

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

Notes to the interim consolidated reports published in the 2nd quarter
of 2014 “ARMECONOMBANK” OJSC 23/1 Amiryan Str., Yerevan

Note1. “Legal Field and Corporate Governance”

Legal Field

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

The head office of the Bank and 19 branches are located in Yerevan, another 20 branches in regions, and 1 in NKR. The legal address of the bank is 23/1 Amiryan Str., Yerevan.

Main activities

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

Business environment

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

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

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

Corporate Governance

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

Structure and members of the Board

Chairman of the Board

S. Sukiasyan

Board members

A. Melikyan

L. Petrosyan,

I. Managadze

R. Hayrapetyan

Structure and members of the Bank's management

CEO

A. Naljyan

Deputy CEO

R. Badalyan

Deputy CEO

O. Chichyan

Chief Accountant

D. Azatyan

Head of Territorial Management Department

A. Araqelyan

Head of Strategy and Risk Management Department

H. Avetisyan

Head of Legal Department

T.Simonyan

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

As of 30.06.2014, the Chartered capital is AMD2,333,338. It includes 933,335 common shares each with AMD2500 nominal value. The bank has 1429 shareholders.

Main participants

Sukiasyan Saribek Albert	22.6 %
Sukiasyan Khachatur Albert	19.5 %
Sukiasyan Robert Albert	10.3 %
European Bank for Reconstruction and Development	25.0 %

Remuneration Policy of the Bank's Management

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

Payments to statutory auditors

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

Note2. "Accounting Policy"

Preparation and submission of "ARMECONOMBANK" OJSC financial statements

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

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

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

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

RECOGNITION OF INCOME AND EXPENSES

Interest incomes and expenses for all interest earning financial tools, except tools accounted for real value reappraised by profit/loss, in reports on financial results, using effective interest rate method are recognized as “interest income” and “interest expense”. Registration of interests for overdrafts, overnights, lines of credit, corresponding accounts, bank accounts, demand deposits is implemented by linear way, if the bank cannot foresee future cash flows of these assets. Registration of interests of depreciated loans is not stopped. If balance sheet value of the financial asset or group of similar financial assets decreases because of losses from depreciation, the interest income continues to be recognized towards new balance sheet value. Amounts receivable as fines and penalties are added to incomes every day. Corresponding agreements are basis for calculation of size of added amount. Based on corresponding agreement amounts payable by the bank as fines and penalties are recognized as expenses every day.

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

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

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

FOREIGN EXCHANGE OPERATIONS

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

The foreign exchange sale and purchase rates are defined taking into account the rates established at inter-bank market, offer and demand volumes within the territory of the Republic of Armenia, other factors (forecasts based on market research, force-majeure circumstances,

etc.). When establishing the exchange rates the rates operative in foreign exchange International market at that moment and those reflected in “REUTERS DEALING” system are also taken into account, besides the aforementioned factors.

TAX ACCOUNTING

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

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

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

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

Income tax assets and liabilities are offset when the Bank:

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

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

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

CASH AND CASH EQUIVALENTS

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

REPURCHASE AGREEMENTS

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

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

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

LEASES

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

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

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

FINANCIAL ASSETS' POSSIBLE LOSS PROVISION

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

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

INTANGIBLE ASSETS

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

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

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

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

quarter during which the asset has been recognized.

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

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

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

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

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

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

Fixed assets

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

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

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

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

Fixed assets are recorded with the difference of initial value and accumulated depreciation

taking into account the accumulated impairment losses. Depreciation is calculated using the straight-line method over the period of the asset's useful life applying the following annual depreciation rates:

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

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

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

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

Depreciation of fixed assets acquired after January 1 2014, is calculated in accordance with "Profit Tax" law. Annual interest rate of that group's fixed assets is set by the Bank's Board decision.

Depreciation is not calculated for land.

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

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

don't exceed the 10% of the residual value of property, plant and equipment as of January 1 of the year; otherwise they are amortized during the whole period of useful life.

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

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

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

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

INVENTORY

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

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

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

SETTLEMENTS BETWEEN THE BANK AND BRANCHES

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

SHARE CAPITAL AND TREASURY STOCK

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

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

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

ATTRACTED FUNDS

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

SOCIAL INSURANCE BENEFITS

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

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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

Territory of Armenia" approved by the Board of the Central Bank of Armenia.

SEGMENT STATEMENTS

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

ISSUED CORPORATE BONDS

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

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

COMPARABLE INFORMATION

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

AFTER BALANCE SHEET DATE EVENTS

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

If the Bank reveals errors on its own

Fundamental errors are revealed by an audit organization

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

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

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

Note 3: "Net Interest and Similar Income"

				Thousand AMD
Interest and similar income	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Interest income from the Bank's current accounts, deposits and loans allocated in banks and other financial institutions	22,437	32,433	33,123	65,439
Interest income form loans and advances to customers	1,634,773	3,199,784	1,475,241	2,831,029
Interest income from debt securities	200,751	391,685	169,341	319,530
Interest income from REPO agreements	52,568	99,635	35,520	69,327
Other interest income	200	238	42,496	59,109
Total	1,910,729	3,723,775	1,755,721	3,344,434
Interest and Similar Expenses				-
Interest expenses from the Banks' current accounts deposits and loans allocated from banks and other financial institutions	273,729	534,929	294,264	547,205
Interest expenses on terms deposits and current accounts of customers	607,306	1,188,660	473,878	911,908
Interest expenses on issued securities	-	-	-	-
Interest expenses under REPO agreements	129,571	251,672	92,715	148,527
other interest expenses	-	-	-	8,773
Total	1,010,606	1,975,261	860,857	1,616,413
Net Interest and Similar Income	900,123	1,748,514	894,864	1,728,021

Note 4: "Commission and Other Fee Income and Expenses"

				Thousand AMD
Commission and Other Fee Income from:	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Cashier's operations	43,130	76,946	43,865	78,554
Settlement services	235,289	450,837	276,140	499,662
Guarantees, warranties letters of credit operations trust management operations	2,152	4,405	3,856	7,206
Foreign currency and security operations	1,310	4,012	16,073	23,830
Payment card servicing	9,711	17,777	7,929	17,786
Other commission fees	140,192	276,630	116,927	231,692
Total			464,790	858,730

	431,784	830,607		
Commission and Other Fee Expenses:				-
Commission fee from correspondent and other accounts	608	1,241	838	1,480
Expenses for payment card operations	29,171	60,679	33,411	64,474
Guarantees, warranties, letter of credit operations, trust management operations	817	834	2,309	2,513
Foreign currency and security operations	13,429	25,170	35,900	46,587
other commission fees*	39,673	76,812	45,591	88,816
Total	83,698	164,736	118,049	203,870
Net commission and other fees received	348,086	665,871	346,741	654,860

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

Note 5: "Net Income from Commercial Operations"

				Thousand AMD
	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Held-for-trading investments				
Net income from sale/purchase of held-for-trading investments, including:	(14,004)	(26,091)	18,126	-
Shares				-
Debt securities				-
Derivatives	(14,004)	(26,091)	18,126	-
Net income from changes in real value of held-for-trading investments for commercial	(40,716)	(18,777)	55,649	27,309
Total	(54,720)	(44,868)	73,775	27,309
Available for sale investments	-			-
Net income from sale/purchase of available for sale investments from:	72,921	116,067	7,381	9,752
shares	-			-
debt securities	72,921	116,067	7,381	9,752
derivatives	-		-	-
Net income from changes in real value of available for sale investments	-		-	-
Total	72,921	116,067	7,381	9,752
Foreign currency operations	-			-
Net income from foreign currency sale/purchase	197,823	378,907	313,423	463,794
Net income from foreign currency	26,702	(11,850)	(155,340)	(72,379)

revaluation				
Net income from precious standardized bullions and coins trade	2,387	5,608	2,573	4,266
Net income from revaluation of precious standardized bullions and coins trade	8	5,691	(10,605)	(9,442)
Total	226,920	378,356	150,051	386,239
Net income from commercial operations	245,121	449,555	231,207	423,300

Note 6: "Other Operational Income"

				Thousand AMD
Other operational income	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Income from penalties and fines	34,436	70,454	31,332	56,506
Income from factoring			-	-
Net income from disposal of fixed and intangible assets	(1,520)	(4,351)	5,833	5,831
Net income from revaluation and counteractions taken against depreciation of fixed and intangible assets			-	-
other income*	12,009	80,913	7,436	13,217
Total	44,925	147,016	44,601	75,554

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

Note 7: "Net Deductions to Possible Asset Losses Provision"

				Thousand AMD
Due from banks (Note 14)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance	23,873	23,873	23,873	23,873
Net deductions to reserve				
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	23,873	23,873	23,873	23,873
Due from financial institutions (Note 14)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance			4,508	

	3,759	3,636		5,403
Net deductions to reserve	6,384	6,507	(511)	(1,406)
Return of amounts previously charged to off balance item				
Usage of reserve				
Summary balance	10,143	10,143	3,997	3,997
From loans and advances to customers (Note 16)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance	874,593	817,445	940,754	662,477
Net deductions to reserve	23,245	99,756	(95,069)	146,638
Return of amounts previously charged to off balance item	3,092	6,119	5,416	45,511
Usage of reserve	(37,343)	(59,733)	(37,724)	(41,249)
Summary balance	863,587	863,587	813,377	813,377
On investments (Note18)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance	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
On other assets (Note 21)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance	22,305	12,439	7,671	8,192
Net deductions to reserve	7,852	16,698	(6,054)	(8,040)
Return of amounts previously charged to off balance item	1,500	2,534	1,500	3,000
Usage of reserve	(2)	(16)	(36)	(71)
Summary balance	31,655	31,655	3,081	3,081
Post-balance sheet items containing loan exposures (Note 30)	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Initial balance				
Net deductions to reserve				
Summary balance	-	-	-	-

Total deductions to reserves	37,481	122,961	(101,634)	137,192
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Note 8: "Total Administrative Expenses"

				Thousand AMD
Total administrative expenses	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Salary and similar payments	802,483	1,613,043	688,956	1,362,042
Allocations to social insurance state fund	-		119	1,752
Training and tutorship	675	1,182	470	470
Business trip expenses	15,538	21,829	15,318	29,936
Operational leases	56,278	95,062	37,370	69,538
Insurance costs	17,204	32,867	13,586	24,342
Servicing and maintenance of the Bank's equipment	17,880	32,160	14,136	23,786
Maintenance and safekeeping of Bank buildings	39,695	100,391	37,331	77,088
Audit and consulting services	1,377	4,838	7,510	20,122
Communication and transmission costs	27,175	51,495	25,786	54,182
Transportation costs	25,720	48,340	20,817	42,346
Taxes (except income tax) penalties and other mandatory payments	46,143	89,314	42,227	86,117
Office and organizational expenses	33,382	53,499	20,726	40,592
Lending and recovery expenses	-		-	-
other administrative expenses	6,878	10,353	1,728	4,256
Total	1,090,428	2,154,373	926,080	1,836,569

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

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Average number of Bank employees	889	892	862	852

Monthly average salary falling to a single employee (thousand AMD)	281	282	252	251
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Note 9: "Other Operational Expenses"

Thousand AMD				
Other operational expenses	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Paid fines and penalties	826	826	316	317
Payments made for collection	62,500	125,000	62,500	122,500
Advertising and representative expenses	69,428	109,214	42,771	81,298
Factoring expenses	-	-	-	-
Amortization costs of fixed assets and intangible assets	91,180	178,295	67,568	131,337
Assets' depreciation losses	-	-	-	-
Deductions to the Fund of Recovery of Deposits	15,456	30,210	12,095	23,784
other expenses	60,173	120,558	58,464	127,285
Total	299,563	564,103	243,714	486,521

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

Note 10: "Net Gain/Losses from Investments in Controlled Units"

Thousand AMD				
Net income from investments in the controlled units	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Income from investments in associated organizations	(9,966)	(17,677)	2,563	2,563

Note 11: "Profit Tax Expenses (Reimbursement)"

Thousand AMD				
Profit tax expenses	01.04.2014-30.06.2014	01.01.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2013-30.06.2013
Current tax expenses	(71,006)	(71,006)	(132,596)	(134,958)
Dividends on preferential shares calculated for the current accounting period				
Deferred tax expenses	5,557	12,489	4,465	19,673
Total	(65,449)	(58,517)	(128,131)	(115,285)

	01.04.2014 30.06.2014	Efficient rate (%)	01.01.2014 30.06.2014	Efficient rate (%)	01.04.2013 30.06.2013	Efficient rate (%)	01.01.2013 30.06.2013	Efficient rate (%)
Profit before taxation	100,817		151,842		451,816		424,014	
Profit tax with tare	20,163	20	30,368	20	90,363	20	84,803	20
Corrections of income and expenses for taxation purposes against non-temporary differences								
Non-taxable income	(26)	(0)	(695)	(0)	(26)	(0)	(51)	(0)
Non-deductible expenses	52,074	52	30,415	20	6,190	1	17,387	4
Unevaluated tax loss		-		-		-		-
Foreign currency negative/positive difference	(5,341)	(5)	1,232	1	33,189	7	16,364	4
Verification of tax expenses calculated previous year		-		-		-		-
other privileges	(1,421)	(1)	(2,803)	(2)	(1,585)	(0)	(3,218)	(1)
Profit tax expenses	65,449	64.92	58,517	38.54	128,131	28.36	115,285	27.19

Calculation of deferred tax on temporary differences

				Thousand AMD
	Balance as of the previous period	Recognized by financial results	Recognized by equity	Balance at the accounting period
Deferred tax assets, including:	111,732	23,672	-	135,404
Fixed assets	2,326	180		2,506
other liabilities	109,406	23,492		132,898
Deferred tax liabilities, including:	(318,130)	(11,183)	44,514	(284,799)

Available for sale securities	(266,431)		44,514	(221,917)
Contingent liabilities	(6,063)	(3,725)		(9,788)
Claims to banks and other financial institutions	(10,716)	(10,365)		(21,081)
Loans and advances to customers	(34,920)	2,907		(32,013)
Net deferred tax asset/liability	(206,398)	12,489	44,514	(149,395)

Note 12: "Basic Profit Falling to a Single Share"

				Thousand AMD
Basic profit falling to a single share	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Net profit of the accounting period after taxation	35,368	93,325	323,685	308,729
Dividends on preferential shares calculated for the current accounting period			-	-
Net gains/losses of given period referring to owners of common shares	35,368	93,325	323,685	308,729
Net weighted average number of common shares in circulation during the given period	933,335	933,335	933,335	933,335
Basic profit falling to a single share	0.04	0.10	0.35	0.33

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 CBA"

		Thousand AMD
Cash, cash equivalents and balances with the CBA	30.06.2014	31.12.2013
Cash monetary funds	6,840,017	5,440,352
other money placements	2,265,402	3,025,936
Correspondent accounts with the CBA*	5,070,932	5,002,552
Deposit accounts with the CBA		
Funds deposited with the CBA**	270,000	1,270,000

Other demands to the CBA		
Accrued interest		
Cash and balances with the CBA	14,446,351	14,738,840

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

13-2: "Cash and Cash Equivalents" included in the Cash Flow Statement

		Thousand AMD
Cash and cash equivalents	30.06.2014	31.12.2013
Cash and payment documents equivalent to cash	9,105,419	8,466,288
Correspondent accounts with the CBA	5,070,932	5,002,552
Deposit accounts with the CBA		
Correspondent accounts with the resident banks	60,471	26,534
Correspondent accounts with non-resident banks	5,361,355	4,371,366
Total cash and cash equivalents	19,598,177	17,866,740

Note 14: "Due to Banks and other Financial Institutions"

		Thousand AMD
Current accounts	30.06.2014	31.12.2013
with RA banks	60,471	26,534
with banks having BBB(Baa3) and higher ratings	4,445,314	2,108,038
with banks having ratings lower than BBB (Baa3) or no rating at all	913,867	2,260,384
Accrued interest	2,174	2,943
Total	5,421,826	4,397,899
with RA banks:		
Loans and deposits	2,443,675	
REPO (re-purchase) agreements		
other	295,597	716,211
with banks having BBB(Baa3) and higher ratings		
Loans and deposits	814,560	

other		
with the banks having a rating lower than BBB(Baa3) or no rating at all		71,183
other	311,013	777
Accrued interest	4,957	
Total	3,869,802	788,171
Possible loss provision for amounts due from banks (note 7)	(23,873)	(23,873)
Net receivables to banks	9,267,755	5,162,197

		Thousand AMD
Loans and deposits with Financial Institutions and other receivables	30.06.2014	31.12.2013
with RA Financial Institutions:		
Loans and deposits	915,808	222,250
REPO (re-purchase) agreements	2,113,394	1,376,074
other	57,678	57,473
With Financial Institutions having BB(Baa3) and higher ratings		
other	44,997	44,620
With Financial Institutions having a rating lower than BB(Baa3) or no rating at all		
other	875,098	162,871
Accrued interest	5,147	6,777
Total	4,012,122	1,870,065
Possible loss provision for receivables due to Financial Institutions (Note 7)	(10,143)	(3,634)
Net receivables to Financial Institutions	4,001,979	1,866,431
Net receivables to banks and Financial Institutions	13,269,734	7,028,628

As of 31.12.13 and 30.06.14 the line "Other amounts due to financial institutions" includes accordingly insurance deposits in the amount of USD 110,000 (AMD 44.620 thousand on 31.12.13, AMD 44.997 thousand on 30.06.2014) in Visa International and USD 134,495 (AMD 54.557 on 31.12.2013 and AMD54.777 on 30.06.2014) in "Armenian Card" CJSC, as well as debtor liabilities against clearing systems.

Note15: "Held-for-trading Financial Assets"

		Thousand AMD
Other financial assets held-for-trading	30.06.2014	31.12.2013
Derivative instruments		
Swap		134
Total		134
Reserve for possible loss provision on held-for-trading financial assets (note 7)		

Note16: "Loans and Advances to Customers"

		Thousand AMD
Provided Loans and other Borrowings	30.06.2014	31.12.2013
Loans, including:	39,550,536	39,325,077
Mortgage loans	3,164,877	3,173,200
Credit cards	2,697,144	1,924,819
Factoring		
Accrued interest on the mentioned items	274,068	261,293
Total loans	42,521,748	41,511,189
Reserve for possible loss of customer loans and advances (note 7)	(863,587)	(817,447)
Net total loans	41,658,161	40,693,742

			Thousand AMD	
The structure of depreciated (non-performing) loans and borrowings provided to customers in the loan portfolio as of the end of accounting period	30.06.2014		31.12.2013	
	amount	quantity	amount	quantity
Loans and advances, including:	42,521,748	32,447	41,511,189	28,212
performing loans	41,880,700	32,253	40,972,771	28,120
depreciated (non- performing) loans and				

borrowings, including:	641,048	194	538,418	92
overdue	40,563	140	59,390	61
restructured	56,074	2	60,485	2
refinanced				
total loans	42,521,748	32,447	41,511,189	28,212
Reserve for possible loss of customer loans and advances (note 7)	(863,587)		(817,447)	
Net total loans	41,658,161		40,693,742	

Thousand AMD

Analyses of provided loans and advances per customers	30.06.2014	31.12.2013
State industries	81,671	83,305
Private industries, including:	17,671,702	18,864,207
major enterprises	3,684,802	4,930,176
small and medium enterprises	13,986,900	16,934,031
including business cards	78,173	59,037
Individuals, including:	20,774,150	18,695,097
consumer loans	13,064,678	12,801,690
mortgage loans	3,164,877	3,172,045
credit cards	2,618,971	1,865,782
Private entrepreneurs	3,720,157	3,607,287
Accrued interest	274,068	261,293
Total loans	42,521,748	41,511,189
Reserve for possible loss of customer loans and advances (note 7)	(863,587)	(817,447)
Net total loans	41,658,161	40,693,742

		Thousand AMD
Loan liabilities on 20 major borrowers and related parties	30.06.2014	31.12.2013
balance sheet	10,225,331	11,597,384
balance of off-balance sheet contingent liabilities	834,720	1,136,888
Total	11,060,051	12,734,272
Loan investments	41,658,161	40,693,742
Percentage ratio in loan portfolio	27%	31%
Total normative capital	8,661,598	9,305,898
Percentage correlation to capital	128%	137%

Loan Investments	30.06.2014	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,443,374	208
GAF micro and small private enterprises RA Governmental loan program	725,333	52
GAF "Renewable Energy Development" program	159,460	1
GAF "Renewable Energy Development" program	11,354	2
EBRD/2 "Syndicated Loan" program	256,062	29
Co-financing	128,604	1
IFC	25,862	2
Black Sea Bank Loan Program 1	114,838	10
Black Sea Bank Loan Program 2	1,270,430	55
World Bank Loan Program	170,661	64
Loan program of Russian Federation for Economic Stabilization	39,389	6
IFC loan program (IFC FMO)	1,892,698	43
EBRD micro small and middle lending program EBRD/MSME	3,531,264	520
EBRD Micro lending program	1,658	3
Atlantic Forfaitierungs AG loan program	587,373	8
Mortgage Loans	3,165,587	522
including		
GAF	124,455	50
EBRD		
IFC		
Total	14,523,947	1,526

Loan Investments	31.12.2013	
	Balance thousand AMD	Quantity
GAF micro and small private enterprises loan program	2,297,482	193
GAF micro and small private enterprises RA Governmental loan program	941,046	73
GAF "Renewable Energy Development" program	172,749	1
Commerzbank AG	2,680	2
EBRD/1 "Syndicated Loan" program	26,936	2
EBRD/2 "Syndicated Loan" program	526,070	38
Co-financing	314,979	2
IFC	58,399	5

Black Sea Bank Loan Program 1	144,137	15
Black Sea Bank Loan Program 2	1,606,966	60
World Bank Loan Program	274,469	92
Loan program of Russian Federation for Economic Stabilization.	65,334	7
New IFC loan program (IFC FMO)	2,349,074	54
EBRD micro small and middle lending program.EBRD/MSME	2,694,142	461
EBRD Micro lending program	10,628	13
Mortgage loans,	150,867	52
including:		
GAF	129,850	48
EBRD	6,340	2
IFC	14,677	2
Total	11,635,958	1,070

Thousand AMD

Breakdown of extended loans and advances per lending sectors (without taking into consideration the reserves for possible loan losses)	30.06.2014	Percentage	31.12.2013	Percentage
Industry	4,663,863	11	7,546,671	18
Agriculture	1,774,628	4	1,978,443	5
Construction	1,551,228	4	752,081	2
Transportation and communication	276,935	1	234,615	1
Commerce	9,523,821	22	8,719,094	21
Consumer	15,804,148	37	12,891,853	31
Mortgage loans	3,184,582	7	3,189,897	8
Service	3,899,450	9	4,024,415	10
other ^{D₂₀}	1,843,093	4	2,174,119	5
		-		-
Total	42,521,748	100	41,511,188	100

Thousand AMD

Breakdown of loan portfolio per customer residency	30.06.2014	Percentage	31.12.2013	Percentage
RA residents	41,383,044	100	40,432,449	100
Residents of countries with Baa33 and higher ratings including*		-		-
Germany	1,049	0		-
Residents of countries with Baa33and lower ratings or no rating at all				

Accrued interest	274,068		261,293	
Total	41,658,161	100	40,693,742	100

Note 17: "Financial Assets Available for Sale"

Thousand AMD

T-bills	30.06.2014	31.12.2013
RA Governmental T-bills		
Treasury bonds	557,952	2,375,194
Total T-bills	557,952	2,375,194

				Thousand AMD
RA non-state securities	30.06.2014		31.12.2013	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating ,other rating or no rating at all				
Long term debt instruments	304,056			
Short term debt instruments	48,820		46,576	
Capital instruments		52,252		102,252
Total non-state securities of RA	48,820	52,252	46,576	102,252
Investments in RA non-governmental securities (reserve for possible losses)		(4,690)		(4,690)
Net investments in RA non-state securities	352,876	47,562	46,576	97,562

				Thousand AMD
Non governmental securities of other countries	30.06.2014		31.12.2013	
	listed	unlisted	listed	unlisted
Issuer having BBB+(Baa1) and lower rating, other rating or no rating at all				
Capital instruments		1,917		1,715
Total non-state securities of other countries		1,917		1,715
Total available-for-sale securities	910,828	49,479	2,421,770	99,277

Investments in share capital of other entities as of 30.06.2014:

					Thousand AMD
NAME	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share %
S.W.I.F.T	Telecommunication	Belgium	13/09/1996	1,917	-
"Armenian Card" CJSC	Payment service	RA	22/02/2000	48,572	5
"ArCa Credit Reporting" CJSC	Information service	RA	23/06/2006	3,680	1
Total				54,169	

The balance sheet and real values of available-for-sale assets (except investments into capital instruments) correspond to each other. The investments into capital instruments in RA are not quoted in any exchange and have a limited market. There are no definite accepted principles and methods to precisely decide the real value of those instruments, and therefore those securities are accounted in their cost price, deducted the reserve amount for depreciation.

Note 17.1: "Pledged Securities through Repurchase Agreement"

			Thousand AMD	
	30.06.2014		31.12.2013	
	Asset	Liability	Asset	Liability
Pledged securities in the CBA	6,653,763	6,336,662	4,624,479	4,504,784
Total pledged securities (Note 17.1)	6,653,763	6,336,662	4,624,479	4,504,784

Note 18: "Held-to-Maturity Investments"

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

Note 19: "Investments in the Chartered Capital of the Controlled Entities"

Thousand AMD

Movement of investments in the controlled units	Investments in the chartered capital of the controlled entities
Balance at the beginning of the period	245,192
Increase	
Disposal (sale)	
Profit/loss from operations of associated companies	(17,677)
Other comprehensive profit/loss	(179)
Balance at the end of the period	227,336

		Thousand AMD
Investments in the controlled units	30.06.2014	31.12.2013
Investments in associated organizations	227,336	245,192
Investments in mutual controllable units		
Investments in subsidiaries		
Investments in other subsidiary companies		
Dividends		
Total	227,336	245,192

					Thousand AMD
Investments in controlled unit's capital					
Name of the entity	Main activity	Country of registration	Investment date	Investment (thousand AMD)	Share %
SIL INSURANCE	Insurance	RA	22/02/2000	227,336	20.0
Total				227,336	

Note 20: "Fixed Assets and Intangible Assets"

							Thousand AMD
Item	Land, buildings	Computer and communication	Vehicles	Other fixed assets	Investments in fixed assets	Investments in leased fixed assets	Total
Initial value							
Balance at the beginning of the previous period	3,011,575	1,680,721	353,402	1,117,427	89,542	154,749	6,407,416
Increase	24,660	200,270	177,310	182,984	246,465	10,218	841,907
Disposal			(39,482)	(276)			(39,758)
Depreciation	-	-					-
Reclassification	37,339	1,909		93	(37,339)		2,002
Written-off		(56,563)		(19,706)			(76,269)
Revaluation	-						-
Balance at the end of the previous period	3,073,574	1,826,337	491,230	1,280,522	298,668	164,967	7,135,298
Increase	181,866	65,400	17,695	71,509	152,977	1,307	490,754
Disposal			(50,404)				(50,404)
Reclassification	2,285				(2,285)		-
Written-off							-
Revaluation*							-
Depreciation	-	-	-				-
Adjustment of amortization from revaluation							-
Balance at the end of the accounting period	3,257,725	1,891,737	458,521	1,352,031	449,360	166,274	7,575,648

Accumulated amortization							
Balance at the beginning of the previous period	1,269,769	1,145,209	173,570	723,524		27,830	3,339,902
Increase	40,649	115,645	36,188	72,308		10,316	275,106
including: 01.04.2013- 30.06.2013	10,069	28,381	7,470	16,165		2,100	64,185
Disposal			(30,191)	(9)			(30,200)
Written-off		(56,563)		(19,703)			(76,266)
Depreciation							-
Reclassification		1,640		93			1,733
Revaluation							-
Balance at the end of the previous period	1,310,418	1,205,931	179,567	776,213	-	38,146	3,510,275
Increase	21,599	72,779	24,384	48,057		4,388	171,207
including: 01.04.2014 - 30.06.2014	10,650	37,418	12,364	24,811		2,209	87,452
Disposal			(34,615)				(34,615)
Written-off							-
Reclassification							-
Adjustment of amortization from revaluation							-
Depreciation							-
Balance at the end of the accounting period	1,332,017	1,278,710	169,336	824,270	-	42,534	3,646,867
Net balance sheet value at the end of the	1,925,708	613,027	289,185	527,761	449,360	123,740	3,928,781

accounting period							
at the end of the previous accounting period	1,763,156	620,406	311,663	504,309	298,668	126,821	3,625,023

Intangible Assets						Thousand AMD
Item	Software programs	License and warranties	Intellectual property rights	Other intangible assets	Capital investments in intangible assets	Total
Initial value						
Balance at the beginning of the previous period	22,079	122,465	50	14,357	-	158,951
Increase	1,120	1,536	-		-	2,656
Disposal						-
Written-off						-
Depreciation	-	-	-		-	-
Reclassification		(2,002)				(2,002)
Revaluation	-	-	-		-	-
Balance at the end of the previous period	23,199	121,999	50	14,357	-	159,605
Increase	14,345	7,084				21,429
Disposal						-
Written-off						-
Reclassification						-
Revaluation						-
Depreciation	-	-	-			-
Adjustment of amortization from revaluation	-	-	-			-
Balance at the end of the accounting period	37,544	129,083	50	14,357	-	181,034
Accumulated amortization						
Balance at the beginning of the previous period	18,684	34,896	19	4,678		58,277
Increase	1,066	12,287	6	1,205		14,564

including: 01.04..2013-30.06.2013	255	2,829	1	298		3,383
Disposal						-
Written-off						-
Depreciation						-
Reclassification		(1,733)				(1,733)
Revaluation						-
Balance at the end of previous period	19,750	45,450	25	5,883	-	71,108
Increase	786	5,707	2	593		7,088
including: 01.04.2014 - 30.06.2014	508	2,921	1	298		3,728
Disposal						-
Written-off						-
Reclassification						-
Adjustment of amortization from revaluation						-
Depreciation						-
Balance at the end of the accounting period	20,536	51,157	27	6,476	-	78,196
Net balance sheet value						
at the end of the accounting period	17,008	77,926	23	7,881	-	102,838
at the end of the previous accounting period	3,449	76,549	25	8,474	-	88,497

As of 30.06.2014, AMD207128 thousand total amount worth out-of-use assets were put into use. As of 30.06.2014, the Bank had an intangible asset developed in-house, new "Business Operational Day" software: initial value AMD 750 thous., depreciation AMD 581 thous., residual value AMD 169 thous.

As of 30.06.2014, the value of fully worn-off assets included in the fixed assets was AMD 1159231 thousand (AMD1166176 thousand as of 31.12.2013).

Note 21: "Other Assets"

		Thousand AMD
Amounts receivable from bank operations	30.06.2014	31.12.2013
Amounts receivable from other operations	97,216	83,455
Total	97,216	83,455
Reserve for possible loss provision (note 7)	(27,679)	(6,098)
Net amounts receivable from bank operations	69,537	77,357
Debtor liabilities and prepayments	30.06.2014	31.12.2013
Debtor liabilities on the budget	1,142	1,186
Debtor liabilities on suppliers		
Prepayments to employees		47
Prepayments to suppliers	41,799	150,039
Prepayments on the budget and mandatory social insurance payments	1,812	12
Other debtor liabilities and prepayments	45,557	23,781
Total	90,310	175,065
Reserve for possible loss provision on other assets (note 7)	(2,586)	(5,104)
Total	87,724	169,961
Other assets		
Reserve	151,553	191,978
Sequestered pledge and available-for-sale assets		
Future period expenses	67,771	62,080
Other assets	36,750	22,851
Reserve for possible loss provision on other assets (note 7)	(1,390)	(1,235)
Total	254,684	275,674
Total other assets	411,945	522,992

Note 22: "Liabilities to Banks and Other Financial Institutions"

		Thousand AMD
Current accounts	30.06.2014	31.12.2013
RA Banks	186,597	98,115
Banks with BBB(Baa3) and higher rating		
Banks having lower than BBB(Baa3) or no rating at all	6,748	1,188
Accrued interest	37	38
Total	193,382	99,341

Interbank loans and deposits, other		
RA CB		
Loans	2,399,304	2,427,927
REPO (re-purchase) agreements	2,200,000	4,000,000
other		
RA banks		
Loans and deposits	1,629,120	1,622,500
REPO (re-purchase) agreements	4,129,191	500,787
other		
Banks having BBB(Baa3) and higher rating		
Loans and deposits		
other	2,951	2,030
Banks having rating lower than BBB(Baa3) or no rating at all		
Loans and deposits	2,221,466	2,028,260
other	23,024	
Accrued interest	178,475	116,903
Total	12,783,531	10,698,407
Financial Institutions		
Current accounts	309,471	451,674
Loans and deposits	6,531,546	6,176,544
REPO (re-purchase) agreements		
other	517,223	174,004
Accrued interest	63,118	52,362
Total	7,421,358	6,854,584
Total liabilities to banks and financial institutions	20,398,271	17,652,332

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

			Thousand AMD	
Project	31.03.2014		31.12.2013	
	Lending amount	Accrued interest	Lending amount	Accrued interest

GAF /German Armenian Fund " Mortgage finance" program	126,556	457	141,890	537
GAF /German Armenian Fund " Micro and small business development program"	2,100,000	46,013	2,100,000	38,864
GAF / "Renewable energy development" program	172,749	4,529	186,037	11,964
GAF / Loan program for SME			0	0
Total	2,399,305	50,999	2,427,927	51,365

Note23: "Liabilities to Customers"

		Thousand AMD
RA Government and local self-governing bodies	30.06.2014	31.12.2013
Loans		39,629
Other	6,194	4,056
Accrued interest		8
Total	6,194	43,693

RA resident corporate entities and institutions	30.06.2014	31.12.2013
Current accounts	11,303,331	10,058,131
Term deposits	6,995,976	5,279,248
REPO (re-purchase) agreements		
Other	16,709	25,879
Accrued interest	34,646	40,484
Total	18,350,662	15,403,742

Non-resident corporate entities, institutions	30.06.2014	31.12.2013
Current accounts	31,502	7,241
Other		
Total	31,502	7,241

RA resident private entrepreneurs	30.06.2014	31.12.2013
Current accounts	137,589	137,558
Term deposits	14,556	7,493

Other	3,053	2,559
Term deposits	11	17
Total	155,209	147,627

RA resident individuals	30.06.2014	31.12.2013
Current accounts	8,846,908	9,329,533
Term deposits	20,646,458	18,156,890
Other	439,182	374,387
Accrued interest	125,588	128,374
Total	30,058,136	27,989,184

Non-resident individuals	30.06.2014	31.12.2013
Current accounts	393,380	248,515
Term deposits	595,607	567,027
Other	27,555	26,193
Accrued interest	2,653	2,247
Total	1,019,195	843,982
Total liabilities to customers	49,620,898	44,435,469

As of 30.06.14, the amount necessary to secure obligations was AMD 3.698.591 thousand.
As of 30.06.14, the amount frozen by court order and tax authorities was AMD thousand.

Note 24: "Deposit Certificate Issued by the Bank"

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

Note 25: "Liabilities held for Commercial Purposes"

		Thousand AMD
Liability held for commercial purposes	30.06.2014	31.12.2013
Derivative instruments held for commercial purposes		
Liability held for commercial purposes		
Swap	24,726	6,740
Total	24,726	6,740

Note 26: "Amounts Payable"

		Thousand AMD
Amounts payable	30.06.2014	31.12.2013
Dividends	37,608	38,558

For insurance of deposit	15,456	13,750
Total	53,064	52,308

Note 27: "Other Liabilities"

		Thousand AMD
Other liabilities	30.06.2014	31.12.2013
On income tax of non-resident	881	2,104
On VAT	2,341	2,433
On other taxes and penalties	79,663	87,071
On social insurance payments		
Salary liabilities to employees	441,274	351,147
Credit debts to suppliers	32,452	35,006
Credit debts to chartered capital increase		
Other liabilities	27,457	121,425
Balance at the end of the period	584,068	599,186

Note 28: "Chartered Capital"

The Bank's registered and fully paid share capital totals AMD 2,333,338 thous., including 933,335 common shares with a nominal value of AMD 2500 per share. There are no owned shares 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 by the Bank. During the accounting period, dividends amounting to AMD 950 thous. were paid. The chart below shows information on the majority of the shareholders of the Bank as of the end of the accounting period.

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

Note 29: "Other Equity Components"

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

Note 30. "Reserves, Contingencies, Potential Liabilities"

The Bank's legal liabilities: as of 30.06.2014, there are no such liabilities on which the bank has made provisioning. The Bank carries out activities within the framework of requirements set forth by the legislation. The Bank's tax liabilities: as of 30.06.2014 the Bank had fully performed its tax liabilities and there is no need for additional provisioning on its tax liabilities.

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

		Thousand AMD
	30.06.2014	31.12.2013
Unutilized credit lines	2,005,021	2,557,262
Provided guarantees	343,759	474,077
Provided letters of credit	2,545,422	
Reserve on the mentioned items (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		272,442
1-5 years		988,340
more than 5 years		11,129
Total		1,271,911

Note 31: "Transactions with Related Parties"

In the context of the present note the Bank's related parties are the 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 the Bank administration, as well as the heads of the Bank's territorial subdivisions, heads of the Bank's subdivisions, heads of the Bank's administration, departments and divisions. The transactions with the Bank related parties have been made on the basis of the current market conditions and interest rates.

		Thousand AMD
Loans and advances to customers	30.06.2014	31.12.2013
Initial balance	1,322,820	970,726
Loans and advances provided over the year	1,012,446	1,218,917
Bank shareholder	71,540	105,317
Shareholder related entity	882,315	931,482
Bank manager	51,076	169,529
Manager related entity	7,515	12,589
Loans and advances repaid over the year	1,038,962	866,823
Bank shareholder	47,422	101,185
Shareholder related entity	888,511	562,273
Bank manager	97,978	194,761
Manager related entity	5,051	8,604
Summary balance*	1,296,304	1,322,820

		Thousand AMD
Item	30.06.2014	30.06.2013
Interest income	87,952	72,944

		Thousand AMD
Liabilities to Customers	on-demand	term
Balance as of 31.12.2013	201,833	1,385,204
Amounts received over the accounting period (I Q 2014), including:	15,064,200	1,662,382
Bank shareholder	303,456	162,540
Shareholder related entity	10,880,667	919,994
Bank manager	831,165	274,591
Manager related entity	3,048,912	305,256
Amounts paid over the accounting period (I Q 2014), including:	14,775,004	770,797
Bank shareholder	308,577	94,983
Shareholder related entity	11,184,094	195,786
Bank manager	631,114	356,779
Manager related entity	2,651,218	123,249
Exchange rate difference (+/-)	1,168	1,582
Balance as 30.06.2014	492,197	2,278,371
Interest expense as of I Q 2014	1,892	71,137

		Thousand AMD
Salary or Similar Payment to the Bank Management	30.06.2014	30.06.2013
Board	60,720	48,265
salary	60,720	48,265
awarding	-	-
Executive body	86,289	66,462
salary	86,089	66,462
awarding	200	-
Internal Audit	37,847	32,390
salary	37,847	32,190
awarding	-	200
Total	184,856	147,117

Note 32: "Minimum Revelations on Financial Risks"

1)The Bank's own definition of credit risk

The credit risk is the possible danger of delay or non-repayment of the loan, accrued interest or a part of it conditioned by the 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 primarily 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 the Bank's losses in case of occurrence of various considered shock scenes.

When applying "stress tests", a number of scenarios concerning the risk are being examined and in case of each scenario losses of the Bank are calculated through the relevant method. For the loan risk assessment the following shock scenarios are applied:

1. 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 watch-list,
4. Classification of U% foreign currency standard loans to watch-list,
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 items,
8. The scene of simultaneous occurrence of the first (except those classified as doubtful), second, third and seventh scenes.

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

As a result of the application of stress tests, the impact of the 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 (for different values of each scenario parameter) which are used for the purpose of analysis of possible scenarios drafted on the basis of previous period data. The analysis of more possible scenarios enables to assess the riskiness of loan portfolio and to undertake measures for the insurance of the minimum level of risk. The analysis of the 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 (risk) of a breach of a standard on the given date.

4) Determination of the 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 performed 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

	30.06.2014				Thousand AMD
<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>
Assets					
Cash and balances with the CBA	14,446,351				14,446,351
Receivables to banks and other financial institutions	6,268,155	655,571	5,788,573	557,435	13,269,734
Standard bank precious metal bullions and coins	65,224				65,224
Held for trade financial asset					
Loans and advances provided to customers	41,657,112		1,049		41,658,161
Available-for-sale securities	958,389		1,917		960,306
Investments in the chartered capital of controlled entities	227,336				227,336
Securities pledged under repurchase agreement	6,653,763				6,653,763
Other assets	96,245				96,245
Total assets	70,372,575	655,571	5,791,539	557,435	77,377,120
Off-balance sheet items containing credit risks	4,894,202				4,894,202
Liabilities					
Liabilities to banks and other financial institutions	13,411,174	2,161,195	4,812,399	13,503	20,398,271
Liabilities to customers	48,570,201	788,470	165,454	96,773	49,620,898
Total liabilities	61,981,375	2,949,665	4,977,853	110,276	70,019,169
Net position	8,391,200	(2,294,094)	813,686	447,159	7,357,951

	31.12.2013				Thousand AMD
<i>Items</i>	<i>RA</i>	<i>CIS countries</i>	<i>OECD* countries</i>	<i>Non-OECD* countries</i>	<i>Total</i>
Assets					
Cash and balances with the CBA	14,738,840				14,738,840
Receivables to banks and other financial institutions	2,478,491	1,740,446	2,263,547	546,143	7,028,627
Standard bank precious metal bullions and coins	23,883				23,883
Held for trade financial asset			134		134
Loans and advances provided to customers	40,693,742				40,693,742

Available-for-sale securities	2,519,331		1,715		2,521,046
Investments in the chartered capital of controlled entities	245,192				245,192
Securities pledged under repurchase agreement	4,624,479				4,624,479
Other assets	82,620				82,620
Total assets	65,438,775	1,740,446	2,265,396	546,143	69,990,760
Off-balance sheet items containing credit risks	2,720,539				2,720,539
Liabilities					
Liabilities to banks and other financial institutions	10,952,798	2,073,371	4,624,976	1,187	17,652,332
Liabilities to customers	43,584,246	628,425	136,309	86,489	44,435,469
Total liabilities	54,537,044	2,701,796	4,761,285	87,676	62,087,801
Net position	10,901,731	(961,350)	(2,495,889)	458,467	7,902,959

Loans allocated in the territory of RA per RA regions:

		Thousand AMD
RA regions	30.06.2014	31.12.2013
Yerevan	30,731,057	31,030,578
Ararat	447,405	427,492
Armavir	1,263,188	1,116,874
Kotayq	1,888,634	1,657,113
Shirak	1,070,796	915,369
Lori	952,184	893,142
Aragatsotn	3,148,547	2,792,968
Syuniq	945,397	767,623
Tavush	302,413	348,912
Gegharghuniq	416,704	295,042
Vayoc Dzor	391,178	348,867
Artsakh	100,659	99,762
Total	41,658,161	40,693,741

Analysis of assets containing credit risk per economic segments riskiness:

		30.06.2014								Thousand AMD	
Assets	Performing		Non-performing								

	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	41,147,358	32,253	312,695	142	157,636	31	40,472	21	3,320,499	402
Loans provided to non-residents	1,050	1							401	1
Loans provided to residents, including:	41,146,308	32,252	312,695	142	157,636	31	40,472	21	3,320,098	401
Industry	4,562,404	181	1,351	1			6,646	2	1,124,575	21
Agriculture	1,734,207	7,208	3,277	17	196	2	438	4	5,264	32
Construction	1,460,755	20			52,237	3			53,180	6
Transport and communication	249,850	28	19,923	5					20,299	2
Trade	9,328,331	753	6,214	4	18,463	5			371,634	47
Public catering and other service fields	3,768,262	85			1,939	1	22,624	2	44,974	2
Consumer loans	15,182,194	23,366	229,847	102	54,799	18	8,528	10	86,541	117
Other sectors of economy	1,802,448	105	7,380	1					1,602,653	171
Mortgage (housing loans)	3,057,857	506	44,703	12	30,002	2	2,236	3	10,978	3
Debtor liabilities	230,236	620	11,677	3			18,478	10		
Investment securities	276,815	4		-						
Post-balance sheet items, including:	4,894,203	88			-					
guarantees	343,759	37			-	-				
LCs	2,545,422	2	-	-	-	-	-	-	-	-

		31.12.2013								Thousand AMD
Assets	Performing		Non-performing							
	Standard/not risky		Watched/Risky		Non-standard/Medium risky		Suspicious/ Highly risky		Lost	
	amount	quantity	amount	quantity	amount	quantity	amount	quantity	amount	quantity
Loans, including:	40,298,266	32,253	109,297	84	237,969	20	48,210	21	3,264,606	386
Loans provided to non-residents									401	1
Loans provided to residents, including:	40,298,266	28,096	109,297	84	237,969	20	48,210	21	3,264,205	385
Industry	7,445,743	170	348	1			11,211	2	1,122,297	21
Agriculture	1,943,908	8,383	3,617	31			36	1	5,634	31

Construction	663,471	14			60,878	3			53,107	6
Transport and communication	218,865	27	8,987	4					20,299	2
Trade	8,505,563	751			26,256	3	4,868	3	340,753	42
Public catering and other service fields	3,783,444	80			79,699	2	24,417	2	44,793	2
Consumer loans	12,518,315	18,039	85,328	40	26,483	9	7,146	2	63,851	109
Other sectors of economy	2,117,230	104			14,867	1	532	2	1,601,154	169
Mortgage (housing loans)	3,101,727	528	11,017	8	29,786	2			12,317	3
Debtor liabilities	284,830	15	42,756	2			3,427	4		
Investment securities	381,355	5		-						
Post-balance sheet items, including:	3,031,339	96			-					
guarantees	474,077	49			-	-				
LCs			-	-	-	-	-	-	-	-

Analysis of credit portfolio as per regions and risk level

		30.06.2014				Thousand AMD
Assets	Performing	Non-performing				Lost
	Standard/not risky	Watched/Risky	Non-standard/Medium risky	Suspicious/Highly risky		
Loans, including:						
1. RA residents	41,146,309	312,695	157,636	40,472	3,320,099	
2. Residents of CIS countries (per countries)					401	
3. Residents of OECD countries (per countries)	1,049					
Germany	1,049			-		
4. Residents on non-OECD countries						
5. Total	41,147,358	312,695	157,636	40,472	3,320,500	

		31.12.2012			Thousand AMD
Assets	Performing	Non-performing			
	Standard/not risky	Watched/Risky	Non-standard/ Medium risky	Suspicious/ Highly risky	Lost
Loans, including:					
1. RA residents	40,298,266	109,297	237,969	48,210	3,264,205
2. Residents of CIS countries (per countries)					401
Russia					401
3. Residents of OECD countries (per countries)					
4. Residents on non- OECD countries Georgia				-	
5. Total	40,298,266	109,297	237,969	48,210	3,264,606

Credit Risk Analysis

1-2) To rise the efficiency of loan portfolio security, loans at the bank are provided to the 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 provided 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 the account of accumulated penalties the risks of the Bank are mitigated due to the fact that, according to the Loan Agreements, the Bank is entitled to satisfy its credit requirements from funds available on the Borrower's bank account and to claim sequestration of loan debt by court order afterwards.

It should be noted that in the loan portfolio the unsecured loans (without reserves) as of 30.06.2014 did not exceed 6.37%. The bulk of the unsecured loans consists of those provided to the customers of "ARMECONOMBANK" OJSC, which have active account movements and stable cash flows. Credit lines under credit cards also have a significant weight. These loans contain low credit risk, since the credit lines have limited sizes, while the customers have jobs and in some cases guarantees of reputable organizations are available.

3) As of 30.06.2014, loan investments amounted to AMD 42,521,748. Non-performing loans as of 30.06.2014 amounted to AMD 641,048. The proportions of watch-list, substandard and doubtful loans in the loan portfolio were respectively 0.82; 0.47 and 0.22 percent.

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

5) The volume of repo transactions (except extensions) effected in the 2nd quarter 2014 was AMD 46 033 016 against AMD 59 674 546 of the same period of the previous year. Reverse repo transactions in the 2nd quarter 2014 totaled AMD 21 924 846 against AMD 7 847 435 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 the purpose of raising the efficiency of lending process and mitigation of risks connected with commercial loans, loan officers make careful analysis of the Borrower's performance. On the purpose of analysis the specialist of loan extension unit visit the place where the customer's business is located and not only uses the existing accounting documents, but also 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 on transit, prepayments made/ ,good supplies/raw materials, half ready goods, goods, fixed assets/equipment related to customers business activity, cars, real estate and other property/.

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

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

The loan amount is provided 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 the purpose of raising the efficiency of lending process, a regular monitoring of provided 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 calls.

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

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

During the monitoring process, the relevant specialist discovers cases of non-purposeful usage of loan or provision of untrue information by the Borrower, the Bank may terminate further lending in case the lending is by installments, or may terminate the Loan Agreement and perform preterm repayment of principal, credit line provided for commercial purposes and accrued interest based on its rights under the Pledge Agreement.

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

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

Collection of written-off loans is made by special units of the Bank, jointly with the problematic loan division and security department.

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

Credit risk management at the Bank is performed by the following main procedures:

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

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

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

				Thousand AMD
Indicators	Amount	Indicator	Amount	Correlation
31.12.13				
Non-performing loans	538,418	Total loans	40,693,742	1.3%
30.06.14				
Non-performing loans	641,048	Total loans	41,658,161	1.5%
31.12.13				
Provisions for non-performing loans	142,942	Total capital	11,063,549	1.3%
30.06.14				
Provisions for non-performing loans	130,247	Total capital	10,978,645	1.2%
31.12.13				
Reserve for loans	817,447	Total loans	40,693,742	2.0%
30.06.14				
Reserve for loans	863,587	Total loans	41,658,161	2.1%
31.12.13				
Possible loss provisions	817,447	Non-performing loans	538,418	151.8%
30.06.14				
Possible loss provisions	863,587	Non-performing loans	641,048	134.7%
31.12.13				
Write-offs-Reimbursements	(11,112)	Average total loans	37,869,279	0%
30.06.14				
Write-offs-Reimbursements	53,614	Average total loans	41,439,958	0.1%
31.12.13				
Reimbursements	88,667	Loan losses	(11,112)	-797.9%
30.06.14				
Reimbursements	6,119	Loan losses	53,614	11.4%
31.12.13				

Profit coverage ratio = (net operational income+provisioning expenses)	5,198,255	Net loan loss	(11,112)	-46780.6%
30.06.14				
Profit coverage ratio = (net operational income+provisioning expenses)	292,480	Net loan loss	53,614	545.5%
31.12.13				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	3,506,993	Loan investments	40,693,742	8.6%
30.06.14				
Net interest margin adjusted by credit risk (interest income-interest expenses-loan losses)	1,694,900	Loan investments	41,658,161	4.1%
31.12.13				
Major borrowings	11,651,647	Capital	9,454,774	123.2%
30.06.14				
Major borrowings	11,060,051	Capital	10,978,645	100.7%
Major borrowings		Capital	-	

Market Risk

1) The Bank's own definition of the market risk

Market risk is a foreign currency, interest rate and price risk which depends on the 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 the 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 (risk of foreign currency assets and liabilities package) incurred from foreign currency positions is made.

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

											Thousand AMD
Accounting period	USD	GBP	EUR	CHF	CNY	AED	RUB	GEL	XAU	XAG	Gross VAR
2013 II Q	905.80	209.47	494.72	172.11	39.17	251.27	2,436.29	72.57	484.01	9.03	2,692.02
2014 II Q	661.71	64.07	176.17	174.34	110.67	270.83	796.61	196.01	17.50	0.00	1,261.40
growth/decrease	-244.09	-145.40	-318.55	2.23	71.50	19.56	-1,639.68	123.44	-466.51	-9.03	-1,430.61

The analysis of the Bank's foreign currency risk according to financial assets and liabilities:

	30.06.2014			
				Thousand AMD
	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	7,508,523	5,923,959	1,013,869	14,446,351
Bank standardized bullions of precious metals and coins	443	64,781	-	65,224
Receivables to banks and other financial institutions	2,440,443	9,986,208	843,083	13,269,734
Held-for-trading financial instruments	-	-	-	-
Loans and advances provided to customers	26,586,743	15,071,418	-	41,658,161
Available-for-sale financial assets	960,306	-	-	960,306
Investments in the chartered capital of controlled entities	227,336	-	-	227,336
Securities pledged under repo agreements	6,653,763	-	-	6,653,763
Other assets	34,146	61,977	122	96,245
Total assets	44,411,703	31,108,343	1,857,074	77,377,120
Liabilities				
Liabilities to banks and other financial institutions	12,800,323	7,576,057	21,891	20,398,271
Liabilities to customers	24,198,432	25,140,628	281,838	49,620,898
Held-for-trading financial liabilities	24,726	-	-	24,726
Liabilities on current taxes	-	-	-	-
Amounts payable	53,064	-	-	53,064

Deferred tax liabilities	149,396			149,396
other liabilities	549,411	20,747	12,403	582,561
Total liabilities	37,775,352	32,737,432	316,132	70,828,916
Net position	6,636,351	(1,629,089)	1,540,942	6,548,204

	31.12.2013			
				Thousand AMD
	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with the CBA	8,452,850	5,163,739	1,122,251	14,738,840
Bank standardized bullions of precious metals and coins	443	23,440	-	23,883
Receivables to banks and other financial institutions	2,017,736	3,334,445	1,676,447	7,028,628
Held-for-trading financial instruments	134	-	-	134
Loans and advances provided to customers	25,020,568	15,673,174	-	40,693,742
Available-for-sale financial assets	2,521,046	-	-	2,521,046
Investments in the chartered capital of controlled entities	245,192	-	-	245,192
Securities pledged under repo agreements	4,624,479	-	-	4,624,479
Other assets	19,483	63,137	-	82,620
Total assets	42,901,931	24,257,935	2,798,698	69,958,564
Liabilities				
Liabilities to banks and other financial institutions	10,705,126	6,946,426	780	17,652,332
Liabilities to customers	24,352,832	19,744,080	338,557	44,435,469
Held-for-trading financial liabilities	6,740	-	-	6,740
Liabilities on current taxes	147,359	-	-	147,359
Amounts payable	52,308	-	-	52,308
Deferred tax liabilities	206,398	-	-	206,398
other liabilities	474,405	121,554	1,467	597,426
Total liabilities	35,945,168	26,812,060	340,804	63,098,032
Net position	6,956,763	(2,554,125)	2,457,894	6,860,532

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

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

Interest Rate Risk

Assessment of interest rate change risk:

The analysis of misbalance shows that the average accumulated misbalance of the 2nd quarter of 2014 (accumulated gap of the sensitive assets and liabilities against the interest rate) is negative forming AMD -2,037,421.0 thousand against AMD 809,959.0 thousand of the same period of the previous year by increasing in absolute value by AMD 1,227,462.0 or more than 2.5 times, that is in average the Bank was sensitive to liabilities in the 2nd quarter of 2014. In the 2nd quarter of 2014, the average accumulated misbalance has decreased in absolute value by AMD 924,880.0 thousand or 31.2% against the previous quarter.

The average correlation ratio of assets and liabilities sensitive to interest rate changes for the 2nd quarter of 2014 has decreased by 5.2 %, forming 96.6% against 101.8% average value of the 2nd quarter of 2013, that is in the 2nd quarter of 2014 the assets sensitive to interest rate changes have formed 96.6% of the liabilities sensitive to interest rate changes.

M The duration of assets as of the end of 2nd quarter 2014 was 0.761 year (against the 0.673 year as of the 2nd quarter of 2013) as it increased by 0.088 year or by 13.1% as compared with the end of the previous quarter (0.732 year) the mentioned indicator has increased by 0.029 year or 4.0%.

The duration of liabilities as of the end of the 2nd quarter of 2014 was 0.463 year (against 0.449 year of the 2nd quarter of 2013) increasing by 0.014 year or 3.1%. In correlation with the end of the previous quarter (0.420) the indicator has increased by 0.043 year or 10.2 %.

The duration gap as of the end of the 2nd quarter of 2014 was 0.342 (against 0.267 of the 2nd quarter of 2013) grew by 0.075 or 28.1 %. In correlation with the previous quarter (0.355) the indicator has increased by 0.013 or 3.7%.

Assets and Liabilities with Changing Interest Rates

30.06.2014						
Item	up to 1 month		1-3 months		3-6 months	
	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Facilities placed						
Loans and advances provided to customers						10,890
Total	-	-	-	-	-	10,890
Liabilities to banks and other financial institutions, including:						
loans				1,811,007		2,726,939
Total	-	-	-	1,811,007	-	2,726,939

Net position	-	-	-	(1,811,007)	-	(2,716,049)
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						Thousand AMD
6 months to 1 year		1-5 years		more than 5 years		
AMD	foreign currency	AMD	foreign currency	AMD	foreign currency	
	13,546					
-	13,546	-	-	-	-	
-	-	-	-	-	-	
-	13,546	-	-	-	-	

31.12.2013						
Item	up to 1 month		1-3 months		3-6 months	
Facilities placed	AMD	foreign currency	AMD	foreign currency	AMD	foreign currency
Receivables to banks and other financial institutions						
Total	-	-	-	-	-	-
Liabilities to banks and other financial institutions, including:						
loans		208,905		1,519,906		2,347,980
Total	-	208,905	-	1,519,906	-	2,347,980
Net position	-	(208,905)	-	(1,519,906)	-	(2,347,980)

6 months to 1 year		1-5 years		more than 5 years	
AMD	foreign currency	AMD	foreign currency	AMD	foreign currency

	35,185		13,492		
-	35,185	-	13,492	-	-
	378,602				
-	378,602	-	-	-	-
-	(343,417)	-	13,492	-	-

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

Item	Interest rates of accounting period		Interest rates of previous period	
	AMD	foreign currency	AMD	foreign currency
Assets				
Balances with the CBA	-	-	-	-
Receivables to banks and other financial institutions, including:	8.03	2.99	9.22	0.09
Interbank loans	14.93	3.97	13.80	
Interbank repo	7.94		9.19	
Loans and advances provided to customers	19.66	13.21	19.74	15.92
Held for trading and available for sale securities	14.40		15.18	-
Liabilities				
Liabilities to banks and other financial institutions	9.26	6.27	8.98	6.76
Liabilities to customers	4.27	5.61	4.27	5.65

3) Description of models

Foreign Currency Risk

Foreign currency risk is the maximum loss from revaluation arising from exchange rate fluctuation, assessed per separate currencies, as well as for the whole portfolio (hereinafter, portfolio) in the Bank's foreign currency assets and liabilities.

On the purpose of measurement and assessment of foreign currency risk, the VAR (Value at Risk) method (model) accepted in the International practice is used, on the basis of which the size of the maximum possible losses (with trustiness) is calculated per separate types of foreign currency (foreign currency positions), as well as for the whole portfolio. According to the VAR model, the size of possible maximum loss is calculated on the basis of foreign currency open positions time series describing the interest rate fluctuations. On the basis of one day VARs

calculated for the Bank's foreign currency assets and liabilities the values of 10 day VARs are assessed for separate foreign currencies and total portfolio.

The calculation of possible maximum loss gives the bank an opportunity to assess the efficiency of its foreign currency operations, taking into account the level of exposure to risk, manage the foreign currency positions, arising from the size of the 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 the market interest rates on the Bank's net interest income or economic value of capital.

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

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

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

1. During the period under review the structure and volumes of assets and liabilities remain unchanged. That means that the repaid assets and liabilities are again allocated and attracted but in this case by new interest 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 the interest rate changes is assessed by the "GAP correlation" indicator (GAP/ASSETS), which is calculated through the correlation of assets and liabilities accumulative gap to assets.

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

Within the frames of this model durations of the Bank's assets and liabilities portfolio (average weighted maturities) are calculated firstly, 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 (depending on the interest rate fluctuations) and liabilities (future flows) is calculated. For the 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 big value of the duration gap indicates a high level of interest rate risk. The preservation of duration gap low level; that is, the preservation of close duration values of assets and liabilities, results in interest rate risk hedging (stability of capital economic 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 the purpose of mitigation of interest rate risk, the accumulative gap and duration gap of assets and liabilities sensitive to interest rate changes are maintained at acceptable levels of risk. Taking into account the general tendency of interest rate changes and applying the elaborated models, measures are undertaken for insurance of efficient time and volume correlations of attractable and distributable funds.

Price Risk

Price risk is the danger for the Bank to incur due to unfavorable changes in the market prices of securities conditioned by factors related to general fluctuations of market prices of securities under the circulation in the market, as well as factors related to given security and its issuer (in the conditions of long or short position presence for the present capital instrument).

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 the 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 the models of assessment and assessment of liquidity risk

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

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

The following shock scenarios are applied for the 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 on-demand liabilities.
4. Pre-term simultaneous withdrawal of 25% of term deposit and all on-demand liabilities by individuals.
5. Pre-term withdrawal of X% of term deposit and Y% of all on-demand liabilities by individuals and legal entities (moreover, 3 levels of scenario are observed: mild, medium, and severe which are simultaneous withdrawal situations of 10%,15% and 20% of term deposits and all on-demand liabilities by individuals and corporate entities).

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

The methodology of maturity 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 maturity 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 the present methodology of liquidity assessment separation of instant, up to 90 days accumulative and general (up to one year) liquidities is made, also time series of liquidity indicators are considered for assessment of the bank liquidity management quality.

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

Liquidity Risk Assessment

Over the II quarter of 2014, the instant liquidity indicator and general (up to one year) liquidity indicators have increased accordingly by 10.63 and 6.87 percent, and the up to 90 day accumulative liquidity indicator has declined by 13.84 percent.

Item	Accounting Period		30.06.2014							Termless	Total	
	Term	Overdue	Non-performing					Repayment date in				
			On-demand	up to 3 months	3- 6 months	6-12 months	1- 5 year	more than 5 years				
On maturity terms of assets												
Cash and cash equivalents, balances with the CBA				14,176,351						270,000	14,446,351	
Standardized precious metal bullions				85,224							85,224	
Receivables to banks and other financial institutions			5,485,296	7,470,804				4		313,630	13,269,734	
Financial assets held for commercial purposes												
Loans and advances provided to customers	466,217	28,053		7,385,897	4,469,296		4,610,536	20,623,589	4,074,573		41,658,161	
Securities, including:												
held for trading					48,820		107,156	2,510,848	4,897,766	276,815	7,841,405	
available for sale					48,820			326,510	535,497	276,815	1,187,642	
held to maturity												
sold by repo agreements							107,156	2,184,338	4,362,269	44,413	6,653,763	
other receivables			91	51,661			80				96,245	
Contractual receivables**												
Total	466,217	28,053	19,726,962	14,908,362	4,518,116	4,717,776	23,134,437	8,972,339	904,858	77,377,120		
Including:												
I group foreign currency	77,829	4,101	11,204,828	6,860,718	2,114,269		1,626,480	7,054,842	2,021,637	143,639	31,108,343	
II group foreign currency			1,262,814	574,260							1,837,074	
By floating interest rate						10,890	13,546				24,436	
By fixed interest rate	466,217	28,053	45,146	13,525,658	4,507,226	4,704,146	23,134,437	8,972,339	49,479	55,432,701		
Non-interest			19,661,816	1,382,704			84		855,379		21,919,983	
On maturity of liabilities repayment												
Liabilities to banks and other financial institutions			887,811	10,197,922	756,281		3,692,175	4,578,809	284,773	500	20,398,271	
Liabilities to customers, including:												
On-demand deposits			21,159,998	7,430,645	4,307,489		12,340,073	4,251,268	129,905	1,520	49,620,898	
Term deposits			20,568,142	35,373			22,223	21,055		1,520	20,848,313	
Other			585,662	67	4,307,489		12,317,850	1,684,791	129,905		25,841,434	
Other								2,545,422			3,131,151	
Held for trade liability											24,726	
Liability on current tax											53,064	
Amounts payable			53,064								53,064	
Deferred tax liabilities							149,396				149,396	
Other liabilities			468,106	111,767	1,534		1,154				582,561	
Off-balance sheet contingent liabilities				70,317	253,857		271,450	4,199,720	90,715	8,146	4,894,205	
Contractual liabilities												
Total	466,217	28,053	22,568,979	17,765,060	5,065,304	16,182,798	8,830,077	414,678	2,020	70,828,916		
Including:												
I group foreign currency			5,292,709	8,001,424	3,007,736		11,317,989	5,025,039	92,535		32,737,432	
II group foreign currency			188,377	68,825	27,871		31,060				316,133	
"Major" liabilities			2,138,295	6,683,057	900,645		12,326	1,948,801	1,490,903		12,559,027	
Floating interest rate				1,811,007	2,726,939						4,537,946	
Fixed interest rate			11,472,719	15,817,243	2,336,831		16,181,644	6,284,655	414,678	2,020	52,509,790	
Non-interest			11,096,260	136,810	1,534		1,154	2,545,422			13,781,180	
Net liquidity gap	466,217	28,053	(2,842,017)	(2,856,698)	(547,198)		(11,465,022)	14,304,360	8,557,661	902,838	6,548,204	
Including:												
I group foreign currency	77,829	4,101	5,912,119	(1,140,706)	(893,467)		(9,691,509)	2,029,803	1,929,102	143,639	(1,629,089)	
II group foreign currency			1,094,437	505,435	(27,871)		(31,060)				1,540,941	
Floating interest rate				(1,811,007)	(2,716,049)		13,546				(4,513,510)	
Fixed interest rate	466,217	28,053	(11,427,573)	(2,291,585)	(2,170,395)		(11,477,498)	16,849,782	8,557,661	47,459	2,922,911	
Accumulative liquidity gap	466,217	494,270	(2,347,747)	(5,204,445)	(5,751,633)		(17,216,655)	(2,912,295)	5,645,366	6,548,204		

Item	Previous accounting period		31.12.2013							Termless	Total	
	A* U - I - 2 (C)	Overdue	Non-performing					Repayment date in				
			On-demand	up to 3 months	3- 6 months	6-12 months	1- 5 year	more than 5 years				
On maturity terms of assets												
Cash and cash equivalents, balances with the CBA				13,468,840						1,270,000	14,738,840	
Standardized precious metal bullions				23,883							23,883	
Receivables to banks and other financial institutions				3,142,198	3,573,385			7		313,038	7,028,628	
Financial assets held for commercial purposes												
Loans and advances provided to customers	339,383	40,635		9,438,992	4,568,255		4,272,300	19,107,801	2,926,376		40,693,742	
Securities, including:												
held-for-trade												
available-for-sale					8,935	3,231	46,576	470,303	1,892,725	376,664	7,422,913	
held-to-maturity												
sold by repo agreements					4,624,479						4,624,479	
other receivables					82,620						82,620	
Contractual receivables **												
Total	339,383	40,635	16,634,921	17,728,545	4,571,486	4,318,883	19,578,104	4,819,101	1,959,702	69,990,760		
Including:												
I group foreign currency	155,937	30,731	6,639,371	6,204,597	2,220,424		1,209,360	6,311,069	1,388,261	98,185	24,257,935	
II group foreign currency			2,779,529	19,169							2,798,698	
Floating interest rate						35,185					48,677	
Fixed interest rate	339,383	40,635	30,585	14,072,540	4,548,240		4,315,689	19,578,104	4,819,101		47,744,277	
Non-interest			16,604,336	3,662,890	23,246		3,194		1,959,702		22,253,366	
On maturity of liabilities repayment												
Liabilities to banks and other financial institutions			726,507	6,515,495	1,141,231		3,973,252	4,945,319	350,028	500	17,652,332	
Liabilities to customers			20,148,991	9,886,730	5,106,981		7,460,576	1,694,577	135,891	1,723	44,435,469	
On-demand deposits			19,302,775	74,133	184		1,487	21,055		1,723	19,401,357	
Term deposits			4,056	9,812,597	5,106,797		7,459,089	1,673,522	135,891		24,191,952	
Other			842,160	6,740							842,160	
Liability held for trade				6,740							6,740	
Liability on current taxes							145,992				145,992	
Amounts payable			52,308								52,308	
Deferred tax liabilities							206,398				206,398	
Other liabilities			597,426								597,426	
Off-balance sheet contingent liabilities				526,842	957,595		1,538,792			8,113	3,031,342	
Contractual liabilities												
Total	339,383	40,635	21,525,232	16,408,965	6,248,212	11,786,218	6,639,896	485,919	2,223	63,096,665		
Including:												
I group foreign currency			4,566,507	5,981,244	6,358,753		8,445,948	1,373,674	85,934	0	26,812,060	
II group foreign currency			200,314	101,945	22,165		15,880	500			340,804	
"Major" liabilities				5,043,713	156,274		1,385,127	2,788,662	486,037		9,859,813	
Floating interest rate				208,905	1,519,906		2,347,980	378,602			4,455,393	
Fixed interest rate			10,211,967	16,005,047	6,237,849		11,775,652	6,618,699	485,919	(932)	51,334,201	
Non-interest			11,313,265	403,918	10,363		10,566	21,197		3,155	11,762,464	
Net liquidity gap	339,383	40,635	(4,890,311)	1,319,580	(1,676,726)		(7,467,335)	12,938,208	4,333,182	1,957,479	6,894,095	
Including:												
I group foreign currency	155,937	30,731	2,072,864	223,353	(4,138,329)		(7,236,588)	4,937,395	1,302,327	98,185	(2,554,125)	
II group foreign currency			2,579,215	(82,776)	(22,165)		(15,880)	(500)			(4,406,716)	
Floating interest rate				(208,905)	(1,484,721)		(2,334,488)	(378,602)			(2,457,894)	
Fixed interest rate	339,383	40,635	(10,181,382)	(1,932,507)	(1,689,609)		(7,459,963)	12,959,405	4,333,182	932	(3,589,924)	
Accumulative liquidity gap	339,383	380,018	(4,510,293)	(3,190,713)	(4,867,439)		(12,334,774)	603,434	4,936,616	6,894,095		

Note 33: "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 the capital level.

We present the structure of balance sheet capital:

		Thousand AMD
	30.06.2014	31.12.2013
Chartered capital	2,333,338	2,333,338
Reserves:	6,296,473	6,474,523
Main reserve	5,405,133	5,405,133
Revaluation reserve	891,340	1,069,390
Undistributed profit/loss	2,238,228	2,173,890
Total capital	10,868,039	10,981,751

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

							Thousand AMD
	Involvement in the calculation of standards						
2014	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	8,240,862	1,046,908	9,287,770	53,052,950	1,118,598	14.89	12
February	7,905,841	983,126	8,888,967	53,826,057	1,103,906	14.10	12
March	7,834,785	826,813	8,661,598	55,481,270	1,067,818	13.45	12
April	7,965,916	883,500	8,849,416	57,029,273	1,104,906	13.36	12
May	7,857,777	943,233	8,801,010	56,716,308	1,101,716	13.36	12
June	7,996,041	935,523	8,931,564	57,068,163	1,114,029	13.46	12

							Thousand AMD
	Involvement in the calculation of standards						
2013	Main capital	Additional capital	Total capital	Credit risk	Market and operational risk	Equivalent effective %	CBA limit %
	1	2	3 (1+2)	4	5	6	7
January	7,892,162	108,346	8,000,508	45,786,461	804,288	15.24	12
February	7,754,683	102,485	7,857,168	44,917,641	696,987	15.49	12
March	7,776,466	161,007	7,937,473	48,414,080	784,597	14.44	12

April	7,827,139	190,711	8,017,850	50,746,695	852,560	13.86	12
May	7,842,727	231,127	8,073,854	51,998,911	819,794	13.72	12
June	7,932,096	335,505	8,267,601	51,451,990	159,292	15.66	12
July	8,204,784	302,954	8,507,738	52,803,975	158,132	15.72	12
August	8,218,598	252,008	8,470,606	53,650,440	161,224	15.40	12
September	8,261,962	240,581	8,502,543	52,501,587	896,463	14.18	12
October	8,325,015	279,973	8,604,988	52,737,884	888,034	14.31	12
November	8,242,245	564,989	8,807,234	53,186,376	921,686	14.47	12
December	8,214,404	1,091,494	9,305,898	54,446,360	1,074,943	14.68	12

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

				Thousand AMD
As of 30.06.2014				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	24,710,068	1,970,400		-
10%	3,168,555			316,856
20%	3,815,947			763,189
30%	1,254,202			376,261
50%	3,074,055	14		1,537,035
75%	311			233
100%	30,187,260	468,851	12,631	30,668,742
150%	14,901,405	856,236		23,636,462
Total	81,111,803			57,298,777

				Thousand AMD
As of 31.12.2013				
Risk weight	Assets	Off-balance sheet contingent liabilities	Incomplete term operation	Total credit risk
0%	24,298,596	185,870		-
10%	1,401,723			140,172
20%	2,080,456			416,091
30%	1,220,872			366,262

50%	1,494,184	14		747,099
75%	1,564,799			1,173,599
100%	27,626,108	577,596	17,154	28,220,858
150%	15,049,913	878,098		23,892,017
Total	74,736,651	1,641,578	17,154	54,956,098

Note 34: "Real Value of Financial Assets and Liabilities"

We hereby present explanations on the assessed real value of Financial Instruments given in accordance with the 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 30.06.14 the following methods and assessments were used by the Bank during the 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 provided to customers, receivables to banks and other financial institutions.

The real value of the loan portfolio depends on the credit and interest rate peculiarities of separate loans included in each class of loans that form the loan portfolio. The assessment of loan loss provision considers 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 the loan risk.

Resources attracted from banks and other financial institutions

The balance sheet value is close to the real value.

Customer deposits and bank accounts

The balance sheet value is close to the real value.

As of 30.06.14, the Bank had no financial assets accounted for by the 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: "De-recognition"

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

Note 37: "Pledged Assets"

As of 30.06.14 the Bank has no pledged assets.

Note 38: "Accepted Pledge"

As of 30.06.14 there are no assets accepted as pledge that the Bank is entitled to sell or re-pledge, even in case the customer has not breached its obligations.

We hereby present the assets and warrantees accepted as a pledge with their relevant loan investments, without taking into account the reserve amounts.

			Thousand AMD	
Collateral type	30.06.2014		31.12.2013	
	Loan amount	Collateral amount	Loan amount	Collateral amount
Real estate	19,001,561	74,218,550	18,506,766	70,396,804
Car	4,409,097	12,874,315	3,872,395	10,663,295
Equipment	274,259	697,433	354,827	597,834
Ready made products	191,684	664,000	154,891	718,000
Guarantee	9,041,578	36,847,974	7,300,346	30,736,201
Monetary funds	816,016	1,142,182	1,432,915	2,470,653
Gold items	6,014,121	7,187,937	5,448,944	6,395,409
Standard gold	21,294	22,523	28,653	35,029
State securities				
Securities issued by the CBA	-	-	-	-
other securities	-	-	-	-
other pledge	41,707	183,548	58,518	191,998
No collateral available	2,710,431		4,352,934	
Total	42,521,748	133,838,462	41,511,189	122,205,223

Note 39: "Non-performance/Breach of Liabilities"

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

CEO
Chief Accountant

A.NALJYAN
D.AZATYAN

Approval date: 18 July 2014