



Appendix 5

NOTES TO FINANCIAL STATEMENTS
(Form 5)

31-Dec-14

ARMBUSINESSBANK CJSC, RA, YEREVAN, 48 NALBANDYAN

Note 1. Legal Environment and Corporate Governance

"Armbusinessbank" CJSC, former "Arminvestbank" CJSC (hereinafter the Bank) was founded in 1991, and it is a closed joint-stock company that operates in accordance with the legislation of the Republic of Armenia (hereinafter RA): The Bank was registered on 10.12.1991 by the RA Central Bank (hereinafter, CBA). The license number is 40.

The Bank accepts deposits from and extends loans to the population, makes transfers within the territory of Armenia and abroad, conducts currency conversion operations, as well as renders other banking services to corporates and individuals.

The Bank's head office and 15 branches are located in Yerevan, 17 branches are located in different regions (marzes) of Armenia, and 7 branches – in the Republic of Nagorno Karabakh.

The legal address of the Bank is: 48 Nalbandyan Street, Yerevan.

The Bank is:

- member of the Union of Banks of Armenia
- full member of global Master Card/Europay payment system
- shareholder of SWIFT system
- full member of VISA International payment system
- member of NASDAQ OMX Armenia OJSC
- member of the Union of the participants of Armenia's Mortgage Market
- Shareholder of ArCa processing center

1. Corporate governance

The Bank's managing bodies are:

- General Meeting of the Shareholders - the Supreme governing body
- The Board
- The Executive Board and the Chairman of the Executive Board

a) The Board	
Chairman of the Board	– Vitaly Grigoryants
Board Members	– Sergey Arzumanyan
	Diana Grigoryan
	Sevak Petrosyan
	Alik Chirkinyan
b) The Executive Board	
Chairman of the Executive Board	- Arsen Mikayelyan
Members of the Executive Board	
Khachik Mkrtchyan	- 1st Deputy Chairman of the Executive Board
Manvel Sahakyan	- Deputy Chairman of the Executive Board- Director of Financial Department
Vardan Aghajanyan	Deputy Chairman of the Executive Board- Director of Operations Department
Nshan Grigoryan	- Deputy Chairman of the Executive Board -Director of Credit Department
Narine Sargsyan	- Chief Accountant
Vahan Melkonyan	- Director of Treasury Department - Chief Treasurer
Bagrat Tevosyan	- "Kentron" branch manager

c) Major Participants

Vitaly Grigoryants – 100 %

d) Management Remuneration Policy

Remuneration of the Management is provided in accordance with signed employment contracts and the staff list approved by the Board of the Bank.

Note 2. Accounting Policy**2.1 Preparation of financial statements**

The Bank prepares its financial statements in accordance with the International Financial Reporting standards (IFRS), other legal acts regulating the accounting, and the requirements of the accounting policy approved by the Board of the Bank.

2.2 Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Bank's assets should be realised and obligations met during the time of the Bank's operation.

2.3 Comparability

The comparable numbers have been adjusted where required to ensure the comparability with the numbers of the current period.

2.4 Recognition of income and expense*2.4.1 Interest income and expense*

Interest income and interest expense in the Statement of Comprehensive Income are recognized on the accrual basis using the effective interest method.

2.4.2 Commissions and other income and expense

Loan origination fees together with correspondent expenses are deferred as an adjustment to the effective yield of the loans. Fees, other income and expense are recognized on an accrual basis during the time of service provision.

2.5 Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate established as of the balance sheet date.

Gain and loss resulting from the difference between the exchange rate provided by the contract concerning the transaction and the exchange rate as of the transaction date are accounted for in the Statement of Comprehensive Income as a line item "net income from sale and purchase of foreign currency" in net trading income.

The following exchange rates were used by the Bank when preparing the financial statements:

	31 December 2013	31 December 2014
AMD/1 US Dollar	405.64	474.97

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand amounts of correspondent banks, balances with the CBA (excluding funds deposited for the settlement of ArCa payment cards), which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value.

2.7 Amounts due from other banks

In the normal course of business, the Bank maintains current and deposits accounts opened with other banks for various periods of time.

2.8 Securities

On initial recognition, financial assets available for sale are accounted for at initial cost and thereafter remeasured at fair value. When revaluing at fair value, the revaluation result is reflected in the equity

2.9 Loans and advances to customers

Loans and advances are financial assets with fixed payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Subsequently, loans and advances are measured at amortized cost using the effective interest method. Loans and advances to customers are carried net of any allowance for impairment losses.

2.10 Leasing

Lease payments under an operating lease are recognised in the statement of financial results as expenses on a straight-line basis over the lease term.

2.11 Possible losses reserve

The Bank makes an impairment assessment for financial assets or a group of financial assets as of the each balance sheet date.

2.12 Intangible assets

Intangible assets include computer software, licences and similar items. Intangible assets acquired separately are initially recognized at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation or impairment losses. Intangible assets can have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their useful life, that is 15 years. Intangible assets with indefinite useful lives are not amortized, they are reassessed each year for impairment.

2.13 Property, plant and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation annual rates have been applied:

	Useful life	Rate
	(years)	(%)
Buildings	30	3.33
Computers	3	33.3
Transportation means	5	20
Automatic teller machines	10	10
Other PPE	5	20
Property and office equipment	5	20

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

The expenditures as regards PPE repairs and maintenance are recognized as an expense in the statement of financial results during the period in which they are incurred.

2.14 Financial instruments

The Bank implements measurement, recognition, use and accounting for the financial instruments according to the order established by the RA legislation as well as the regulations, decrees, orders and acts issued by the Bank.

2.15 Events occurring after the balance sheet date

2.15.1 In case material errors revealed by the auditor result from the differences between the requirements of the International Accounting Standards and RA legislation, then the accounting records are made in accordance with the decisions taken by the managing bodies of the Bank.

2.15.2 In case material errors appear or are revealed after publication of the Bank's annual financial statements according to the established order, then no adjustments are made, and it is considered that repeated presentation of similar information is impracticable.

2.16 Taxation

Income tax on the profit for the reporting year comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes paid in respect of previous years. Deferred taxes are calculated taking into account all the temporary differences arising between carrying values of assets and liabilities recognized in the financial statements and the amounts calculated for taxation purposes.

The Bank pays also other taxes during the course of its activity. These taxes are included as a component of other expenses in the statement of comprehensive financial results

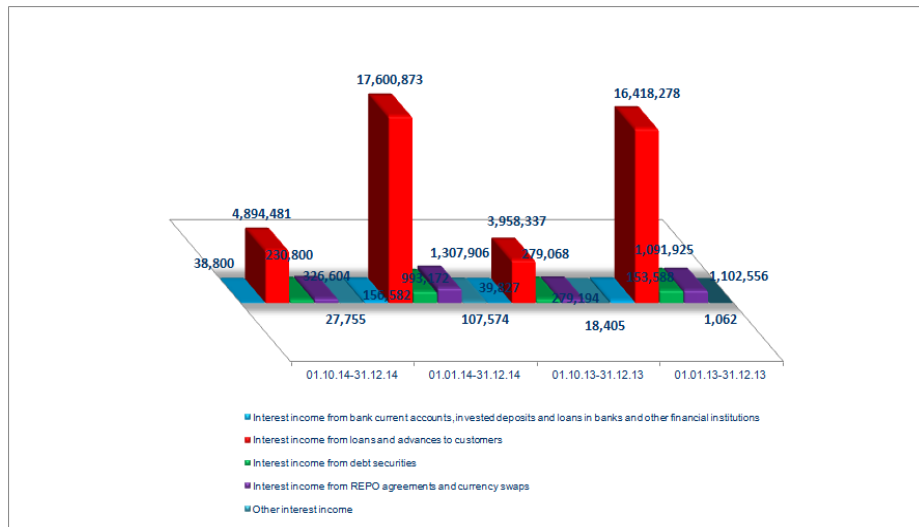
2.17 Functional and presentation currency

The national currency of the Republic of Armenia is RA Dram (AMD). For the purposes of these financial statements, RA Dram is the presentation currency as well.

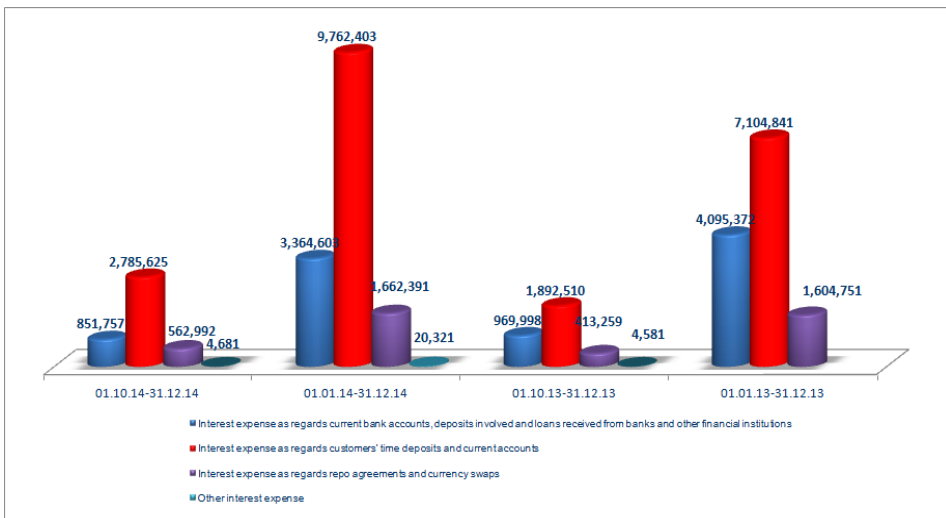
The intermediary financial statements are presented in thousands of AMD.

Note 3. Net Interest and Similar Income

Interest and Similar Income	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Interest income from bank current accounts, invested deposits and loans in banks and other financial institutions	38,800	156,582	39,827	153,588
Interest income from loans and advances to customers	4,894,481	17,600,873	3,958,337	16,418,278
Interest income from debt securities	230,800	993,172	279,068	1,091,925
Interest income from REPO agreements and currency swaps	326,604	1,307,906	279,194	1,102,556
Other interest income	27,755	107,574	18,405	1,062
Total	5,518,440	20,166,107	4,574,831	18,767,409



Interest and Similar Expense	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Interest expense as regards current bank accounts, deposits involved and loans received from banks and other financial institutions	851,757	3,364,603	969,998	4,095,372
Interest expense as regards customers' time deposits and current accounts	2,785,625	9,762,403	1,892,510	7,104,841
Interest expense as regards securities issued by the Bank				
Interest expense as regards repo agreements and currency swaps	562,992	1,662,391	413,259	1,604,751
Other interest expense	4,681	20,321	4,581	
Total	4,205,055	14,809,718	3,280,348	12,804,964
Net interest and similar income	1,313,385	5,356,389	1,294,483	5,962,445



Note 4. Income and Expense in the form of Commissions and Other Fees

Income in the form of Commissions and Other Fees	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Cash operations	69,602	224,989	75,472	178,453
Settlement services	86,505	316,809	80,357	316,584
Guarantee, acceptance, letter of credit, trust management operations	132,183	267,608	94,116	132,705
Transaction in foreign currency and securities				
Plastic card operations	216,877	782,435	172,163	499,398
Other commission payments	130,350	340,624	46,860	172,250
Total	635,517	1,932,465	468,968	1,528,452

Expenses in the form of Commissions and Other Payments	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Commission payments as regards correspondent and other accounts/bank transactions	38,038	142,582	37,126	196,934
Commission payments as regards transactions with plastic cards/cash transactions	23,779	77,525	46,781	275,740
Payments as regards guarantees, acceptance, letters of credit, trust management transactions	23	41		
Commission payments as regards transactions in foreign currency and securities	5,560	15,294		
Other commission payments	56,807	194,426	22,690	74,084
Total	124,207	429,868	106,597	546,758
Net Commissions and other payments received	511,310	1,502,597	362,371	981,694

Note 5. Net income from trading transactions

Income from investments remeasured at fair value and held at fair value	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Net income from purchase and sale of investments held for trading, including				
- shares				
- debt securities				
- derivative instruments	508,397	474,874	6,556	428,821
Net income from change in fair value of investments held for trading				
Total	508,397	474,874	6,556	428,821

Net income from investments available for sale	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Net income from purchase and sale of investments available for sale, including				
- shares				
- debt securities	0	3,059	0	-226,458
- derivative instruments				
Net income from change in fair value of investments held for trading	0	52,925	0	338,512
Total	0	55,984	0	112,054

From foreign currency transactions	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Net income from foreign currency dealings	355,214	889,210	183,942	699,941
Net income from foreign currency revaluation	-666,082	-660,302	-1,191	-300,293
Total	-310,868	228,908	182,751	399,648

From bank standardized precious metal bullions and commemorative coins	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Net income from purchase and sale of bank standardized precious metal bars and commemorative coins	34,807	34,847	1,716	13,029
Net income from revaluation of bank standardized precious metal bullions and commemorative coins	34,638	32,983	-41,396	-101,626
Total	69,445	67,830	-39,680	-88,597

Net income from trading transactions	266,974	827,596	149,627	851,926
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Note 6. Other operating income

Other operating income	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Fines and penalties received	275,443	764,090	157,261	383,675
Income received from factoring	3,652	6,100		
Net income from disposal of PPE and intangible assets	6,574	25,458	-4,142	33,820
Net income from revaluation and impairment reversal of PPE and intangible assets				
Other income	59,461	260,814	39,043	128,958
Total	345,130	1,056,462	192,162	546,453

Note 7. Net allocations to the assets possible loss reserve

As regards amounts due from banks		01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance	Note 14	0	0	0	31,840
Allocations to the reserve		0	0		267,898
Return of reserve allocations		0	0	0	-299,738
Net allocations to the reserve		0	0	0	-31,840
Return of amounts previously written-off to the off-balance sheet		0	0	0	0
Reserve utilization					
Closing balance			0	0	0

As regards amounts due from financial institutions		01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance	Note 14	0	0	0	17,458
Allocations to the reserve		0	0		606
Return of reserve allocations		0	0	0	-18,064
Net allocations to the reserve		0	0	0	-17,458
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
Closing balance			0	0	0

As regards loans and advances provided to the customers	Note 16	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance		4,739,418	2,656,516	2,882,896	2,532,250
Allocations to the reserve		1,277,729	5,334,357	887,455	5,203,293
Return of reserve allocations		-1,413,504	-6,928,276	-1,166,377	-3,967,414
Net allocations to the reserve		-135,775	-1,593,919	-278,922	1,235,879
Return of amounts previously written-off to the off-balance sheet		170,868	4,273,325	162,275	727,865
Reserve utilization		-234,247	-795,658	-109,733	-706,458
Closing balance		4,540,264	4,540,264	2,656,516	3,789,536

As regards investments	Note 18	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance		18,406	3,489	3,489	13,010
Allocations to the reserve			18,406		29
Return of reserve allocations			-3,489		-9,550
Net allocations to the reserve		0	14,917	0	-9,521
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
Closing balance		18,406	18,406	3,489	3,489

As regards other assets	Note 18	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance		93,689	143,349	177,868	106,560
Allocations to the reserve		97,711	336,646	35,134	738,532
Return of reserve allocations		-37,538	-261,218	-191,526	-832,802
Net allocations to the reserve		60,173	75,428	-156,392	-94,270
Return of amounts previously written-off to the off-balance sheet		3,102	4,158	123,951	189,620
Reserve utilization		-28,329	-94,300	-2,078	-58,561
Closing balance		128,635	128,635	143,349	143,349

As regards off-balance sheet items containing credit risk	Note 30	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Opening balance		0	0	0	197,260
Allocations to the reserve			0		75,223
Return of reserve allocations		0	0	0	-272,483
Net allocations to the reserve		0	0	0	-197,260
Closing balance		0	0	0	0

Total net allocations to the reserves		-75,602	-1,503,574	-435,314	885,530
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Note 8. General administrative expenses

General administrative expenses	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Expenses as regards calculated salary and other equivalent payments *	883,420	2,736,820	712,816	2,443,677
Expenses as regards social payments	218	795	5,696	17,923
Expenses as regards training and tuition	494	2,212	78	790
Expenses as regards business trips	12,361	60,644	4,093	14,794
Expenses as regards operating lease	26,474	82,028	19,185	74,018
Insurance expenses	5,989	23,553	7,536	36,184
Expenses as regards maintenance and security of Bank's equipment	22,997	66,765	13,523	41,996
Expenses as regards maintenance and security of Bank's buildings	75,557	280,549	66,573	262,783
Expenses as regards audit and other consulting services	10,036	10,236		13,350
Expenses as regards communication means	25,100	88,019	23,076	101,966
Transportation expenses	13,788	43,358	10,116	50,577
Expenses as regards taxes, duties and other obligatory payments (except profit tax)	52,826	180,877	56,735	206,258
Office and organizational expenses	37,052	65,877	8,875	35,486
Expenses as regards loans provision and return	4,764	19,401	6,255	18,821
Other administrative expenses	252,268	604,940	126,470	311,986
Total	1,423,344	4,266,074	1,061,027	3,630,609

The number of the Bank employees as at 31 December 2014 is 762.

The size of average monthly salary per employee is **214** thous. drams.

Note 9. Other Operating Expenses

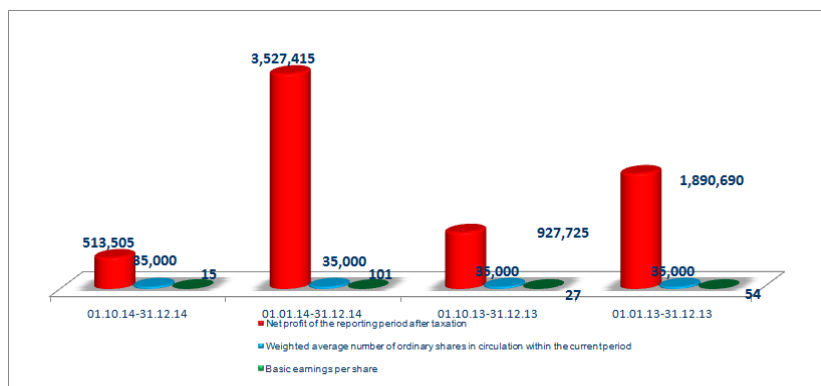
Other Operating Expenses	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Fines and penalties paid	532	2,984	302	1,614
Advertising and representation expenses	59,707	178,507	33,829	118,295
Fcatoting expenses				
Fixed and intangible assets amortization expenses	205,617	806,580	199,526	790,947
Loss from impairment of tangible assets				
Allocations to deposit guarantee fund	47,944	165,179	33,159	134,645
Other expenses	90,444	330,612	111,103	655,350
Total	404,244	1,483,862	377,919	1,700,851

Note 11. Profit Tax Expense

Profit tax expense	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Current tax expense	174,264	971,925	331,999	365,794
Adjustments of current tax for previous periods recognized in the given period				
Deferred tax expense	2,956	2,660	264,713	130,956
Total	171,308	969,265	67,286	234,838

Note 12. Basic Earnings per Share

Basic Earnings per Share	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Net profit of the reporting period after taxation	513,505	3,527,415	927,725	1,890,690
Dividends calculated for the current reporting period as regards preference shares	()	()	()	()
Net gain/loss for the current period attributable to the owners of the ordinary shares				
Weighted average number of ordinary shares in circulation within the current period	35,000	35,000	35,000	35,000
Basic earnings per share	15	101	27	54
Diluted earnings per share				



Note. Other Comprehensive Income

Other Comprehensive Income	01.10.14-31.12.14	01.01.14-31.12.14	01.10.13-31.12.13	01.01.13-31.12.13
Exchange rate differences from recalculation of foreign transactions				
Revaluation of financial assets available for sale	(631,911)	(804,031)	1,119,691	1,157,704
Cash flow hedging				
Gains from PPE revaluations			589,278	589,278
Deferred tax expense			-349,597	-349,397
Total	(631,911)	(214,753)	1,359,372	1,397,585

Note 13. Cash means, Cash Equivalents and Balances with the RA Central Bank

Cash, cash equivalents and balances with the CBA	Reporting period	Previous period
Cash means	2,495,879	1,701,116
Other placements of cash	2,818,890	2,383,985
Correspondent accounts with the CBA *	22,594,935	30,227,219
Total	27,909,704	34,312,320
Deposit accounts with the CBA		
Deposited means with the CBA **	220,000	420,000
Accrued interest		
Cash means and balances with the CBA	28,129,704	34,732,320
Standardized precious metal bullions	457,924	8,819
Placements with other banks (Note 14)	3,925,069	2,381,221
Total cash and cash equivalents	32,512,697	37,122,360

* Correspondent accounts with the CBA include funds calculated against amounts involved by the Bank according to the RA bank legislation, subjected to obligatory provisioning

** The deposited amount with CBA represents an insured deposit for settlements realized through ArCa payment system

Note 14. Amounts due from banks and other financial institutions

Current accounts	Reporting period	Previous period
RA banks	1,629	82
Banks with BBB – (Baa3) and higher rating	2,758,684	2,259,853
	42,344	9,257
Banks with no rating and rating below BBB-(Baa3)		
Accrued interest	0	0
Total	2,802,657	2,269,192

Interbank loans and deposits, etc.	Reporting period	Previous period
CBA		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	535,130	
Other		
RA Banks		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
Banks with BBB – (Baa3) and higher rating		
Loans and deposits	586,800	111,960
Factoring		
Financial lease		
RA Banks		
RA Banks	0	
Letters of credit and bank guarantees		
Other	0	

Banks with no rating and rating below BBB-(Baa3)		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	0	
Letters of credit and bank guarantees		
Other	0	
Accrued interest	482	69
Total	3,925,069	2,381,221
Reserve for possible losses as regards amounts due from Banks (Note 7)		
Net amounts due from banks	3,925,069	2,381,221

Loans and deposits with financial institutions, other amounts due		
RA financial institutions	1,113,640	1,437,385
Loans and deposits	1,113,640	1,437,385
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
Financial institutions with BBB – (Baa3) and higher rating	0	0
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
Financial institutions with no rating and rating below BBB-(Baa3)	728,844	620,535
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other	728,844	620,535
Accrued interest	7,394	9,610
Total	1,849,878	2,067,530
Reserve for possible losses as regards amounts due from financial institutions (Note 7)		
Net amounts due from financial institutions	1,849,878	2,067,530
Net amounts due from banks and financial institutions	5,774,947	4,448,751

Note 15. Financial Assets Held for Trading

Government securities	Reporting period	Previous period
RA Government securities, including		
Treasury bonds	12,542,801	15,482,300
Central Bank bonds		
Other		
Government securities of countries with BBB – (Baa3) and higher rating, including		
Treasury bonds		
Central Bank bonds		
Other		
Government securities of countries with no rating and rating below BBB-(Baa3)		
Treasury bonds		
Central Bank bonds		
Other		
Total Government securities	12,542,801	15,482,300

Non-government securities of RA	Listed	Non-Listed	Listed	Non-Listed
Issuer with A-/A3/ and higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with "C" and higher rating by CBA				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ and below rating, other rating and no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non-government securities of RA held for trading	0	0	0	0

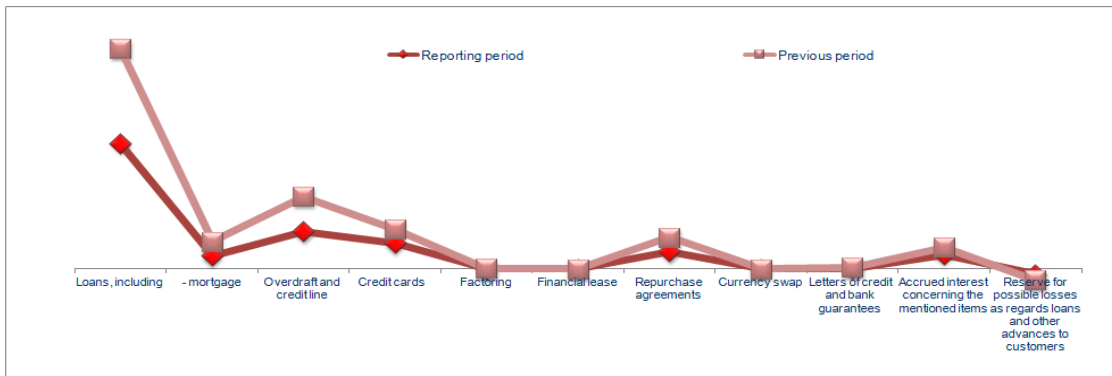
Non-government securities of other countries	Listed	Non-Listed	Listed	Non-Listed
Issuer with A-/A3/ and higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ and below rating, other rating and no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non-government securities of other countries held for trading	0	0	0	0
Total securities held for trading	12,542,801	15,482,300	0	0

Other financial assets held for trading	Reporting period	Reporting period	Previous period	Previous period
Loans, factoring, accounts receivable				
Borrowers with A-/A3/ or higher rating				
Borrowers with BBB+/Baa1/ and lower rating, other rating and no rating				
- Mortgage				
- Consumer loans				
- Other				
Derivative instruments	0		0	
- Futures				
- Forward				
- Option				
- Swap				
- Other				
Total				

Total financial assets held for trading	12,542,801	15,482,300	0	0
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Note 16. Loans and other advances to customers

Issued loans and other advances	Reporting period	Previous period
Loans, including	106,880,311	80,734,089
- to banks		
- to RA Government		
- to local authorities		
- mortgage	11,268,389	12,096,515
Overdraft and credit line	31,938,661	29,673,746
Credit cards	22,150,483	11,927,691
Factoring	286,435	
Financial lease	692	1,282
Repurchase agreements	14,761,539	12,382,355
Currency swap	-	50,550
Letters of credit and bank guarantees	559,055	917,429
Other		
Accrued interest concerning the mentioned items	12,378,567	6,340,446
Total loans	188,955,743	142,027,588
Reserve for possible losses as regards loans and other advances to customers (Note 7)	-4,540,264	-4,807,102
Total net loans	184,415,479	137,220,486



Breakdown of Performing and Non-Performing Loans and Advances to Customers as of the End of the Reporting Period

Breakdown of performing and non-performing loans and advances provided to customers	Reporting period	Previous period
Performing loans and advances	184,756,991	135,347,853
Amount		
Quantity	60,726	35,912
Non-Performing loans and advances, including	4,198,752	6,679,735
Amount		
Quantity	3668	1423
Overdue	1,969,808	4,304,153
Amount		
Quantity	2966	985
Accrued interests		
Total loans	188,955,743	142,027,588
Amount		
Quantity	64,394	37,335
Provision for possible losses as regards loans and advances provided to customers (Note 7)	-4,540,264	-4,807,102
Total net loans	184,415,479	137,220,486

Analysis of provided loans and advances by customer group

Analysis of the provided loans and advances by customer group	Reporting period	Previous period
State enterprises	6,312,510	766,031
Private enterprises, including	119,739,465	92,848,534
- large enterprises	63,578,393	30,218,531
- small and medium enterprises	56,161,072	62,630,003
Natural persons, including	47,450,914	39,323,387
- consumer loans	12,451,448	7,545,039
- mortgage loans	11,268,390	12,086,951
- credit cards	21,865,819	11,925,702
Sole entrepreneurs	3,074,287	2,749,190
Accrued interest	12,378,567	6,340,446
Total loans	188,955,743	142,027,588
Provision for possible losses as regards loans and advances provided to customers	(4,540,264)	(4,807,102)
Total net loans	184,415,479	137,220,486

a) Total loans provided to major borrowers and related persons as of 31.12.2014 made AMD 94.122.190 thous, as of 31.12.2013 – AMD 55.925.751 thous.

b) Share in total loan portfolio as of 31.12.2014 made 54.17 %, as of 31.12.2013 - 46.17 %

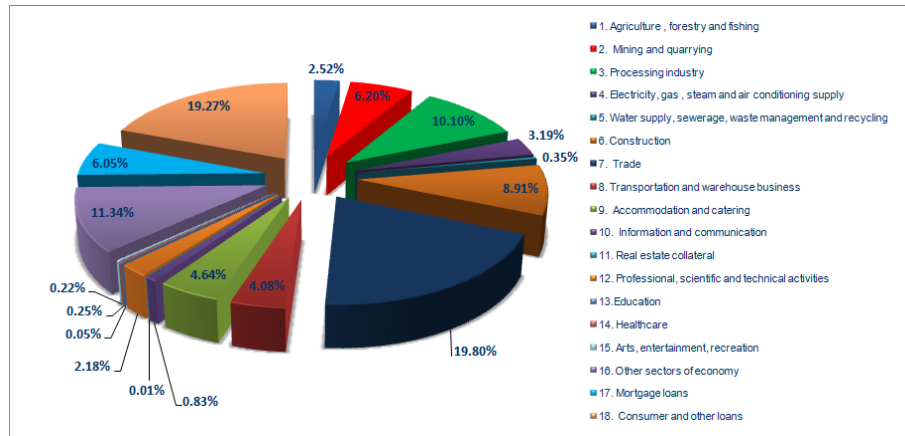
c) Percentage to Capital as of 31.12.2014 was 374.05 %, as of 31.12.2013 –262.23 %

Analysis of loan portfolio according to number of borrowers	Reporting period	Previous period
State enterprises	12	8
Private enterprises	301	306
Natural persons	54,832	23,263
Sole entrepreneurs	212	150
Total	55,357	23,727

Analysis of loan portfolio according to the industry sectors (less the reserve amount for possible losses)

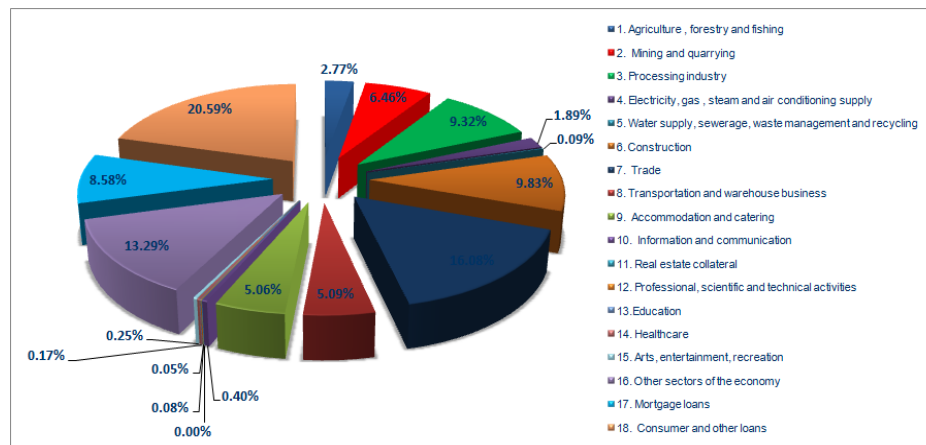
31.12.14

Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	4,758,146	2.52
2. Mining and quarrying	11,722,318	6.20
3. Processing industry	19,091,252	10.10
4. Electricity, gas , steam and air conditioning supply	6,021,542	3.19
5. Water supply, sewerage, waste management and recycling	655,386	0.35
6. Construction	16,830,790	8.91
7. Trade	37,417,930	19.80
8. Transportation and warehouse business	7,702,674	4.08
9. Accommodation and catering	8,774,884	4.64
10. Information and communication	1,568,660	0.83
11. Real estate collateral	19,359	0.01
12. Professional, scientific and technical activities	4,124,069	2.18
13. Education	102,893	0.05
14. Healthcare	477,342	0.25
15. Arts, entertainment, recreation	420,780	0.22
16. Other sectors of economy	21,425,524	11.34
17. Mortgage loans	11,437,363	6.05
18. Consumer and other loans	36,404,831	19.27
Total	188,955,743	100



31.12.13

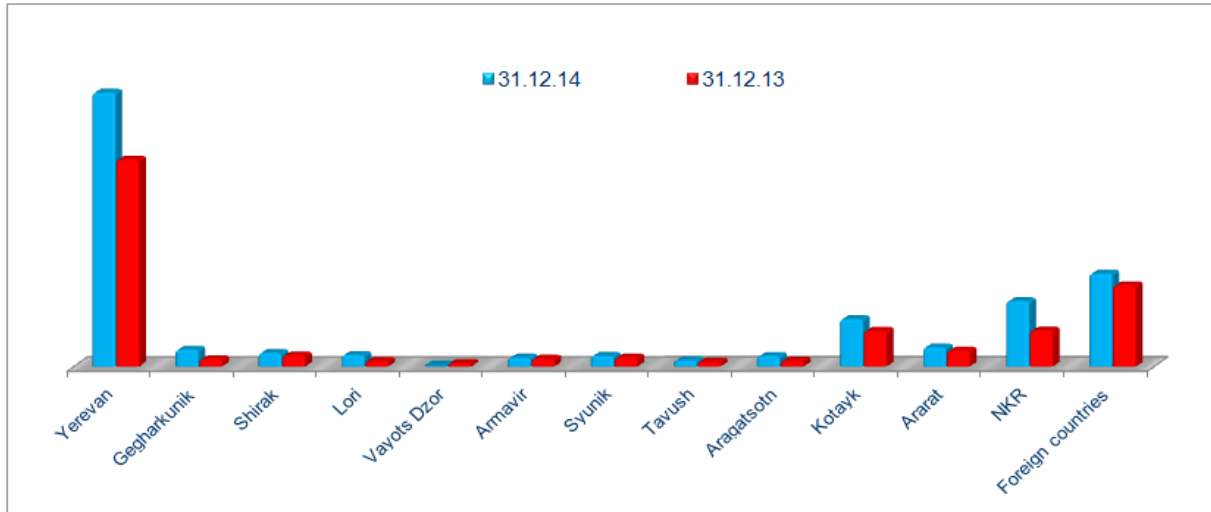
Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	3,936,161	2.77
2. Mining and quarrying	9,170,897	6.46
3. Processing industry	13,230,862	9.32
4. Electricity, gas , steam and air conditioning supply	2,679,522	1.89
5. Water supply, sewerage, waste management and recycling	129,510	0.09
6. Construction	13,964,713	9.83
7. Trade	22,840,431	16.08
8. Transportation and warehouse business	7,234,048	5.09
9. Accommodation and catering	7,191,534	5.06
10. Information and communication	569,248	0.40
11. Real estate collateral		0.00
12. Professional, scientific and technical activities	110,575	0.08
13. Education	70,741	0.05
14. Healthcare	241,507	0.17
15. Arts, entertainment, recreation	354,009	0.25
16. Other sectors of the economy	18,878,087	13.29
17. Mortgage loans	12,188,552	8.58
18. Consumer and other loans	29,237,191	20.59
Total	142,027,588	100



Analysis of the loan portfolio as regards customers' residency

Analysis of the loan portfolio as regards customers' residency	Reporting period	Percentage	Previous period	Percentage
RA residents	154,817,013	83.95	111,336,051	81.14
Non-residents	29,598,466	16.05	25,884,435	18.86
Total	184,415,479	100	137,220,486	100

Region (Marz)	31.12.14		31.12.13	
	Quantity	Amount	Quantity	Amount
Yerevan	19610	87,306,086	13234	65,945,708
Gegharkunik	6206	5,362,702	1813	2,344,252
Shirak	7685	4,326,136	3838	3,555,828
Lori	3561	3,706,533	2441	1,768,258
Vayots Dzor	161	340,143	137	969,692
Armavir	2577	2,846,575	2420	2,546,004
Syunik	2419	3,455,486	1680	2,858,843
Tavush	1329	1,990,124	851	1,515,322
Aragatsotn	5271	3,375,977	2216	1,893,698
Kotayk	4628	15,132,601	2908	11,391,221
Ararat	5032	6,142,854	1908	5,060,513
NKR	5869	20,831,796	3860	11,486,712
Foreign countries	46	29,598,466	29	25,884,435
Total	64,394	184,415,479	37,335	137,220,486



Note 17. Financial assets available for sale

State securities	Reporting period	Previous period
State obligations	8,758,196	9,533,881
Treasury obligations	8,758,196	9,529,301
Central Bank obligations		
Promissory note		4,580
State obligations of countries with BBB-/Baa3/ or higher rating		
Treasury obligations		
Central Bank obligations		
Other		
State securities of countries with BB+/Ba1/ or below rating or no rating		
Treasury obligations		
Central Bank obligations		
Other		
Possible loss reserve for promissory notes (Note 7)		
Total state securities	8,758,196	9,533,881

Non-state securities of RA	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with "C" and higher rating by CBA				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ or below rating, other rating or no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non government securities of RA	0	0	0	0

Non-state securities of other countries	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Issuer with BBB+/Baa1/ or below rating, other rating or no rating				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
Total non government securities of other countries	0	0	0	0

Total securities available for sale	8,758,196	9,533,881
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Other financial assets available for sale				
Loans, factoring, amounts receivable				
Borrowers with A-/A3/ or higher rating				
Borrowers with BBB+/Baa1 and below rating, other rating and no rating				
Mortgage loans				
Consumer loans				
Other				
Total	0	0	0	0

Total financial assets available for sale	8,758,196	9,533,881
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Investments in other persons' share capital

Reporting period

Company name	Main activity	Country of registration	Investment date	Invested amount (thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	11457	0.00005
Total				43,445	6
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)				-18,406	
Total				25,039	

Previous period

Company name	Main activity	Country of registration	Investment date	Invested amount (thous. drams)	Share
1. Armenian Card CJSC	Payment and settlement services	RA	20.10.06	12143	2.00
2."ACRA Credit Reporting" CJSC	Payment and settlement services	RA	22.11.07	19845	4.0003
3. SWIFT	Payment and settlement services	Belgium	23.04.12	9226	0.00005
Total				41,214	
Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)				-21,895	
Total				19,319	

	Reporting period	Previous period
Total financial assets available for sale and investments in other companies' share capital	8,783,235	9,553,200

Note 18. Investments held to maturity

Government securities	Reporting period	Previous period
RA state bonds including		
T-bonds		
Bonds of Central bank		
Other		
Government securities of countries with BBB-/Baa3/ or higher rating, including		
T-bonds		
Bonds of Central bank		
Other		
State securities of countries with BB+/Ba1/ or below rating or no rating, including		
T-bonds		
Bonds of Central bank		
Other		
Accrued interest		
Total		

Non-government securities of RA	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Issuer having "C-" and higher rating from CBA, including	0	0	0	
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				0
Issuer with BBB+/Baa1/ and lower rating, other rating and no rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Accrued interest				
Total	-	-	-	-

Non-government securities of other countries	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-/A3/ or higher rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Issuer with BBB+/Baa1/ and lower rating, other rating and no rating, including				
- long term debt instruments				
- short term debt instruments				
- deposit certificates				
- other				
Accrued interest				
Total	-	-	-	-

Impairment of investments held to maturity (reserve for possible losses) (Note 7)				
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Net investments in financial assets held to maturity	0		0	0
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Note 20. Property, Plant, Equipment and Intangible Assets

Property, plant and equipment

Title	Buildings	Computer & communication means	Vehicles	Other PPE	Capital investments as regards PPE	Capital investments as regards leased PPE	Total
Initial cost							
Balance at the beginning of the previous period	7,908,178	2,683,902	470,838	1,110,545	-	28,996	12,202,459
Increase	2,330	53,172	31,272	152,868	-	1,403	241,045
Disposal			242,090				242,090
Write-off							-
Revaluation	589,278						589,278
Depreciation adjustment from revaluation	(952,836)						(952,836)
Balance at the end of the previous period	7,546,950	2,737,074	260,020	1,263,413	-	30,399	11,837,856
Increase	1,733	230,211	-	343,820	-	87,978	663,742
Disposal			6,363				6,363
Revaluation*							-
Write-off		24,346		4,989			29,335
Depreciation adjustment from revaluation							-
Balance at the end of the reporting period	7,548,683	2,942,939	253,657	1,602,244	-	118,377	12,465,900
Accumulated depreciation							
Balance at the beginning of the previous period	687,347	1,498,312	160,902	536,645	-	18,106	2,901,312
Increase	265,489	212,225	81,589	225,594		438	785,335
Disposal			122,457				122,457
Impairment							-
Depreciation adjustment from revaluation	952,836						952,836
Write-off							-
Balance at the end of the previous period	-	1,710,537	120,034	762,239	-	18,544	2,611,354
Increase	290,106	220,186	49,758	197,867		1,447	469,258
Disposal			6,363				6,363
Depreciation adjustment from revaluation							-
Write-off		20,858		4,981			25,839
Balance at the end of the reporting period	290,106	1,909,865	163,429	955,125	-	19,991	3,048,410
Net carrying amount							
End of reporting period	7,258,577	1,033,074	90,228	647,119	-	98,386	9,127,384
End of previous period	7,546,950	1,026,537	139,986	501,174	-	11,855	9,226,502

Intangible Assets

	Software	Licenses	Copyright	Other intangible assets	Capital investments as regards intangible assets	Total
Initial cost						
Balance at the beginning of the previous period	147,318	839,351	-	52,837	4,847	1,044,353
Increase	-	246,368		-	91,930	338,298
Disposal						-
Impairment						
Revaluation						
Balance at the end of previous period	147,318	1,085,719	-	52,837	96,777	1,382,651
Increase	27,653	224,104		13,378	30,982	296,117
Disposal						-
Revaluation*						
Impairment						
Depreciation adjustment from revaluation						
Balance at the end of the reporting period	174,971	1,309,823	-	66,215	127,759	1,678,768
Accumulated amortization						
Balance at the end of previous period	32,223	65,767	-	23,341	-	121,331
Increase	(31,947)	(65,480)		(23,341)		(120,768)
Disposal						-
Impairment						
Revaluation						
Balance at the end of previous period	338	33,714	-	-	-	34,052
Increase	-	35,865				35,865
Disposal						-
Depreciation adjustment from revaluation						-
Revaluation						-
Balance at the end of the reporting period	338	69,579	-	-	-	69,917
Net carrying amount						
End of reporting period	174,633	1,240,244	-	66,215	127,759	1,608,851
End of previous period	146,980	1,052,005	-	52,837	96,777	1,348,599

Note 21. Deferred tax assets

Deferred tax assets movement	Reporting period	Previous period
Balance at the beginning of the period	149,158	149,158
Increase	168,497	
Decrease	-149,158	
Balance at the end of the period	168,497	149,158

Note 22. Other Assets

Amounts receivable from bank transactions	Reporting period	Previous period
Dividends receivable	0	0
Amounts receivable from trust management transactions	0	0
Amounts receivable from other transactions	1,351,861	523,651
Total	1,351,861	523,651
Reserve for possible losses as regards bank transactions (Note 7)		
Net amounts receivable from bank transactions	1,351,861	523,651

Accounts receivable and prepayments	Reporting period	Previous period
Receivables as regards budget	504	9,558
Receivables as regards suppliers		
Advance payments to the employees	50	1,291
Advance payments to the suppliers	407,053	378,464
Advance payments and overpayments as regards budget and mandator	-236,426	465,053
Other receivables and prepayments	11,306,653	0
Total	11,477,834	854,366
Reserve for possible losses as regards other assets (Note 7)	-76,779	-143,349
Total	11,401,055	711,017
Other assets		
Warehouse	212,138	262,889
Seized collateral	4,945,324	5,824,128
Future period expenses	12,656	34,867
Other assets	50,226	81,465
Reserve for possible losses as regards other assets (Note 7)	-51,856	
Total	5,168,488	6,203,349
Total other assets	17,921,404	7,438,017

Note 23. Amounts due to banks and other financial institutions

Current accounts	Reporting period	Previous period
RA Banks	6	163
Banks with BBB-(Baa3) and higher rating		
Banks with rating below BBB-(Baa3) and no rating		
Accrued interest		
Total	6	163
Interbank loans, deposits and other demands		
RA Central Bank		
Loans*	24,523,970	12,339,610
Repo (repurchase) agreements	20,715,282	24,469,985
Swap		
Other		
RA Banks		
Loans and deposits	10,296,710	4,135,509
Financial leasing		
Repo (repurchase) agreements	0	0
Other	0	
BBB-(Baa3) and higher rating banks		
Loans and deposits		
Financial leasing		
Repo (repurchase) agreements		
Swap		
Other		
BBB-(Baa3) and lower rating and no rating banks		
Loans and deposits	474,974	
Financial leasing		
Repo (repurchase) agreements		
Swap	0	0
Other	3,552	0

Accrued interest	261,666	146,143
Total	56,276,154	41,091,247
Financial institutions		
Current accounts	30,421	63,574
Loans and deposits	25,674,968	20,358,142
Repo (repurchase) agreements		
Swap		
Other	5,573	
Accrued interest	193,313	181,821
Total	25,904,275	20,603,537
Total amounts due to banks and other fin. institutions	82,180,435	61,694,947

As of 31.12.2014, loans received from the Central Bank of Armenia also include loan amounts attracted under international loan programs totaling AMD 3.524.039 thous. And accrued interest amounts - AMD 88.495 thous.

Note 24. Amounts due to customers

Amounts due to RA government and local self-managed authorities	Reporting period	Previous period
Current accounts	26,633	160,262
Time deposits		
Loans	4,354,946	4,502,289
Repo (repurchase) agreements		
Swap		
Other	29,677	9,633
Accrued interest	15,352	16,770
Total	4,426,608	4,688,954
Legal entities and institutions of RA (residents)		
Current accounts	9,759,097	9,200,591
Time deposits	4,719,396	3,732,258
Repo (repurchase) agreements		
Swap		
Other	3,336,979	396,274
Accrued interest	25,066	23,209
Total	17,840,538	13,352,332
Legal entities and institutions (non-residents)		
Current accounts	6,676,349	11,727,436
Time deposits	14,277,713	16,950,346
Repo (repurchase) agreements		
Swap		
Other	0	
Accrued interest	21,031	24,833
Total	20,975,093	28,702,615
Sole entrepreneurs of RA (residents)		
Current accounts	70,043	61,701
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
Total	70,043	61,701
Sole entrepreneurs (non-residents)		
Current accounts	47	61
Time deposits		
Repo (repurchase) agreements		

Swap		
Other		
Accrued interest		
Total	47	61
Individuals (residents)		
Current accounts	6,667,061	4,635,426
Time deposits	89,352,242	59,933,599
Repo (repurchase) agreements		
Swap		
Other	16,628	
Accrued interest	856,178	550,873
Total	96,892,109	65,119,898
Individuals (non-residents)		
Current accounts	420,792	362,037
Time deposits	4,912,538	4,198,674
Repo (repurchase) agreements		
Swap		
Other	0	0
Accrued interest	31,048	21,565
Total	5,364,378	4,582,276
Total liabilities to customers	145,568,816	116,507,837

The amount of the security of liabilities totaled: as at 31.12.2013 - AMD 34.680.265 thous., as at 31.12.2014 - AMD 30.893.795 thous.

2. Term liabilities to government include amounts involved from international financial organizations within RAED (Rural Areas Economic Development) program and Millennium Challenge Account program, which totaled AMD 855.153 thous., accrued interest - AMD -3.516 thous.

The structure of Bank depositors' (time deposits) by customers number

	Reporting period	Previous period
Legal entities residents	49	51
Legal entitie non- residents	2	2
Individuals residents	9,593	6,987
Individuals non-residents	127	93
Total	9,771	7,133

Note 26. Liabilities held for trading

Liability held for trading	Reporting period	Previous period
Derivative instruments held for trading purposes		
Futures		
Forward		
Option		
Swap		
Other		
Hedging derivative instruments		
Other	12,542,801	15,482,300
Total	12,542,801	15,482,300

Note 27. Amounts payable

Amounts payable	Reporting period	Previous period
Dividends		
Trust management agreements		
Deposits insurance	47,944	33,159
Other		
Total	47,944	33,159

Note 28. Deferred tax liabilities

Deferred tax liabilities movements	Reporting period	Previous period
Balance at the beginning of the period	432,150	230,756
Increase		
Decrease	-432,150	-189,868
Balance at the end of the period	-	40,888

Note 29. Other liabilities

Other liabilities	Reporting period	Previous period
Settlement liabilities as regards cheques and other payment	0	6,554
Settlement liabilities as regards letters of credit		
Other settlements		
Payables as regards budget		
Profit Tax	379,025	365,794
VAT	8,356	15,019
other taxes and dues	257,773	154,785
social insurance payments	0	3,061
Liabilities to employees as regards salary	109,263	74,583
Payables as regards suppliers	193,393	95,791
Payables as regards completion of chartered capital		
Other liabilities	3,176	63,622
Balance at the end of period	950,986	779,209

Note 30. Chartered capital

- a) Bank's chartered capital registered and fully paid – AMD 22.907.500 thous.
b) The number of issued and allocated ordinary shares - 35.000, nominal value – AMD 654.500
c) Major participants as of the end of the reporting period

Major participant	Amount of participation	Share %	Type of activity (for legal entities)
Vitaly Grigoryants	22,907,500	100	Individual
	22,907,500		

Note 32. Revaluation and remeasurement reserves, other components of equity
"Revaluation and remeasurement reserves"

Components:

Revaluation reserves	Reporting period	Previous period
Unrealized gain/loss from revaluation of investments for sale		
Fixed assets revaluation reserve		
Other reserves		
Total revaluation reserves	-	-

Other components of equity

Reserves

Reserves	Reporting period	Previous period
Main reserve		
Opening balance	309,357	309,357
Increase	94,535	
Decrease		
Closing balance	403,892	309,357

Other reserves	Reporting period	Previous period
Opening balance	1,595,572	197,987
Increase	2,582,856	4,632,928
Decrease	3,386,887	3,235,343
Closing balance	791,541	1,595,572

Note 33. Retained earnings

Retained profit	Reporting period	Previous period
Opening balance	5,515,725	2,779,049
Increase	3,527,416	2,736,676
Decrease *	5,502,034	
Closing balance	3,541,107	5,515,725

* out of which AMD 5.407.500 thous. were allocated for the replenishment of chartered capital, and AMD 94.535 thous. were allocated to the main reserve

Note 34. Reserves, contingencies and potential liabilities

Reserves		Reporting period	Previous period
Opening balance		-	197,260
Allocations to the reserve	Note 7	-	75,223
Use of reserve		-	(272,483)
Net allocations to the reserve		-	(197,260)
Closing balance		-	-

Bank's legal liabilities

The Bank carries out its activity within the requirements prescribed by legislation and needs no additional reserves as regards its legal liabilities.

Bank's tax liabilities

The Bank has met its tax obligations and needs no additional reserves as regards its tax liabilities.

Bank's contingent liabilities as regards off-balance items containing credit risk

	Reporting period	Previous period
Unused credit lines	7,574,899	4,694,542
Guarantees provided	21,376,978	18,048,213
Letters of credit issued		
Reserve as regards the mentioned items (Note 7)		
Closing balance	28,951,877	22,742,755

Bank's liability as regards operating lease**The leased premises are as follows:**

Yerevan, Abovyan 43 - Yerevan Branch
 Yerevan, Artsakh Str. 23/6 - Artsakh Branch
 Talin, Gayi 1 - Talin Branch
 Yerevan, Noragavit 1Str., 93/1 - Noragavit Branch
 Stepanakert - Khachen Branch
 Yerevan, Arshakunyatn Ave. 127/21 - Arshakuni Branch
 Masis, Hanrapetutyanyan Str. 5/1 - Massi Branch
 Ashtarak, V. Petrosyan 16 - Ashtarak Branch
 Gavar, Buniatyan Str. 18/1 - Gavar Branch
 Yerevan, Araratyan Branch
 Artik, Artik Branch
 Sevan, Sevan Branch
 Yerevan, Komitas Branch
 Martuni, Alashkert Branch
 Artashat, Artashat Branch

The structure of future total minimum lease amounts payable for operating lease

thous. drams

The structure of minimum lease payments	Amounts payable in drams equivalent to foreign currency	Amounts payable in drams
Up to 1 year		54,906
1-5 years		281,106
5-10 years		173,354
Total		509,366

Note 35. Related party transactions

The related party transactions were conducted according to the market terms and interest rates.

Loans and advances to customers	Reporting period	Previous period
	01.01.14-31.12.14	01.01.13-31.12.13
Balance as of 01 January	2,007,272	3,236,279
Loans and advances provided during the year	8,254,627	3,789,692
Loans and advances repaid during the year	5,209,808	5,018,699
Balance	5,052,091	2,007,272
Interest income	290,458	318,010

The loans have been provided to the Bank's management and their related parties

Amounts due to customers	Reporting period	Previous period
	01.01.14-31.12.14	01.01.13-31.12.13
Balance as of 01 January	26,061,693	2,256,878
Amounts received during the year	160,766,069	166,524,152
Amounts paid during the year	171,079,577	142,719,337
Balance	15,748,185	26,061,693
Interest expense	1,185,830	314,242

Salary and equivalent payments to the Bank's management	Reporting period	Previous period
	01.01.14-31.12.14	01.01.13-31.12.13
The Board		
Salary	101,149	73,361
bonus		
Executive body		
Salary	220,195	241,815
bonus	18,867	840
Internal audit		
Salary	70,977	60,403
bonus	5,500	3,500
Total	416,688	379,918

Note 36. Minimal disclosures concerning financial risks

1. Credit risk

The main objective of credit risks management for the Bank is the timely (sometimes even before provision of the loan) identification, valuation and realization of corresponding steps directed to their reduction.

The Bank evaluates the credit risk in relation of both each borrower and the whole loan portfolio.

According to the methodology developed by the Bank, the creditworthiness of the potential borrower is assessed before provision of the loan. From the viewpoint of prevention of the credit risk, the most important principles to follow are considered to be the security and purpose of the loan. After provision of the loan, monitoring is conducted by the Bank during the whole period of the loan agreement to regularly assess the borrower's solvency and the loan's security as well as to take corresponding measures for restricting the possible credit risk.

Also the Bank's overall loan portfolio is subjected to regular analysis by industry branches, customers, and loan types to ensure the portfolio diversification and quality. Intra-bank norms restricting credit risk (maximum risk as regards an industry branch, maximum overall loan risk, maximum risk per individual loan types as regards loan portfolio quality, maximum risk as regards a borrower, maximum risk as regards the major borrowers, maximum risk as regards a person related to the Bank, maximum risk as regards all persons related to the Bank, etc.) are established by the corresponding internal legal acts approved by the Bank Board (these norms are more severe than the corresponding norms established by the RA Central Bank).

The Bank considers activity of the Loan committee as very important for the containment of credit risk. Loan committee is the body to realize the Bank's credit policy, the purpose of which is management of the Bank's loan activity and formation of the quality loan portfolio. The main objective of the loan committee is making collective professional protocol or final decisions concerning realization and servicing of transactions containing credit risk.

2. Geographical concentrations

31.12.2014

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	28,129,704				28,129,704
Amounts due from banks and other financial institutions	1,660,502	729,989	3,358,616	25,840	5,774,947
Financial instruments held for trading	12,542,801				12,542,801
Loans and advances to customers	154,817,013	312,538	1,357,367	27,928,561	184,415,479
Securities available for sale	8,771,778		11,457		8,783,235
Securities held to maturity					-
Other assets	12,610,712	243,864	11,965	5,054,863	17,921,404
Total assets	218,532,510	1,286,391	4,739,405	33,009,264	257,567,570
Liabilities					-
Amounts due to banks and other financial institutions	78,799,432	3,381,003			82,180,435
Amounts due to customers	119,229,345	889,517	2,843,551	22,606,403	145,568,816
Financial liability held for trading				12,542,801	12,542,801
Other liabilities	897,633	47,515	5,838		950,986
Total liabilities	198,926,410	4,318,035	2,849,389	35,149,204	241,243,038
Net position	19,606,100	(3,031,644)	1,890,016	(2,139,940)	16,324,532

31.12.2013

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
Assets					
Cash and balances with CBA	34,732,320				34,732,320
Amounts due from banks and other financial institutions	1,446,217	292,760	2,500,195	209,579	4,448,751
Financial instruments held for trading	15,482,300				15,482,300
Loans and advances to customers	111,336,051	259,130	708,773	24,916,532	137,220,486
Securities available for sale	9,543,974		9,226		9,553,200
Securities held to maturity					-
Other assets	1,746,154	217,330	3,340	5,471,193	7,438,017
Total assets	174,287,016	769,220	3,221,534	30,597,304	208,875,074
Liabilities					-
Amounts due to banks and other financial institutions	54,671,246	7,018,129	4,796	776	61,694,947
Amounts due to customers	99,891,694	511,706	1,778,398	14,326,039	116,507,837
Financial liability held for trading				15,482,300	15,482,300
Other liabilities	725,634	48,707	4,868		779,209
Total liabilities	155,288,574	7,578,542	1,788,062	29,809,115	194,464,293
Net position	18,998,442	(6,809,322)	1,433,472	788,189	14,410,781

OECD * - Organization for Economic Cooperation and Development

Analysis of assets containing credit risk according to industrial branches and exposure

31.12.2014

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	180,979,214	2,336,315	868,379	231,571	
	60,726	2,326	729	613	
1. Agriculture , forestry and fishing	amount 4,316,937	253,965	33,703	26,372	
	number 437	24	5	3	
2. Mining and quarrying	amount 11,581,887	21,098			
	number 48	2			
3. Processing industry	amount 18,882,741	15,951			
	number 100	6			
4. Electricity, gas , steam and air conditioning supply	amount 5,961,327				
	number 28				
5. Water supply, sewerage, waste management and recycling	amount 648,832				

	number	8				
6. Construction	amount	16,461,362	175,520	3,409		
	number	118	5	1		
7. Trade	amount	36,908,335	8,751	100,087	929	
	number	925	4	2	1	
8. Transportation and warehouse business	amount	7,625,647				
	number	21				
9. Accommodation and catering	amount	8,670,432		12,823		
	number	51		1		
10. Information and communication	amount	1,552,973				
	number	35				
11. Real property business	amount	19,165				
	number	3				
12. Professional, scientific and technical activities	amount	4,082,828				
	number	23				
13. Education	amount	101,864				
	number	72				
14. Healthcare	amount	471,344	491		346	
	number	21	1		1	
15. Arts, entertainment, recreation	amount	416,572				
	number	11				
16. Other branches of economy	amount	19,379,928				
	number	24				
17. Mortgage loans	amount	10,765,179	330,481	113,335	27,142	
	number	1,894	52	23	10	
18. Consumer and other loans	amount	33,131,861	1,530,058	605,022	176,782	
	number	56,907	2,232	697	598	
Receivables	amount	15,138,871	24,795	58,370	21,110	
	number	4,544	155	370	444	
Investment securities	amount	25,039				
	number	3				
Off-balance sheet items	amount	28,929,131	17,404	2,151	836	2355
	number	26,483	371	76	37	55

including	guarantees	amount	21,368,662	7,399		917
		number	290	2		1
	letters of credit	amount				
		number				

Assets		Working assets		Non-working assets		
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including		131,930,135	3,269,640	1,637,460	383,251	
		35,912	974	332	117	
1. Agriculture , forestry and fishing	amount	3,416,539	264,527	86,077	32,392	
	number	380	16	20	9	
2. Mining and quarrying	amount	9,053,896		22,993		
	number	29		1		
3. Processing industry	amount	13,064,637	17,941	11,380		
	number	103	4	3		
4. Electricity, gas , steam and air conditioning supply	amount	2,652,728				
	number	19				
5. Water supply, sewerage, waste management and recycling	amount	128,215				
	number	6				
6. Construction	amount	12,928,456	306,724	40,429	202,633	
	number	87	15	1	1	
7. Trade	amount	20,772,841	711,664	742,532	34,125	
	number	196	5	7	5	
8. Transportation and warehouse business	amount	7,142,195		11,646	2,192	
	number	22		1	2	
9. Accommodation and catering	amount	7,100,050	15,288		1,196	
	number	60	1		1	
10. Information and communication	amount	563,556				
	number	31				
11. Real property buisness	amount					
	number					
12. Professional, scientific and technical activities	amount	109,469				
	number	5				
13. Education	amount	70,034				
	number	18				
14. Healthcare	amount	239,092				
	number	8				
15. Arts, entertainment, recreation	amount	350,469				
	number	5				
16. Other branches of economy	amount	18,687,686		308		
	number	21		1		
17. Mortgage loans	amount	11,471,917	306,337	153,769	33,870	
	number	1,981	49	18	13	
18. Consumer and other loans	amount	24,178,355	1,647,159	568,326	76,843	
	number	32,941	884	280	86	
Receivables	amount	8,591,346	137,550	247,501	7,170	
	number	3,222	94	131	78	
Investment securities	amount	37,725				
	number	3				
Off-balance sheet items	amount	22,587,123	35,062	86,303	34,236	31
	number	13,614	175	23	5	6

including guarantees	amount	17,901,145	27,077	32,240	34,150
	number	289	4	1	3
letters of credit	amount				
	number				

Analysis of credit portfolio according to regions and risk exposure

31.12.2014

Loans and advances, including	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans, including					
1. Residents of RA	151,380,748	2,336,315	868,379	231,571	
2. Non-residents	29,598,466				
Total	180,979,214	2,336,315	868,379	231,571	

Loans to non-residents 31.12.14

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	29,598,466	-	-	-	-
	46	-	-	-	-
1. Agriculture , forestry and fishing	amount 2,833				
	number 2				
2. Mining and quarrying	amount				
	number				
3. Processing industry	amount 5,778				
	number 2				
4. Electricity, gas , steam and air conditioning supply	amount				
	number				
5. Water supply, sewerage, waste management and recycling	amount				
	number				
6. Construction	amount				
	number				
7. Trade	amount 14,401,258				
	number 12				
8. Transportation and warehouse business	amount				
	number				
9. Accommodation and catering	amount				
	number				
10. Information and communication	amount 760				
	number 1				
11. Real property buisness	amount				
	number				
12. Professional, scientific and technical activities	amount				
	number				
13. Education	amount				
	number				

14. Healthcare	amount				
	number				
15. Arts, entertainment, recreation	amount	3,476			
	number	1			
16. Other branches of economy	amount	15,080,582			
	number	8			
17. Mortgage loans	amount				
	number				
18. Consumer and other loans	amount	103,779			
	number	20			

31.12.2013

Assets	Working assets	Non-working assets				
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans, including						
1. Residents of RA	106,045,700	3,269,640	1,637,460	383,251		
2. Non-residents	25,884,435					
Total	131,930,135	3,269,640	1,637,460	383,251		

Assets	Working assets	Non-working assets			
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky
	25,884,435	-	-	-	-
Loans and advances, including	29	-	-	-	-
1. Agriculture , forestry and fishing	amount	1,615			
	number	1			
2. Mining and quarrying	amount				
	number				
3. Processing industry	amount	3,473			
	number	1			
4. Electricity, gas , steam and air conditioning supply	amount				
	number				
5. Water supply, sewerage, waste management and recycling	amount				
	number				
6. Construction	amount				
	number				
7. Trade	amount	12,871,129			
	number	9			
8. Transportation and warehouse business	amount				
	number				
9. Accommodation and catering	amount				
	number				
10. Information and communication	amount	1,672			
	number	1			
11. Real property buisness	amount				
	number				
12. Professional, scientific and technical activities	amount				
	number				
13. Education	amount				
	number				
14. Healthcare	amount				
	number				
15. Arts, entertainment, recreation	amount				

	number				
16. Other branches of economy	amount	12,918,269			
	number	9			
17. Mortgage loans	amount				
	number				
18. Consumer and other loans	amount	88,277			
	number	8			

Loan portfolio indicators as of 31.12.2014

Non-performing loans/ total loans - 2.42%

Reserve for non-performing loans/total capital -2.64 %

Loan reserve /total loans - 1.47 %

Possible loss reserve/Non-performing loans - 61 %

Large amount advances/capital - 374.05 %:

Market risk

Currency risk

For the purposes of currency risk assessment, the Bank applies the VaR (Value at Risk) model well accepted in the international practice. The model ensures definite probability forecast of expected maximum currency fluctuation rate by calculating the maximum value of the Bank eventual losses. For the purposes of currency risk suppression the Bank carried out daily monitoring of currency positions. In the occurrence of open currency positions, the Bank applies hedging instruments for the purposes of risk avoidance.

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

31.12.2014

	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	25,637,550	2,384,578	107,576	28,129,704
Standardized precious metal bullions		457,924		457,924
Amounts due from banks and other financial institutions	782,124	4,264,505	728,318	5,774,947
Financial instruments kept for trading	12,542,801			12,542,801
Loans and advances to customers	73,650,154	110,684,375	80,950	184,415,479
Financial assets available for sale	8,783,235			8,783,235
Financial assets held to maturity				-
Other	11,628,149	6,268,805	24,450	17,921,404
Total assets	133,024,013	124,060,187	941,294	258,025,494
Liabilities				
Amounts due to banks and other financial institutions	67,362,936	14,817,295	204	82,180,435
Amounts due to customers	36,931,029	107,677,146	960,641	145,568,816
Other liabilities	896,765	54,221		950,986
Total liabilities	105,190,730	122,548,662	960,845	228,700,237
Net position	27,833,283	1,511,525	(19,551)	29,325,257

31.12.2013

	Drams	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	12,768,196	21,736,984	227,140	34,732,320
Standardized precious metal bullions		8,819		8,819
Amounts due from banks and other financial institutions	411,783	3,668,306	368,662	4,448,751
Financial instruments kept for trading	15,482,300			15,482,300
Loans and advances to customers	63,769,988	73,450,498		137,220,486
Financial assets available for sale	9,553,200			9,553,200
Financial assets held to maturity				-
Other	6,573,301	827,980	36,736	7,438,017
Total assets	108,558,768	99,692,587	632,538	208,883,893
Liabilities				
Amounts due to banks and other financial institutions	50,170,438	11,524,509		61,694,947
Amounts due to customers	29,072,842	86,887,212	547,783	116,507,837
Other liabilities	718,148	61,061		779,209
Total liabilities	79,961,428	98,472,782	547,783	178,981,993
Net position	28,597,340	1,219,805	84,755	29,901,900

* The 1st group foreign currencies include US Dollar, Euro, English Pound sterling, Swiss Franc, Gold metal account

** The 2nd group foreign currencies include Russian Rouble, Ukrainian Hryvnia, UAE Dirham, Singapur Dollar.

Analysis of the Bank's Foreign Currency risk according to the types of derivative financial instruments

Types of derivative financial instruments	Drams	I group foreign currency*	II group foreign currency**	Total
Futures instruments				
- liabilities				
- demands				
Forward instruments				
- liabilities				
- demands				
Options				
- liabilities				
- demands				
Swaps				
- liabilities		4,719,700		4,719,700
- demands	5,284,830			5,284,830
Other derivative instruments				
- liabilities				
- demands				
Net position according to the derivative financial instruments	5,284,830	(4,719,700)	-	565,130
Net open position*	5,284,830	(4,719,700)	-	565,130

Interest rate risk

Efficient assets and liabilities management also assumes a management of assets and liabilities as a result of which the Bank will to the extent possible avoid interest rate risk.

The objective of the interest rate risk management at the Bank is to maintain the target levels of the assets and liabilities interest rate spread and net interest margin.

For the interest rate risk management purposes, the Bank makes calculations on the monthly basis of the both net interest margin and the assets and liabilities interest rate spread, taking into account the assets profitability and the liabilities consumability as well as their time limitation.

To restrict interest rate risk, special mechanisms have been developed as regards assets and liabilities pricing (setting interest rates).

Interest rate risk assessment is based on the model of time gap calculation for assets and liabilities sensitive towards interest rate changes, which allows to evaluate the effect of the interest rate changes on the Bank's expected net interest income.

Interest rate risk is also assessed using the duration method, which shows the change in the economic value of the capital as a result of interest rate changes, taking into account the time inconsistency of the involved liabilities and allocated assets.

Average interest rates for interest-bearing financial assets and liabilities as of the end of the reporting period

Item	Reporting period interest rates		Previous period interest rates	
	Drams %	Foreign currency %	Drams %	Foreign currency %
Assets				
Balances with CBA				
Amounts due from banks and other financial organizations including				
- interbank loans				
- interbank repo				
- interbank swap				
Loans and advances to customers	6-24	13-15	6-24	13-15
Securities held for trading and available for sale	8-13.0		8.0-13.5	
Securities held to maturity				
Liabilities				
Amounts due to banks and other financial institutions	4-9.5	4-8.3	7.78	8-8.5
Amounts due to customers	1-16	1-9.5	1-14.5	1-9.5
Liabilities as regards securities issued by the Bank				

Liquidity risk

The purpose of the Bank's liquidity management is to create an integrity of financial potential, which will enable to meet the well founded money demands of all types of creditors, depositors and other customers without serious problems which may be reflected in the Bank's balance sheet and off-balance sheet items, as well as ensuring the maximum possible profitability level.

To ensure smooth liquidity and efficiently manage the liquidity risk, the Bank implements coordinated management of assets and liabilities, which assumes:

1. availability of sufficient number of highly liquid assets,
2. sustainability of resources,
3. acceptable time gaps for assets and liabilities,
4. possibilities to attract means from external sources.

For correct decision-making concerning the Bank's liquidity management, it is especially important to carry out a time analysis for assets and liabilities, which is implemented through the assets and liabilities time gap calculation model by instant and cumulative separations. Instant liquidity is calculated on the daily basis to make correct situational decisions.

Item description	Non-performing		Time remaining to maturity						open-end	Total
	overdue	time	demand	up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years		
Assets										
Cash in intern. and CBA			27,909,704						220,000	28,129,704

Fixed interest rate	3,885,693	2,392,582	1,211,308	33,923,471	14,020,373	14,913,098	53,847,955	13,952,981	499,931	138,647,392
Interest free	326,451	153,152	36,005,954	10,408,027	295,116	2,062,562	14,665,923	-	6,310,497	70,227,682
Liabilities										
Amounts due to banks and other fin. institutions			78,712	33,385,627	6,058,556	5,977,566	13,968,790	2,225,696		61,694,947
Amounts due to customers	-	-	26,628,973	11,391,053	10,573,251	44,742,474	19,715,392	3,456,694	-	116,507,837
upon demand			26,628,973							26,628,973
time liability				11,391,053	10,573,251	44,742,474	19,715,392	3,456,694		89,878,864
Other										-
Liabilities for securities issued by the banks										-
Other liabilities			40,449	736,723					2,037	779,209
Off –balance contingent liabilities	5,851	149,781	4,685,978	2,669,985	1,185,821	8,089,208	5,956,131			22,742,755
*Contractual liabilities										-
Total	-	-	26,748,134	45,513,403	16,631,807	50,720,040	33,684,182	5,682,390	2,037	178,981,993
1-st group currency			15,482,630	9,674,561	7,230,075	43,940,972	22,144,544			98,472,782
2-nd group currency			337,593	82,193	23,287	74,166	30,544			547,783
Large-scale liability			7,693,700	24,898,557	3,193,942	29,534,424	10,443,608			75,764,231
Variable rate liability										-
Fixed rate liability			26,211,088	44,191,272	16,474,870	50,590,223	33,682,896	5,682,390		176,832,739
Interest free			537,046	1,322,131	156,937	129,817	1,286		2,037	2,149,254
Net liquidity gap	4,212,144	2,545,734	10,469,128	(1,181,905)	(2,316,318)	(33,744,380)	34,829,696	8,270,591	6,808,391	29,893,081
1-st group currency	2,275,368	1,119,163	8,512,868	5,763,243	(2,891,013)	(34,987,652)	20,927,897	-	499,931	1,219,805
2-nd group currency	-	-	146,205	66,547	(23,287)	(74,166)	(30,544)	-	-	84,755
Variable interest rate	-	-	-	-	-	-	-	-	-	-
fixed rate	3,885,693	2,392,582	(24,999,780)	(10,267,801)	(2,454,497)	(35,677,125)	20,165,059	8,270,591	499,931	(38,185,347)
Cumulative liquidity gap	4,212,144	6,757,878	17,227,006	16,045,101	13,728,783	(20,015,597)	14,814,099	23,084,690	29,893,081	178,981,993

Average balance sheet capital and assets

01/01/14-31/12/14

Average balance sheet asset	230,646,228
Average balance sheet capital	28,427,538

Note 42. Collateral accepted

	Reporting period	Previous period
Other securities	7,724,282	6,419,556
Jewels and precious stones	12,257,618	6,502,684
Real estate	142,282,960	156,287,517
Vehicles	14,977,647	6,184,353
Other PPE	18,240,689	19,395,598
Finished production and goods	21,284,426	30,574,541
Cash	30,893,795	39,270,469
Other collateral	18,811,456	4,505,670
Credit guarantee	3,795,273	
Other guarantees	17,581,705	
Credit warranties	107,535,208	31,398,495
Other warranties	19,386,779	5,840,736
Total	414,771,838	269,140,388

Chairman of the Executive Board

Arsen Mikayelyan

Chief Accountant

Narine Sargsyan

Date of approval 14.01.15