



Appendix 5

NOTES TO FINANCIAL STATEMENTS

(Form 5)

30-Jun-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 14 branches are located in Yerevan, 15 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
- The Board
- The Executive Board and the Chairman of the Executive Board

<b>a) The Board</b>	
<b>Chairman of the Board</b>	Vitaly Grigoryants
<b>Board Members</b>	Sergey Arzumanyan
	Diana Grigoryan
	Sevak Petrosyan
	Alik Chirkinyan

<b>b) The Executive Board</b>	
<b>Chairman of the Executive Board</b>	Arsen Mikayelyan
<b>Members of the Executive Board</b>	
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	30 June 2014
AMD/1 US Dollar	405.64	407.28

**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

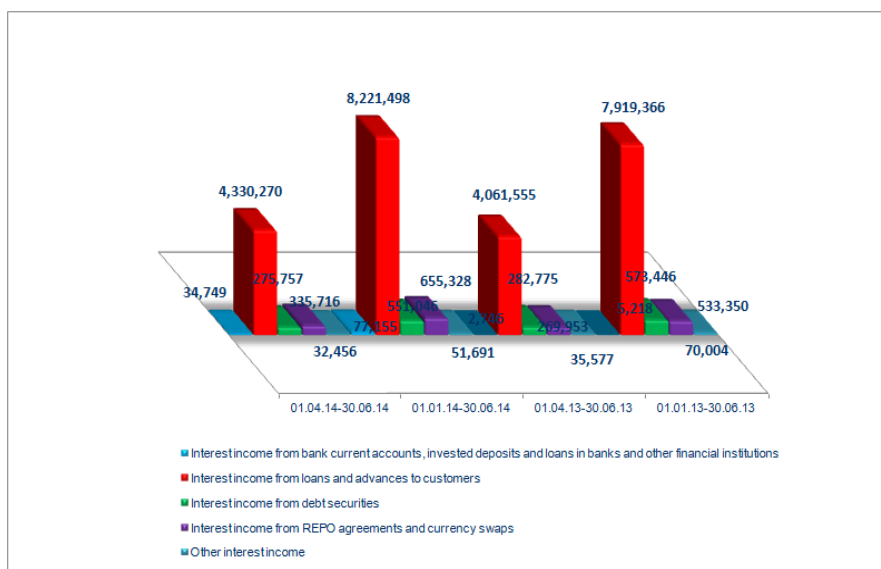
## 2.17 Functional and presentation currency

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.

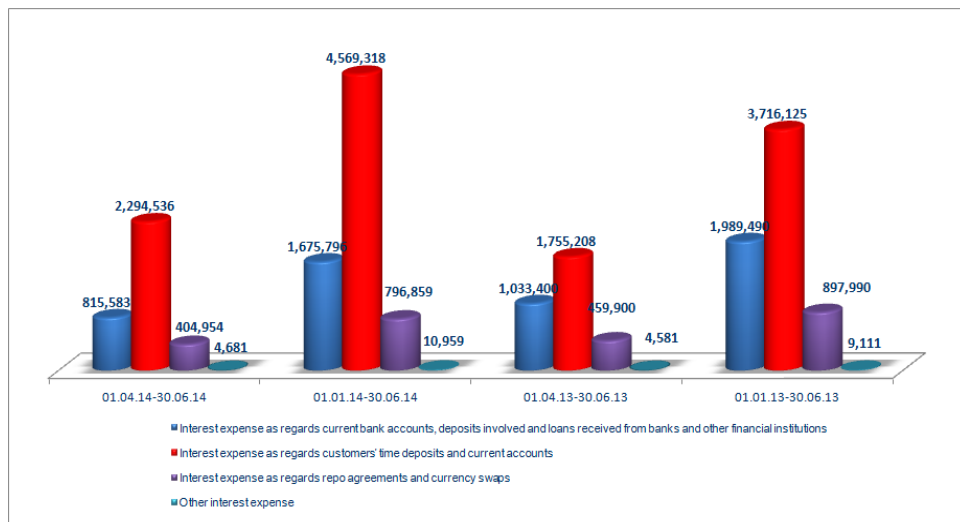
The intermediary financial statements are presented in thousands of AMD.

### Note 3. Net Interest and Similar Income

Interest and Similar Income	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest income from bank current accounts, invested deposits and loans in banks and other financial institutions	34,749	77,155	2,746	5,218
Interest income from loans and advances to customers	4,330,270	8,221,498	4,061,555	7,919,366
Interest income from debt securities	275,757	551,046	282,775	573,446
Interest income from REPO agreements and currency swaps	335,716	655,328	269,953	533,350
Other interest income	32,456	51,691	35,577	70,004
<b>Total</b>	<b>5,008,948</b>	<b>9,556,718</b>	<b>4,652,606</b>	<b>9,101,384</b>



Interest and Similar Expense	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest expense as regards current bank accounts, deposits involved and loans received from banks and other financial institutions	815,583	1,675,796	1,033,400	1,989,490
Interest expense as regards customers' time deposits and current accounts	2,294,536	4,569,318	1,755,208	3,716,125
Interest expense as regards securities issued by the Bank				
Interest expense as regards repo agreements and currency swaps	404,954	796,859	459,900	897,990
Other interest expense	4,681	10,959	4,581	9,111
<b>Total</b>	<b>3,519,754</b>	<b>7,052,932</b>	<b>3,253,089</b>	<b>6,612,716</b>
<b>Net interest and similar income</b>	<b>1,489,194</b>	<b>2,503,786</b>	<b>1,399,517</b>	<b>2,488,668</b>



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

Income in the form of Commissions and Other Fees	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Cash operations	48,278	99,083	57,542	121,898
Settlement services	74,974	141,079	120,375	210,175
Guarantee, acceptance, letter of credit, trust management operations	50,629	100,931	36,242	60,832
Transaction in foreign currency and securities				
Plastic card operations	183,289	386,583	101,025	182,091
Other commission payments	65,145	123,730	38,822	89,162
<b>Total</b>	<b>422,315</b>	<b>851,406</b>	<b>354,006</b>	<b>664,158</b>

Expenses in the form of Commissions and Other Payments	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Commission payments as regards correspondent and other accounts/bank transactions	36,658	69,272	47,998	87,535
Commission payments as regards transactions with plastic cards/cash transactions	17,122	33,253	38,294	76,009
Payments as regards guarantees, acceptance, letters of credit, trust management transactions	19	19	99	99
Commission payments as regards transactions in foreign currency and securities	5,910	8,220		
Other commission payments	48,813	91,053	22,322	43,488
<b>Total</b>	<b>108,522</b>	<b>201,817</b>	<b>108,713</b>	<b>207,131</b>

<b>Net Commissions and other payments received</b>	<b>313,793</b>	<b>649,589</b>	<b>245,293</b>	<b>457,027</b>
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**Note 5. Net income from trading transactions**

<b>Income from investments remeasured at fair value and held at fair value</b>	<b>01.04.14-30.06.14</b>	<b>01.01.14-30.06.14</b>	<b>01.04.13-30.06.13</b>	<b>01.01.13-30.06.13</b>
Net income from purchase and sale of investments held for trading, including				
- shares				
- debt securities				
- derivative instruments	3,256	-37,301	-195,394	419,855
Net income from change in fair value of investments held for trading				
<b>Total</b>	<b>3,256</b>	<b>-37,301</b>	<b>-195,394</b>	<b>419,855</b>

<b>Net income from investments available for sale</b>	<b>01.04.14-30.06.14</b>	<b>01.01.14-30.06.14</b>	<b>01.04.13-30.06.13</b>	<b>01.01.13-30.06.13</b>
Net income from purchase and sale of investments available for sale, including				
- shares				
- debt securities	3,059	3,059	-252,208	-226,462
- derivative instruments				
Net income from change in fair value of investments held for trading	52,925	52,925	296,260	282,485
<b>Total</b>	<b>55,984</b>	<b>55,984</b>	<b>44,052</b>	<b>56,023</b>

<b>From foreign currency transactions</b>	<b>01.04.14-30.06.14</b>	<b>01.01.14-30.06.14</b>	<b>01.04.13-30.06.13</b>	<b>01.01.13-30.06.13</b>
Net income from foreign currency dealings	178,641	285,573	197,263	344,501
Net income from foreign currency revaluation	-21,868	10,693	194,383	-435,106
<b>Total</b>	<b>156,773</b>	<b>296,266</b>	<b>391,646</b>	<b>-90,605</b>

<b>From bank standardized precious metal bullions and commemorative coins</b>	<b>01.04.14-30.06.14</b>	<b>01.01.14-30.06.14</b>	<b>01.04.13-30.06.13</b>	<b>01.01.13-30.06.13</b>
Net income from purchase and sale of bank standardized precious metal bars and commemorative coins	1,319	2,840	-7,177	2,398
Net income from revaluation of bank standardized precious metal bullions and commemorative coins	871	30,128	-96,560	-104,256
<b>Total</b>	<b>2,190</b>	<b>32,968</b>	<b>-103,737</b>	<b>-101,858</b>

<b>Net income from trading transactions</b>	<b>218,203</b>	<b>347,917</b>	<b>136,567</b>	<b>283,415</b>
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**Note 6. Other operating income**

<b>Other operating income</b>	<b>01.04.14-30.06.14</b>	<b>01.01.14-30.06.14</b>	<b>01.04.13-30.06.13</b>	<b>01.01.13-30.06.13</b>
Fines and penalties received	157,570	319,423	159,017	299,945
Income received from factoring	1,196	1,250		
Net income from disposal of PPE and intangible assets	1,996	17,371	17,314	14,396
Net income from revaluation and impairment reversal of PPE and intangible assets				
Other income	45,138	161,579	29,974	56,418
<b>Total</b>	<b>205,900</b>	<b>499,623</b>	<b>206,305</b>	<b>370,759</b>

**Note 7. Net allocations to the assets possible loss reserve**

As regards amounts due from banks	Note 14	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		0	0	21,932	31,840
Allocations to the reserve		0	0		267,898
Return of reserve allocations		0	0	-21,932	-299,738
Net allocations to the reserve		0	0	-21,932	-31,840
Return of amounts previously written-off to the off-balance sheet		0	0	0	0
Reserve utilization					
<b>Closing balance</b>			<b>0</b>	<b>0</b>	<b>0</b>

As regards amounts due from financial institutions	Note 14	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		0	0	18,044	17,458
Allocations to the reserve		0	0		606
Return of reserve allocations		0	0	-18,044	-18,064
Net allocations to the reserve		0	0	-18,044	-17,458
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
<b>Closing balance</b>			<b>0</b>	<b>0</b>	<b>0</b>

As regards loans and advances provided to the customers	Note 16	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		2,915,475	2,656,516	2,917,750	2,532,250
Allocations to the reserve		2,270,339	3,216,193	655,934	2,246,333
Return of reserve allocations		-2,441,707	-4,397,333	-756,794	-1,661,467
Net allocations to the reserve		-171,368	-1,181,140	-100,860	584,866
Return of amounts previously written-off to the off-balance sheet		2,309,150	3,782,719	106,806	245,137
Reserve utilization		-151,652	-356,490	-69,175	-507,732
<b>Closing balance</b>			<b>4,901,605</b>	<b>4,901,605</b>	<b>2,854,521</b>

As regards investments	Note 18	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		3,489	3,489	13,010	13,010
Allocations to the reserve		18,406	18,406	6	26
Return of reserve allocations				-9,205	-9,205
Net allocations to the reserve		18,406	18,406	-9,199	-9,179
Return of amounts previously written-off to the off-balance sheet					
Reserve utilization					
<b>Closing balance</b>			<b>21,895</b>	<b>21,895</b>	<b>3,811</b>

As regards other assets	Note 18	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		156,181	143,349	226,974	106,560
Allocations to the reserve		55,327	116,665	342,041	551,736
Return of reserve allocations		-75,053	-108,942	-390,406	-478,182
Net allocations to the reserve		-19,726	7,723	-48,365	73,554
Return of amounts previously written-off to the off-balance sheet		213	916	11,294	12,002
Reserve utilization		-41,335	-56,655	-3,720	-5,933
<b>Closing balance</b>		<b>95,333</b>	<b>95,333</b>	<b>186,183</b>	<b>186,183</b>

As regards off-balance sheet items containing credit risk	Note 30	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Opening balance		0	0	178,058	197,260
Allocations to the reserve			0		75,223
Return of reserve allocations		0	0	-178,058	-272,483
Net allocations to the reserve		0	0	-178,058	-197,260
<b>Closing balance</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Total net allocations to the reserves</b>		<b>-172,688</b>	<b>-1,155,011</b>	<b>-376,458</b>	<b>402,683</b>
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#### Note 8. General administrative expenses

General administrative expenses	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Expenses as regards calculated salary and other equivalent payments *	636,881	1,243,043	592,187	1,154,599
Expenses as regards social payments	83	379	3,925	8,106
Expenses as regards training and tuition	1,219	1,383	171	192
Expenses as regards business trips	18,599	24,533	4,293	7,805
Expenses as regards operating lease	17,923	35,617	19,251	36,209
Insurance expenses	5,867	11,575	11,693	20,245
Expenses as regards maintenance and security of Bank's equipment	15,070	24,793	8,492	19,430
Expenses as regards maintenance and security of Bank's premises	57,625	132,075	57,935	129,948
Expenses as regards audit and other consulting services	200	200	4,349	15,162
Expenses as regards communication means	20,116	39,900	24,648	47,743
Transportation expenses	8,790	18,377	10,185	29,500
Expenses as regards taxes, duties and other obligatory payments (except profit tax)	45,896	88,298	65,391	115,477
Office and organizational expenses	9,548	17,403	8,480	18,554
Expenses as regards loans provision and return	4,763	9,845	3,492	6,092
Other administrative expenses	50,199	206,579	79,782	119,752
<b>Total</b>	<b>892,779</b>	<b>1,854,000</b>	<b>894,274</b>	<b>1,728,814</b>

The number of the Bank employees as at 30 June 2014 is **686**.

The size of average monthly salary per employee is **224** thous. drams.



**Note 9. Other Operating Expenses**

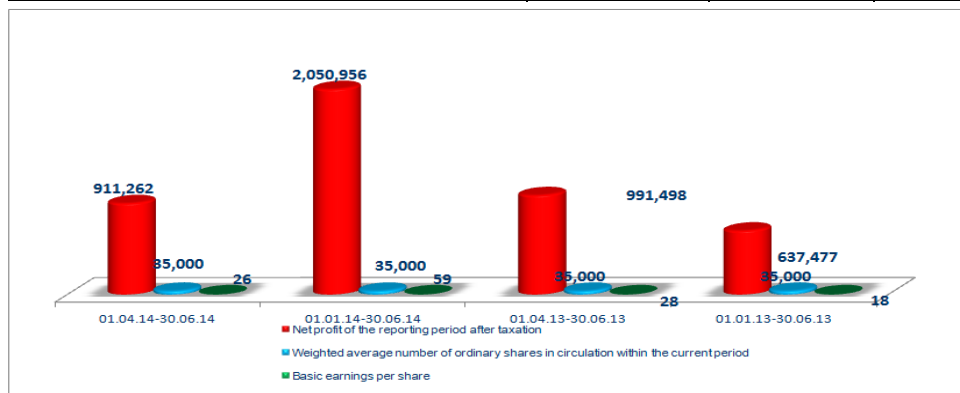
Other Operating Expenses	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Fines and penalties paid	228	228	0	0
Advertising and representation expenses	39,396	80,876	40,442	92,577
Factoring expenses				
Fixed and intangible assets amortization expenses	200,292	405,062	217,432	419,750
Loss from impairment of tangible assets				
Allocations to deposit guarantee fund	38,726	74,918	33,230	69,465
Other expenses	79,072	163,130	68,276	130,115
<b>Total</b>	<b>357,714</b>	<b>724,214</b>	<b>359,380</b>	<b>711,907</b>

**Note 11. Profit Tax Expense**

Profit tax expense	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Current tax expense	175,058	523,445	40,381	40,381
Adjustments of current tax for previous periods recognized in the given period				
Deferred tax expense	62,965	3,311	78,607	78,607
<b>Total</b>	<b>238,023</b>	<b>526,756</b>	<b>118,988</b>	<b>118,988</b>

**Note 12. Basic Earnings per Share**

Basic Earnings per Share	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Net profit of the reporting period after taxation	911,262	2,050,956	991,498	637,477
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	26	59	28	18
Diluted earnings per share				



**Note. Other Comprehensive Income**

Other Comprehensive Income	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Exchange rate differences from recalculation of foreign transactions				
Revaluation of financial assets available for sale	(44,858)	(257,709)	-17,256	21,348
Cash flow hedging				
Gains from PPE revaluations				
Deferred tax expense				
<b>Total</b>	<b>(44,858)</b>	<b>(257,709)</b>	<b>(17,256)</b>	<b>21,348</b>

**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	2,149,744	1,701,116
Other placements of cash	1,956,962	2,383,985
Correspondent accounts with the CBA *	19,266,496	30,227,219
<b>Total</b>	<b>23,373,202</b>	<b>34,312,320</b>
Deposit accounts with the CBA		
Deposited means with the CBA **	120,000	420,000
Accrued interest		
<b>Cash means and balances with the CBA</b>	<b>23,493,202</b>	<b>34,732,320</b>
Standardized precious metal bullions	27,741	8,819
Placements with other banks (Note 14)	3,197,047	2,381,221
<b>Total cash and cash equivalents</b>	<b>26,717,990</b>	<b>37,122,360</b>

\* 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	13,496	82
Banks with BBB – (Baa3) and higher rating	2,875,343	2,259,853
Banks with no rating and rating below BBB-(Baa3)	5,160	9,257
Accrued interest	0	0
<b>Total</b>	<b>2,893,999</b>	<b>2,269,192</b>

Interbank loans and deposits, etc.		
<b>CBA</b>		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Other		
<b>RA Banks</b>		
Loans and deposits		
Factoring		

Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
<b>Banks with BBB – (Baa3) and higher rating</b>		
Loans and deposits	0	111960
Factoring		
Financial lease		
<b>RA Banks</b>		
<b>RA Banks</b>	0	
Letters of credit and bank guarantees		
Other	1,341	
<b>Banks with no rating and rating below BBB-(Baa3)</b>		
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap	0	
Letters of credit and bank guarantees		
Other	301,707	
<b>Accrued interest</b>	0	69
<b>Total</b>	<b>3,197,047</b>	<b>2,381,221</b>
Reserve for possible losses as regards amounts due from Banks (Note 7)		
<b>Net amounts due from banks</b>	<b>3,197,047</b>	<b>2,381,221</b>

<b>Loans and deposits with financial institutions, other amounts due</b>		
<b>RA financial institutions</b>	1,160,443	1,437,385
Loans and deposits	1,160,443	1,437,385
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
<b>Financial institutions with BBB – (Baa3) and higher rating</b>	0	0
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other		
<b>Financial institutions with no rating and rating below BBB-(Baa3)</b>	566,893	620,535
Loans and deposits		
Factoring		
Financial lease		
Repo (repurchase) agreements		
Swap		
Letters of credit and bank guarantees		
Other	566,893	620,535
<b>Accrued interest</b>	27,693	9,610
<b>Total</b>	<b>1,755,029</b>	<b>2,067,530</b>

Reserve for possible losses as regards amounts due from financial institutions (Note 7)		
<b>Net amounts due from financial institutions</b>	<b>1,755,029</b>	<b>2,067,530</b>
<b>Net amounts due from banks and financial institutions</b>	<b>4,952,076</b>	<b>4,448,751</b>

Note 15. Financial Assets Held for Trading

Government securities	Reporting period	Previous period
<b>RA Government securities, including</b>		
Treasury bonds	12,716,011	15,482,300
Central Bank bonds		
Other		
<b>Government securities of countries with BBB – (Baa3) and higher rating, including</b>		
Treasury bonds		
Central Bank bonds		
Other		
<b>Government securities of countries with no rating and rating below BBB-(Baa3)</b>		
Treasury bonds		
Central Bank bonds		
Other		
<b>Total Government securities</b>	<b>12,716,011</b>	<b>15,482,300</b>

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

Non-government securities of other countries	Listed	Non-Listed	Listed	Non-Listed
<b>Issuer with A-/A3/ and higher rating</b>				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				
Equity instruments				
Other				
<b>Issuer with BBB+/Baa1/ and below rating, other rating and no rating</b>				
Long term debt instruments				
Short term debt instruments				
Deposit certificates				

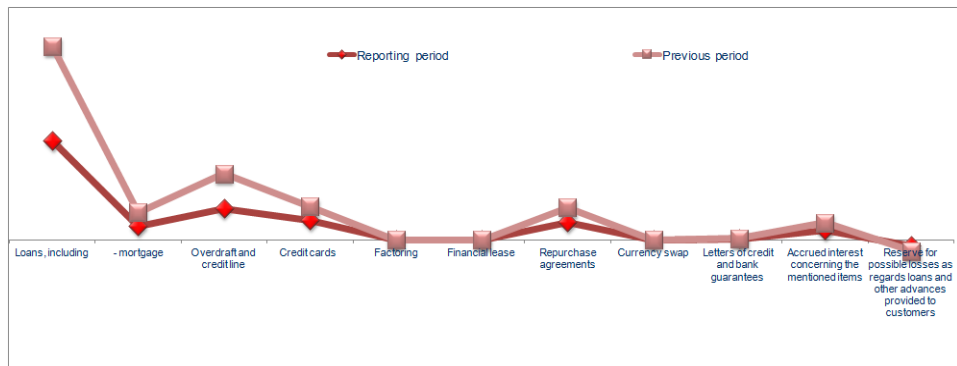
Equity instruments				
Other				
<b>Total non-government securities of other countries held for trading</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total securities held for trading</b>	<b>12,716,011</b>	<b>15,482,300</b>	<b>0</b>	<b>0</b>

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

<b>Total financial assets held for trading</b>	<b>12,716,011</b>	<b>15,482,300</b>	<b>0</b>	<b>0</b>
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**Note 16. Loans and other advances to customers**

Issued loans and other advances	Reporting period	Previous period
Loans, including	<b>84,269,358</b>	<b>80,734,089</b>
- to banks		
- to RA Government		
- to local authorities		
- mortgage	11,545,558	12,096,515
<b>Overdraft and credit line</b>	<b>26,797,732</b>	<b>29,673,746</b>
<b>Credit cards</b>	<b>16,409,755</b>	<b>11,927,691</b>
Factoring	55,992	
Financial lease	778	1,282
Repurchase agreements	15,053,489	12,382,355
Currency swap	16,940	50,550
Letters of credit and bank guarantees	491,410	917,429
Other		
<b>Accrued interest concerning the mentioned items</b>	<b>8,223,969</b>	<b>6,340,446</b>
<b>Total loans</b>	<b>151,319,423</b>	<b>142,027,588</b>
Reserve for possible losses as regards loans and other advances to customers (Note 7)	-4,901,605	-4,807,102
<b>Total net loans</b>	<b>146,417,818</b>	<b>137,220,486</b>



#### 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	Amount	143,735,856	135,347,853
	Quantity	44,745	35,912
Non-Performing loans and advances, including		7,583,567	6,679,735
		2,752	1,423
Overdue	Amount	4,978,978	4,304,153
	Quantity	2,029	985
Accrued interests			
Total loans	Amount	151,319,423	142,027,588
	Quantity	47,497	37,335
Provision for possible losses as regards loans and advances provided to customers (Note 7)		-4,901,605	-4,807,102
<b>Total net loans</b>		<b>146,417,818</b>	<b>137,220,486</b>

#### Analysis of provided loans and advances by customer group

Analysis of the provided loans and advances by customer group	Reporting period	Previous period
<b>State enterprises</b>	656,679	766,031
<b>Private enterprises, including</b>	102,987,508	92,848,534
- large enterprises	55,626,824	30,218,531
- small and medium enterprises	47,360,684	62,630,003
<b>Natural persons, including</b>	36,889,604	39,323,387
- consumer loans	7,515,806	7,545,039
- mortgage loans	11,334,721	12,086,951
- credit cards	16,315,566	11,925,702
<b>Sole entrepreneurs</b>	2,561,663	2,749,190
Accrued interest	8,223,969	6,340,446
<b>Total loans</b>	<b>151,319,423</b>	<b>142,027,588</b>
Provision for possible losses as regards loans and advances provided to customers	(4,901,605)	(4,807,102)
<b>Total net loans</b>	<b>146,417,818</b>	<b>137,220,486</b>

a) Total loans provided to major borrowers and related persons as of 30.06.2014 made AMD 66.092.445 thous, as of 31.12.2013 – AMD 55.925.751 thous.

b) Share in total loan portfolio as of 30.06.2014 made 48.66%, as of 31.12.2013 - 46.17 %

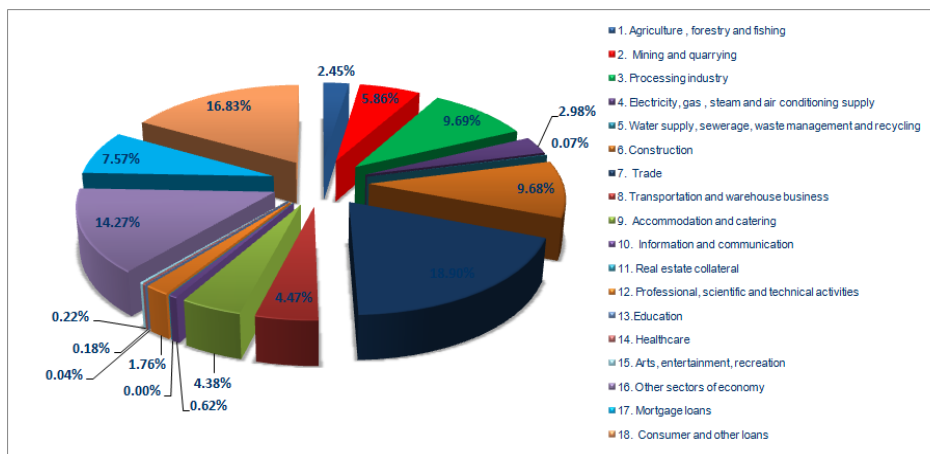
c) Percentage to Capital as of 30.06.2014 was 247.41%, as of 31.12.2013 –262.23 %

Analysis of loan portfolio according to number of borrowers	Reporting period	Previous period
State enterprises	8	8
Private enterprises	391	306
Natural persons	40,218	23,263
Sole entrepreneurs	146	150
<b>Total</b>	<b>40,763</b>	<b>23,727</b>

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

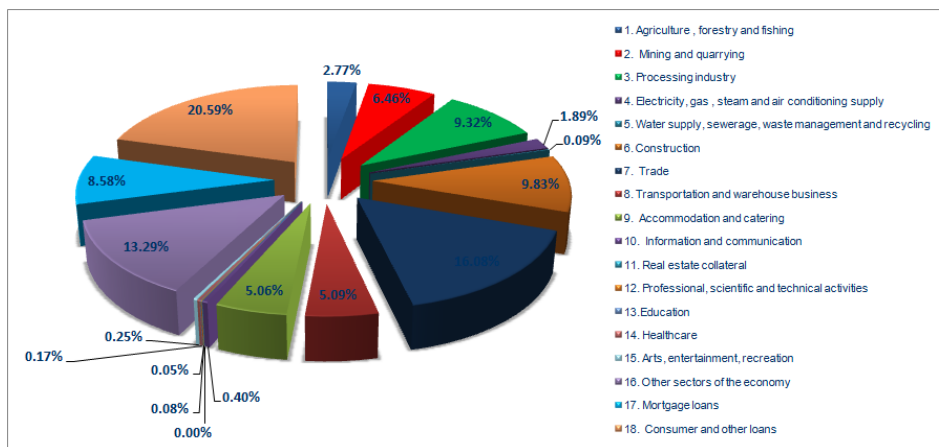
**30.06.14**

Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	3,706,371	2.45
2. Mining and quarrying	8,866,015	5.86
3. Processing industry	14,663,596	9.69
4. Electricity, gas , steam and air conditioning supply	4,512,065	2.98
5. Water supply, sewerage, waste management and recycling	108,177	0.07
6. Construction	14,654,057	9.68
7. Trade	28,606,894	18.90
8. Transportation and warehouse business	6,756,911	4.47
9. Accommodation and catering	6,630,462	4.38
10. Information and communication	935,053	0.62
11. Real estate collateral	6,330	0.00
12. Professional, scientific and technical activities	2,670,625	1.76
13. Education	64,736	0.04
14. Healthcare	274,593	0.18
15. Arts, entertainment, recreation	335,103	0.22
16. Other sectors of the economy	21,594,149	14.27
17. Mortgage loans	11,462,371	7.57
18. Consumer and other loans	25,471,915	16.83
<b>Total</b>	<b>151,319,423</b>	<b>100</b>



**31.12.13**

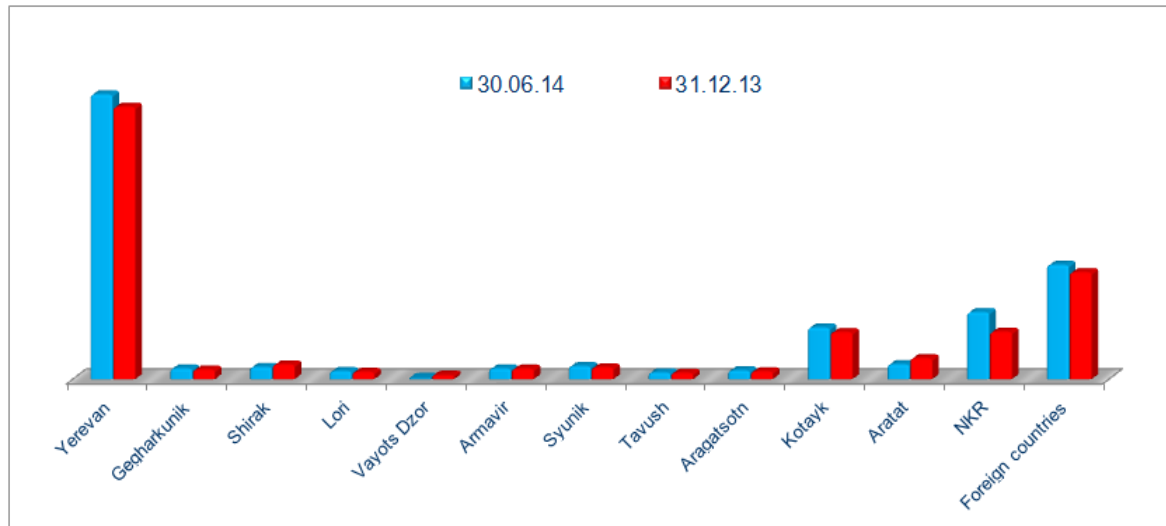
Analysis of loans and advances according to crediting sectors	Previous period	Percentage
1. Agriculture , forestry and fishing	3,936,161	2.77
2. Mining and quarrying	9,170,897	6.46
3. Processing industry	13,230,862	9.32
4. Electricity, gas , steam and air conditioning supply	2,679,522	1.89
5. Water supply, 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
<b>Total</b>	<b>142,027,588</b>	<b>100</b>



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	118,737,322	81.09	111,336,051	81.14
Non-residents	27,680,496	18.91	25,884,435	18.86
<b>Total</b>	<b>146,417,818</b>	<b>100</b>	<b>137,220,486</b>	<b>100</b>

Region (Marz)	30.06.14		31.12.13	
	Quantity	Amount	Quantity	Amount
Yerevan	16718	68,982,996	13234	65,945,708
Gegharkunik	2087	2,613,875	1813	2,344,252
Shirak	4751	2,960,550	3838	3,555,828
Lori	3045	1,979,559	2441	1,768,258
Vayots Dzor	136	274,946	137	969,692
Armavir	2563	2,606,018	2420	2,546,004
Syunik	2129	3,184,344	1680	2,858,843
Tavush	1138	1,619,405	851	1,515,322
Aragatsotn	2939	2,136,413	2216	1,893,698
Kotayk	4267	12,515,942	2908	11,391,221
Ararat	2374	3,612,222	1908	5,060,513
NKR	5316	16,251,052	3860	11,486,712
Foreign countries	34	27,680,496	29	25,884,435
<b>Total</b>	<b>47,497</b>	<b>146,417,818</b>	<b>37,335</b>	<b>137,220,486</b>





Note 17. Financial assets available for sale

State securities	Reporting period	Previous period
<b>State obligations</b>	8,535,372	9,533,881
Treasury obligations	8,535,372	9,529,301
Central Bank obligations		
Promissory note		4,580
<b>State obligations of countries with BBB-/Baa3/ or higher rating</b>		
Treasury obligations		
Central Bank obligations		
Other		
<b>State securities of countries with BB+/Ba1/ or below rating or no rating</b>		
Treasury obligations		
Central Bank obligations		
Other		
<b>Possible loss reserve for promissory notes (Note 7)</b>		
<b>Total state securities</b>	<b>8,535,372</b>	<b>9,533,881</b>

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

Deposit certificates				
Equity instruments				
Other				
Total non government securities of other countries	0	0	0	0

<b>Total securities available for sale</b>	<b>8,535,372</b>	<b>9,533,881</b>
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<b>Other financial assets available for sale</b>				
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				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Total financial assets available for sale</b>	<b>8,535,372</b>	<b>9,533,881</b>
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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	9226	0.00005
<b>Total</b>				<b>41,214</b>	<b>6</b>
<b>Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)</b>				<b>-21,895</b>	
<b>Total</b>				<b>19,319</b>	

**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
<b>Total</b>				<b>41,214</b>	
<b>Impairment of investments in other companies share capital (reserve for possible losses) (Note 7)</b>				<b>-21,895</b>	
<b>Total</b>				<b>19,319</b>	

	Reporting period	Previous period
<b>Total financial assets available for sale and investments in other companies' share capital</b>	<b>8,554,691</b>	<b>9,553,200</b>

Note 18. Investments held to maturity

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

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

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

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
<b>Initial cost</b>							
<b>Balance at the beginning of the previous period</b>	<b>7,908,178</b>	<b>2,683,902</b>	<b>470,838</b>	<b>1,110,545</b>	-	<b>28,996</b>	<b>12,202,459</b>
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)
<b>Balance at the end of the previous period</b>	<b>7,546,950</b>	<b>2,737,074</b>	<b>260,020</b>	<b>1,263,413</b>	-	<b>30,399</b>	<b>11,837,856</b>
Increase	552	95,194	-	112,622	-	30,930	239,298
Disposal			6,363				6,363
Revaluation*							-
Write-off							-
Depreciation adjustment from revaluation							-
<b>Balance at the end of the reporting period</b>	<b>7,547,502</b>	<b>2,832,268</b>	<b>253,657</b>	<b>1,376,035</b>		<b>61,329</b>	<b>12,070,791</b>
<b>Accumulated depreciation</b>							
<b>Balance at the beginning of the previous period</b>	<b>687,347</b>	<b>1,498,312</b>	<b>160,902</b>	<b>536,645</b>	-	<b>18,106</b>	<b>2,901,312</b>
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							-
<b>Balance at the end of the previous period</b>	-	<b>1,710,537</b>	<b>120,034</b>	<b>762,239</b>	-	<b>18,544</b>	<b>2,611,354</b>
Increase	144,995	111,326	26,564	99,458		241	382,584
Disposal			6,363				6,363
Depreciation adjustment from revaluation							952,836
Write-off							-
<b>Balance at the end of the reporting period</b>	<b>144,995</b>	<b>1,821,863</b>	<b>140,235</b>	<b>861,697</b>	-	<b>18,785</b>	<b>2,987,575</b>
<b>Net carrying amount</b>							
<b>End of reporting period</b>	<b>7,402,507</b>	<b>1,010,405</b>	<b>113,422</b>	<b>514,338</b>	-	<b>42,544</b>	<b>9,083,216</b>
<b>End of previous period</b>	<b>7,546,950</b>	<b>1,026,537</b>	<b>139,986</b>	<b>501,174</b>	-	<b>11,855</b>	<b>9,226,502</b>

**Intangible Assets**

	Software	Licenses	Copyright	Other intangible assets	Capital investments as regards intangible assets	Total
<b>Initial cost</b>						
<b>Balance at the beginning of the previous period</b>	147,318	839,351	-	52,837	4,847	1,044,353
Increase	-	246,368		-	91,930	338,298
Disposal						-
Impairment						
Revaluation						
<b>Balance at the end of previous period</b>	147,318	1,085,719	-	52,837	96,777	1,382,651
Increase	-	35,154		-	19,887	55,041
Disposal						-
Revaluation*						-
Impairment						-
Depreciation adjustment from revaluation						-
<b>Balance at the end of the reporting period</b>	147,318	1,120,873	-	52,837	116,664	1,437,692
<b>Accumulated amortization</b>						
<b>Balance at the end of previous period</b>	276	287	-	-	-	563
Increase	62	33,427				33,489
Disposal						-
Impairment						
Revaluation						
<b>Balance at the end of previous period</b>	338	33,714	-	-	-	34,052
Increase	-	22,302				22,302
Disposal						-
Depreciation adjustment from revaluation						-
Revaluation						-
<b>Balance at the end of the reporting period</b>	338	56,016	-	-	-	56,354
<b>Net carrying amount</b>						
<b>End of reporting period</b>	146,980	1,064,857	-	52,837	116,664	1,381,338
<b>End of previous period</b>	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
<b>Balance at the beginning of the period</b>	149,158	149,158
Increase		
Decrease	-149,158	
<b>Balance at the end of the period</b>	-	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	1,169,493	523,651
<b>Total</b>	<b>1,169,493</b>	<b>523,651</b>
Reserve for possible losses as regards bank transactions (Note 7)		
<b>Net amounts receivable from bank transactions</b>	<b>1,169,493</b>	<b>523,651</b>

Accounts receivable and prepayments	Reporting period	Previous period
Receivables as regards budget	380	9,558
Receivables as regards suppliers		
Advance payments to the employees	1,071	1,291
Advance payments to the suppliers	473,969	378,464
Advance payments and overpayments as regards budget and mand	1,585	465,053
Other receivables and prepayments	6,656,571	0
<b>Total</b>	<b>7,133,576</b>	<b>854,366</b>
Reserve for possible losses as regards other assets (Note 7)	-95,333	-143,349
<b>Total</b>	<b>7,038,243</b>	<b>711,017</b>
Other assets		
Warehouse	221,515	262,889
Seized collateral	5,575,642	5,824,128
Future period expenses	136,028	34,867
Other assets	55,258	81,465
Reserve for possible losses as regards other assets (Note 7)		
<b>Total</b>	<b>5,988,443</b>	<b>6,203,349</b>
<b>Total other assets</b>	<b>14,196,179</b>	<b>7,438,017</b>

**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		
<b>Total</b>	<b>6</b>	<b>163</b>
<b>Interbank loans, deposits and other demands</b>		
<b>RA Central Bank</b>		
Loans*	6,101,800	12,339,610
Repo (repurchase) agreements	19,999,998	24,469,985
Swap		
Other		
<b>RA Banks</b>		
Loans and deposits	13,007,209	4,135,509
Financial leasing		
Repo (repurchase) agreements	0	0
Other	412	
<b>BBB-(Baa3) and higher rating banks</b>		
Loans and deposits		
Financial leasing		
Repo (repurchase) agreements		
Swap		
Other		
<b>BBB-(Baa3) and lower rating and no rating banks</b>		
Loans and deposits		
Financial leasing		
Repo (repurchase) agreements		
Swap	0	0
Other	207,653	0
<b>Accrued interest</b>	<b>139,676</b>	<b>146,143</b>
<b>Total</b>	<b>39,456,748</b>	<b>41,091,247</b>

Financial institutions		
Current accounts	137,397	63,574
Loans and deposits	23,188,130	20,358,142
Repo (repurchase) agreements		
Swap		
Other	19,653	
Accrued interest	199,201	181,821
<b>Total</b>	<b>23,544,381</b>	<b>20,603,537</b>
<b>Total amounts due to banks and other fin. institutions</b>	<b>63,001,135</b>	<b>61,694,947</b>

As of 30.06.2014, loans received from the Central Bank of Armenia also include loan amounts attracted under international loan programs totaling AMD 3.700.944 thous. And accrued interest amounts - AMD 86.372 thous.

**Note 24. Amounts due to customers**

Amounts due to RA government and local self-managed authorities	Reporting period	Previous period
Current accounts	43,736	160,262
Time deposits		
Loans	4,942,945	4,502,289
Repo (repurchase) agreements		
Swap		
Other	35,027	9,633
Accrued interest	16,924	16,770
<b>Total</b>	<b>5,038,632</b>	<b>4,688,954</b>
<b>Legal entities and institutions of RA (residents)</b>		
Current accounts	8,294,188	9,200,591
Time deposits	3,717,152	3,732,258
Repo (repurchase) agreements		
Swap		
Other	324,223	396,274
Accrued interest	22,126	23,209
<b>Total</b>	<b>12,357,689</b>	<b>13,352,332</b>
<b>Legal entities and institutions (non-residents)</b>		
Current accounts	7,885,310	11,727,436
Time deposits	10,165,649	16,950,346
Repo (repurchase) agreements		
Swap		
Other	1,640,363	
Accrued interest	15,922	24,833
<b>Total</b>	<b>19,707,244</b>	<b>28,702,615</b>
<b>Sole entrepreneurs of RA (residents)</b>		
Current accounts	70,258	61,701
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
<b>Total</b>	<b>70,258</b>	<b>61,701</b>
<b>Sole entrepreneurs (non-residents)</b>		
Current accounts	39	61
Time deposits		
Repo (repurchase) agreements		
Swap		
Other		
Accrued interest		
<b>Total</b>	<b>39</b>	<b>61</b>
<b>Individuals (residents)</b>		
Current accounts	5,655,801	4,635,426

Time deposits	69,426,347	59,933,599
Repo (repurchase) agreements		
Swap		
Other	17,828	
Accrued interest	600,670	550,873
<b>Total</b>	<b>75,700,646</b>	<b>65,119,898</b>
<b>Individuals (non-residents)</b>		
Current accounts	501,567	362,037
Time deposits	4,150,334	4,198,674
Repo (repurchase) agreements		
Swap		
Other	0	0
Accrued interest	19,415	21,565
<b>Total</b>	<b>4,671,316</b>	<b>4,582,276</b>
<b>Total liabilities to customers</b>	<b>117,545,824</b>	<b>116,507,837</b>

The amount of the security of liabilities totaled: as at 31.12.2013 - AMD 34.680.265 thous., as at 30.06.2014 - AMD 23.262.571 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 1.022.551 thous., accrued interest - AMD 4.554 thous.

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

	Reporting period	Previous period
Legal entities residents	50	51
Legal entitle non- residents	2	2
Individuals residents	8,331	6,987
Individuals non-residents	103	93
<b>Total</b>	<b>8,486</b>	<b>7,133</b>

#### 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	12,716,011	15,482,300
<b>Total</b>	<b>12,716,011</b>	<b>15,482,300</b>

#### Note 27. Amounts payable

Amounts payable	Reporting period	Previous period
Dividends		
Trust management agreements		
Deposits insurance	38,726	33,159
Other		
<b>Total</b>	<b>38,726</b>	<b>33,159</b>

#### 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	-387,951	-189,868
<b>Balance at the end of the period</b>	<b>44,199</b>	<b>40,888</b>



**Note 29. Other liabilities**

Other liabilities	Reporting period	Previous period
Settlement liabilities as regards cheques and other payment documents	229	6,554
Settlement liabilities as regards letters of credit		
Other settlements		
<b>Payables as regards budget</b>		
Profit Tax	287,020	365,794
VAT	4,403	15,019
other taxes and dues	130,786	154,785
social insurance payments	0	3,061
Liabilities to employees as regards salary	114,891	74,583
Payables as regards suppliers	222,474	95,791
Payables as regards completion of chartered capital		
Other liabilities	2,673	63,622
<b>Balance at the end of period</b>	<b>762,476</b>	<b>779,209</b>

**Note 30. Chartered capital**

- a) Bank's chartered capital registered and fully paid – AMD 122.907.500 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
	<b>22,907,500</b>		

**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		
<b>Total revaluation reserves</b>	<b>-</b>	<b>-</b>

**Other components of equity****Reserves**

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

Other reserves		
Opening balance	1,595,572	197,987
Increase	1,060,770	4,632,928
Decrease	1,318,479	3,235,343
<b>Closing balance</b>	<b>1,337,863</b>	<b>1,595,572</b>

**Note 33. Retained earnings**

Retained profit	Reporting period	Previous period
Opening balance	5,515,725	2,779,049
Increase	2,050,956	2,736,676
Decrease *	5,502,035	
<b>Closing balance</b>	<b>2,064,646</b>	<b>5,515,725</b>

\* 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	<b>Note 7</b>	-	197,260
Allocations to the reserve		-	75,223
Use of reserve		-	(272,483)
Net allocations to the reserve		-	(197,260)
<b>Closing balance</b>		-	-

**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	5,247,123	4,694,542
Guarantees provided	18,437,526	18,048,213
Letters of credit issued		
Reserve as regards the mentioned items (Note 7)		
<b>Closing balance</b>	<b>23,684,649</b>	<b>22,742,755</b>

**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, Hanrapetutyán Str. 5/1 - Massi Branch

Ashtarak, V. Petrosyan 16 - Ashtarak Branch

Gavar, Buniatyán Str. 18/1 - Gavar 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		38,489
1-5 years		113,634
5-10 years		63,352
<b>Total</b>		<b>215,475</b>

**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
	01.01.14-30.06.14	01.01.13-31.12.13
Balance as of 01 January	2,007,272	3,236,279
Loans and advances provided during the year	4,064,588	3,789,692
Loans and advances repaid during the year	2,490,917	5,018,699
<b>Balance</b>	<b>3,580,943</b>	<b>2,007,272</b>
Interest income	134,351	318,010

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

Amounts due to customers	Reporting period	Previous period
	01.01.14-30.06.14	01.01.13-31.12.13
Balance as of 01 January	26,061,693	2,256,878
Amounts received during the year	86,276,591	166,524,152
Amounts paid during the year	99,240,865	142,719,337
<b>Balance</b>	<b>13,097,419</b>	<b>26,061,693</b>
Interest expense	719,639	314,242

Salary and equivalent payments to the Bank's management	Reporting period	Previous period
	01.01.14-30.06.14	01.01.13-31.12.13
The Board		
Salary	52,808	73,361
bonus		
Executive body		
Salary	105,949	241,815
bonus	350	840
Internal audit		
Salary	35,490	60,403
bonus	50	3,500
<b>Total</b>	<b>194,647</b>	<b>379,918</b>

**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**

30.06.2014

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
<b>Assets</b>					
Cash and balances with CBA	23,493,202				23,493,202
Amounts due from banks and other financial institutions	1,202,837	673,537	3,045,956	29,746	4,952,076
Financial instruments held for trading	12,716,011				12,716,011
Loans and advances to customers	118,737,322	565,623	1,001,729	26,113,144	146,417,818
Securities available for sale	8,545,465		9,226		8,554,691
Securities held to maturity					-
Other assets	13,850,088	337,524	8,567		14,196,179
<b>Total assets</b>	<b>178,544,925</b>	<b>1,576,684</b>	<b>4,065,478</b>	<b>26,142,890</b>	<b>210,329,977</b>
<b>Liabilities</b>					
Amounts due to banks and other financial institutions	58,222,503	4,738,930	39,702		63,001,135
Amounts due to customers	93,167,225	1,613,927	2,594,446	20,170,226	117,545,824
Financial liability held for trading				12,716,011	12,716,011
Other liabilities	708,685	48,904	4,887		762,476
<b>Total liabilities</b>	<b>152,098,413</b>	<b>6,401,761</b>	<b>2,639,035</b>	<b>32,886,237</b>	<b>194,025,446</b>
<b>Net position</b>	<b>26,446,512</b>	<b>(4,825,077)</b>	<b>1,426,443</b>	<b>(6,743,347)</b>	<b>16,304,531</b>

31.12.2013

Title	RA	CIS countries	OECD* Countries	Non OECD Countries	Total
<b>Assets</b>					
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

<b>Total assets</b>	<b>174,287,016</b>	<b>769,220</b>	<b>3,221,534</b>	<b>30,597,304</b>	<b>208,875,074</b>
<b>Liabilities</b>					-
Amounts due to banks and other financial institutions	54,671,246	7,018,129	4,796	776	<b>61,694,947</b>
Amounts due to customers	99,891,694	511,706	1,778,398	14,326,039	<b>116,507,837</b>
Financial liability held for trading				15,482,300	<b>15,482,300</b>
Other liabilities	725,634	48,707	4,868		<b>779,209</b>
<b>Total liabilities</b>	<b>155,288,574</b>	<b>7,578,542</b>	<b>1,788,062</b>	<b>29,809,115</b>	<b>194,464,293</b>
<b>Net position</b>	<b>18,998,442</b>	<b>(6,809,322)</b>	<b>1,433,472</b>	<b>788,189</b>	<b>14,410,781</b>

OECD \* - Organization for Economic Cooperation and Development

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

30.06.2014

Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
<b>Loans and advances, including</b>	<b>140,418,779</b>	<b>3,835,364</b>	<b>1,677,783</b>	<b>485,892</b>	
	<b>44,745</b>	<b>1,945</b>	<b>533</b>	<b>274</b>	
1. Agriculture , forestry and fishing	amount 3,225,272	277,355	45,127	31,712	
	number 365	26	8	8	
2. Mining and quarrying	amount 8,768,220	8,120			
	number 30	2			
3. Processing industry	amount 14,468,555	24,725	6,684	6,484	
	number 86	8	3	1	
4. Electricity, gas , steam and air conditioning supply	amount 4,466,944				
	number 21				
5. Water supply, sewerage, waste management and recycling	amount 105,615		1,196		
	number 5		2		
6. Construction	amount 13,545,986	336,585	28,859	221,112	
	number 106	16	1	1	
7. Trade	amount 26,439,305	672,088	841,108	17,966	
	number 197	2	9	3	
8. Transportation and warehouse business	amount 6,684,020	1,375	3,078		
	number 21	1	1		
9. Accommodation and catering	amount 6,546,001		14,011		
	number 42		2		
10. Information and communication	amount 925,702				
	number 30				
11. Real property buisness	amount 6,267				
	number 1				
12. Professional, scientific and technical activities	amount 2,643,919				

	number	15				
13. Education	amount	64,089				
	number	38				
14. Healthcare	amount	271,077			389	
	number	10			2	
15. Arts, entertainment, recreation	amount	331,752				
	number	8				
16. Other branches of economy	amount	19,547,039				
	number	23				
17. Mortgage loans	amount	10,629,298	392,441	134,512	60,378	
	number	1,886	68	24	15	
18. Consumer and other loans	amount	21,749,718	2,122,675	603,208	147,851	
	number	41,861	1,822	483	244	
Receivables	amount	<b>9,715,139</b>	<b>94,434</b>	<b>52,481</b>	<b>46,932</b>	
	number	<b>3,471</b>	<b>198</b>	<b>140</b>	<b>132</b>	
Investment securities	amount	<b>19,319</b>				
	number	<b>3</b>				
Off-balance sheet items	amount	<b>23,663,259</b>	<b>15,236</b>	<b>1,807</b>	<b>2,006</b>	<b>2341</b>
	number	<b>22,068</b>	<b>278</b>	<b>52</b>	<b>23</b>	<b>26</b>
including guarantees	amount	18,470,446			917	
	number	274			1	
letters of credit	amount					
	number					

31.12.2013

Assets		Working assets		Non-working assets		
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
<b>Loans and advances, including</b>		<b>131,930,135</b>	<b>3,269,640</b>	<b>1,637,460</b>	<b>383,251</b>	
		<b>35,912</b>	<b>974</b>	<b>332</b>	<b>117</b>	
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 business	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	<b>8,591,346</b>	<b>137,550</b>	<b>247,501</b>	<b>7,170</b>	
	number	<b>3,222</b>	<b>94</b>	<b>131</b>	<b>78</b>	
Investment securities	amount	<b>37,725</b>				
	number	<b>3</b>				
Off-balance sheet items	amount	<b>22,587,123</b>	<b>35,062</b>	<b>86,303</b>	<b>34,236</b>	<b>31</b>
	number	<b>13,614</b>	<b>175</b>	<b>23</b>	<b>5</b>	<b>6</b>
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

30.06.2014

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	112,738,283		3,835,364	1,677,783	485,892	
2. Non-residents	27,680,496					
<b>Total</b>	<b>140,418,779</b>		<b>3,835,364</b>	<b>1,677,783</b>	<b>485,892</b>	

Loans to non-residents 30.06.14

Assets	Working assets	Non-working assets				
		Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
Loans and advances, including	27,680,496	-	-	-	-	
	34	-	-	-	-	
1. Agriculture , forestry and fishing	amount 1,010					

	number	1				
2. Mining and quarrying	amount					
	number					
3. Processing industry	amount	3,064				
	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	11,900,712				
	number	10				
8. Transportation and warehouse business	amount					
	number					
9. Accommodation and catering	amount					
	number					
10. Information and communication	amount	1,216				
	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	15,732,698				
	number	9				
17. Mortgage loans	amount					
	number					
18. Consumer and other loans	amount	41,796				
	number	12				

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				
<b>Total</b>	<b>131,930,135</b>	<b>3,269,640</b>	<b>1,637,460</b>	<b>383,251</b>	



Assets	Working assets		Non-working assets		
	Standard/Non-risky	Controlled/Risky	Non-standard/ Medium risky	Doubtful/ Highly risky	Bad
<b>Loans and advances, including</b>	25,884,435	-	-	-	-
	29	-	-	-	-
1. Agriculture , forestry and fishing	1,615				
amount					
number	1				
2. Mining and quarrying					
amount					
number					
3. Processing industry	3,473				
amount					
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	12,871,129				
amount					
number	9				
8. Transportation and warehouse business					
amount					
number					
9. Accommodation and catering					
amount					
number					
10. Information and communication	1,672				
amount					
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	12,918,269				
amount					
number	9				
17. Mortgage loans					
amount					
number					
18. Consumer and other loans	88,277				
amount					
number	8				

**Loan portfolio indicators as of 30.06.2014**

Non-performing loans/ total loans - 5.58 %

Reserve for non-performing loans/total capital - 5.93 %

Loan reserve /total loans - 2.15 %

Possible loss reserve/Non-performing loans - 38.50 %

Large amount advances/capital - 247.41 %:

## 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

30.06.2014

	Drams	I group foreign currency*	II group foreign currency**	Total
<b>Assets</b>				
Cash and balances with CBA	14,377,103	8,975,931	140,168	23,493,202
Standardized precious metal bullions		27,741		27,741
Amounts due from banks and other financial institutions	438,811	4,076,236	437,029	4,952,076
Financial instruments kept for trading	12,716,011			12,716,011
Loans and advances to customers	62,866,626	83,193,801	357,391	146,417,818
Financial assets available for sale	8,554,691			8,554,691
Financial assets held to maturity				-
Other	13,327,131	833,078	35,970	14,196,179
<b>Total assets</b>	<b>112,280,373</b>	<b>97,106,787</b>	<b>970,558</b>	<b>210,357,718</b>
<b>Liabilities</b>				
Amounts due to banks and other financial institutions	52,256,371	10,564,914	179,850	63,001,135
Amounts due to customers	31,643,831	85,130,586	771,407	117,545,824
Other liabilities	707,606	54,870		762,476
<b>Total liabilities</b>	<b>84,607,808</b>	<b>95,750,370</b>	<b>951,257</b>	<b>181,309,435</b>
<b>Net position</b>	<b>27,672,565</b>	<b>1,356,417</b>	<b>19,301</b>	<b>29,048,283</b>

31.12.2013

	Drams	I group foreign currency*	II group foreign currency**	Total
<b>Assets</b>				
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
<b>Total assets</b>	<b>108,558,768</b>	<b>99,692,587</b>	<b>632,538</b>	<b>208,883,893</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>79,961,428</b>	<b>98,472,782</b>	<b>547,783</b>	<b>178,981,993</b>
<b>Net position</b>	<b>28,597,340</b>	<b>1,219,805</b>	<b>84,755</b>	<b>29,901,900</b>

\* 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		814,560		814,560
- demands	831,500			831,500
Other derivative instruments				
- liabilities				
- demands				
<b>Net position according to the derivative financial instruments</b>	<b>831,500</b>	<b>(814,560)</b>	<b>-</b>	<b>16,940</b>
<b>Net open position*</b>	<b>831,500</b>	<b>(814,560)</b>	<b>-</b>	<b>16,940</b>

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
	%	%	%	%
<b>Assets</b>				
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	10.0-13.0		8.0-13.5	
Securities held to maturity				
<b>Liabilities</b>				
Amounts due to banks and other financial institutions	7.29	4-8.0	7.78	8-8.5
Amounts due to customers	1-14.5	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.

30.06.2014

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		
<b>Assets</b>										
Cash in intern. and CBA			23,373,202						120,000	23,493,202
Amounts due from banks and other fin. institutions			2,987,077	301,707	300,000	175,389	685,623		502,280	4,952,076
Loans provided to customers	3,110,604	3,397,258	1,374,471	25,862,276	21,254,525	32,340,167	47,573,460	11,505,057		146,417,818
Financial assets	-	-	-	14,389,409	-	208,326	-		19,319	14,617,054
held for trade				12,716,011						12,716,011
available for sale				1,673,398		208,326		6,653,648	19,319	8,554,691
held up to maturity										-
Realized under repo agreements										-
Other assets	66,389	115,126	92,943	1,428,622	44,855	98,590	1,830,751	4,943,261	5,575,642	14,196,179
*Contractual demands										-
<b>Total</b>	<b>3,176,993</b>	<b>3,512,384</b>	<b>27,827,693</b>	<b>41,982,014</b>	<b>21,599,380</b>	<b>32,822,472</b>	<b>50,089,834</b>	<b>16,448,318</b>	<b>6,217,241</b>	<b>203,676,329</b>
1-st group currency	1,891,680	755,071	12,293,620	16,633,208	8,189,837	22,463,610	34,377,481		502,280	97,106,787
2-nd group currency			541,901	128,907	179,850	119,900				970,558
Variable interest rate										-
Fixed interest rate	3,110,604	3,397,258	2,429,448	27,837,381	21,554,525	32,723,882	48,259,083	11,505,057	502,280	151,319,517
Interest free	66,389	115,126	25,398,245	14,144,633	44,855	98,590	1,830,751	4,943,261	5,714,961	52,356,811
<b>Liabilities</b>										
Amounts due to banks and other fin. institutions			157,668	38,013,727	1,825,807	12,997,994	5,382,695	4,623,144		63,001,035
Amounts due to customers	-	-	23,684,940	20,544,857	18,333,798	31,795,536	23,185,340	1,353	-	117,545,824
upon demand			23,684,940							23,684,940
time liability				20,544,857	18,333,798	31,795,536	23,185,340	1,353		93,860,884
Other										-
Liabilities for securities issued by the banks										-
Other liabilities			540,001	222,475						762,476
Off-balance contingent liabilities	20,473	917	5,226,650	5,113,078	4,086,772	5,257,501	3,979,258			23,684,649
*Contractual liabilities										-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,382,609</b>	<b>58,781,059</b>	<b>20,159,605</b>	<b>44,793,530</b>	<b>28,568,035</b>	<b>4,624,497</b>	<b>-</b>	<b>181,309,335</b>
1-st group currency			13,125,796	19,829,697	16,796,093	31,291,912	14,706,872			95,750,370
2-nd group currency			517,753	215,553	12,728	140,328	64,895			951,257
Large amount liability			2,083,772	36,040,025	10,018,819	4,696,325	5,749,198			58,588,139
Variable rate liability										-
Fixed rate liability			23,067,227	51,983,472	12,834,323	44,109,300	28,568,035	4,624,497		165,186,854
Interest free			1,315,382	6,797,587	7,325,282	684,230				16,122,481
<b>Net liquidity gap</b>	<b>3,176,993</b>	<b>3,512,384</b>	<b>3,445,084</b>	<b>(16,799,045)</b>	<b>1,439,775</b>	<b>(11,971,058)</b>	<b>21,521,799</b>	<b>11,823,821</b>	<b>6,217,241</b>	<b>22,366,994</b>
1-st group currency	1,891,680	755,071	(832,176)	(3,196,489)	(8,606,256)	(8,828,302)	19,670,609	-	502,280	1,356,417
2-nd group currency	-	-	24,148	(86,646)	167,122	(20,428)	(64,895)	-	-	19,301
Variable interest rate	-	-	-	-	-	-	-	-	-	-
Fixed rate	3,110,604	3,397,258	(20,637,779)	(24,146,091)	8,720,202	(11,385,418)	19,691,048	6,880,560	502,280	(13,867,337)
Cumulative liquidity gap	3,176,993	6,689,377	10,134,461	(6,664,584)	(5,224,809)	(17,195,867)	4,325,932	16,149,753	22,366,994	181,309,335

31.12.2013

	Non-performing	Time remaining to maturity		Total
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Item description	overdue	time	demand	up to 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	open-end	Total
<b>Assets</b>										
Cash in intern. and CBA			34,312,320						420,000	34,732,320
Amounts due from banks and other fin. institutions			2,389,796	193,304	71,904	443,808	850,008		499,931	4,448,751
Loans provided to customers	3,889,940	2,392,582		28,531,082	14,147,953	14,593,430	63,574,638	10,090,861		137,220,486
Financial assets	-	-	-	15,486,880	1,028	1,704,837	3,961,316	3,862,120	19,319	25,035,500
held for trade				15,482,300						15,482,300
available for sale				4,580	1,028	1,704,837	3,961,316	3,862,120	19,319	9,553,200
held up to maturity										-
Realized under repo agreements										-
Other assets	322,204	153,152	515,146	120,232	94,604	233,585	127,916		5,871,178	7,438,017
*Contractual demands										-
<b>Total</b>	<b>4,212,144</b>	<b>2,545,734</b>	<b>37,217,262</b>	<b>44,331,498</b>	<b>14,315,489</b>	<b>16,975,660</b>	<b>68,513,878</b>	<b>13,952,981</b>	<b>6,810,428</b>	<b>208,875,074</b>
1-st group currency	2,275,368	1,119,163	23,995,498	15,437,804	4,339,062	8,953,320	43,072,441		499,931	99,692,587
2-nd group currency			483,798	148,740						632,538
Variable interest rate										-
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
<b>Liabilities</b>										
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										-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>26,748,134</b>	<b>45,513,403</b>	<b>16,631,807</b>	<b>50,720,040</b>	<b>33,684,182</b>	<b>5,682,390</b>	<b>2,037</b>	<b>178,981,993</b>
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
<b>Net liquidity gap</b>	<b>4,212,144</b>	<b>2,545,734</b>	<b>10,469,128</b>	<b>(1,181,905)</b>	<b>(2,316,318)</b>	<b>(33,744,380)</b>	<b>34,829,696</b>	<b>8,270,591</b>	<b>6,808,391</b>	<b>29,893,081</b>
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**

Average balance sheet asset	<b>220,704,155</b>
Average balance sheet capital	<b>26,757,669</b>

Note 42. Collateral accepted

	Reporting period	Previous period
Other securities	7,399,998	6,419,556
Jewels and precious stones	7,182,145	6,502,684
Real estate	131,529,513	156,287,517
Vehicles	15,121,604	6,184,353
Other PPE	15,474,169	19,395,598
Finished production and goods	20,362,503	30,574,541
Cash	23,262,571	39,270,469
Other collateral	15,648,167	4,505,670
Credit guarantee	3,367,930	
Other guarantees	15,069,596	
Credit warranties	85,433,885	31,398,495
Other warranties	12,777,011	5,840,736
<b>Total</b>	<b>352,629,092</b>	<b>269,140,388</b>

Chairman of the Executive Board

Arsen Mikayelyan

Chief Accountant

Narine Sargsyan

Date of approval 14.07.14