand with out-of-use assets were put into use.

As of 30.09.2013, the bank had an intangible asset developed in-house, new Operational Day software: initial value AMD 750 thous., depreciation AMD 525 thous., residual value AMD 225 thous.

As of 30.09.2013, 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

	<b>30.09.2013</b>	<b>31.12.2012</b>
<b>Amounts receivable from bank operations</b>		
Amounts receivable from other operations	97,360	48,718
<b>Total</b>	<b>97,360</b>	<b>48,718</b>
on bank operations	(975)	(487)
possible loss provision (note 7)		
net amounts receivable from bank operations	96,385	48,231
<b>Debtor liabilities and prepayments</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
debtor liabilities on budget	729	1,058
debtor liabilities on suppliers		
prepayments to employees	11	2,549
prepayments to suppliers	177,653	110,853
prepayments on budget and mandatory social insurance payments	16	17
Other debtor liabilities and prepayments	9,457	
<b>Total</b>	<b>187,866</b>	<b>114,477</b>
Possible loss provision on other assets (note 7)	(4,347)	(1,324)
<b>Total</b>	<b>183,519</b>	<b>113,153</b>
Other assets		
Reserve	212,276	236,067
Sequestered pledge and available for sale assets		
Future period expenses	62,893	60,072
other assets	23,405	17,499
Possible loss provision on other assets (note 7)	(1,356)	(6,382)
<b>Total</b>	<b>297,218</b>	<b>307,256</b>
<b>Total other assets</b>	<b>577,122</b>	<b>468,640</b>

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

Thousand AMD

	<b>30.09.2013</b>	<b>31.12.2012</b>
<b>Current accounts</b>		
RA Banks	80,943	126,948
Banks with BB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	4,711	2,976
Accrued interest	37	38
<b>Total</b>	<b>85,691</b>	<b>129,962</b>
<b>Interbank loans and advances ,other</b>		
<b>RA CB</b>		
loans	2,729,014	2,479,337
repo agreements	4,000,000	2,845,292
other		
<b>RA banks</b>		
loand and advances	3,647,610	
repo agreements		1,006,344
other		
<b>Banks having BBB(Baa3) and higher rating</b>		
loans and advances		
other	1,469	527
<b>Banks having rating lower than BBB(Baa3) or no rating at all</b>		
loans and advances		
other	135,451	38,087
Accrued interest	81,930	58,934
<b>Total</b>	<b>10,595,474</b>	<b>6,428,521</b>
<b>Financial Institutions</b>		
current accounts	1,058,946	354,021
loans and advances	6,896,469	9,168,235
repo agreements		400,315
other	325,747	133,224
Accrued interest	108,601	105,048
<b>Total</b>	<b>8,389,763</b>	<b>10,160,843</b>
<b>Total liabilities to banks and financial institutions</b>	<b>19,070,928</b>	<b>16,719,326</b>

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

Thousand AMD

Project	30.09.2013		31.12.2012	
	Lending amount	Accrued interest	Lending amount	Accrued interest
German Armenian Fund "Mortgage finance" program	148,477	484	184,837	637
program"	2,100,000	38,593	1,800,000	38,186
"Renewable energy development" program	186,037	9,385	200,000	5,519
Loan program for SME	294,500	5,585	294,500	11,170
<b>Total</b>	<b>2,729,014</b>	<b>54,047</b>	<b>2,479,337</b>	<b>55,512</b>

**Note23. Liabilites to customers**

Thousand AMD

<b>RA Government and local self-governing bodies</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Loans	946,207	1,002,784
Other	4,510	3,215
Accrued interest	19,660	18,157
<b>Total</b>	<b>970,377</b>	<b>1,024,156</b>

<b>RA resident legal entities and institutions</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Current accounts	8,897,933	9,225,482
Term deposits	4,437,035	3,257,982
Repo agreements		
Other	13,989	8,515
Accrued interest	36,093	34,673
<b>Total</b>	<b>13,385,050</b>	<b>12,526,652</b>

<b>Non resident legal entities, institutions</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Current accounts	11,807	5,512
other		
<b>Total</b>	<b>11,807</b>	<b>5,512</b>

<b>RA resident private entrepreneurs</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Current accounts	151,424	120,549
Term deposits	6,547	7,524
other	1,966	
Accrued interest	11	13
<b>Total</b>	<b>159,948</b>	<b>128,073</b>

<b>RA resident individuals</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Current accounts	8,107,572	8,913,623
Term deposits	16,875,410	13,646,411
other	393,276	286,596
Accrued interest	100,636	91,094
<b>Total</b>	<b>25,476,894</b>	<b>22,937,724</b>

<b>Non resident individuals</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Current accounts	241,720	480,530
Term deposits	171,673	143,776
Other		17,752
Accrued interest	1,162	679
<b>Total</b>	<b>414,555</b>	<b>642,737</b>
<b>Total liabilities to customers</b>	<b>40,418,631</b>	<b>37,264,854</b>

As of 30.09.13 AMD 1,941.645 thousand amount necessary to secure obligations.  
Court decision of 30.09.13 and amount frozen by tax authorities AMD 55,709thousand.

**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

<b>Liability held for commercial purpose</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
<b>derivative instruments held for commercial purpose</b>		
Liability held for commercial purpose		
Swap	600	8,012
<b>Total</b>	<b>600</b>	<b>8,012</b>

**Note 26. Amounts payable**

Thousand AMD

<b>Amounts payable</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Dividends	39,249	45,140
For insurance of deposit	12,999	11,031
<b>Total</b>	<b>52,248</b>	<b>56,171</b>

**Note 27. Other liabilities**

Thousand AMD

<b>Other liabilities</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
On income tax of non-resident	928	5,113
On VAT	2,082	15,547
On other taxes and penalites	71,165	34,649
On social insurance payments		24,531
Salary liabilities to employees	267,900	223,202
Accounts payable to suppliers	42,829	27,246
Accounts payable to equity increase		
Other liabilities	35,910	24,634
<b>Balance at the end of the period</b>	<b>420,814</b>	<b>354,922</b>

**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 5,890 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

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

**Note 29. Other equity components**

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

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

The bank's legal liabilities: as of 30.09.2013 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 30.09.2013 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

	30.09.2013	31.12.2012
Unutilized credit lines	2,103,210	1,809,202
Extended guarantees	568,267	422,948
Extended letters of credit	49,061	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		152,605
1-5 years		577,597
more than 5 year		15,519
<b>Total</b>		<b>745,721</b>

**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	30.09.2013	31.12.2012
<b>Initial balance</b>	<b>970,726</b>	<b>973,632</b>
<b>Loans and advances extended over the year</b>	<b>948,478</b>	<b>826,356</b>
bank shareholder	96,346	80,755
shareholder related entity	707,719	577,349
bank manager	136,673	161,858
manager related entity	7,739	6,394
<b>Loans and advances repaid over the year</b>	<b>667,615</b>	<b>829,262</b>
bank shareholder	72,471	64,909
shareholder related entity	438,661	454,470
bank manager	149,068	287,810
manager related entity	7,416	22,073
<b>Summary balance</b>	<b>1,251,588</b>	<b>970,726</b>

Thousand AMD

Item	30.09.2013	30.09.2013
Interest income	116,660	96,482

Thousand AMD

Liabilities to customers	demand	term
Balance as of 31.12.2012	225,526	551,150

<b>Amounts received over the accounting period as of 9 months 2013 including</b>	<b>4,005,642</b>	<b>1,220,384</b>
bank shareholder	520,603	184,346
shareholder related entity	1,480,424	180,814
bank manager	1,478,408	506,646
manager related entity	526,207	348,577
<b>Amounts paid over the accounting period as of 9 months 2013 including</b>	<b>4,017,784</b>	<b>(7,364)</b>
bank shareholder	563,183	94,246
shareholder related entity	1,514,573	-
bank manager	1,463,093	(350,458)
manager related entity	476,935	248,848
Exchange rate difference (+/-)	919	(397)
<b>Balance 30.09.2013</b>	<b>214,303</b>	<b>1,778,501</b>
<b>Interest expenses as of 9 months 2013</b>	<b>2,900</b>	<b>85,805</b>

Thousand AMD

<b>Salary or similar payment to the bank management</b>	<b>30.09.2013</b>	<b>30.09.2012</b>
<b>Board</b>	<b>75,413</b>	<b>58,553</b>
salary	75,413	58,553
awarding	-	-
<b>Executive body</b>	<b>104,030</b>	<b>80,351</b>
salary	103,830	80,151
awarding	200	200
<b>Internal Audit</b>	<b>49,801</b>	<b>71,061</b>
salary	49,401	71,061
awarding	400	-
<b>Total</b>	<b>229,244</b>	<b>209,965</b>

### Note 32. Minimum Revelations on Financial Risks

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

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

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

A loan risk assessment and management methodology has been elaborated at the bank, which gives a possibility to assess the risks connected with the loan based on the calculation results of the relevant model. By simultaneous consideration of mathematical and economic arguments the credit risks assessment model provides a complex risk assessment approach, resulting in facilitation of grounded decision making on loan extension applying also the expert's assessments as exogenous variables. During the preliminary analysis of the borrower's creditworthiness the bank finds out the potential borrower's conformity to the general criteria set forth by its credit policy and if the outcome is positive a scrupulous analysis of factors of creditworthiness is made.

#### 3) description of models (if available)

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

When applying "stress test" number of scenarios concerning the risk are being considered and in case each scenario losses of the bank are calculated through relevant method. For the loan risk assessment 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 ,the possibilities and sizes of breach of those standards,the size of surplus amount transferable to reserve fund are assessed.

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

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

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

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

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

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

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

OECD-Organization for Economic Co-operation and Development

<i>Item</i>	30.09.2013				Thousand AMD
	<i>RA</i>	<i>CIS countries</i>	<i>OECD countries</i>	<i>Non OECD countries</i>	<i>Total</i>
<i>Assets</i>					
Cash and Balances with CBA	9,814,718				9,814,718
Receivables to banks and other financial institutions	2,956,492	1,186,582	7,544,517	574,956	12,262,547
Standard bank precious metal bullions and coins held for trade financial assets	69,516		1,367		69,516
loans and advances extended to customers	37,852,800				37,852,800
Available for sale securities	1,828,127		1,715		1,829,842
Investments in the chartered capital of controlled entities	277,388				277,388
Securities pledged under repurchase agreement	4,104,068				4,104,068
Other assets	96,386				96,386
<b>Total assets</b>	<b>56,999,495</b>	<b>1,186,582</b>	<b>7,547,599</b>	<b>574,956</b>	<b>66,308,632</b>
Off balance sheet items containing credit risks	2,720,539				2,720,539
<i>Liabilities</i>					-
Liabilities to banks and other financial institutions	11,659,526	2,052,262	5,354,429	4,711	19,070,928
Liabilities to customers	39,977,750	183,068	151,809	106,004	40,418,631
<b>Total liabilities</b>	<b>51,637,276</b>	<b>2,235,330</b>	<b>5,506,238</b>	<b>110,715</b>	<b>59,489,559</b>
<b>Net position</b>	<b>5,362,219</b>	<b>(1,048,748)</b>	<b>2,041,361</b>	<b>464,241</b>	<b>6,819,073</b>

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

**Loans allocated in the territory of RA per RA regions**

Thousand AMD

<b>RA regions</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Yerevan	28,359,321	23,607,085
Ararat	426,596	613,311
Armavir	956,135	1,000,316
Kotayq	1,652,473	1,514,148
Shirak	955,846	927,808
Lori	904,927	1,000,663
Aragatsotn	2,719,425	2,662,284
Syuniq	732,164	868,477
Tavush	351,620	432,118
Gegharghuniq	321,853	195,124
Vayoc Dzor	360,771	431,626
Artsakh	111,668	126,361
<b>Total</b>	<b>37,852,800</b>	<b>33,379,320</b>





Analysis of credit portfolio as per regions and risk level

30.09.2013

Thousand AMD

Assets	Performing		Non performing		
	Standard/Not Risky	Watched/ Risky	Non standard/Medium	Suspicious/ Highly risky	Lost
<b>Loans including</b>					
1. RA residents	37,436,712	209,328	160,476	46,284	3,274,442
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					-
4 Residents on non OECD countries					
<b>5.Total</b>	<b>37,436,712</b>	<b>209,328</b>	<b>160,476</b>	<b>46,284</b>	<b>3,274,843</b>

31.12.2012

Thousand AMD

Assets	Performing		Non performing		
	Standard/Not Risky	Watched/ Risky	Non standard/Medium	Suspicious/ Highly risky	Lost
<b>Loans including</b>					
1. RA residents	33,159,296	10,202	159,730	49,466	3,275,260
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
4. Residents of non OECD countries	626				-
Georgia	626				
<b>5. Total</b>	<b>33,159,922</b>	<b>10,202</b>	<b>159,730</b>	<b>49,466</b>	<b>3,275,661</b>

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 30.09.2013 did not exceed 9,82%. 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 30.09.2013 loan investments amounted to AMD 38,611,668 th. Non-performing loans as of 30.09.2013 amounted to AMD 546,115. The proportions of watchlist, substandard and doubtful loans in the loan portfolio were respectively 0.61; 0.53 and 0.27 percent.

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

5) The volume of repo transactions effected in the 3rd quarter 2013 was AMD 57,541,150 against AMD 19,440,188 of the same period of previous year. Reverse repo transactions in the 3rd quarter 2013 totalled AMD 11,791,061 against AMD 16,028,381 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 customer's business activity, cars, real estate and other property.

The statement of income /expenses is compiled taking into account the average indicators of customer's 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 agreemnt.

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 speacial 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 porfolio of loan documentation
- 3.loan monitoring
- 4.problematic loan repayment process

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

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

Thousand AMD

Indicators	Quantitive indicators applied for loan risk analysis			
	Amount	Indicator	Amount	Correlation
<b>31.12.12</b>				
Non-performing loans	328,792	total loans	33,379,320	1.0%
<b>30.09.13</b>				
Non-performing loans	546,115	total loans	37,852,800	1.4%
<b>31.12.12</b>				
Provisions for non=performing loans	109,394	total loans	9,454,774	1.2%
<b>30.09.13</b>				
Provisions for non=performing loans	130,027	total loans	10,224,723	1.3%
<b>31.12.12</b>				
Provisions for loans	662,477	total loans	33,379,320	2.0%
<b>30.09.13</b>		Total loans		
Provisions for loans	758,868	total loans	37,852,800	2.0%
<b>31.12.12</b>				
Possible loss provisions	662,477	on-performing loans	328,792	201.5%
<b>30.09.13</b>				
Possible loss provisions	758,868	on-performing loans	546,115	139.0%
<b>31.12.12</b>				
Write-offs-reimbursements	100,818	Average total loans	32,069,806	0%
<b>30.09.13</b>				
Write-offs-reimbursements	510	Average total loans	36,927,791	0.0%
<b>31.12.12</b>				
Reimbursements	78,404	Loan losses	100,818	77.8%
<b>30.09.13</b>				
Reimbursements	58,068	Loan losses	510	11385.9%
<b>31.12.12</b>				
Profit coverage ratio = (net operational income+provisioning expenses)	4,077,483	net loan loss	100,818	4044.4%

<b>30.09.13</b>				
Profit coverage ratio = (net operational income+provisioning expenses)	3,856,939	net loan loss	510	756262.5%
<b>31.12.12</b>				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,993,768	loan investments	33,379,320	9.0%
<b>30.09.13</b>				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	2,635,406	loan investments	37,852,800	7.0%
<b>31.12.12</b>				
Major borrowings	9,496,036	capital	9,454,774	100.4%
<b>30.09.13</b>				
Major borrowings	11,612,669	capital	10,224,723	113.6%

## Market risk

### 1) bank's definition of credit

*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.

Accounting period	Thousand AMD										
	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	XAG	Total
2012 III Q	712.21	227.42	316.14	235.66	36.75	311.41	816.19	73.77	344.74	0.00	1,606.17
2013 III Q	1,212.98	88.65	301.20	156.52	84.45	223.53	1,436.61	53.94	350.66	21.30	2,086.35
growth/decline	500.77	-138.77	-14.94	-79.14	47.70	-87.88	620.43	-19.83	5.92	21.30	480.18

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

30.09.2013

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
<b>Assets</b>				
Cash and balances with CBA	6,586,552	2,233,292	994,874	9,814,718
Bank standardized bullions of precious metals and coins	443	69,073	-	69,516
Receivables to banks and other financial institutions	2,497,993	8,748,070	1,016,484	12,262,547
Held for trading financial instruments	1,367	-	-	1,367
Loans and advances extended to customers	22,961,980	14,890,820	-	37,852,800
Available for sale financial assets	1,829,842	-	-	1,829,842
Investments in chartered capital of controlled entities	277,388	-	-	277,388
Securities pledged under repurchase agreements	4,104,068	-	-	4,104,068
Other assets	34,062	62,324	-	96,386
<b>Total assets</b>	<b>38,293,695</b>	<b>26,003,579</b>	<b>2,011,358</b>	<b>66,308,632</b>
<b>Liabilities</b>				
Liabilities to banks and other financial institutions	10,777,136	8,164,309	129,483	19,070,928
Liabilities to customers	20,798,644	19,238,725	381,262	40,418,631
Available for sale financial liability	600	-	-	600
Liabilities on current taxes	120,898	-	-	120,898
Amounts payable	52,248	-	-	52,248
Deferred tax liabilities	33,552	-	-	33,552
other liabilities	379,393	11,681	27,853	418,927
<b>Total liabilities</b>	<b>32,162,471</b>	<b>27,414,715</b>	<b>538,598</b>	<b>60,115,784</b>
<b>Net position</b>	<b>6,131,224</b>	<b>(1,411,136)</b>	<b>1,472,760</b>	<b>6,192,848</b>

31.12.2012

Thousand AMD

	AMD	I group foreign currency	II group foreign currency	Total
<b>Assets</b>				
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
<b>Total assets</b>	<b>35,312,126</b>	<b>23,358,401</b>	<b>1,943,394</b>	<b>60,613,921</b>
<b>Liabilities</b>				
Liabilities to banks and other financial institutions	10,227,327	8,038,848	10,705	18,276,880
Liabilities to customers	19,868,091	17,130,921	265,846	37,264,858
Held for trading liabilities	335,862			335,862
Liabilities 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
<b>Total liabilities</b>	<b>30,853,199</b>	<b>25,191,246</b>	<b>282,451</b>	<b>56,326,896</b>
<b>Net position</b>	<b>4,458,927</b>	<b>(1,832,845)</b>	<b>1,660,943</b>	<b>4,287,025</b>

\* 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 3rd quarter of 2013 is positive forming AMD 1,783,469.0 thousand against - AMD 1,049,430,0 thousand of the same period of the previous year by increasin in absolute value by AMD 734,039.0 or 69.5%- so in average the bank was sensitive to assets in the 3rd quarter of 2013.In the 3rd quarter of 2013 the average acumulated misbalance in creased in absolute value by AMD 973,510,0 thousand or by 2.2 times.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for 3rd quarter of 2013 has increased by 6.4percent forming 103.7% against 97.3% average value of 3rd quarter of 2012, that is in 3rd quarter of 2013 the assets sensitive to interest rate changes have exceeded the liabilities by average 3.7%.

M The duration of assets as of the end of 3rd quarter 2013 was 0.781 year (against 0.768 of 3rd quarter 2012) as it increased by 0.013 year or by 1.7%: Against the end of the previous quarter (0.673 year), this indicator has increased by 0.108 year or 1.6%.

M The duration of assets as of the end of 3rd quarter 2013 was 0.451 year (against 0.577 of 3rd quarter 2012) as it declined by 0.126year or by 21.84%: Against the end of the previous quarter (0.449 year), this indicator has increased by 0.002 year or 0.4%.

M The duration gap as of the end of 3rd quarter 2013 was 0.381 (against 0.265 as of the end of 3rd quarter 2012) as it grew by 0.117 or 44.12%. Against the end of the previous quarter (0.267), this indicator has grown by 0.114 or 42.74%.



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

Item	Interest rates of accounting period		Interest rates of previous period	
	AMD	Foreign currency	AMD	Foreign currency
<b>Assets</b>				
Balances with RA CB	-	-	-	-
Receivables to banks and other financial institutions	10.19	0.09	9.99	4.83
Interbank loans	13.80		10.41	4.33
Interbank repo	10.18		-	-
Loans and advances extended to customers	19.65	15.92	19.69	16.27
Held for trading and available for sale securities	15.29		15.53	-
<b>Liabilities</b>				
Liabilities to banks and other financial institutions	9.32	6.24	9.29	6.12
Liabilities to customers	4.31	5.67	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 high value of duration gap evidences about the high level of interest rate risk. The retaining of low level of duration gap brings to hedging of interest rate risk (stability of capital value against interest rate changes).

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

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

## **Price risk**

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

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

- V Analysis of dynamics of structure, volume and price indicators of financial market and liquidity of separate financial instruments, discovery of existing tendencies
- V Assessment of possible losses
- V Application of hedging instruments
- V Setting limits on financial instruments ( per type of security operation, per dealer, per issuer, stop-loss)
- V Diversification of security portfolio per issuer, sectors, maturities, etc.

### **Liquidity risk**

#### **1) The bank's definition of Liquidity Risk**

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

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

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

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

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

The following shock scenarios are applied for assessment of liquidity risk

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

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

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 claculation 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 theri breaches .

The methodolgy 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-contraint 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 asesment 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 III quarter of 2013 instant liquidity indicator and up to 90 days' accumulative indicator have increased accordingly by 7.93 and and general liquidity indicator has declined by 11.35 and 24.92 percent.

Accounting period		30.09.13							Thousand AMD	
Item	Non-performing		ՕճԱԿԱ ՄՅՈՒՆՆԵՂ		Repayment date in				termless	Total
	Term	Overdue	Demand	up to 3 month	3-6 months	6-12 months	1-5 year	more than 5 year		
On maturity terms of assets										
Cash and cash equivalents ,balances with CBA			9,544,718						270,000	9,814,718
Standardized precious metal bullions			69,516							69,516
Receivables to banks and other financial institutions			3,275,077	8,674,209	297	8			312,956	12,262,547
Financial assets held for commercial purposes				1,367						1,367
Loans and advances extended to customers	374,036	32,454		9,537,700	3,741,887	3,788,625	17,969,042	2,409,056	-	37,852,800
Securities,including				4,155,110	115	4,426	156,805	1,518,178	376,664	6,211,298
held for trading										-
available for sale				51,042	115	4,426	156,805	1,518,178	376,664	2,107,230
held to maturity										-
sold by repo agreements				4,104,068						4,104,068
other receivables				96,386						96,386
Contractual receivables										-
<b>Total</b>	<b>374,036</b>	<b>32,454</b>	<b>12,889,311</b>	<b>22,464,772</b>	<b>3,742,299</b>	<b>3,793,059</b>	<b>18,125,847</b>	<b>3,927,234</b>	<b>959,620</b>	<b>66,308,632</b>
Including										
I group foreign currency	195,013	20,302	4,872,361	11,229,533	1,803,035	1,156,990	5,523,945	1,104,299	98,101	26,003,579
II group foreign currency	-	-	1,699,684	311,673	-	-	-	-	-	2,011,357
Including										
By floating interest rate					6,772	40,537	33,748			81,057
By fixed interest rate	374,036	32,454	349,371	19,339,226	3,742,002	3,793,051	18,125,847	3,927,234	376,665	50,059,886
Non-interest	-	-	12,539,940	3,125,546	297	8	-	-	582,955	16,248,746
<b>On maturity of liabilities repayment</b>										
liabilities to banks and other financial institutions			1,606,082	6,084,057	1,831,799	4,519,650	4,624,118	404,722	500	19,070,928
Liabilities to customers,including	-	-	17,771,277	7,688,695	5,757,907	7,936,084	1,136,877	125,136	2,655	40,418,631
demand deposits			17,206,153	37,175	10,363	10,566	21,197	-	2,655	17,288,109
term deposits			143,417	7,651,520	5,747,544	7,925,518	1,115,680	125,136	-	22,708,815
other			421,707							421,707
held for trade liability				600						600
liability on current tax						120,898				120,898
amounts payable			52,248							52,248
deferred tax liabilities						33,552				33,552
other liabilities			418,927							418,927
off balance sheet contingent liabilities	-	-	-	286,450	549,138	443,739	1,423,284	9,727	8,202	2,720,540
contractual liabilities										-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>19,848,534</b>	<b>13,773,352</b>	<b>7,589,706</b>	<b>12,610,184</b>	<b>5,760,995</b>	<b>529,858</b>	<b>3,155</b>	<b>60,115,784</b>
including										
I group foreign currency	-	-	5,169,163	5,981,244	6,358,753	8,445,948	1,373,674	85,934	0	27,414,716
II group foreign currency	-	-	398,108	101,945	22,165	15,880	500	-	-	538,598
Major liabilities				5,043,713	156,274	1,385,127	2,788,662	486,037		9,859,813
Including										
Floating interest rate				2,659,101	1,581,415					4,240,516
Fixed interest rate			8,535,269	13,369,434	7,579,343	12,599,618	5,739,798	529,858	-	48,353,320
Non-interest	-	-	11,313,265	403,918	10,363	10,566	21,197	-	3,155	11,762,464
net liquidity gap	374,036	32,454	(6,959,223)	8,691,420	(3,847,407)	(8,817,125)	12,364,852	3,397,376	956,465	6,192,848
Including										
I group foreign currency	195,013	20,302	(296,802)	5,248,289	(4,555,718)	(7,288,958)	4,150,271	1,018,365	98,101	(1,411,137)
II group foreign currency	-	-	1,301,576	209,728	(22,165)	(15,880)	(500)		-	1,472,759
Floating interest rate	-	-	-	(2,659,101)	(1,574,643)	40,537	33,748	-	-	(4,159,459)
Fixed interest rate	374,036	32,454	(8,185,898)	5,969,792	(3,837,341)	(8,806,567)	12,386,049	3,397,376	376,665	1,706,566
Accumulative liquidity gap	374,036	406,490	(6,552,733)	2,138,687	(1,708,720)	(10,525,845)	1,839,007	5,236,383	6,192,848	

Previous accounting period		31.12.2012							Thousand AMD	
Item	Non-performing		ՕճԱԿԱ ՄՅՈՒՆՆԵՂ		Repayment date in				termless	Total
	Term	Overdue	Demand	up to 3 month	3-6 months	6-12 months	1-5 year	more than 5 year		
On maturity terms of assets										
Cash and cash equivalents ,balances with CBA			11,270,847						1,270,000	12,540,847
Standardized precious metal bullions			57,002							57,002
receivables to banks and other financial institutions			2,451,626	6,269,505	29				319,604	9,040,764



Financial assets held for commercial purposes				20,030						20,030
loans and advances extended to customers	203,814	10,056		7,548,713	5,154,820	4,849,594	14,182,030	1,430,293	-	33,379,320
securities including				4,056,678	51,190	22,815	84,781	587,046	361,540	5,164,050
Held-for-trade										-
available for sale				19,546	51,190	22,815	84,781	587,046	361,540	1,126,918
held-to-maturity										-
sold by repo agreements				4,037,132						4,037,132
other receivables				47,219						47,219
Contractual receivables										-
<b>Total</b>	<b>203,814</b>	<b>10,056</b>	<b>13,779,475</b>	<b>17,942,145</b>	<b>5,206,039</b>	<b>4,872,409</b>	<b>14,266,811</b>	<b>2,017,339</b>	<b>1,951,144</b>	<b>60,249,232</b>
Including										0
I group foreign currency	95,754	4,912	5,838,449	6,793,700	2,724,377	2,436,678	5,129,636	407,937	100,769	<b>23,532,212</b>
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
<b>On maturity of liabilities repayment</b>										
Liabilities to banks and other financial institutions			2,212,833	4,146,362	1,199,586	2,848,556	5,781,894	529,595	500	16,719,326
Liabilities to customers	-	-	18,990,938	7,782,792	4,259,273	5,991,539	122,081	116,885	1,350	37,264,858
demand deposits			18,520,113	74,073	1,204	27,777			1,350	18,624,517
term deposits			131,095	7,708,719	4,258,069	5,963,762	122,081	116,885		18,300,611
other			339,730							339,730
Liability held for trade				335,862						335,862
Liability on current taxes					13,150					13,150
Amounts payable			56,171							56,171
Deferred tax liabilities					27,321					27,321
other liabilities			245,568	107,086						352,654
Off balance sheet contingent liabilities		1,958		169,975	113,222	552,978	1,416,046	9,685	8,072	2,271,936
Contractual liabilities										0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>21,505,510</b>	<b>12,372,102</b>	<b>5,499,330</b>	<b>8,840,095</b>	<b>5,903,975</b>	<b>646,480</b>	<b>1,850</b>	<b>54,769,342</b>
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	
	<b>30.09.2013</b>	<b>31.12.2012</b>
Chartered capital	2,333,338	2,333,338
Reserves	5,671,280	5,584,012
Main reserve	5,405,133	5,405,133
Revaluation reserve	266,147	178,879
Undistributed profit/loss	2,071,653	1,477,228
<b>Total capital</b>	<b>10,076,271</b>	<b>9,394,578</b>

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.

2013	Thousand AMD						
	Main capital	Additional capital	Involved in the calculation of standards				CBA limit %
			Total capital	Credit risk	Market and operational risk	Equivalent actual %	
	1	2	3 (1+2)	4	5	6	7
January	7,892,162	108,346	8,000,508	45,786,461	804,288	15.24	12
February	7,754,683	102,485	7,857,168	44,917,641	696,987	15.49	12
March	7,776,466	161,007	7,937,473	48,414,080	784,597	14.44	12
April	7,827,139	190,711	8,017,850	50,746,695	852,560	13.86	12
May	7,842,727	231,127	8,073,854	51,998,911	819,794	13.72	12
June	7,932,096	335,505	8,267,601	51,451,990	159,292	15.66	12
July	8,204,784	302,954	8,507,738	52,803,975	158,132	15.72	12
August	8,218,598	252,008	8,470,606	53,650,440	161,224	15.40	12
September	8,261,962	240,581	8,502,543	52,501,587	896,463	14.18	12

Thousand AMD

2012	Main capital	Additional capital	Involved in the calculation of standards				
			Total capital	Credit risk	Market and operational risk	Equivalent actual %	CBA limit %
	1	2	3 (1+2)	4	5	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 30.09.13				
Risk weight	Assets	Off balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	16,840,882	131,039		-
10%	2,398,037			239,804
20%	3,883,855			776,771
30%	1,194,552			358,366
50%	4,482,076	129		2,241,103
75%	1,550,124			1,162,593
100%	26,057,686	514,358	17,414	26,589,458
150%	13,104,585	966,585		21,106,755
<b>Total</b>	<b>69,511,797</b>	<b>1,612,111</b>	<b>17,414</b>	<b>52,474,849</b>

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
<b>Total</b>	<b>66,296,538</b>	<b>1,370,293</b>	<b>-</b>	<b>48,126,991</b>

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

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

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

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

As of 30.09.13 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 30.09.13 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 30.09.13 the bank has no pledged assets

**Note 38. Accepted pledge**

As of 30.09.13 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.

Thousand AMD

Collateral type	30.09.2013		31.12.2012	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	17,828,272	67,641,526	16,493,824	60,038,030
Car	3,424,136	9,072,715	2,176,317	5,545,375
Equipment	418,778	837,834	433,667	744,034
Ready made goods	123,528	706,000	141,639	733,500
Guarantee	6,011,447	24,465,854	4,114,261	15,324,937
Monetary funds	1,202,614	1,885,907	266,786	456,452
Golden items	5,715,050	6,757,396	6,926,883	8,401,989
Standard gols	30,130	31,617		
State securities				
Securities issued by the RA CB	-	-	-	-
other securities	-	-	-	-
other pledge	64,439	192,320	82,037	191,666
No collateral available	3,793,274		3,406,383	-
<b>Total</b>	<b>38,611,668</b>	<b>111,591,169</b>	<b>34,041,797</b>	<b>92,745,506</b>

**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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