



Annual**Report**2012

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Message from Management



Gravitation

**Not believing in force is the same as
not believing in gravitation.**

Thomas Hobbes, English philosopher



Dear Ladies and Gentlemen

I am incredibly happy to share with you the news of another successfully completed year during which Ameriabank fulfilled its ambitious strategic goals and marked quite a number of achievements as well.

In 2007, Ameriabank shareholders, top management and Board members had a big dream of seeing Ameriabank among the leading players of the local banking market. I believe that the best guarantee of success is having a dream and being determined and consistent in moving toward the realization of that dream. In 3 to 4 years' time we have reached our ambitious goals and we find ourselves in the list of the top rated local banks. We at Ameriabank are conscious that the world around us is changing at a rapid pace and constantly throwing new challenges our way. However, we also believe that every change and every challenge conceals opportunity in itself and we are committed to always taking a chance at using those opportunities by growing our business and changing the world around us to a better one.

The year was rich with a number of tangible qualitative and quantitative achievements. We have reached new benchmarks of market positioning by becoming the 2nd bank out of 21 operating banks in Armenia by assets, capital, net profit and the 1st bank by total liabilities. We were very focused and committed to achieving more significant results with our CSR activities through numerous campaigns ranging from various sponsorships of cultural, sport and environmental events to financial aid to local orphanages and children with hematological and other diseases. We were very proud to fundraise around AMD 79 million during our annual Christmas charity auction. The entire fundraised amount was donated to a few foundations for the medical treatment of 22 children with hematological and other diseases.

In 2012, Ameriabank was honored by Euromoney Awards for Excellence for the second year in a row. As always, we were very committed to investing in highly automated, scalable and flexible customer centric banking, IT and management systems. In addition, as a fast growing bank, we permanently improve our channels and methods of recruiting the most professional and the brightest people in the financial industry, hence permanently reinforcing one of our key competitive advantages: our team.

Throughout 2012, we were focused on increasing efficiency and we will continue to do so in 2013. One of our main strategic goals for 2013 will be the growth of our retail and SME lending portfolio through our branch network and with the help of new and innovative product offerings, as well as to continue reinforcing our team with bright and enthusiastic individuals.

During 2012 we also had an incredibly valuable addition to our corporate governance. We were honored by the appointment of Bob von Rekowsky as a new independent board member of the Bank. Mr. Rekowsky is a highly qualified professional asset manager working in Fidelity Investments, whose experience embraces more than 22 years in portfolio management around the globe.

As a leading bank in Armenia in 2012, we now undertake the challenge of enhancing all our capacities with the purpose of becoming the absolute champion among our peers. With all our activities we have a sole purpose of creating greater value for all our stakeholders.

Heading into 2013, I would like to express my appreciation to our professional management team, as well as the entire team of committed, innovative and like-minded people. Their strong sense of initiative, solidarity and cohesion has given the Bank the ability to face any challenge and rise above it, hence creating opportunities for further growth.

Sincerely,

Ruben Vardanian
Chairman of the Board of Directors





Dear Shareholders, Clients and Partners

I am glad to present you our achievements as well as the challenges Ameriabank experienced during 2012.

The year 2012 was highlighted with the fulfillment of our strategic goals and the notability of our key performance indicators helping us to retain our solid growth rates and position ourselves as one of the leading banks in Armenia.

Highlights of 2012:

According to our strategic goals, we were committed to developing our retail banking and SME (Small and Medium Enterprises) lending. For that purpose we developed our online and offline infrastructures, reinforced our team of professionals and improved our business processes.

2012 was yet another year when Ameriabank was awarded with numerous honorable awards, such as: Euromoney 2012 Awards for Excellence as the Best Bank in Armenia, Best Foreign Exchange Provider and Best Trade Finance Bank by Global Finance and Award for Excellence in Trade Finance from Commerzbank.

Financials of the Bank:

During the reporting year we continued delivering strong results in income and profit indicators. In 2012, the Bank secured annual net growth rates of 22% by assets, 7% by credits and other advances, 38.3% by client deposits and 48,9% by net profit.

I would also like to highlight the main financial indicators of our Bank in the local market: we ranked 1st by liabilities, 2nd by total assets, 2nd by capital, 3rd by loan portfolio, 2nd by clients' deposits and 2nd by net profit.

As a champion in corporate banking, having the most prominent and representative loan portfolio in corporate lending, we also focused our efforts on boosting of our retail banking business. We entered the tough and competitive market of retail banking in Armenia.

Our total funds attracted from International Financial Institutions (IFIs) have reached USD 116,5 million and indicated a long-term solid partnership and trust between our Bank and IFIs.

We are proud to have gained the trust and confidence of IFIs and have been the single bank operating in Armenia that has been issued that unprecedented amount.

New Products & Innovations:

We at Ameriabank always focus on using the most innovative and cutting edge technologies for our banking solutions. For this reason we permanently introduce new and interesting products in the local market. An example of this is that we acted as an underwriter and market maker for the placement of bonds of the largest retailer in Armenia, moreover this was the first time that foreign currency bonds were issued in Armenia.

Appreciation:

The cornerstone of our success is surely our team. As we look forward to our longer term strategies, we feel confident and comfortable that our talented team of professionals will firmly continue generating value for all our stakeholders. We are committed to working with the same sense of urgency, loyalty and determination in order to reach our annual strategic plans for the coming year.

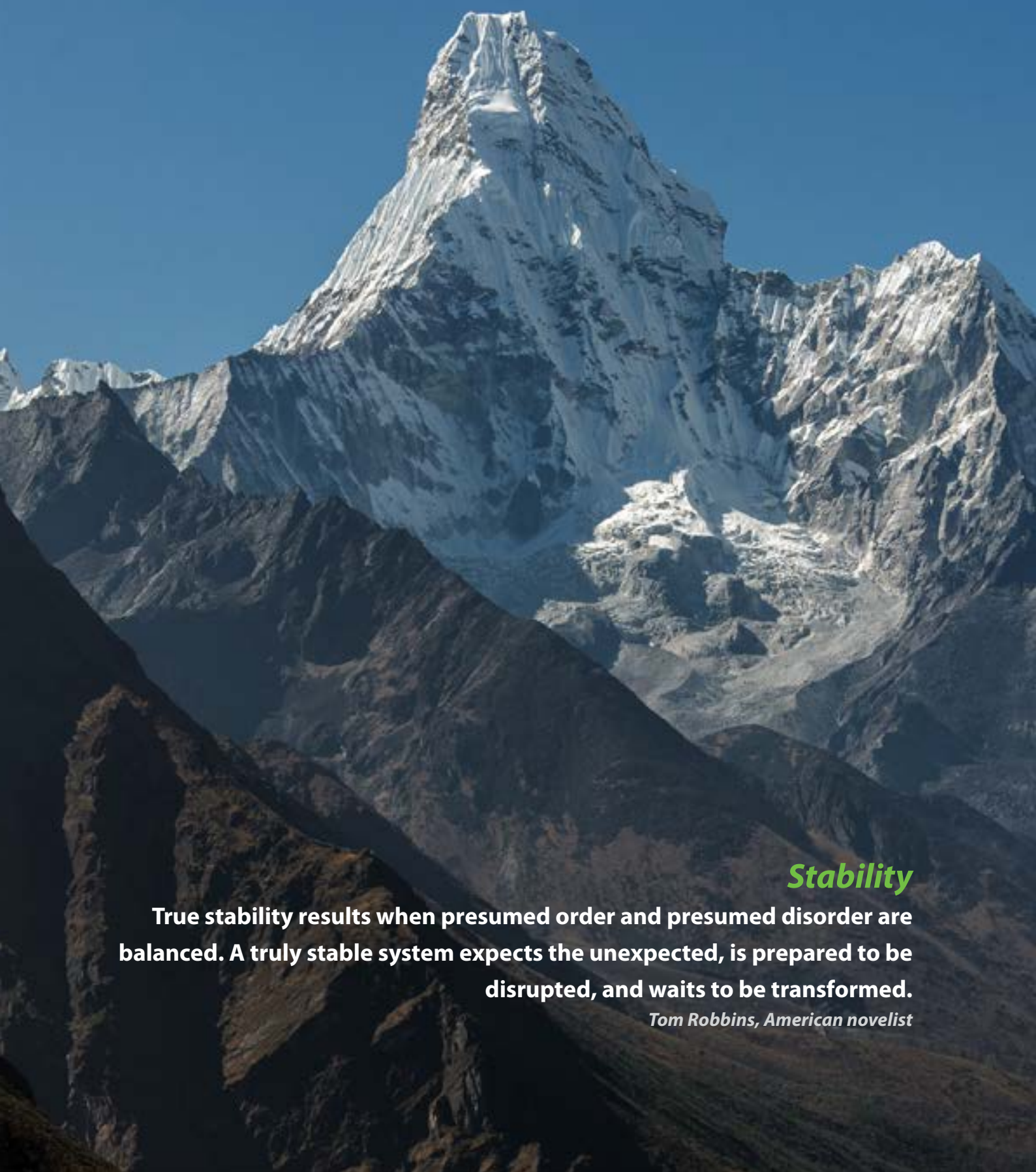
I am very proud to extend my words of appreciation to our team that consists of true professionals and consistently self-developing individuals. Yet again, let me also deliver my gratitude to all our clients, partners, suppliers and all other stakeholders for their trust and loyalty leading to our Bank's consistent improvement and leadership in the market. We are thankful for the continuing support, encouragement and goodwill of all our shareholders.

Sincerely,

Artak Hanesyan
Chairman of the Management Board-Executive Director



Major Achievements in 2012



Stability

True stability results when presumed order and presumed disorder are balanced. A truly stable system expects the unexpected, is prepared to be disrupted, and waits to be transformed.

Tom Robbins, American novelist

In 2012 the Bank ranked second in its net profits in Armenia's banking system. As a result of increased client confidence in the Bank, we experienced an increase in assets, liabilities, loans and other advances and the number of clients. The Bank has ensured an average increase of 25 – 30% in all key financial indicators by implementing the defined business program and setting small and medium business and retail as priorities for growth.

Today, Ameriabank is the most rapidly growing bank in Armenia. During the past 4 years the Bank has grown from a relatively small bank with a limited set of services into a powerful structure with a wide range of financial and banking services.

Financial achievements *

FINANCIAL IINDICATORS	31/12/12	31/12/11	31/12/10
ASSETS			
in AMD million	245,054	200,943	152,603
in USD thousand	607,200	520,887	419,886
Market share**	10,16%	9,72%	9,85%
Position in the banking system **	2	2	2
LIABILITIES			
in AMD million	208,281	166,171	120,616
in USD thousand	516,084	430,751	331,873
Market share**	10,39%	9,79%	9,77%
Position in the banking system **	1	2	2
LOANS AND OTHER ADVANCES			
in AMD million	146,162	136,439	90,615
in USD thousand	362,165	353,680	249,326
Market share**	9,63%	10,83%	10,20%
Position in the banking system **	3	2	2
NPL	0,99%	0,27%	0,21%
DEPOSITS FROM CUSTOMERS			
in AMD million	126,302	91,333	67,588
in USD thousand	312,954	236,755	185,968
Market share**	10,59%	8,64%	9,45%
Position in the banking system **	2	3	3
PROFIT			
in AMD million	6,037	4,055	3,180
in USD thousand	15,033	10,887	8,750
Position in the banking system **	2	4	4
TOTAL CAPITAL			
in AMD million	36,773	34,772	31,987
in USD thousand	91,116	90,136	88,013
Position in the banking system **	2	2	2

* Hereinafter, all indicators in dollar equivalent are calculated at the exchange rate as of the end of the relevant reporting period (average rates for 2011 and 2012); for instance 2010 - 1 USD=363.44 AMD, 2011 – 1 USD=372.47 AMD, 2012 – 1 USD=401.57 AMD.

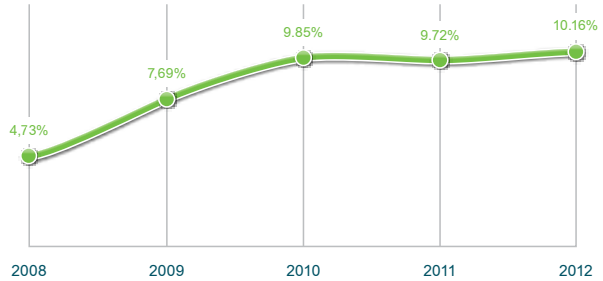
** Hereinafter, to ensure comparability of all data, all comparisons with the Armenian banking system (market share, position in the banking system) have been made on the basis of published interim quarterly (non-audited) reports.

Major Achievements in 2012

Dynamics of Ameriabank's Assets and Liabilities, USD thousand



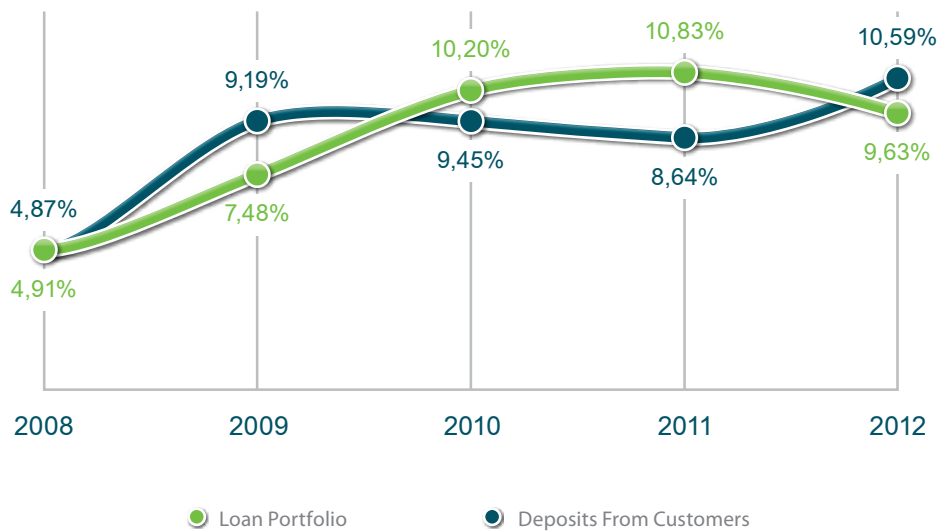
Ameriabank's Share in Armenian Banking Sector by Assets %

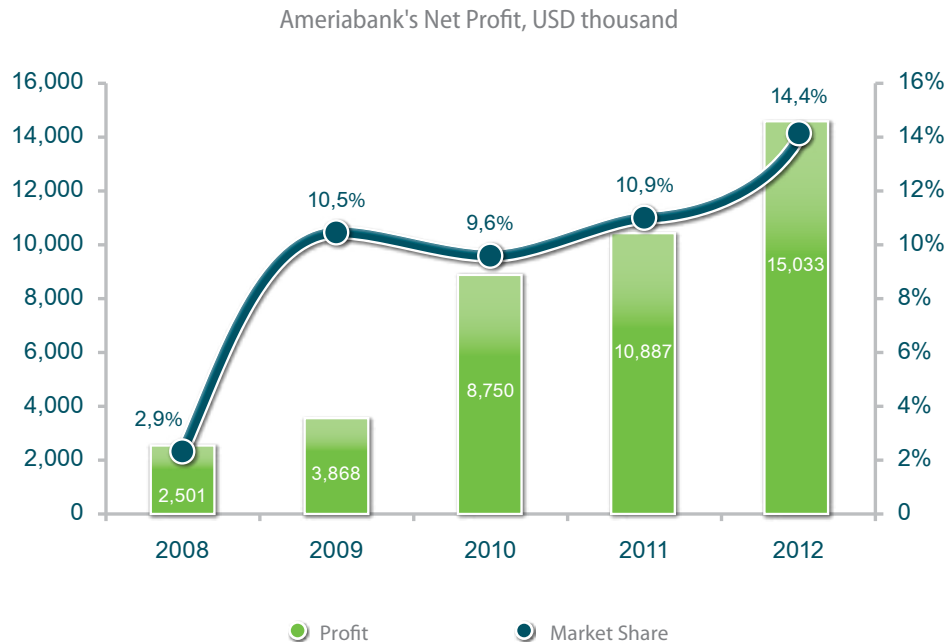


Due to the dynamic growth of assets and liabilities that has been recorded for five years in a row, Ameriabank further strengthened its position among the leading banks in Armenia.

Ameriabank loan portfolio over five years (2008 - 2012), increased its market share from 4.91% to 9.63%. The Bank's share in terms of liabilities to customers has grown over the same period more than twice - from 4.87% to 10.59%.

Ameriabank's Share in Armenian Banking Sector by Loan Portfolio and Deposits From Customers





For five years, the Bank's profit share in the overall banking system increased more than fivefold.

In the year of 2012 the Bank marked the following achievements:

In Client Relations and New Products

- Client base increased more than 30%.
- As a result of 2 successfully implemented deposit campaigns the volume of term deposits increased by 35%.
- The Bank acted as an underwriter and market maker for the placement of the bonds of one of the largest retailers in Armenia – SAS Group; with the placement being done in foreign currency for the first time in Armenia.
- Released co-branded cards with one of the largest retail supermarket chains in Armenia - Yerevan City.

Achievements in Technological Solutions and Infrastructures

- By the end of 2012 the total number of ATMs reached 91.
- Updated the version of the Bank's application in Apple App Store.
- Started issuing chip cards (EMV) with VISA and MasterCard.
- Developed and implemented a Help Desk system.

Achievements of Dream Team

- The Bank launched "GENERATION A" project - attracting young, perspective, open-minded and creative professionals in the framework of a separate program.
- The Bank opened a Corporate Training Center with the purpose of expanding the scope of cooperation with the best business schools and coaches for further professional development of staff.
- The Bank organized a "Leadership" forum with the founders of the Bank, in the format of an open discussion and sharing of viewpoints.
- In an online seminar, organized by the European Bank for Reconstruction and Development, the employees of the Bank's Trade Finance Unit demonstrated the best performance and were awarded a gold medal.
- As the winner of last year's European phase of online competition "Bank Management 2011", the Bank's new team was invited to participate in international competition again, and was declared a winner in the European competition and took the 2nd place in the Global Competition.



About Ameria Group

Diversity

If we cannot now end our differences, at least we can help make the world safe for diversity.

*John F. Kennedy,
the 35th President of the United States*

Ameria Group

Ameria Group is one of the first and most aggressively growing financial institutions in the local market offering a wide range of financial and advisory services.

Ameria Group provides fundamental and comprehensive financial support to clients representing almost all the sectors of social and economic activity in Armenia and the regions with key areas being:

- banking
- management advisory
- legal advisory
- investment banking
- asset management

One of the most dynamically growing institutions of the Group is Ameriabank. Ameriabank is a universal bank offering corporate, investment and retail banking services in a comprehensive package of banking solutions. An individual approach to each client, innovation, high professionalism and experience combined with a united team is our underlying strength. Nowadays, Ameriabank is one of the leading banks in the Armenian market, and this is evidenced by our history.

Ameria CJSC is the leader in the market of legal and management advisory services of Armenia providing an array of comprehensively packaged solutions under the umbrella of a single advisory team. Clients benefit from the strength of a unified team of advisors in legal and tax advisory, corporate restructuring, management advisory, strategic planning, as well as complex management solutions.

The other dynamically growing institution in Armenian investment sector is Ameria Asset Management. Ameria Asset Management offers tailored asset management and investment advisory services. The company targets to take the leading position in Armenia.

Since 2011 Ameria Group has established a presence in Los Angeles, USA, through Ameria Group Inc. to help the Diaspora community with full-fledged advisory services and to connect Diaspora investors to promising business and investment opportunities in Armenia. As a pan-Armenian advisory group, Ameria Group Inc. serves as a professional bridge between the Diaspora Armenians and motherland Armenia, with a major focus on Mergers & Acquisitions, Legal, Management, Equity Financing & Debt Advisory Services.

The Ameria Group of companies was founded back in 1998, when Ameria was established as one of the first professional advisory companies in Armenia, uniting young dedicated experts of the local market. In 2001 Ameria Asset Management CJSC was founded as one of the first in the country to offer asset management services. In 2007 Ameria, together with Ameria Group (CY) Limited (previously TDA Holdings Limited) started the most aggressive expansion in the Armenian banking sector.

About Ameria Group

The most significant achievement of the mentioned partnership was the acquisition of the majority of Armimpexbank shares by Ameria Group (CY) Limited in 2007. As a result, in 2008 Armimpexbank was renamed and rebranded into Ameriabank. With this change of stakeholders the Bank stepped into a new age of development with new strategy and management principles.














Main Milestones of Development






- 1910 Built the Erivan branch of Tiflis Trade Bank in Ter-Ghukasov Street, across from the Russian Orthodox Church. The Bank itself was established in Tiflis back in 1871 by well-known Armenian capitalists.
- 1916 Renamed the Tiflis Trade Bank into Caucasus Bank; respectively the Erivan branch was also renamed into Erivan branch of Caucasus Bank. The archived documents of the Bank state that most of the monetary resources transferred to Armenia came through the Erivan branch of Caucasus Bank.
- 1920 The Erivan branch of Caucasus Bank was nationalized by the Decree of Revolutionary Committee dated December 18, 1920. Starting from February 1921 to March 1922 the building was occupied by the Armenian Telegraph Agency (Armenta). On March 24, 1922 the State Bank of Armenia moved into the building.
- 1924 Establishment of Communal Bank of Armenia. The Bank started operations on May 1, 1924 at 2 Nalbandyan St. (former Ter-Ghukasov St.).
- 1959 Armenian branch of Stroybank started doing settlements of accounts of enterprises and organizations of the Communal Bank, implementing its activities in the same historical building situated on 2 Nalbandyan St.
- 1974 Establishment of the Armenian branch of Vneshtorgbank of the former USSR in the same building.
- 1988 Establishment of the Republican branch of Vnesheconombank of the former USSR in the same building.
- 1992 Reorganized the Republican branch of Vnesheconombank of the former USSR into State Armimpexbank (Armenian Import-Export Bank) CJSC.
- 1995 Attraction of foreign capital: majority of shares were acquired by Computron Industries Establishment.
- 2007 Shift in shareholders: Ameria Group (CY) Limited acquired the majority of shares of Armimpexbank.
- 2008 May Renamed Armimpexbank CJSC into Ameriabank CJSC.
- 2008 July Ameriabank became a principal member of VISA International.
- 2008 October Ameriabank became a member of Armenian Stock Exchange (ASE).
- 2009 January Started issuing and servicing international VISA payment cards.
- 2009 April Received a certification of compliance to the new ISO 9001:2008 International quality management standard.
- 2009 July Signed an agreement with International Finance Corporation (IFC) within the framework of Global Trade Finance Program (GTFP).
- 2009 July Launched Ameriabank's official web page in Bloomberg International System.
- 2009 July Opened a new branch in the town of Qajaran (Syunik Marz of Armenia).
- 2009 November Opened the new building of Ameriabank Head Office.

About Ameria Group

- 2009 November ● Opened new Kentron branch in Yerevan.
- 2009 December ● Signed an agreement with FMO/DEG on attraction of USD 30 million to expand Ameriabank's SME and Renewable Energy lending.
- 2010 February ● Opened a new branch in the town of Dilijan.
- 2010 March ● Launched Purchase Order Financing within the framework of "Partners for Financial Stability" program implemented by USIAD.
- 2010 March ● Received the status of Agent on medium and long-term RA Government (treasury) coupon bonds.
- 2010 March ● USD 10 million loan facility agreement was signed with EBRD to promote SME lending in Armenia.
- 2010 May ● Signed an agreement with EBRD within the framework of TFP (Trade Facilitation Program).
- 2010 May ● Opened new Cascade branch in Yerevan.
- 2010 June ● Opened new Komitas branch in Yerevan.
- 2010 July ● Received an award from Commerzbank for high quality international operations during 2009.
- 2010 July ● Received an Award for Excellence in Trade Finance from Commerzbank.
- 2010 December ● Received Best Bank of Armenia in 2010 award from the Banker magazine of Financial Times.
- 2010 December ● USD 30 million credit facility agreement was signed with Eurasian Development Bank for SME financing in Armenia.
- 2011 March ● Opened new Moskovyan branch in Yerevan.
- 2011 March ● Signed an agreement with Asian Development Bank on raising funds for the development of trade finance instruments.
- 2011 May ● Commerzbank issued a bank guarantee in Armenian Drams.
- 2011 June ● Received IFC Award - "GTFP Award 2010" as the most active issuing bank in the Caucasus under the Trade Finance Program (GTFP).
- 2011 June ● Received Euromoney 2011 Award For Excellence as the Best Bank in Armenia.
- 2011 July ● Signed CARTA (Continuing Agreement For Reimbursement Of Trade Advances) agreement with Citibank to raise funds for trade finance.
- 2011 September ● Opened a new branch in Vanadzor, Lori Marz of Armenia.
- 2011 October ● Received a loan approval from Commerzbank without collateral, guarantee and letter of credit for MSE financing.
- 2011 November ● USD 20 million credit facility agreement was signed with Asian Development Bank (ADB) to foster SME lending in the country.
- 2012 April ● Ameriabank funded USD 15 million for the reconstruction of a steel-making plant in Charentsavan, Armenia through the Global Trade Finance Program of IFC.
- 2012 April ● Opened new Shengavit branch in Yerevan.

- 2012 June  For 4 successive years TUV Rheinland successfully confirmed the Bank's compliance with the ISO 9001:2008 International Quality Management Standard.
- 2012 July  Received Euromoney 2012 Award For Excellence as the Best Bank in Armenia the second year in a row.
- 2012 September  A Revolving Credit Agreement (RCA) was signed with Asian Development Bank (ADB) within the framework of Trade Finance Program.
- 2012 October  Won the Best GTFP Issuing Bank for Energy Efficiency IFC award.
- 2012 November  USD 20 million credit facility agreement was signed with Asian Development Bank (ADB) to foster SME landing in the country.
- 2012 November  Signed an unprecedented deal for an Armenian bank – the Bank confirmed a letter of credit to a Kazakh bank, which is a part of a large banking group. The letter of credit was issued in favor of an Armenian export company.
- 2012 December  The Bank acted as an underwriter and market maker for the placement of SAS Group LLC bonds, one of the largest retailers in Armenia. The bonds were issued in foreign currency.
- 2012 December  The bank raised AMD 76,563,025 during the annual charity auction to help children with hematological diseases.
- 2012 December  Won the second Award for Excellence in Trade Finance from Commerzbank.
- 2012 December  Global Finance recognized Ameriabank as the Best Foreign Exchange Provider.
- 2012 December  Global Finance recognized Ameriabank as the Best Trade Finance Bank in Armenia.

Subsequent Events 2013

- 2013 January  Entered the largest international association of factors - "Factors Chain International", which will expand the coverage of international factoring transactions for customers and create the possibility of expanding their business by attracting new partners and new market sales.
- 2013 February  Opened new Sayat-Nova branch in Yerevan.
- 2013 March  USD 12 million equivalent of AMD loan agreement was signed with EBRD to promote AMD lending in Armenia. The facility had renewable energy and energy efficiency components in it.
- 2013 March  Global Finance recognized Ameriabank as the Best Bank in Armenia.
- 2013 April  USD 15 million credit facility agreement was signed with Proparco to promote agribusiness/food processing business in Armenia, Proparco making its first investment in Armenia.

Global Partners

The Netherlands Development Finance

Company (FMO)

Ameriabank started the cooperation with FMO in 2009 by signing a loan agreement with the total sum of USD 30 million. Funds provided to the Bank within the scope of this agreement are aimed to SME and renewable energy on lending programs. Due to this cooperation, Ameriabank has expanded its opportunities in the renewable energy and SME financing sectors.

In 2010 Ameriabank together with the support of FMO and DEG, successfully completed the introduction and implementation of an Environmental and Social Management System (ESMS). Ameriabank is one of the first banks in the region to have developed and implemented an ESMS. As a result of this, FMO and DEG awarded Ameriabank a certificate of appreciation, as well as a reduction in the interest rate of the facility signed between FMO, DEG and Ameriabank in December 2009.

Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG)

The Bank started its cooperation with DEG in 2009, when a joint Term Facility Agreement was signed with DEG and FMO. Since then the cooperation escalated to the level of strategic partnership, when the second round USD 20 million loan agreement was signed with DEG in November, 2012. The eight year loan facility is to foster SME financing in Armenia. This cooperation allowed the Bank to expand the scale of SME financing, which is among the top priorities in the Bank's lending policy.

By 2013, DEG's stand-alone exposure to Ameriabank reached USD 35 million.

European Bank for Reconstruction and Development (EBRD)

In 2010 EBRD provided a USD 10 million loan to Ameriabank for SME financing. In a virtually parallel agreement, with the purpose of development of trade finance, EBRD also issued a guarantee of USD 2 million. In 2011 this limit was raised to USD 10 million. By 2013, EBRD's exposure to Ameriabank reached approximately USD 50 million.

International Financial Corporation (IFC)

Thanks to cooperation with IFC commenced in 2009, Ameriabank expanded its financing to renewable energy sector (small hydropower plants financing programs). This cooperation also impacted greatly the development and implementation of trade finance instruments in Armenia. As a result of this Ameriabank became the largest trade financier in the country.

Within the framework of further cooperation with IFC, a loan of USD 15 million was provided to the Bank to finance renewable energy projects in the country. In 2011 IFC extended the guarantee issued to Ameriabank up to USD 40 million to foster international trade. By 2013, IFC's total exposure to Ameriabank reached USD 55 million.

The "Best GTFP Issuing Bank" awards won in 2011 and 2012 are the best evidence of successful and fruitful cooperation between the Bank and IFC. In addition, these are the first awards that IFC granted to a bank operating in the Caucasus.

Asian Development Bank (ADB)

Cooperation between Ameriabank and ADB commenced in 2011 when a Revolving Credit Agreement was signed between the parties. The funds provided to the Bank were aimed at promoting trade and sustainable economic growth in Armenia.

Followed by months of successful cooperation in the field of trade finance, a loan of USD 20 million was provided to the Bank. The credit facility was to promote SME financing in the country. In 2012 however, the limit for Trade Finance was tripled, extending it from USD 3 to 9 million.

Eurasian Development Bank (EDB)

The Bank started cooperating with EDB in 2010, when EDB, within the framework of SME financing, provided a USD 30 million loan to Ameriabank.

Proparco

Proparco and Ameriabank started their cooperation in 2012 by signing a mandate letter for USD 15 million credit facility to be the first investment of Proparco in Armenia and the second one in South Caucasus. This new financing project implemented by Proparco and Ameriabank will open new long-term financing opportunities for small and medium businesses in agribusiness and the food processing industry, boosting Armenia's economy and job market.

Commerzbank

In 2011 the cooperation between Ameriabank and Commerzbank was marked by two transactions unprecedented in the Armenian market, which resulted in the increase of trade financing and lending to SMEs, thus contributing to the economic development of the country.

The first transaction is unique by the fact that Commerzbank has for the first time issued a bank guarantee by the request of an Armenian bank, in national currency for AMD 805 million, which is aimed at trade financing. Provisioning of the guarantee in national currency allowed the clients of the Bank to expand financing of foreign trade transactions in Armenia.

The second transaction is unique by the fact that for the first time in history of cooperation with Commerzbank it has confirmed a large loan to an Armenian bank without collateral. The funds were mostly planned for financing of SMEs and ensuring competitive conditions for client lending.

Citibank

The Bank cooperates with Citibank in the scope of several agreements, specifically, lines of credit to manage daily cash flows and trade financing. In 2011 the cooperation expanded and was confirmed through signing a unique CARTA Agreement (CARTA - Continuing Agreement for Reimbursement of Trade Advances) within the scope of which the Bank obtained USD 4 million for trade financing purposes.



Philosophy and Values

Durability

The word of man is the most durable of all material.

Arthur Schopenhauer, German philosopher

Mission and Philosophy

Our mission is to strive for:

- Leadership and dynamic development in Armenia and the region as a financial and advisory group committed to long-term dynamic economic development,
- Being a client oriented and reliable partner, with a full package of financial services,
- Innovations based on best practices in financial and advisory services, business processes and technologies,
- Building a dream team of qualified, motivated and efficient staff.

Our philosophy is based on the understanding that the well-being of each member of the society is the base for the well-being of the entire society. With permanent self-development, we are approaching the real opportunity of sharing our experience, knowledge, achievements with our clients, partners, employees, and thus contributing to their growth and development. The Bank follows the principles of true leadership which also implies a high level of responsibility.

In our work we follow the strategy of long term vision of all our projects, including the short term ones, to contribute to the stability and prosperity of the Group and our stakeholders.

To achieve maximum transparency in our relationships with clients we are guided by the following principles:

- Holistic approach,
- Individual solutions,
- Trust and reliability,
- Quality of service.

Following the principles of innovation and leadership, we introduce the global development tendencies to our stakeholders, thus creating new opportunities for the quality enhancement and achievement of goals, as well as open gates to regional and international markets.

The Group unites experienced, purposeful and qualified professionals dedicated to their work in one Dream Team. The Bank creates beneficial conditions for dynamic growth, innovation and the development of daring, talented employees in order to create new perspectives for business, partner companies and organizations.

Our Values

Client Trust and Satisfaction

Client trust and client focus are two of our core values around which our entire business is established and progresses in time.

To ensure high quality service, reliability and transparency a quality management system complying with ISO 9001-2008 international standards has been introduced in the Bank since 2009 and was recertified by TUV Rheinland in 2012.

Dream Team: Unity, Commitment to Common Goals and Professionalism

Each member of the team is a professional, keen on working in a team of interesting and enthusiastic individuals to overcome all challenges together and create a better world, new culture of relationships in the market, new business environment and be proud of achieved results.

Brand

Starting and ending with an "A" our brand symbolizes a successful start and finish as well as the idea of leadership and determination. This is also proven by the symbol of an arrow directed upwards.

Owing to the creativity of our professional employees, shareholders and partners, Ameria brand within a relatively short period of time, has acquired a high level of brand awareness and trust. Due to the hard work of our team, our brand has grown to be loved and well respected in the marketplace and stands for innovation and leadership.

The Group and the Society

Our achievements are an incentive for actions leading to positive changes in the society. It is our deep belief that each individual must and can change the world for the better. Therefore, Ameria Group is also responsible for its contribution to the development of social and economic life in Armenia.

Innovation and Experience

The Group builds a culture and traditions of financial intermediary activities through constant analysis, consolidations and effective use of daily experience on the local and international markets. The Bank introduced a number of new products in the Armenian market, creating a precedent for the development of new directions and solutions for our clients.

Leadership

Leadership for us implies not only championship in terms of financials but also in spirit of innovations, the capabilities to develop the local financial market and devotion to our CSR policy and to our stakeholders.

Strategy

To be the first not only in terms of financial indicators, but also in terms of reliability, progress and brand reputation – are the key driving forces for Ameria Group's activities, that will keep the Group going and committed to its strategy.

Qualities deemed of paramount importance for the activities of the Bank:

- Client-oriented approach,
- Well balanced financial, legal, human resource and social policies,
- Principles of business ethics,
- High level of professionalism,
- Team spirit,
- Information transparency,
- Perception of existing realities combined with the ability to make the best use of emerging opportunities.

Based on the holistic expert and research based understanding of the global, regional and local markets Ameria Group strives to balance the interests of all stakeholders of the Group, including clients, shareholders, employees and partners.

In early 2011, Ameriabank revised its strategy, according to which the main priority was the transformation of the Bank from a predominantly corporate-orientation into a universal banking institution, serving to the wider layers of the community.

In this regard, the Bank has been actively developing its retail business, as well as expanding towards SMEs from legal entities.

The unique competitive advantages of the Bank and high professionalism of the staff allow the Bank to successfully implement new projects and discover new business opportunities in the market, thus standing alone and being a leader in the market.

According to the 2013-2015 Development Strategy of the Bank the main priorities are:

- Improvement of service quality,
- Further development as a universal bank,
- Enhancement of financial efficiency through further diversification in the areas of operations and client base,
- Development of new financial solutions, introduction of new banking technologies, new products, development of the financial infrastructure,
- Ensuring steady growth,
- Formulation of prerequisites for the deployment of activities in foreign markets.

Corporate Social Responsibility

Besides developing business and creating employment any company should also be taking definitive social responsibility, to contribute to the sustainable growth of economy and the development of the society, where the company operates, in general. Corporate Social Responsibility (CSR) is a value vector for all the team members at Ameria Group.

Within the scope of our CSR policy the goal of the Bank is to support the rehabilitation and development of the cultural heritage of Armenia, support to the socially disadvantaged and vulnerable layers of the society. Among the major CSR projects of Ameriabank in 2012 are:

Support to Children with Cancer and Hematological Diseases

It has become a tradition in Ameria Group to organize a New Year and Christmas charity auction for the treatment of children with serious diseases. On December 11, 2012 Ameria Group arranged the 3rd annual Charity Christmas Auction in Armenia Marriott Hotel. All the proceeds of the auction were used for treatment of 22 children with juvenile idiopathic arthritis, hematological diseases and cancer, registered in Ognem, Grant Life and Kids no Pain foundations.

This year in cooperation with Antikyan Gallery Ameria Group united businessmen and artists to help kids who are battling for life every day, waiting for a miracle to happen. The auction featured 24 works of prominent modern Armenian artists. This year we raised AMD 35,120,875 during the auction which was matched by Ameria Group. Another AMD 9,097,812 was raised through private donations bringing the overall total fundraised amount to AMD 79,339,562.

Previously we were able to raise AMD 19 million during the first year and AMD 21 million during the second year. All those wishing to join this initiative and donate funds for children with cancer and hematological diseases are welcome to transfer money to 15700 36910764400 account at Ameriabank.

Support to Children in Need and Orphans

Ameriabank continues its collaboration with orphanages and boarding houses hosting children from socially vulnerable families to provide them housing and education.

The Bank provides the children with school stationery, toys, books and art supplies. The Bank is closely cooperating with the SOS Children's Village Armenian Charity Foundation and the Children of Armenia Fund (COAF), both are non-profit, non-governmental organizations.

Armenia-Diaspora

Ameria Group in Los Angeles is celebrating its membership to the Armenian American Chamber of Commerce (AACC) with a strong presence at the biggest event of the year for the Armenian American business community - the 13th Armenian American Chamber of Commerce Business Awards Gala.

Ameria sponsored AACC Business Awards, with more than 400 participants, honored three prominent Armenian American leaders who have distinguished themselves as successful businesspeople and community leaders. Some of the proceeds of the event went toward providing scholarships to Armenian students, both in Armenia and the US.

"Hayastan" All-Armenian Fund

The Bank participated in the traditional annual telethon for the raising fund by the Pan-Armenian Fund. This year as well Ameria Group participated in the annual telethon organized by the All-Armenian Fund and we donated USD 50,000. Ameria also sponsored All-Armenian Fund's 20th Anniversary Gala, held at the renowned Dorothy Chandler Pavilion of the LA Music Center, in honor of All-Armenian Fund Benefactors.

Regional Community Development

The Bank supports a number of community development projects in the regions that the Bank has a presence at. In the scope of this initiative we have supported; the Qajaran Benevolent Foundation, preschool institutions of Yerevan, the Shengavit Foundation, Artsakh Episcopate of the Armenian Apostolic Church, the Yerevan Foundation, RVVZ Foundation, Erebuni-Yerevan Cultural Foundation and Bride of Hope NGO in Dilijan in their various community development project implementations.

Sports

With the purpose of facilitating the development of sports and promoting healthy lifestyle in Armenia, the Bank sponsored an International Tennis Championship for men and women called Ameria Cup that took place in June 2012.

Corporate Governance and Risk Management



Transparency

**Life is filigree work. What is written clearly is not worth
much, it's the transparency that counts.**

Louis-Ferdinand Celine, French novelist

Compliance with high international standards of corporate governance, application of banking technologies and servicing are very important for Ameriabank. To establish a distinct, measurable and assessable environment in all spheres of the Bank's activity, since 2007, the Bank has developed and introduced more than 200 procedures, as well as norms and directives ensuring the implementation of such procedures.

Proper implementation of the procedures is supervised both by the Internal Audit Service reporting to the Board of Directors as well as external audit and consulting firms.

Thus, in 2012, as a result of the audit of the Bank's management system, TUV Rheinland reinstated previously awarded ISO 9001:2008 international certificate to the Bank, whereby the Bank once again reconfirmed the underlying reliability of its business processes and quality management system.

Ameriabank seeks to further develop corporate culture and company spirit through regular staff trainings, corporate events, and constant fulfillment of common goals and the mission of the Bank. The power of the dedicated, friendly and united team allows the Bank to overcome difficulties and to achieve all short, medium, and long term goals.

Main principles of corporate governance at Ameriabank are:

- Transparent decision making and easy access to information,
- Protection of rights and interests of investors,
- Professional and ethical responsibility.

Ameriabank Shareholders

Currently the Bank's share capital is AMD 25.4 billion (USD 63 million). Ameria Group (CY) Limited owns 100% of ordinary nominal shares of Ameriabank with par value of AMD 320,000.

Ameriabank Management

Corporate governance bodies of the Bank are:

General Meeting of Shareholders

The highest level of the Bank management is the General Meeting of Shareholders. Members of the General Meeting are all the shareholders of the Bank or their duly appointed and authorized representatives. The following people may participate in the General Meeting: ordinary or nominee shareholders, members of the Board of Directors, Chairman of the Management Board-General Director, members of the Management Board, head of the Internal Audit, external auditor as well as representatives of the Central Bank. The scope of authorities of the General Meeting of Shareholders includes but is not limited to: approval of the Bank charter, Bank reorganization, and designation of the Board of Directors, approval of annual financial statements, including profit and loss statement, payment and amount of dividends. The General Meeting of Shareholders is arranged within four months after the end of the fiscal year. All General Meetings other than the Annual General Meeting are invited extraordinarily.

Board of Directors

Ruben Vardanian

Russia

Chairman of the Board of Directors

- Co-Head of Sberbank CIB
- Board member at OJSC AvtoVAZ (the largest car manufacturer in Eastern Europe), OJSC KAMAZ (the largest truck manufacturer in Eastern Europe), OJSC NOVATEK (the largest independent gas producer in Russia), CJSC SIBUR Holding (the leader of petrochemistry in Russia and Eastern Europe), and Joule Unlimited, Inc. (a pioneer in the production of liquid fuel from solar energy)
- Member of the Supervisory Board for the closed-end mutual venture investment fund Skolkovo-Nanotech
- Member of the Investment Committee of Avica Property Investors International (Asset Management Company of Romanov Property Holdings Fund)
- Board Chairman of OJSC Rosgosstrakh (the major insurance player on the Russian market)
- Member of the Board of Directors of IG Seismic Services Ltd. (a joint venture between the Integra Group and Schlumberger)
- Founding Partner of the SKOLKOVO Moscow School of Management and member of its Coordination Council, Head of SKOLKOVO's Committee on International Cooperation and Strategic Partnerships
- Member of the Expert Council, the Presidential Council for National Priority Projects and Federal Population Policies, the International Presidential Council for Creation of an International Financial Centre in the Russian Federation, the State Council for Competitiveness and Entrepreneurial Business under the Government of the Russian Federation, the Presidential Education Advisory Body in South Korea and the Advisory Board of the A. M. Gorchakov Fund to Support Public Diplomacy
- Member of the Advisory Board of National Competitiveness Foundation of Armenia, the International Advisory Board of the Global Leadership Studies at the International Christian University (Japan), the Guanghua School of Management International Advisory Council (China)
- Member of the FDC International Advisory Council (Brazil) and the Supreme Religious Council of the Armenian Apostolic Church (Armenia)

Board of Directors

Noubar Afeyan*USA***Member of the Board of Directors**

- Founder, Managing Partner and CEO of Flagship Ventures
- Managing Partner and CEO of Flagship VentureLabs
- Senior lecturer at MIT's Sloan School of Management
- Member of the board of AeroDesigns, Affinova, BIND Biosciences, BG Medicine, Eleven Biotherapeutics, Pronutria, Joule Unlimited, LS9 and moderna therapeutics.
- Member of several advisory boards including the Yale Climate & Energy Initiative and the SKOLKOVO School of Management in Moscow
- Member of the Board of Overseers of the Boston Symphony Orchestra
- Co-founder and board member of the National Competitiveness Foundation of Armenia
- Received a Technology Pioneer 2012 award from the World Economic Forum in recognition of the breakthrough solar fuel technology being developed at Joule Unlimited
- Vice-chair of the Global Agenda Council on Emerging Technologies of the World Economic Forum.

Gor Nakhapetyan*Russia***Member of the Board of Directors**

- Vice President of Sberbank CIB
- Member of the Coordination Council of Moscow School of Management SKOLKOVO and the representative of Partner-Co-founder of the School, Troika Dialog

Robert von Rekowsky*USA***Independent Member of the Board of Directors**

- Portfolio Manager at Fidelity Investments
- Vice-president at Emerging Markets Strategy
- Member of the Boston Committee on Foreign Relations, the Boston Economic Club and World Boston

Andrew Mkrthcyan*Armenia***Member of the Board of Directors**

- CEO of Ameria Group of Companies
- Board Member at National Competitiveness Foundation and Member of Business Support Council, both chaired by the Prime Minister of Armenia
- Board member at Dilijan International School of Armenia

Management Board

Artak Hanesyan

Chairman of the Management Board, General Director

Andranik Barseghyan

Management Board member, Head of Risk Management Center

Arman Barseghyan

Management Board member, Retail Banking Director

Arno Mosikyan

Investment Banking Director

David Sargsyan

Legal Practice Director

Gagik Sahakyan

Management Board member, Corporate Banking Director

Gevorg Tarumyan

Management Board member, Deputy General Director, CFO

Gohar Khachatryan

Management Board member, Chief Accountant

Samvel Aghababyan

Management Board member, Head of Security Service

Sergey Shevchenko

Management Board member, Trading Director

Tigran Jrbashyan

Development Director

Standing Committees and Commissions:

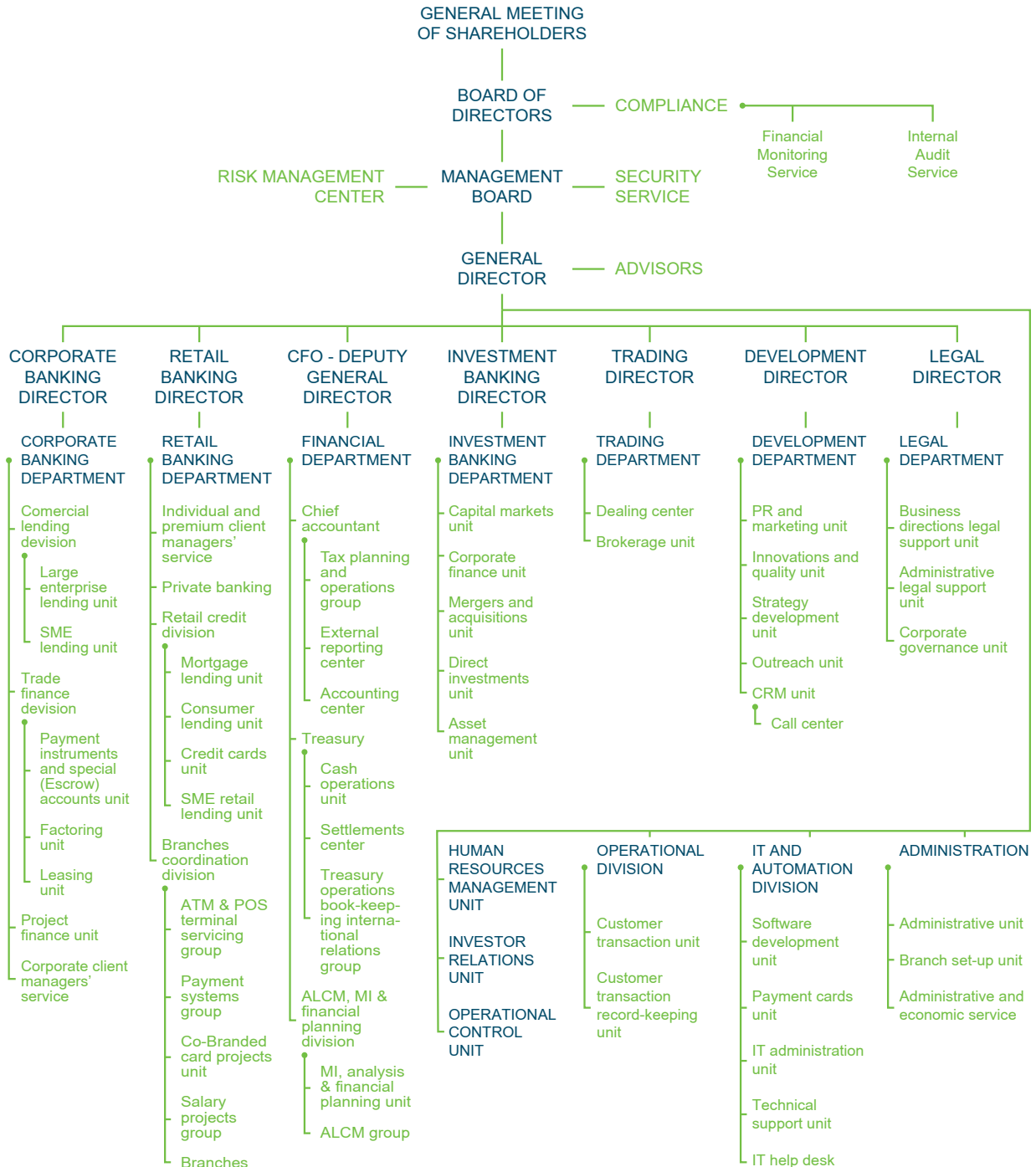
Credit Committee (Large and Small)
Investments Committee
Assets and Liabilities Management Committee
Committee for AML and CFT
Procurement Committee

Ad Hoc Working Groups and Target Meetings:

Client Outreach
Development
HR
Loan Portfolio Quality
Investment Banking Development
IT Development
Security Service

Organizational Chart of the Bank

(as of 15.04.2013)



Core Management Principles

One of the core management principles of Ameriabank is the client-oriented approach, i.e. understanding of current and future requirements of the clients, meeting their needs and surpassing their expectations.

In our day to day operations we are also guided by the following principles underlying the ISO 9001:2008 standards:

- Top management leadership – readiness and consistency of top management in creating relevant conditions for efficient operation of the system,
- Staff involvement - ensuring participatory management and decision making,
- Systemic approach, considering business units as a chain of interrelated processes,
- Systemic management approach – management of interrelated processes as a system, contributing to the efficiency in reaching our goals,
- Continuous upgrade of the system, in line with legislative changes, clients complaints and recommendations, as well as to respond to the developments of various internal processes,
- Evidence based decision making, provisioning of reliable information for decision making with fine balance of efficiency vs. risk tolerance,
- Maintenance of mutually beneficial relations with partners and suppliers, with the purpose of enhancing abilities of both parties of creating value.

In addition, we are guided by an internal system of horizontal relationships that make the communication within the team more efficient and involve various levels of team-mates in the decision making processes.

Back in April 2009, based on the quality management system audit by TUV Rheinland Group, Ameriabank was awarded the Certificate of compliance with the ISO 9001:2008 International quality standard, which confirmed the Bank's management system reliability.

In 2012 the Bank underwent a scheduled annual audit, which recertified the compliance of the system to ISO 9001:2008 International standards.

All business processes at the Bank are divided into three groups:

- Core business processes, aimed at satisfaction of client needs for banking and other financial services,
- Supporting processes, targeted to retain and ensure effective implementation of main processes,
- Management processes, ensuring the functioning of various management systems as well as strategic and tactical decision making.

One of the tools allowing increasing the management quality is the Balanced Scorecard System, introduced in the Bank, which allows linking the process approach, strategic management and the entire management system with definitive measurable and digitized tools.

HR Management

The Team of professionals is the main asset of our Group. We firmly believe that precise adherence, commitment, loyalty and dedication of each employee are the key to overall success. Freedom, trust and responsibility are the most important values that contribute to the development of our business. Open and trusting relationships between colleagues, supervisors and subordinates and the absence of "closed doors" are the core principles of communication inside the company.

It is very important for us that each employee understands that the strategy and goals set for the team, are entirely dependent on the individual performance of each of us. The most important achievement in the field of personnel management in the Bank as well as throughout the entire Group is the fact that we have managed to gather a great team of highly motivated, bright and innovative professionals who are able to generate new ideas and bring them to life.

"The Dream Team" consists of positive and progressive-minded and like-minded people, united around a common idea, ready to move forward together and make the world better. "We do not believe in miracles, we are realists. But we know that together we can make a difference in this world."

During 2012, the total number of employees increased by 24%, beginning the year with 416 people and by the end of the year the team had grown to 517 like-minded professionals.

For us it is important that each new employee feels fully involved as a team member from the first day of work at the Bank. In order to adapt the new staff members of the team in the Bank, we periodically conduct orientation seminars, trainings on team building, which greatly facilitates the transfer of our corporate values and the development of a culture of succession.

To determine the potential of the younger generation, the Group actively cooperates with the best universities in Armenia. In the scope of that cooperation, the most active and committed senior students get the opportunity of doing an internship at the Bank, as well as in other companies of the Group.

The best of them have the opportunity to get further employment in the companies with the purpose of continuing the tradition of corporate culture and business development potential of the young leaders of the future.

During the reporting year we launched our "GENERATION A" project, which aims to enhance the development of young professionals and nurture the next generation of young leaders. The program is based on coaching, providing practical insight and sharing day-to-day expertise in finance and banking. The program is designed to provide young people who graduated the university, but do not have relevant experience yet, an opportunity to be trained and gain insight to a real life business environment, get familiarized with modern technologies and seek new opportunities. This is where the theory meets the best practice of modern banking. While the bank received about 1,000 applications from Yerevan and regions of Armenia, only 25 applicants completed the program successfully and are already our young teammates.

The Bank has formed a team of highly qualified professionals with over 90% of employees having higher education, in most cases financial and economic degrees, of which over 15% have a PhD and other international qualifications.

We also value the knowledge and experience in international markets, global vision and the strategic thinking of our employees. Our team includes representatives of different cultures and nationalities, which is very important in terms of exchange of experience and the development of versatile minds.

Individual development and nurturing talent are the priorities of our human resource management policy. We continue to cooperate with the Moscow School of Management "Skolkovo" as part of Executive Education project for middle and senior managers. During the reporting year, we implemented the "Change Management" program for employees of the Group with one of the best professors of the school Elizaveta Sadova.

We also give great importance to professional trainings and forums both in Armenia and abroad. In addition to participating in international forums such as the World Economic Forum, Russia Forum, and so on, for several years, the employees of the Group participate in various international team projects, debates, online contests, attend seminars and conferences around the world, and share their experience and knowledge.

As the winner of the previous year's European phase of online competition "Bank Management 2011," the Bank's new team was again invited to participate in the international competition, and once again was declared the winner. The competition is organized by the company SimArc NV in partnership with the New York Institute of Finance, World Savings Bank Institute and the European Group of Savings Banks.

In another online seminar, organized by the EBRD, the trade finance team of Ameriabank scored the highest with a perfect score of 100%. Thus, the team was granted the opportunity of a two-week training at Commerzbank and subscription to the DC-PRO program. The online seminar 2011 was attended by 360 employees from 83 banks from 17 countries, where EBRD is present.

In 2012, our team members were trained in 220 training sessions and more than 70 employees of the Bank were sent abroad for various qualification trainings.

The automated process of personnel performance evaluation in the Group is carried out using a valuation of Key Performance Indicators (KPIs), as well as the evaluation system "360 degrees" in order to identify strengths and weaknesses and to create an individual development plan for each employee. We do the evaluations twice a year based on which we revise salaries and distribute bonuses for each employee annually.

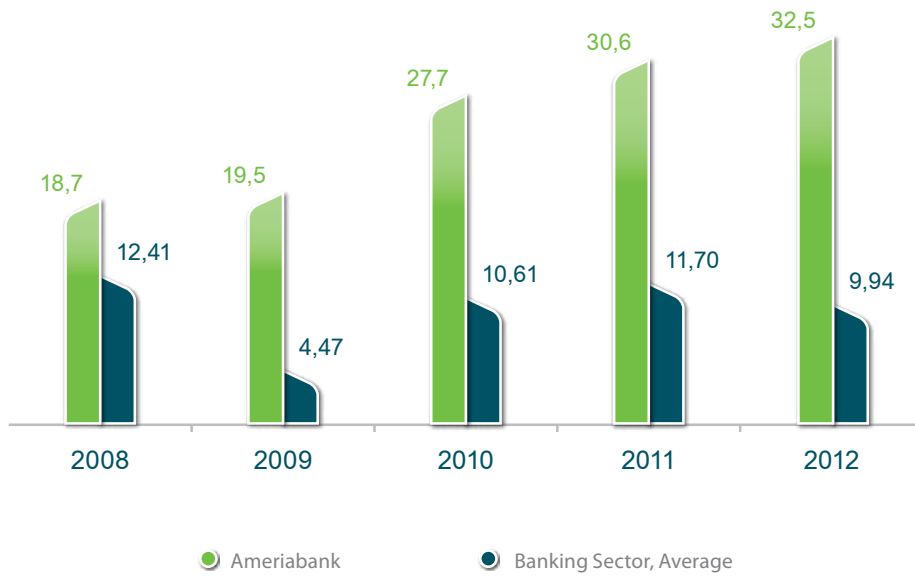
Within the Group of companies we have a benefit package which is quite competitive in the market and includes medical insurance, assistance insurance (travel abroad), preferential conditions of banking services, wages above the market, and a unique bonus system.

In order to improve the motivational system in the Group we periodically conduct surveys and studies on the satisfaction level of working conditions, the system of compensation and the benefit package.

We adhere to a healthy lifestyle and strongly promote the participation of our employees in various championships, health clubs, and etc. We actively track the market trends to sustain the leading role and competitiveness of our benefit package, thus updating as necessary and improving the conditions. With the purpose of staying in line with and being aware of the market indicators on wages, bonus payment systems and other material motivators, we participate in various studies conducted by international financial institutions and organizations (World Bank, EBRD, etc.) at least twice a year.

The demographic structure of the team is quite balanced with 56% female and 44% male employees; the mean age is 33 years and headcount turnover is a rather low - 3.5%, taking into account the active growth rate of the company. The effectiveness of HR management at Ameriabank is evidenced by some financial indicators. In particular, while by the results of 2012 in the Armenian banking system the banks held an annual average of AMD 207 million per employee (equivalent to USD 514 thousand), while the respective indicator for Ameriabank is AMD 480 million (equivalent to USD 1.2 million). Profit per employee at Ameriabank (annual average) in 2012 reached AMD 13.1 million (USD 32.5 thousand), while the average for the banking system was AMD 4 million (USD 9.94 thousand).

Profit per Bank Employee, USD thousand



Assets per Bank Employee, USD thousand



Client Relationship Management

Ameriabank continues its policy aimed at building and sustaining lifelong relations with its clients and for that purpose uses a variety of processes, systems and tools. The key tool used to ensure proper information channeling is our automated CRM system (Terrasoft CRM).

The system is highly flexible and customizable and has capacities for recording and keeping various customer related data, transactions and relationships with both current and prospective clients, compiling multi-dimensional reports, analytical information, and etc.

Client Relationship Management at Ameriabank is based on the following principles:

- Creation of strong relationships with the clients and their proactive involvement in our processes through introduction of the feedback, new ideas, interesting points of view and value adding service ideas to our management.
- Immediate response to client complaints and corrective measures for improvement and infringement prevention, including the client complaint response and detailed analysis of client satisfaction. In this regard Ameriabank is using unique tactful and effective methods.
- Ongoing study of client satisfaction by independent parties to obtain ultimately objective and relevant information.
- Creation of favorable conditions for the client managers to ensure maximum confidence in direct relationship, which would allow the clients to freely communicate with the client managers who act as trusted and reliable advisers on any banking related issue.
- Continuous improvement and maintenance of quality service in the branches through constant monitoring, trainings and education of staff.

Client Relationship Management is a separate and independent unit, the main objective of which is to ensure sustaining a proper balance of interests between the client service units and our clients.

Risk Management

2012 for Ameriabank was the year of continuing dynamic and stable growth and strengthening of positions in terms of exposure to diverse types of risks.

During the reporting year the Bank was aimed at:

- effective management of risk exposure and capital adequacy
- leveling of concentration of credit and deposit portfolios
- portfolio diversification, development of the retail lending sector
- optimal management of market risks in limited risk-appetite conditions
- optimal liquidity management
- systematization of the bank's operational risk management model results
- focus on risk based supervision and audit of the Bank.

During the reporting period the Bank has operated in the scope of acceptable risk parameters.

Giving paramount priority to the effective operation of the system of risk management, in 2012 Ameriabank continued working actively towards further development and improvement of the efficiency of systems, models and techniques of risk management that are already in place.

Credit Risk

In 2012 as well as in previous years, management of credit risks has been an important objective for the Bank's management.

The development and growth rate of the Bank's credit portfolio appeared to guide the further development of the system of management, monitoring and identification of risks. In order to conduct credit risk assessment and management in 2012, the Bank has:

- improved the system/method of loan portfolio monitoring, credit risk coverage approaches using monitoring functions
- improved indicators of creditworthiness assessment (credit risk) of borrowers
- continued working on the development of the system of credit risk-rating/scoring of corporate borrowers

Due to the weighed and well balanced policy of the Bank, with 21.9% asset growth and 7.1% credit investment growth the NPL was only 0.99% at the end of the year, which is considerably lower than the average in the RA banking system.

Sectorial structure of the loan portfolio in 2012 was well diversified and had a low level of concentration.

In the scope of overall credit risk management in 2012 Ameriabank provided a reliable level of capital adequacy and at the same time sufficient safety margin for risk.

Market Risks

Giving great importance to the potential impact of market and price risks, the Bank acted in the scope of reserved market risk appetite.

In 2012, Armenia's foreign exchange market was characterized by relatively low volatility. Exchange rate fluctuations in main currencies were fixed in the first months of the second half-year, but thanks to a restrained monetary policy the Bank secured itself against the possible impact of abrupt fluctuations.

Stress tests with regards to the possible adverse effects of exchange rate fluctuations were conducted regularly, showing that the Bank was subject to currency risk quite insignificantly.

The exception was the risk of exchange rate influence on the capital adequacy standard because of the 150% weighted index of foreign currency assets used in the calculations. However, the buffer of the managed standard of capital adequacy of the Bank was sufficient for a significant change of course, while being continuously monitored and periodically exposed to stress tests by the Bank.

Interest rates in 2012 were subject to pressure by the competition factor, resulting in changes during the year. In the second half-year the percentile spread on the monetary market gradually shrank.

Along with active monitoring and management of gaps in time and pricing structures of assets and liabilities, the Bank also hedged the risk of a floating interest rate on attracted long-term resources - targeted lending programs of international financial institutions, by signing a contract with that purpose on the interest rate swap with the International Finance Corporation (IFC), a member of the World Bank.

At the end of 2012 in the term structure of funds, the maximum rate of the open positions on percentage risk of the Bank stood at 6.8%, while the acceptable threshold was 15%. Meanwhile, the aggregate interest rate risk across the term structure has a value 16.1%, which is about 9% below the threshold.

In 2012, the price of real estate carried some uncertainties. In this regard, the Bank maintained a certain amount of conservatism in policies of taking collateral, however, having flexibility towards its most reliable clients.

Liquidity Risk

The Bank has provided the optimal balance between liquidity and profitability in order to optimize resource management. Throughout the reporting year the Bank's liquidity ratios had sufficient margin of safety and ensured uninterrupted operations of the Bank.

In 2012, the Bank re-evaluated its resource base for reliability and customer loyalty. Due to the results of the evaluation a large proportion of the Bank's deposits are a stable and loyal part of the resource base.

According to the CBA norms:

- The minimum standard of total liquidity of the CBA is set at 15%, the rate of Ameriabank at the end of 2012 was 26.63%
- The minimum current liquidity ratio is set at 60%, the Ameriabank parameter was 144.86%.

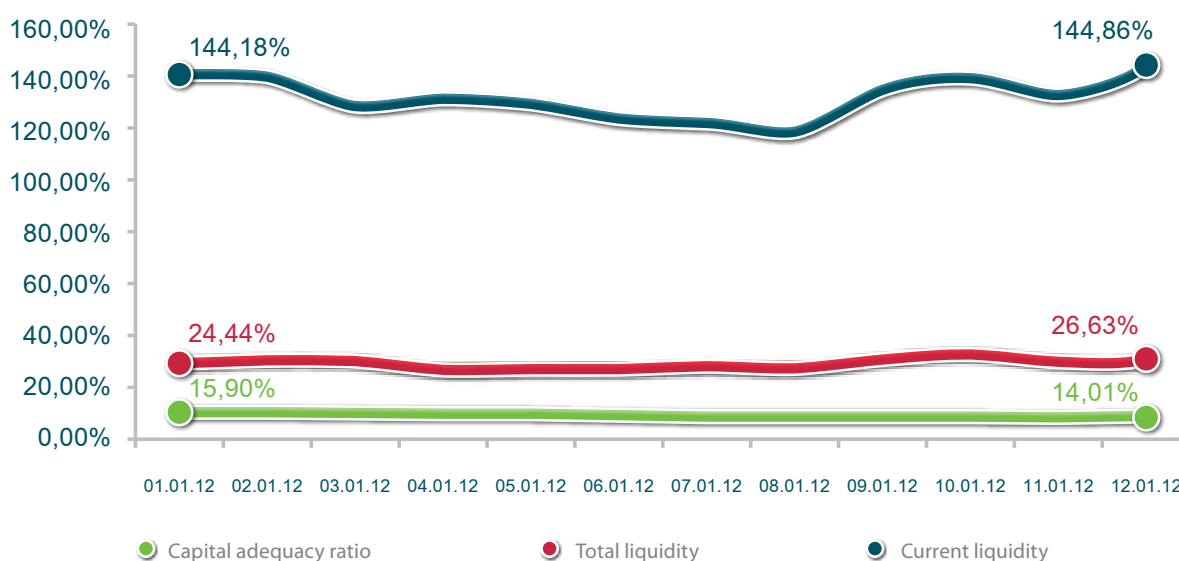
In 2012, the Bank optimized its lending policy as well as the process of assets and liabilities management, which allowed increasing volumes of lending, while ensuring safe levels of capital adequacy.

At the end of the reporting period the loan portfolio was 59.6% of total assets, with a capital adequacy standard of 14.01%.

Stress testing

In order to assess the possible impact of market and credit risk, as well as liquidity risk, the Bank implements monthly stress tests with various scenarios, including pessimistic developments. Stress test results are taken into account by management in decision-making processes in all areas of Ameriabank's activity.

The stress tests conducted during 2012 showed that the Bank is able to withstand the risks caused by various factors, including possible unfavorable changes in the conjuncture and environment of the market.



Operational Risks

The bank is mainly exposed to the following operational risks: adverse external events, risk associated with the reliability of the systems, human factor risks and risks inherent in the organization of internal processes of dynamic developing banks.

Risk management has a proactive role in the bank; it permanently and consistently conducts detection and measurement of risks. One united system is used to manage the risk level. When choosing the control method, the system takes into account the relationship of risk to income.

In operational risk management the following principles are used:

- Detailed description of the processes,
- Precise description of limits and authorities,
- Elimination of conflicts of interests,
- Clear accountability mechanism,
- Redundancy principle and double check mechanisms, etc.

During the reporting year, an assessment of around two dozen internal processes and information systems was conducted on the subject of operational risk. It allowed analyzing and identifying the weaknesses of processes and systems, making decisions on the improvement of the latter and their risk management, all the while providing maximum awareness to management and the Bank staff in regards to operational risks.

With the development of operational risk management system in 2012, the Bank began to carry out the calculation of materiality of products, the sensitivity of the Bank to operational risks of products, and to apply the model of capital allocation by products according to its own method. Usage of the models gave the opportunity to identify priorities while evaluating processes and systems connected with the product provision.

In the risk assessment of processes and systems a fundamental role is given to the calculation of the probability of occurrence of events and their impact. To be able to authentically calculate the likelihood and impact of incidents, the Bank maintains a database on operational incidents and losses, since 2011. The database gives the opportunity to make an internal calculation of capital volume needed to cover operational losses in the future. By results of 2012 bank losses from operational risks were not significant.

Ecological and Social Risks Management System

During 2012, the system of environmental and social risks management system was in place at the Bank. The system is based on international best practice, as well as it is consistent with international financial institutions (FMO, IFC, EBRD, ADB) collaborating with the Bank. The system also includes a monitoring scheme for environmental and social risks. Bank specialists undergo appropriate trainings periodically.

The share of loans to borrowers with low risk of environmental impact is 82.8% of the total loan portfolio. The share of loans to customers with low social risk is 78.6% of the total loan portfolio.

The whole system is economically profitable for the Bank and keeps the risks at an acceptable and manageable level.

External Environment



Transformation

There are painters who transform the sun to a yellow spot, but there are others who with the help of their art and their intelligence transform a yellow spot into sun.

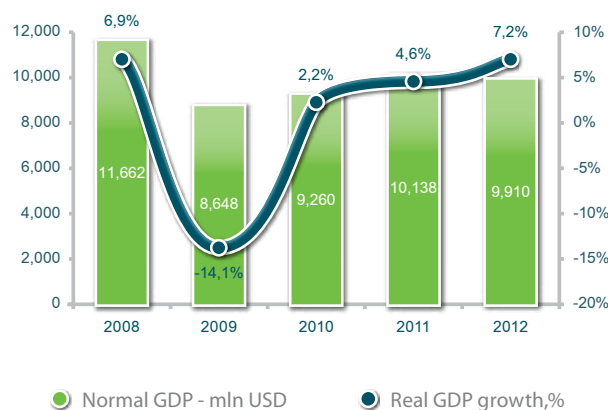
Pablo Picasso, Spanish painter

Macroeconomic Prerequisites

Macroeconomic situation, in which the banking system of Armenia has been evolving in 2012, was characterized by continuous reviewing of post-crisis developments. After double-digit growth rates recorded for the past 6 consecutive years, since 2008 there has been a significant slowdown in growth due to deterioration of the situation in Georgia and the global financial-economic crisis. In 2009, Armenia's economy showed a decline of 14.1%.

From 2010 to 2012 the economy of Armenia has been characterized by a period of recovery. For the last 3 years the economic growth of the country shows a consistent acceleration - 2.2% in 2010, 4.7% in 2011 and 7.2% in 2012. However, even after three years of economic growth, the real GDP in 2012, still lags behind the pre-crisis period by 1.5%.

In 2012, the economic recovery continued and, while nominal GDP in USD has decreased (mainly due to strengthening of USD by 7.9% on average annual basis), the real GDP growth, according to preliminary data, was 7.2%.



- Economic growth in 2012 was accompanied by the lowest inflation rate over the past 7 years, as well as by the reduction of the GDP deflator by 1.6%.
- Economic growth was mainly achieved through growth in agriculture (promoting the growth of GDP by 1.9 percentage points), and services of financial and insurance activities (promoting the growth of GDP by 0.9 percentage points).
- The real volume of agriculture increased by 9.3%.

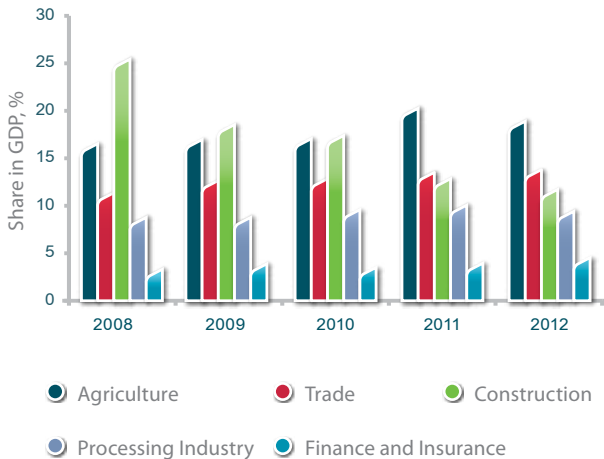
- The real volume of services of financial and insurance activities increased by 23.6%.
- Growth of manufacturing industry was 2.5%, and mining - 14.5%.
- Pre-crisis leader among sectors in GDP was construction and recorded a growth of 0.5% after 12.5% decline in 2011.

One of the most important trends caused by the global economic crisis was the restructuring of the economy; in particular construction lost its leading role in GDP, reducing its share in GDP almost twice. Other key sectors of the economy, such as agriculture, industry and commerce, increased their share in the GDP, both through their own growth, and due to the slowdown of construction.

In 2012, there was a slowdown in industry, after the initial double-digit growth in 2010-2011. Moreover, there was a slowdown in the mining industry and in manufacturing. However, the growth in the mining sector continued to be a double-digit one (14.5%).

In general, the level of sub-sectors of manufacturing industry showed uneven development: there was growth in some sectors, and decline in others. In particular, there was a recorded decline in food production, which was compensated by the faster growth of beverage and tobacco production.

External Environment



For the second consecutive year a significant growth in agriculture was recorded, which has the largest share in the GDP. After 13.6% growth in 2011, there was a recorded 9.6% growth in agriculture in 2012. The growth was driven by more favorable weather conditions compared to 2011, as well as various projects stimulated by the government to encourage the development of this sphere. In addition, the growth in production and export of beverages (including brandy and wine) and tobacco products contributed to the development of the agricultural sector. For the first time in the history of Armenia, export of cigarettes in value terms exceeded the level of imports.

The sphere of financial and insurance services, together with the mining industry, is the most rapidly growing in GDP for the past 3 years. Average annual growth of the industry was 18.6%, and growth in 2012 was 23.6%. As a consequence, the share of the industry in GDP has grown to 4.5%. This growth was especially stimulated by the introduction of TLP insurance, as well as increased volume of transactions in banking.

At the end of 2011, the government adopted the strategy of export-oriented industrial policy. According to this policy, the government has granted AMD 300 million to companies as state support for exports.

Under these circumstances, the government continued the stimulation of the country's economy, which had begun in 2009 in frames of the anti-crisis assistance program from international financial institutions.

The government's efforts were implemented in particular in the following areas:

- Improve and simplify the process for starting a business,
- Improvements in the field of taxation,
- Improvements in customs field,
- Simplification in the process of obtaining construction permits,
- Simplify the process of ownership registration,
- Simplify the process of obtaining loans.

Investments were also made in the development of infrastructures and road construction in the country.

In 2012 (as in 2010 and 2011), the export growth rate exceeded the import growth rate, which is also a positive trend for a country with a high level of external trade deficit. As a result, according to the 2012 indicators, the volume of imports exceeded the volume of exports 3 times. Although, compared with the same figure in 2009 (4.7 times), this figure was already significantly lower due to the faster growth in the exports, but a further reduction in the deficit is a challenge, because it implies changes in the structure of exports in order to provide basis for further growth.



In 2012, the current account deficit of the balance of payments in Armenia decreased; however, it continues to remain quite high. For the reporting year, the deficit amounted to 10.7% of GDP, against 14.6% in 2011.

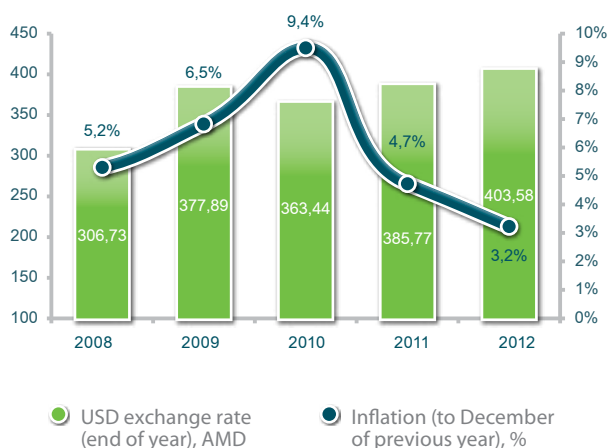
The volume of foreign investments in Armenia in 2012, compared to the same indicator in 2011 has decreased by 8.6% amounting to USD 1.59 billion. Moreover, direct investments shrank by 27.5% to USD 656.7 million. For the sake of comparison, it is worth mentioning that the pre-crisis level of foreign investments (2008) amounted to USD 1.93 billion and direct investments USD 1132.4 million respectively.

External public debt of Armenia in 2012 amounted to 37.7% of the GDP as opposed to the 35.2% in 2011. The total value of external debt at the end of 2012 was USD 3.738 billion, an increase of 4.8%.

The total amount of external debt service in 2012 amounted to USD 245 million, against USD 118 million in 2011. The peak of servicing the public debt will be 2013 (about USD 420 million). The government plans to cover part of the amount from external sources, such as the EURASEC Anti-Crisis Fund and the World Bank.

In February 2012, the government signed an agreement with the World Bank for a loan of USD 80 million to finance the budget deficit.

The consumer price index in 2012 (December to December) was 3.2%, and for the first time in recent years the set inflation rate of 4% ($\pm 1.5\%$) was accomplished. At the same time, the average annual inflation index has decreased dramatically, amounting to 2.6% (instead of 7.7% in 2011), which is the lowest annual inflation index not only for the post-crisis period, but also since the beginning of 2005.



- In December, the 12-month rate of inflation in Armenia was 3.2% against 4.7% in 2011.
- The average annual inflation in 2012 was 2.6% against 7.7% in 2011.
- For the year 2012 the annual strengthening of the U.S. dollar was 4.6%, against 6.1% in 2011.
- The average exchange rate of the U.S. dollar against the Armenian dram increased by 7.9% in 2012 compared to 2011.

Over the past few years, Armenia has taken steps towards improving the investment and business climate in the country. As a result, in 2012, Armenia has improved its position in the annual ranking of countries in terms of the attractiveness of Doing Business-2013 and has positioned itself on the 23rd row as compared to 2011 when it was on the 32nd row. In addition, improvements were also observed in the "Index of Economic Freedom" to the 38th position (improved one position) in the "Global Competitiveness Index" to the 82nd position (an improvement of 10 positions).

In 2012 Armenia continued its active cooperation with international organizations, at the same time actively implementing involved resources from the World Bank, IMF, Asian Development Bank, the EU and Russia during 2009 to 2011.

In particular, in 2012, a series of agreements were signed with the World Bank on getting loans and grants for continuous promotion of the development of various sectors of the economy and the development of institutional capacity and infrastructures:

- additional funding of the social investment fund,
- the program of the municipal water supply,
- improvement of the tax administration system and etc.

An agreement was signed with the European Bank for Reconstruction and Development on the matter of a loan for the Yerevan Metro reconstruction. Another loan agreement was signed for the purpose of updating the check points on the borders.

In collaboration with the Asian Development Bank a program is prepared to sign a loan agreement to promote women's entrepreneurship. In addition, an agreement will be signed between the Asian Development Bank and the Central Bank of Armenia to finance SME development.

With the beginning of the global crisis, Armenia found itself among countries that have a reduced volume of foreign exchange earnings while maintaining high demand, which was one of the factors for the drop of national currencies. At the same time, after the recession in 2009, in 2012 the volume of remittances inflow to Armenia grew continuously. In particular, according to CBA in 2012 non-revenue transfers to individuals through the Armenian banking system amounted to USD 1.687 billion, which is 9.1% higher compared with the same indicator in 2011. Moreover the volume of those remittances exceeded the figure of 2008 by 3.2% and is considered to be the highest in the country's history.

The economic growth in 2013 in Armenia is expected to be 4.3-5% according to the international organizations. In parallel the government is planning to lock in a 6.2% economic growth. It is also worth noting that the situation in Armenia will largely depend on the developments in the Eurozone and especially in Russia.

The presence of broad economic ties and a large diaspora in Russia creates an indirect link with the development of the Armenian economy and the processes that affect the economy in Russia, in particular, the price of oil. Moreover, the situation in the Eurozone may also affect the processes in the economy of Armenia, particularly, in the mining sector where the bulk of production is exported to Europe.

Legal Framework, Government Regulations, Financial Infrastructure

In terms of recovery growth, after the first wave of the global economic crisis, as well as expectations of other possible external influences on the Armenian economy in 2012, the government continued to encourage the development of the Real Economy, and the diversification and increase of the volumes of export.

Thus, in late 2011 the government adopted a strategy of export-oriented industrial policy, directed at forming a highly developed industrial system, aimed at export. The strategy involves introduction of institutional structures and building management systems, which will generate and implement industrial policy in Armenia. The paper identifies three conventional horizontal phases, which will provide the development among 11 field directions. To implement a coordinated industrial policy in 2012 the Council of Industry was established under the Prime Minister of RA.

In particular, in 2012, the Council of Industry approved the strategy and action plans, regarding:

- the wine industry,
- the cognac industry,
- the pharmaceutical industry and biotechnologies,
- the sphere of precision mechanics,
- the production and processing of jewelry, watches and diamonds.

According to the resolution of the government, the foundation of economic development in Gyumri is reorganized into Industrial Fund, which will be the main operator of the state support program for the implementation of activities under the strategy of export-oriented industrial policy.

In April 2012, the government of Armenia approved a package of legislative amendments aimed at easing the tax burden for small and medium businesses. Changes include making certain adjustments, which are aimed at easing the tax burden, reduction of tax administration, as well as improvement of SME performance.

In particular, the amendments and additions were made to the laws "On VAT", "On the Organization and Conduct of Audits", "On Personal Income Tax", "On the Use of Cash Registers", "On Accounting", "On Subsoil", "On Licensing", "On State Duty", "On Excise Tax", as well as the Customs Code.

In 2013, the Government will gradually continue reforms to improve the business environment, support the real estate sector, infrastructural development of the economy based on knowledge, and in general, the diversification of the economy and an increase of the production sector

aimed at export with the purpose of improving the competitiveness of the economy.

The main areas in which the activities of the government will be oriented at in 2013 are:

- Business and investment environment,
- Economic competition and consumer markets,
- The sphere of intellectual property,
- The sphere of computer science and high technologies,
- Small and medium enterprises,
- Tourism.

Monetary policy

Throughout 2012, the Central Bank of Armenia held a relatively neutral monetary policy. Refinancing rate remained unchanged at 8%. It is expected that this policy will be continued in 2013.

Given the expectation of sluggish private demand and an estimated neutral impact of the fiscal policy, one will see a non-inflationary influence on domestic prices from the domestic economy. No inflationary pressures are expected from the external sector. Because uncertainties over political solutions to debt problems in industrialized economies are persisting, it is anticipated that world economic growth rates would slowly recover.

The Central Bank plans to continue implementing a neutral monetary policy and further leave the refinancing rate unchanged, i.e. at an 8 percent level. A neutral monetary policy involves a refinancing rate compared to an estimated neutral interest rate under which conditions inflation is within the target and GDP at its equilibrium. The neutral interest rate is currently an estimated 8 percent. In the forecast horizon, the existing risks are estimated as balanced, determined by development prospects for the global and domestic economies.

At the same time, the level of dollarization of the economy continues to be high in Armenia (after a decline in the dollarization of the late pre-crisis period, after 2009, the rate began to rise slowly.) This is due to changes in the rate of AMD to USD. Most of the credits granted by banks are offered in USD.

In this regard, during the reporting year CBA continued conducting appropriate measures to reduce the level of dollarization.

For this purpose, certain additions have been made in the calculation of the liquidity prudential of banks. In particular, the minimum ratio between the amount of liquid assets denominated in foreign currencies of the first group and total assets denominated in foreign currency has been set at 4%.

In 2012, some other legislative and regulatory changes were also made that directly or indirectly affect the activities in the banking system.

In particular:

- Since January 1, 2012 amendments to the Law "On Personal Income Tax" came into force, that is when a progressive income tax scale was introduced. For citizens whose incomes exceed AMD 2 million per month, the income tax rate will be at 25%, instead of 20%.
- Before these changes, the income tax in Armenia was progressive: monthly income of up to AMD 80 thousand was taxed at a rate of 10%, and income of more than AMD 80 thousand - 20%. After the changes came into force, the new threshold was AMD 2 million.
- The parliament of Armenia introduced amendments to the law "On the Funded Pensions" according to which changes were also made to other laws and regulations, such as the laws "On Banks and Banking activity", "On Investment Funds", and etc.

Fiscal policy

According to the preliminary results, in 2012 the budget deficit to GDP in Armenia was 1.6%, instead of 2.8% in 2011.

In 2013, the budget deficit is planned to be 2.6% of GDP, which means that, compared with last year the budget will have not a constraining, but a little more expansive influence on the economy.

Being an important component of reforms in Armenia, the tax and customs administration is also the most vulnerable point in the economy of Armenia.

The main activities that were conducted during 2012 in this sphere were directed at fighting corruption, improvement of the business environment, stimulation of SME activity. The Program for sustainable development adopted by the government in 2008 has been revised taking into consideration new realities as a result of the global financial and economic crisis.

The following laws have also been adopted:

- Laws "On Turnover" and "On Benefits when Paying Taxes and Mandatory Social Payments", to improve the business environment, the introduction of simplified tax for companies with little turnover, as well as to improve the efficiency of tax administration. Correspondingly, changes were made in 19 other regulations.
- The Law "On Amendments and Additions to RA Law about Licensing" with the purpose of improving the licensing system for all companies as well as defining a unified periodicity for payments for received licenses.

In order to improve the system, the method of determining the value of the transaction when importing products, as well as with the purpose of implementing the most impartial system of penalties for companies when breaching the customs laws, changes were made to the "Customs Code" of RA.

The government has waived the requirement for the provision of books on income and deliveries for businesses. The periodicity of statistic reports for SMEs in trade has been changed from monthly to quarterly.

In 2012, as part of the program to promote small and medium business, 8432 entities received appropriate support.

It is expected that the reforms made in 2012, such as: the introduction of electronic reporting system, reduction of total number of reporting, simplification of administrative rules will lead to positive results in 2013.

The capital market

The local capital market, although as a whole lacks maturity, in 2012 was characterized by some movement, both from the business community and from the issuers. This was facilitated, first of all, by some regulations on the legal level as well as activities initiated by the exchange operator NASDAQ OMX Armenia.

On the other hand, despite the gradual progress, some external factors have a preventive effect on the development of the capital market. Among them we can differentiate the following two:

- The general background of mistrust and uncertainty, which was formed in the European markets, the lack of demand for assets by foreign investors in Armenia
 - problems that exist in the international financial markets also cause certain pessimism in Armenia in relation to different financial instruments
- The local strategy of many large companies in Armenia, does not assume the use of funds raised through alternative sources, such as corporate bonds issuance
 - the vast majority of large companies are by structure subsidiaries of foreign holdings, and mastering large cash flows can only be afforded at such companies

However, there are a number of businesses in Armenia that with proper management and transparency could attract investors and to some extent stimulate the capital market.

For more effective use of the capital market in Armenia, the development of the stock market and Initial Public Offerings (IPO), it is necessary to motivate Armenian companies with the business aspect of the latter. At this point, Armenian business is mainly oriented at the use of loan resources:

- Firstly, because it is a more habitual and comprehensive tool,
- Secondly, there are no requirements for transparency, regulation.

In its turn, the stock market assumes control not only from Stock Exchange and the Central Depository, but also from the investors themselves. That is why the bonds

mechanism, according to many experts, can contribute to the breaking of the former mentality and the development of the IPO market in Armenia.

In 2012, the formation of the prerequisites for the establishment of the capital market was continued, which was supported by both legislative changes and the financial institutions themselves, as well as issuers. In particular, the idea of creation and activation of the foreign currency bonds platform has successfully been implemented.

- In June 2012, the Board of the Central Bank approved the issue of foreign currency (dollar and euro) bonds
 - New possibility of attracting relatively cheap dollar resources for potential issuers arose. Already in October 2012, dollar bonds were issued for the first time in the history of the Armenian capital market.
- In November 2012 NASDAQ OMX Armenia has introduced a new tool - a platform of term credit resources planned for 7-day interbank lending transactions:
 - Trade and clearing of shares, corporate and government bonds, currency and repo transactions, credit-overnight, and term loan transactions are conducted at the Stock Exchange.
 - It is anticipated that the new platform for loan resources will be one of the biggest exchange markets.
 - In 2013, NASDAQ OMX Armenia plans to enrich the tools portfolio of the given platform with new short-term and long-term credit facilities, offering market participants a wide range of tools in AMD market.
- In November 2012, NASDAQ OMX Armenia joined the NASDAQ OMX owned service system of information dissemination called Globe Newswire. The new service offers great opportunities for Armenian issuers to distribute information about its activities through the database of Globe Newswire.

In 2013, for further activation of the capital market, NASDAQ OMX Armenia intends to launch foreign currency swap - contracts. It is also expected to establish correspondent relationships with international depositories that will allow investors from Armenia to

invest in securities of foreign companies and foreign investors to invest in the Armenian securities.

Given the positive changes in the capital market of Armenia, Ameriabank had a chance to increase its prospects in the area of investment banking, realizing its potential with the help of highly qualified experienced professionals, thus contributing to the development of the IPO business culture and stock market.

The Insurance Sector in Armenia

Due to the legislative changes, the introduction of TPL since 2011, the expansion of coverage through compulsory health insurance for civil and public servants, the insurance market in Armenia continued its rapid growth in 2012.

An important event for the insurance market in 2012 was the adoption of number of regulations promoting the expansion of mandatory health insurance coverage.

Particularly, since January 2012, a social benefits package for civil and public servants is implemented which includes government officials as well as people holding administrative and professional positions in public institutions in the sphere of culture, education and social protection in Armenia.

One of the components of the social package is compulsory health insurance. The amount of annual payments in the scope of mandatory health insurance is set at AMD 52 thousand (about USD 130).

Health insurance is in force for 120,000 civil and public servants. There are programs, according to which another 100 thousand people will join this system in 2013.

It is expected that in 2014 the Armenian system of mandatory health insurance will be spread among the entire population. For the time being, no more than 5-10% of Armenian citizens have health insurance.

In general, it can be noted that the insurance culture is already forming in Armenia. This is significantly contributed to by the insurance companies themselves the number of which was 8 by the end of the reporting year.

Currently, compulsory insurance accounts for 85% of the portfolios of insurance companies, which is quite the opposite in other post-Soviet countries that implement voluntary types of insurance along with the required types (according to the insurance report of the Romanian information and analytical agency Media XPRIMM). In addition, both in neighboring countries, and in several other post-Soviet countries, insurance companies offer life insurance, which is not yet available in Armenia.

Presently none of the existing insurance companies in Armenia has the right to offer life insurance. According to the current Armenian law "On insurance", the same company does not have the right to provide services for both life insurance and non-life insurance.

According to the experts, after the full potential of the insurance market has sprung into action, the share of insurance premiums in GDP could reach 12% in 7-8 years' time. Presently, the capacity of Armenian insurance market is small, and the share of premiums in GDP is extremely low and doesn't even reach 1%.

Pension reforms

An important prerequisite designed to stimulate the capital market in Armenia is the pension reform.

The process of pension reforms was launched since January 1, 2011 in Armenia through the introduction of a voluntary cumulative pension system. It is expected that from 1 January, 2014 the cumulative pension system will be implemented on a mandatory basis in the country.

At the same time, the necessary legislative framework for the implementation of the given pension reforms is still in the formation stage.

In 2012 amendments to the following laws were discussed: the law on "Cumulative Pension", "Income Tax", "Income tax and Mandatory Recording of Savings Payments", "VAT", "On the Market of Securities", "On Banks and Banking", "On Investment Funds", "On Guarantees of Compensation of Deposits from Individuals", "On Limited Liability Companies", "Civil Code", "On the Brand Names", "On the Right of State Registration of Property", "On Profit Tax". Some parts of the changes have already been approved. Presently, all efforts of all those involved in the

reform of state structures as well as efforts of international consultants are aimed at fine tunings of the legislation in order to bring the entire pension system to an optimal condition. The new model of income tax calculation is already adopted. Since January 1, 2013 the new law "On Income Tax" is in force. According to the new law, starting from January 1, the entire amount of social payments will be deducted from the overall amount of the salary of the employee. Employers, in their turn, would be obliged to increase salaries of their employees, so that the actual revenues of employees do not decline.

An important change in the sphere of pension reform is the introduction of changes to the law "On Banks and Banking Activity", according to which the banks were given the opportunity to act as an operator, provided by the RA Law "On Pension System".

According to field experts, it is anticipated that the financial market of Armenia will receive about USD 100-150 million annually through the Cumulative Pension Fund system.

Banking Sector of Armenia

In 2012 the post-crisis uncertainty persisted in the global financial system, and in some areas of activity the situation worsened; a sort of second wave of the crisis was in force. The year was particularly unfavorable for the majority of the Eurozone countries.

In these circumstances foreign funding became more expensive and the Armenian banks continued to explore previously borrowed resources by investing them in the national economy, given the shrinking volume of funds raised from international financial institutions.

Meanwhile, the banking system of Armenia continued its positive development in 2012 due to previously accumulated stability, while maintaining a high level of liquidity.

The decline in the banking system, which was observed in 2009-2010 was replaced by growth in 2011-2012. Moreover, the growth in 2012 amounted to an average of 20%. In parallel, the level of financial intermediation of the banking system continued to improve.

The share of foreign capital in total capital of the Armenian banking system is 73.3%.

Along with attraction of foreign investments, the banks introduced new banking technologies striving for conformity with the level of international standards of corporate governance.

In 2012, as in previous years, risk management was among the most important problems of the banking sector. The same problem remains a priority for the coming years.

The majority of Armenian banks started cooperating with retail customers more actively, especially in terms of lending. The banks started actively lending to small and medium businesses.

In 2012, Armenian banks were active in the lending market. The growth in lending has occurred not only in the corporate field, but also on the part of retail lending. This comes to prove the fact that the level of creditworthiness of the population has gone up.

In 2012, compared with the previous year, the ratio of banking assets to GDP rose by 6.5 percentage points, amounting to 60.6%. The ratio of loans granted to the economy to GDP increased by 6.5 percentage points amounting to 38.5%, and deposits - by 5.5 percentage points to 30%.

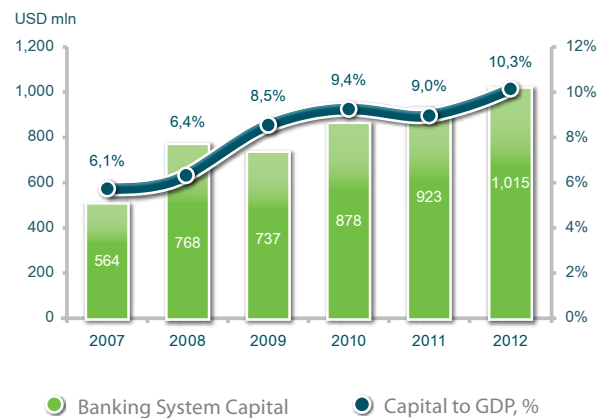
Furthermore, the banks lent small and medium sized businesses quite actively. The volume of loans to individuals has also increased.

In 2012, growth was registered in:

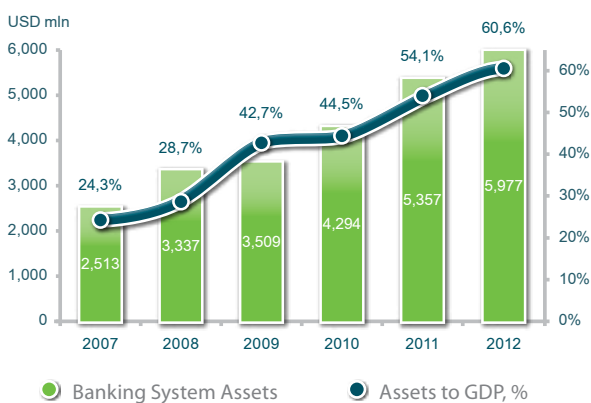
- banking assets by 17.3%, up to about USD 6 billion,
- loans by 21% up to USD 3.8 billion,
- liabilities to customers by 13.4% up to almost USD 3 billion,
- capital by 10.6% up to USD 1 billion.

Outpacing growth of the banking system compared to the growth of the economy in 2012 led to a further increase in the level of financial intermediation of the banking system, despite the fact that Armenia by these indicators still significantly lags behind many other foreign countries.

Total Capital of Banking Sector of Armenia

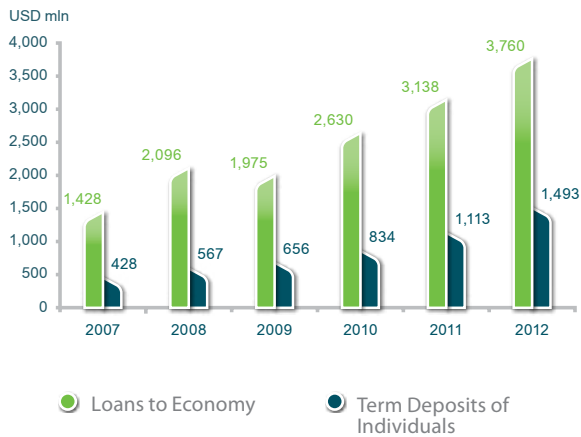


Banking Sector Assets of Armenia



External Environment

Loans to Economy and Term Deposits of Individuals



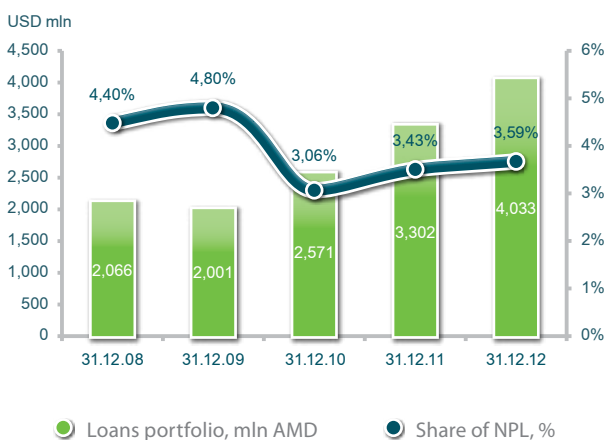
During 2012, significant amounts were used to finance trade, agriculture, construction, as well as other spheres of industry.

The total volume of lending to individuals in 2012 compared to 2011 increased by 24.8%. Growth in mortgage lending was 3.3%, and in consumer lending 8.6%.

The corporate lending volumes increased by 28.3%, exceeding the growth rate of loans to individuals.

By the end of the reporting period, the share of non-performing loans in the loan portfolio of banks was 3.59%.

Dynamics of Loans Portfolio of Armenian Banks and Share of NPL in Loan Portfolio



According to forecasts, the growth of the banking system of Armenia in 2013 will fluctuate within 18-22%

The main task of the Armenian banking system in 2013 will be the preparation for the transition to Basel III and insuring relevant capital adequacy level.

Main steps that need to be taken in preparation for the transition to Basel III, are tougher requirements for risk assessment and transition to the macro prudential level. In its turn, this will lead to a qualitatively new level of management in the commercial banks of Armenia. The transition process should begin in 2014.

Given the external competitive environment, new challenges for the banks of Armenia, Ameriabank intends to ensure rapid growth of key indicators, continuing introduction of innovative products and services and developing banking technology, bringing them closer to the standards of the best international practices.

Position of Ameriabank in the Banking Sector of Armenia

In 2012, Ameriabank continued its dynamic development in line with its strategy. Having a strong and stable ranking among the leaders of the banking sector of Armenia in 2012, the main course was aimed at expanding the retail business with a focus on entrepreneurship.

During the reporting period the main indicators of Ameriabank showed stable growth. However, there was increased competition in the market and many banks wanted to keep their competitive positions. This led some banks (especially small or medium-sized) to act more aggressively in their developments.

As a result, some of the indicators of the growth rate of the sector outpaced the growth of Ameriabank.

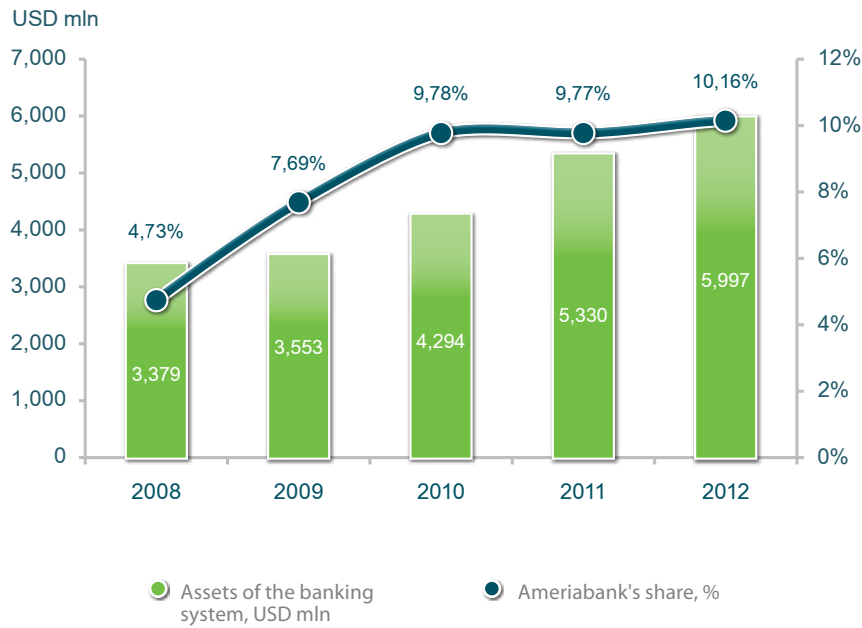
However, Ameriabank was committed to the realization of its goals, focusing on the quality of customer service and minimization of risks, rather than on aggressive growth.

- In 2012, the assets of the Armenian banking system grew by 17.3%; assets of Ameriabank grew by 22%. The Bank's share in the banking system amounted to 10.2%, against 9.7% at the beginning of 2012.

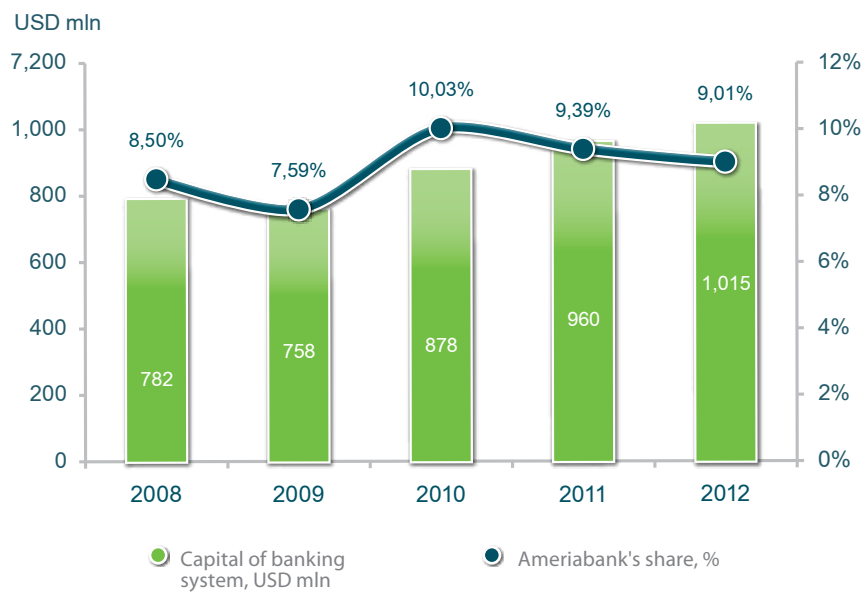
- In 2012, the total capital of the Armenian banking system grew by 10.6% and capital of Ameriabank grew by 6%. Capital growth of the banking system was provided both by the growth of chartered capital by 4.7% (2 banks increased their chartered

capital), and by the profits, which grew by 15.1%. In its turn, Ameriabank provided an increase in total capital due to the growth of profits by 49%. The share of the total capital in the banking system is 9%.

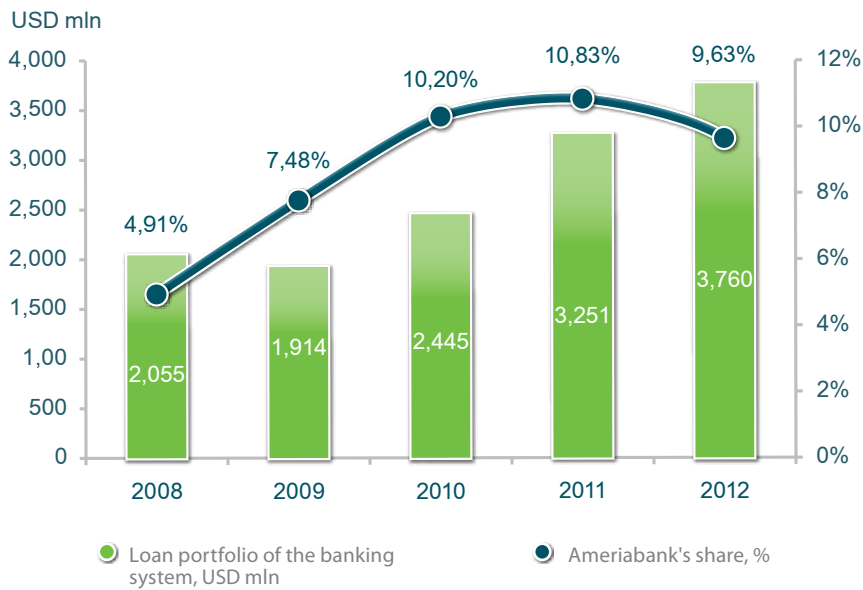
Ameriabank's Share in Armenian Banking System by Assets



Ameriabank's Share in Armenian Banking System by Capital



Ameriabank's Share in Armenian Banking System by Credit Investments



- In 2012, the loan portfolio of the banking system of Armenia grew by 21%, whereas the same indicator of Ameriabank increased by 7,1%. Share of the loan portfolio of the Bank in the banking system amounted to 9,63%.

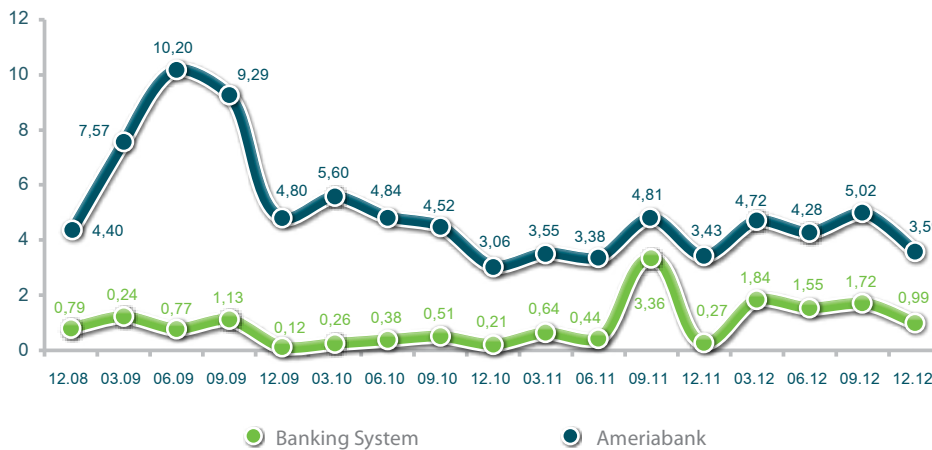
The dynamic development for Ameriabank means a share increase in the overall market. Aside from that, development of the Bank is primarily based on quality, stability, and therefore reliability for shareholders, clients and partners.

As a result the Bank has one of the lowest ratios of non-performing loans (NPL) in the loan portfolio - 0.99%.

Even in times of crisis, when the share of NPL in the banking system reached a peak (10.2% in June 2009), the figure of Ameriabank was only 0.77%.

The quality of the loan portfolio for the Bank continues to be an important priority for the monetary policy, regardless of market conditions.

Dynamics of the Share of Classified Loans of the Armenian Banking System and Ameriabank, %



Stability, expansion of infrastructure, technology base, service quality, and a rich product line was crucial not only for growth of lending volumes, but also for the expansion of the resource base of Ameriabank.

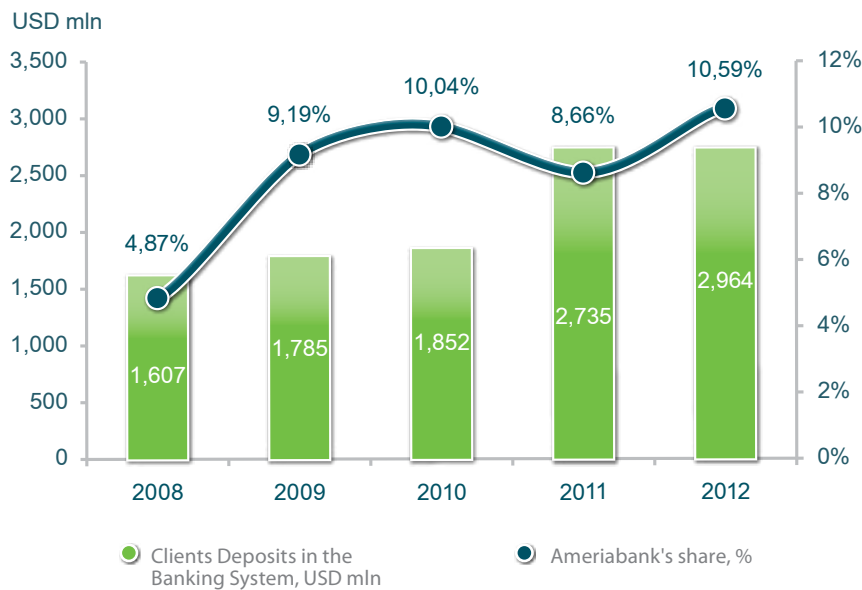
The resource base growth occurred due to both attracting funds from international financial institutions and partners, as well as the increase of funds from individuals and legal entities attracted as term deposits and on-demand deposits.

- In 2012, the total volume of deposits of the banking system of Armenia grew by 13.4%, the volume of deposits attracted by Ameriabank increased by 38.3%.
- The Bank's share in the market of liabilities to customers was 10.59%.

Despite the fact that, due to external influences the financial and banking system of Armenia experienced some difficulties, the profits of the Bank grew dynamically, each year overcoming new benchmarks.

The share of the Bank's profit in the market in 2012 reached 14.4%, marking an increase of 49%, while the overall profit growth rate of banking system was only 15.1%. As a result, for the first time the Bank rose to the 2nd position by this indicator among the banks, against the 4th position in 2011.

Ameriabank's Share in Armenian Banking System by Client's Deposits



Bank Development Results



Power

Nearly all men can stand adversity, but if you want to test a man's character, give him power.

*Abraham Lincoln,
the 16th President of the United States*

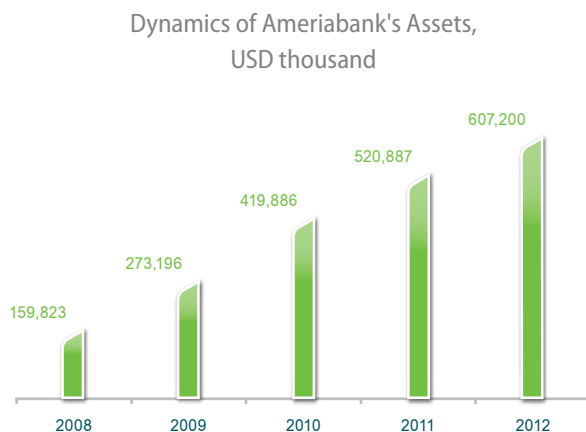
Key Growth Indicators

The Bank continues to be one of the best capitalized banks in the country with a chartered capital equivalent to USD 63 million (2nd position out of 21 banks).

In 2012 Ameriabank provided a 5.8% growth of aggregate capital due to the high profit rate. At the end of the reporting year the Bank's profit reached AMD 6.0 billion, which is equivalent to USD 15 million and for the first time by this indicator the Bank took the 2nd position in the Armenian banking system, as compared to the previously occupied 4th position.

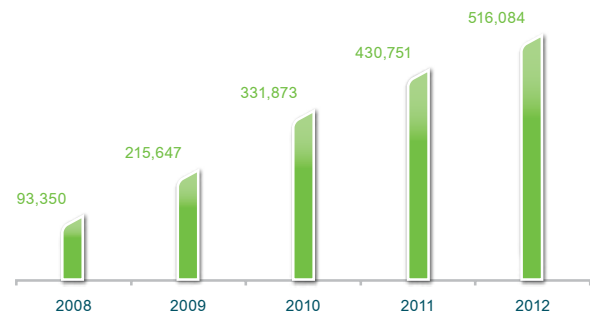
The aggregate capital of the Bank in 2012 reached AMD 36.8 billion, which is equivalent to USD 91.1 million, while the value of retained earnings on equity reached AMD 11.3 billion (USD 27.9 million).

In 2012 Ameriabank increased its assets by 22%, securing second place in the banking sector of Armenia.



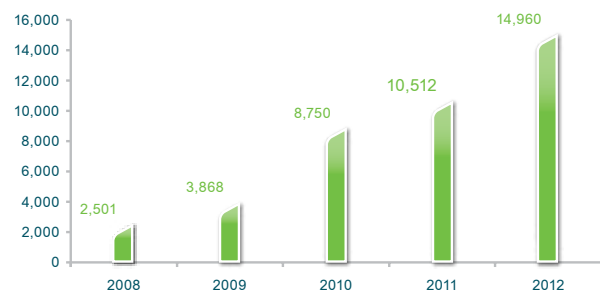
In aggregate liabilities of Ameriabank in 2012 by 25.3%, reaching the equivalent of USD 516.1 million (AMD 208.3 billion). This growth was driven both by the continued expansion of the Bank's client base, as well as through large scale fund attraction of international financial institutions.

Dynamics of Ameriabank's Liabilities, USD thousand



At the end of the reporting period, profit before tax was AMD 7.6 billion or USD 18.9 million (against AMD 5.2 billion or USD 13.4 million in 2011).

Ameriabank's Net Profit, USD thousand



The increase in profit was achieved through growth and maintenance of high quality of the loan portfolio, the gross volume of which by the end of 2012 reached AMD 146.2 billion, equivalent to USD 362.2 million.

At the end of 2012 Ameriabank, being one of the 100 largest taxpayers in Armenia, replenished the state budget by AMD 2.6 billion (USD 6.5 million).

Bank Development Results

Due to achievements in the year of 2012, Ameriabank was granted several awards on behalf of reputable international organizations:



In July, 2012 – the Bank received Euromoney 2012 Awards for Excellence as the Best Bank in Armenia the second year in a row.



In December, 2012 - Global Finance recognized the Bank the Best Foreign Exchange Provider in Armenia

And again in December, 2012 - Global Finance recognized the Bank the Best Trade Finance Bank in Armenia.



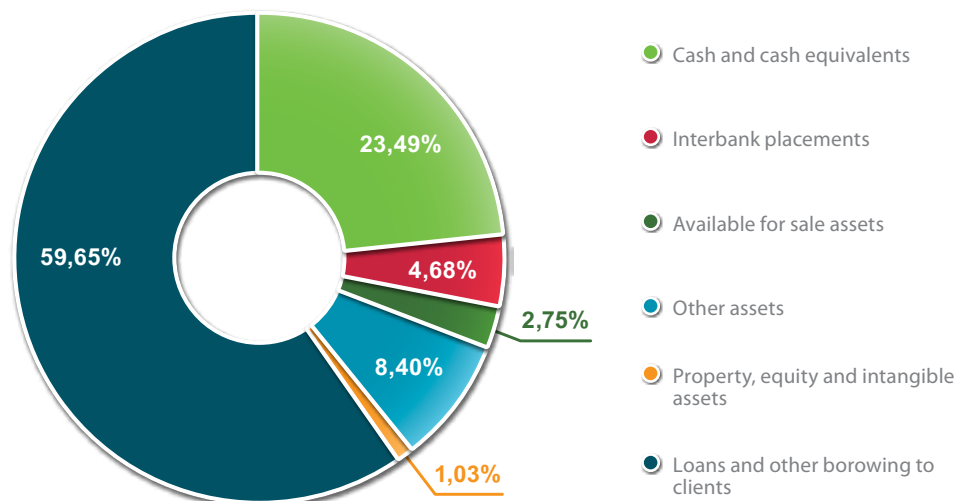
In October, 2012 – the Bank Won the Best GTFP Issuing Bank for Energy Efficiency IFC award.

Assets

During the reporting year, the structure of the Bank's assets has evolved in the direction of greater diversification, and minimization of risks while maintaining a sufficient level of the income component.

The share of credit placements (including receivables sum from finance leases and factoring) in total assets of the Bank has amounted to 59.65% against 67.90% in 2011. In turn, the loan portfolio is diversified enough and protected from possible risks.

Structure of Ameriabank's Assets at the end of 2012



Lending

The main component of revenue of the Bank – the loan portfolio – in 2012 hasn't undergone such a high growth as in previous years. This year the growth was 7,1%, as compared to 51.3% in 2011. In the reporting period, the Bank continued to work towards the gradual strengthening of cooperation with SMEs as well as the expansion of lending to individuals in the scope of its lending policy.

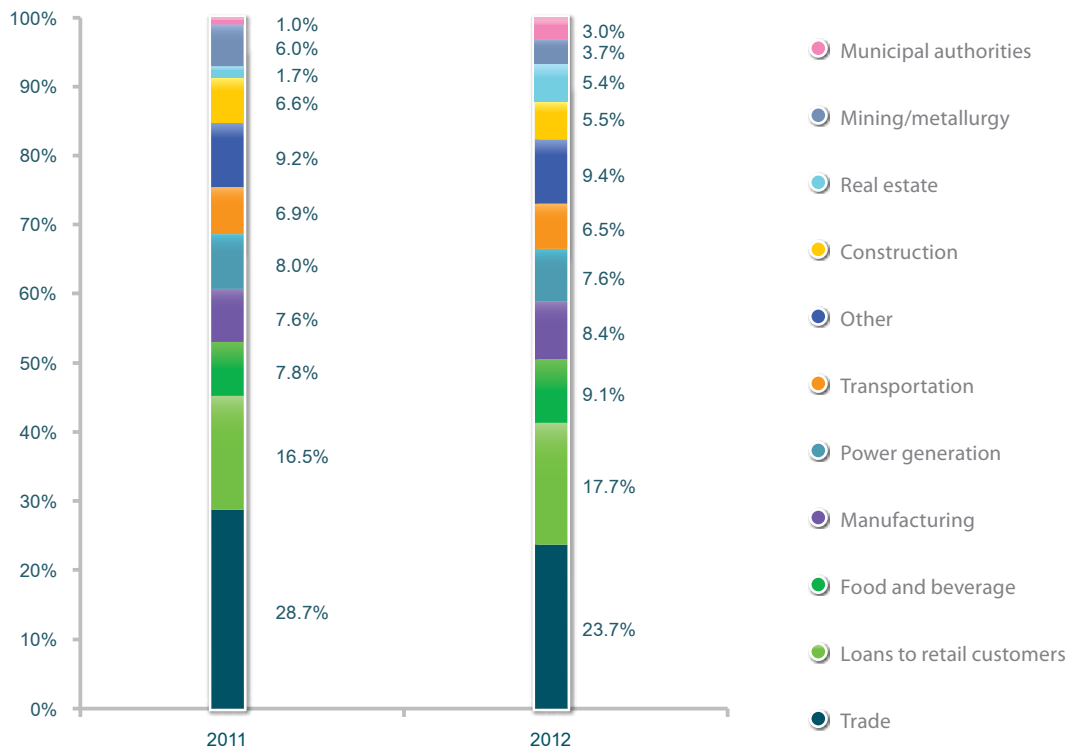
From the Bank's position, retail lending does not represent mere consumer loans to individuals, but also comprises promotion for the clients' business activities. In this regard, the Bank's retail product line includes the provision of business loans to individuals, as well as loans to small and micro-enterprises.

At the same time, the Bank remains committed to a policy of strict selection of clients in lending: to attract borrowers with clear accountability and good credit history. These borrowers represent a dynamically developing sector of the Armenian economy.

The matter of the loan portfolio diversification by sectors of the economy and by types of customers is still a constant focus point for the Bank.

In 2012, the sectorial structure of the loan portfolio of the Bank was diversified and now has a low level of concentration. The Bank finances promising and dynamically developing sectors of the economy, in particular, renewable energy, manufacturing, trade, and etc.

Structure of Ameriabank Loan Portfolio, by Sectors



Due to an effective credit policy in 2012, the Bank has provided lending interest income in the amount of AMD 17.6 billion, which is equivalent to USD 43.8 million, against AMD 13.8 billion (USD 35.7 million) in 2011.

Securities

In 2012, as in previous years, given the high volatility level and debt problems in the international financial markets, as well as with the purpose of avoiding risks, Ameriabank continued refraining from active trading in securities of foreign issuers.

Locally the most developed segment of the market is the government securities market - bonds, that is less affected by risks, while allowing creation of a revenue base.

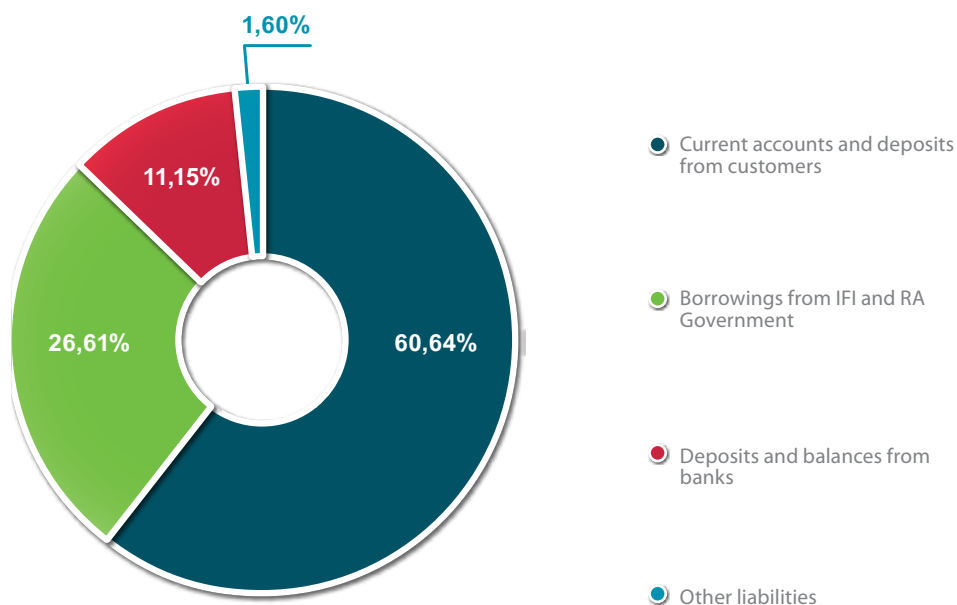
Ameriabank actively operates in the government bonds market, as a dealer for servicing domestic public debt of the Republic of Armenia. The Bank also has the status of a government agent in the market of mid term and long term state (treasury) coupon bonds of the Republic of Armenia.

As of December 31, 2012 the total volume of investments in government bonds of RA, has surpassed AMD 13 billion, which is equivalent to USD 32.5 million. On December 31, 2011 the volume of investments in government bonds of RA amounted to AMD 12.7 billion.

Liabilities

In 2012 Ameriabank continued the expansion of its resource base, much of the growth of which during the reporting period was provided by the increase of time deposits attracted from individuals (37.3%). The Bank has also attracted significant funds from international financial institutions (22.9%).

Ameriabank's Liabilities Structure at the end of 2012

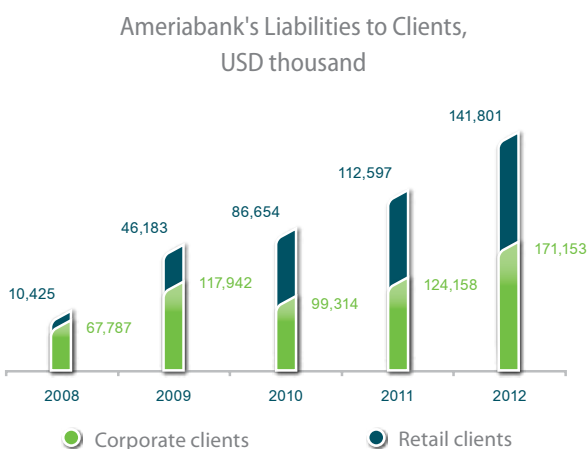
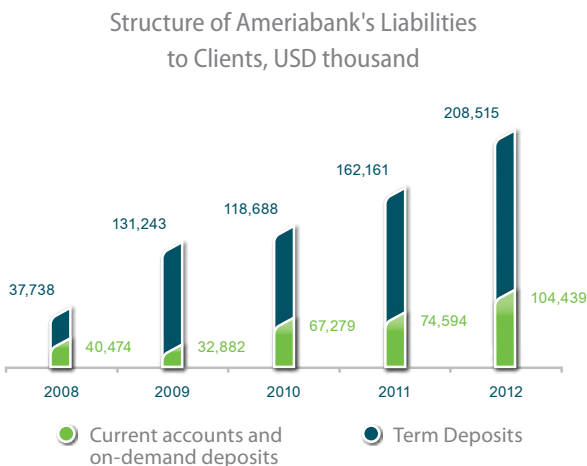


- In 2012, the received loans of the Bank with favorable terms amounted to USD 137.3 million.
- The total value of current accounts and deposits from customers in Ameriabank grew by more than USD 86 million, reaching the equivalent of USD 313 million during 2012.

- The structure of liabilities to clients continued changing. At the end of the reporting year 66.6% were term deposits, against the 68.5% at the beginning of the year.
- In the total volume of attracted deposits 54.7% is accounted towards corporate clients and 45.3% towards retail clients.
- The volume of individual deposits grew by 32% amounting to AMD 57.2 billion, equivalent to USD 141.8 million, of which the value of term deposits has reached the equivalent of USD 116.1 million and on-demand accounts an equivalent of USD 25.7 million.
- Funds of corporate accounts in the Bank increased by 44.2% amounting to AMD 69.1 billion, equivalent to USD 171.2 million, of which term deposits account for USD 92.4 million.

- During 2012, the total value of other bank funds at Ameriabank ("Loro" accounts, deposits) reached USD 57.5 million, against the USD 54.3 million in 2011.
- In 2012, the Bank continued realizing the target loans from the Russian stabilization fund (in the framework of the agreement signed between the Central Bank as an agent of the RA Government and Ameriabank back in 2009), as well as other programs involved in mediation of the RA Government. As of December 31, 2012 the total debt for trust funds under various programs totaled in AMD 8.4 billion or USD 21 million.

In the structure of the Bank's resources component, the share of total borrowings from international financial institutions (IFIs) accounts for almost 23%.



Development of Management Systems, Technologies and Infrastructure

Ameriabank has always seen innovations as a driving force for development.

Innovation is embodied in the mission of the Bank and the use of advanced technologies in banking has always been one of our priorities, which is especially acute in an increasingly competitive environment and accelerated processes of integration and globalization in the world.

While developing innovative policies, Ameriabank builds on three principles:

- Ensuring compliance with the adopted strategy – innovation policy as a whole and individual innovative projects aimed at the implementation of the strategy and creation of basis for future development of the Bank;
- Orientation towards the best international experience and advanced technologies;
- Client oriented approach, which has always been and is the key to the success of the Bank in the market.

The combination of these three principles allowed Ameriabank in developing and implementing an innovative policy which rapidly promoted the Bank into a leading position in banking system of Armenia.

Client Relationship Management System (CRM)

The basis of the Client Relationship Management System (CRM), which was piloted in 2009, is the automated Terrasoft CRM software. In 2012 the program was fully functional and was used for a number of automated processes.

To ensure maximum compliance with requirements of the departments and the responsible staff, we have made significant changes to the original version of the software with the help of close cooperation of our CRM and Software Development teams.

IT Infrastructure

Due to the customized infrastructure management system, Ameriabank ensures the smooth operation of all its information and technology systems:

- In 2012, Ameriabank implemented a system that makes it possible to do On-Line viewing of card balances in real time in AS Bank.
- A system for plastic card business analysis was developed that included the Merchant Transaction Module reporting (ATM, POS, CASH POS, E-COMMERCE), the module of POS statements, VISA reports generation, reporting withheld cards from ATMs, and the module for card rewards calculation.
- Implemented the IT Help Desk system.

With the purpose of management information systems improvement, the Bank also initiated the Intranet Portal project that will improve the work environment and collaboration between teams, automate multiple processes as well as give a number of tools for infrastructure improvement.

Regional Development

During 2012 the number of branches of Ameriabank has increased by one:

- In April, 2012, a new – Shengavit branch was launched in Yerevan, with the full range of banking services.

At the end of 2012 the Bank had 9 fully functioning branches. The operations of the branches and the Head Office are provided by a single server in an on-line mode, which allows the clients to be served in any branch of the Bank, irrespective of the fact in which of them the account was initially opened.

In line with the enlargement of the branch network, Ameriabank is also carrying out activities to enlarge and optimize the ATM network that is an integral part of the Bank's service infrastructure.

The total number of installed ATMs reached 91 and the number of POS terminals in businesses by the end of 2012 reached nearly 600.

Clients and New Products

In 2012, together with the expansion of the range of banking services in all areas, the client base continued to expand:

- In 2012 the active client base of the Bank has increased by 31%, reaching the total of 45.7 thousand clients.
- The total active number of retail clients of the Bank by the end of 2012 has reached 42.5 thousand, increasing by 32%.
- The total active number of corporate clients in the reporting period has increased by 378, reaching the total of 3.2 thousand.
- Among the corporate clients of Ameriabank, 52 companies are listed among the 100 largest taxpayers to the state.

Amongst new products and services introduced by the Bank in 2012 we would like to specially name the following:

- Released co-branded cards with one of the largest retail supermarket chains in Armenia - Yerevan City
- Launched equity loans that give clients the opportunity to get a loan limit and a loan at any time without additional formalities related to collateral with prior pledge of property
- Developed a special loan proposition for SME enabling clients short of collateral to use guarantees from individuals as security for loan provision
- Launched a deposit campaign providing clients with additional insurance of the deposit, 12 extra days of interest payment and the possibility of receipt of the interest at the beginning of the term
- Issued special credit lines through business cards based on the clients' bank account turnover
- A special campaign in cooperation with Gift of Life foundation was launched with the purpose of helping children with hematological illnesses, 0.1% of each purchase on credit cards was allocated to the foundation which added up to more than AMD 5 million during the 3 months of the campaign
- Launched chip cards which gave our clients the opportunity of more secure non-cash transactions
- The Bank's investment banking department acted as an underwriter and market maker for the placement of the bonds of one of the largest retailers in Armenia; the placement was done in foreign currency for the first time in Armenia.

In 2012 Ameriabank issued 11.2 thousand new cards, of which 7.9 thousand - VISA, and 839 - MasterCard. As a result, the total number of VISA cards issued by Ameriabank as of year-end was more than 26,300 and the number of MasterCards - more than 6,700.



Corporate Banking

Flexibility

**Stay committed to your decisions but
stay flexible in your approach.**

*Tony Robbins,
American motivational speaker*

In 2012, the level of competition in the corporate lending market in Armenia continued to increase - due to increased credit activity of the banks based upon continued recovery growth of the country's economy. Meanwhile the competition within the industry was intensified, and the banks expanded their cooperation with SMEs.

During the reporting period, Ameriabank has significantly enlarged its active corporate client base, increasing it by 13.4% to 3.208 clients (versus 2.830 at the beginning of 2012).

In the corporate banking market Ameriabank has a reputation as a reliable strategic partner ready to not only provide financial counseling, but also offer the best solution for each client.

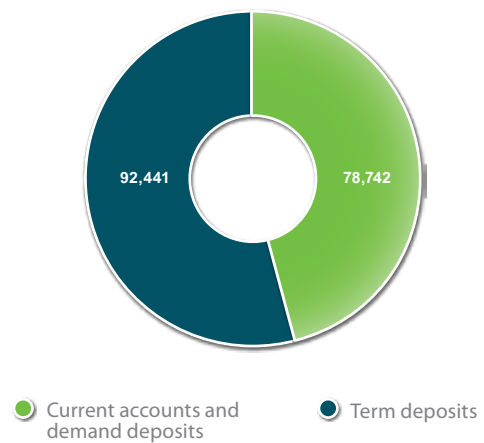
The main principles of Ameriabank while working with corporate clients are:

- Individual approach,
- Industry monitoring,
- Partnership and financial counseling,
- Assistance in growth and transparent operation of clients,
- Access to targeted program funds,
- High quality of service.

As of December 31, 2012 total deposits of legal entities were the equivalent of USD 171.2 million. Of these, 46.0% were current accounts, which amounted to USD 78.7 million.

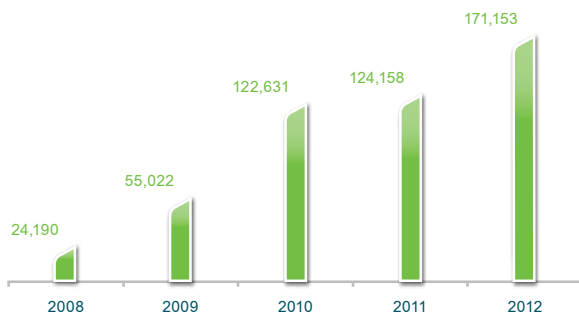
More and more companies that have loans at Ameriabank and conduct their transactions through the Bank, use the service of time deposits when they temporarily have free funds.

Ameriabank's Liabilities to Corporate Clients in 2012, USD thousand



In 2012, there was an increase in time deposit base of corporate clients by 31%, amounting to USD 92.4 million.

Ameriabank's Liabilities to Corporate Clients, USD thousand



Business Lending

The share of loans to large enterprises and SMEs account for 82.4% of the total loan portfolio of Ameriabank.

The corporate credit portfolio of Ameriabank continued to grow in 2012, at the end of the year reaching the equivalent of USD 289.9 million (inclusive of credit lines, overdrafts, excluding leasing and factoring). While 81.8% is accounted for loans to large enterprises.

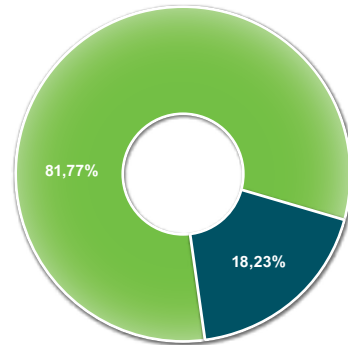
At the same time in 2012 the Bank continued following its policy of portfolio diversification and expansion of cooperation with SMEs, which is an important driving force for the Armenian economy and plays an important role in sustainable development of the country, since it comprises 42% of the country's GDP. Herewith, due to effective negotiation and advocacy, some customers have replaced loan products by trade financing instruments offered by the Bank.

According to SME lending indicators, the Bank is not yet in the list of leading banks in Armenia, taking an average position, since the Bank was initially focused on large enterprises and investment, and has started to actively cooperate with the representatives of SMEs only since 2011. Thanks to the active cooperation with SMEs, in 2012 the Bank has:

- increased its SME lending portfolio by 10.76%
- the share of SME loans in the overall corporate loan portfolio of Ameriabank has reached 18.23%
- the Bank's portfolio has become more diversified

In 2013 the Bank plans to increase its SME loan portfolio to USD 80 million.

The structure of Ameriabank's Corporate Loan Portfolio at the end of 2012

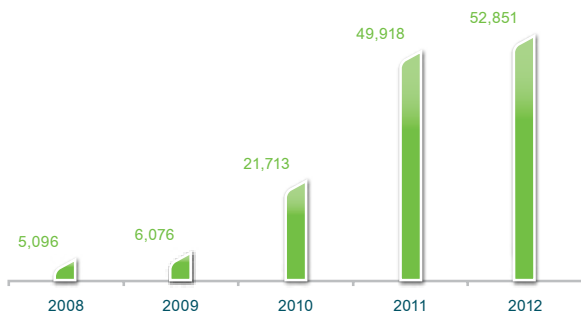


Loans to large corporates Loans to small and medium size companies

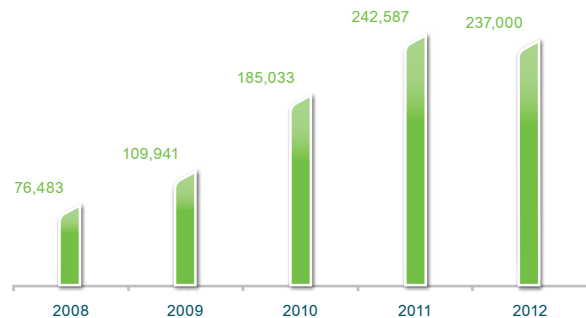
In 2012, Ameriabank also continued its cooperation with large enterprises. However, the policy in this sphere was aimed not so much at increasing the volume but at the diversification of the portfolio. By the end of 2012 the volume of lending to large businesses was equivalent to USD 236.9 million. Currently Ameriabank is the leading bank in Armenia in this market segment.

The share of large businesses in the Bank's corporate loan portfolio was 81.77% against the 83% in 2011. Large business loans at Ameriabank mostly offers from its own funds.

Loans to SME, USD thousand



Loans to Large Corporations, USD thousand



The table below shows the quality of commercial loans comprising the corporate loan portfolio as of December 31, 2012.

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Loans to Corporate Clients* (USD thousand)				
Loans without individual signs of impairment	286,719	1,151	285,568	0,4%
Overdue loans	3,132	12	3,120	0,4%
Total volume of corporate loans	289,851	1,163	288,688	0,4%

* excluding leasing and factoring

To minimize credit risk, the Bank also paid particular attention to issues of collateral.

In 2012, the Bank continued to finance the renewable energy sector, which is one of the priority sectors of financing along with SMEs. The Bank started active cooperation within this sphere starting from the end of 2009. Due to the raised funds from international financial institutions targeted at lending to the energy sector, the Bank's financing of this sphere amounted to USD 26.7 million at the end of 2012.

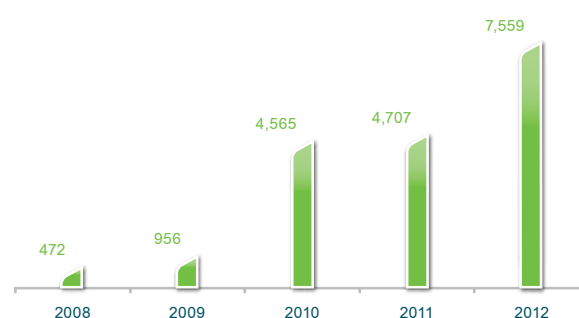
Leasing

In 2012, the leasing portfolio of Ameriabank increased by 68% to AMD 3.1 billion or USD 7.6 million. Compared to 2011, the number of leasing clients increased by 46% and the number of leasing operations increased by 36%. Furthermore, the vast majority of lease transactions were done in regards to the latest industrial and construction equipment, mining equipment imported from abroad, more specifically from European manufacturers. Thus, the Bank has supported the expansion and enhancement of the productivity of borrowers.

In order to import the latest and highest quality professional equipment from abroad, Ameriabank concluded a number of lease contracts with the active use of trade finance instruments and with the help of raised funds from high ranking global commercial banks.

Ameriabank's leasing portfolio includes the spheres of; construction, food processing, mining, health, trade and services.

Ameriabank's Leasing Portfolio, USD thousand



Factoring

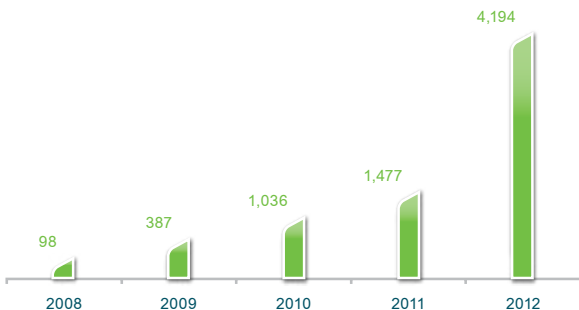
Ameriabank has a leading position in the banking sector of Armenia in factoring financing. The Bank is a leader among Armenian banks on annual growth rate of factoring transactions for 2012.

In 2012, factoring operations of Ameriabank continued to grow:

- In 2012, 809 factoring transactions were concluded, which is 46.5% higher than the same indicator of the previous year.
- The volume of liabilities sold to the Bank increased 3.7 times, amounting to the equivalent of USD 16.8 million (AMD 6.8 billion), versus USD 4.8 million in 2011 (AMD 1.8 billion).

As a result, as of the end of 2012 the active portfolio of factoring operations was USD 4.2 million, having increased almost trifold.

Ameriabank Factoring's Portfolio, USD thousand

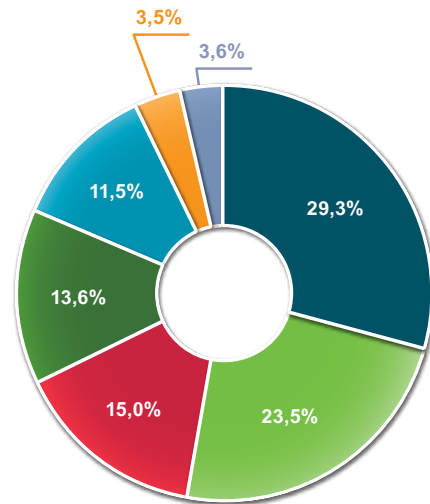


In the scope of factoring operations Ameriabank cooperates with all retail chains, large industrial enterprises and organizations providing public services.

The domestic market in 2012 had 91% of factoring transactions and 9% were international factoring transactions. Particularly, 66% of all factoring transactions were resource factorings and 34% were non-resource.

In 2012, Ameriabank directed funding through factoring in sectors of the economy, such as imports and wholesale trade, construction, transportation, electricity, and other services.

Ameriabank Factoring's Portfolio by sectors in 2012



- Transportation
- Wholesale trade
- Manufacturing
- Construction
- Construction and installation works
- Energy production works
- Services

Ameriabank offers quite flexible factoring schemes, not limiting clients to standard solutions and demonstrating an individual approach to each client, using all the advantages of factoring financing and applying extensive international experience.

In 2012, the Bank continued to actively develop factoring operations both in the domestic market and in the international arena, in parallel with expanding the spheres of funding.

In early 2013, the Bank intends to join the largest international union of factors "Factors Chain International". This membership will allow the bank to expand the scope of international factoring operations creating a great opportunity for its clients to expand their business by involving partners from more than 80 countries worldwide as well as enter new markets.

Trade Finance

The trade finance field was quite efficient and successful for Ameriabank during 2012. The Bank has received awards from prestigious international organizations due to its high level of activity and significant amount of issued letters of credit, guarantees and the high quality of service, such as:

- For the second time in a row Ameriabank was announced the winner in the category "Best Trade Finance Bank" by GLOBAL FINANCE,
- For the second time in a row Ameriabank won awards for excellent cooperation in trade finance from Commerzbank.
- The Bank was also awarded the "Best GTFP Issuing Bank for Energy Efficiency" title by International Finance Corporation (IFC).

In 2012, the total volume of trade finance transactions exceeded USD 151 million, which is higher than the same indicator in 2011 by 75.5%.

The total amount of letters of credit issued by Ameriabank in 2012 increased by 71% amounting to more than USD 48 million; with the total number of issued letters of credit increased by 59%.

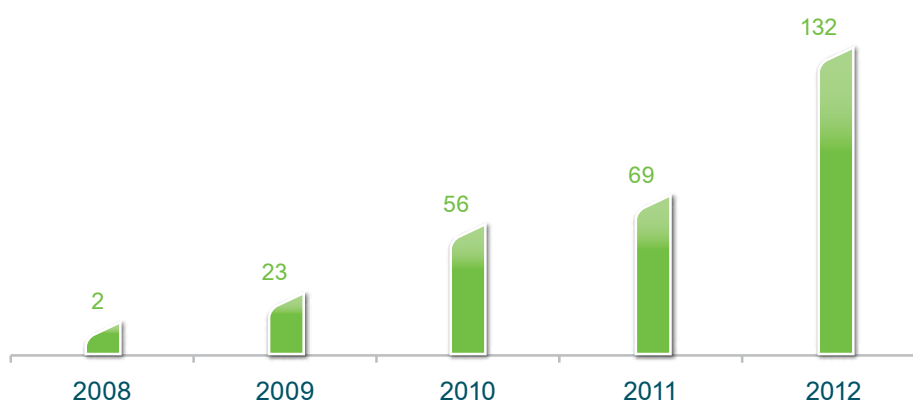
The total volume of issued guarantees and standby letters of credit issued by Ameriabank in 2012 reached USD 66 million, exceeding the 2011 indicator by 257% with a 20% quantitative growth of the number of transactions.

During the reporting year the clients were more active in their collection transactions, which totaled to USD 5.6 million. The volumes of export letters of credit increased rapidly reaching USD 13.5 million.

In cooperation with international financial organizations, Ameriabank was able to offer attractive terms of cooperation to its clients involved in international trade. All this due to the fact that credit funds attracted by the Bank were on favorable terms and with interest rates below the market.

During 2012, with the purpose of direct financing, USD18 million was raised. At the end of 2012, total credit limit obtained by Ameriabank from leading banks and international organizations for the financing of trade amounted to USD 72 million, exceeding the previous year indicator more than twice.

Volume of Guarantees and Letters of Credit Issued by Ameriabank, USD mln



Retail Banking

The background of the slide is a photograph of three dolphins swimming in clear, bright blue water. The dolphins are seen from a low angle, looking up towards the surface. Their bodies are sleek and dark against the lighter water. The water's surface is visible at the top, with some ripples and light reflections. The overall tone is serene and natural.

Freedom

For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others.

Nelson Mandela,

South African anti-apartheid revolutionary and politician

The development of retail business being one of the most important strategic priorities for the Bank is in the center of constant attention for the second consecutive year. As part of its strategy to expand the scope of activities and the establishment as a universal bank, beginning from 2011 Ameriabank started the consistent expansion of its product line offered to individuals. By the end of 2012 the total number of the Bank's retail customers reached 42.5 thousand against 32.1 thousand a year earlier.

We employ a comprehensive and individual approach to every client - this principle refers both to the activities of the corporate and to the retail clients.

For the purpose of convenience and for being close to clients, in April 2012 the Bank opened a new branch - Shengavit, located in a district with a large concentration of customers and enterprises cooperating with the Bank for payroll, individual clients and entrepreneurs.

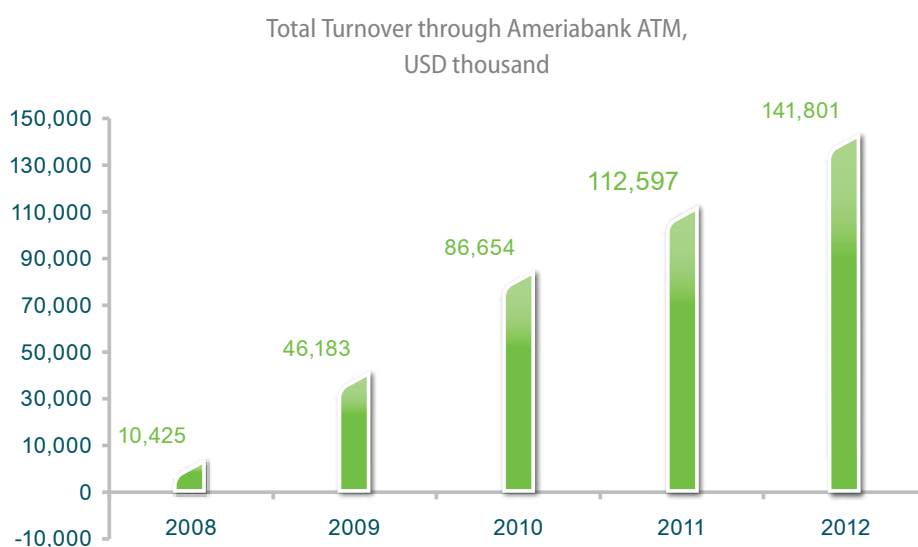
Although the branch started its actual activity in the last week of April, by the end of 2012:

- The branch's portfolio of attracted funds from clients reached AMD 1.3 billion (equivalent to USD 3.2 million),
- The branch's loan portfolio was about AMD 106 million (USD 263 thousands),
- The branch accounts for more than 2,090 individuals and 38 legal entities were opened.

Current Accounts and Term Deposits

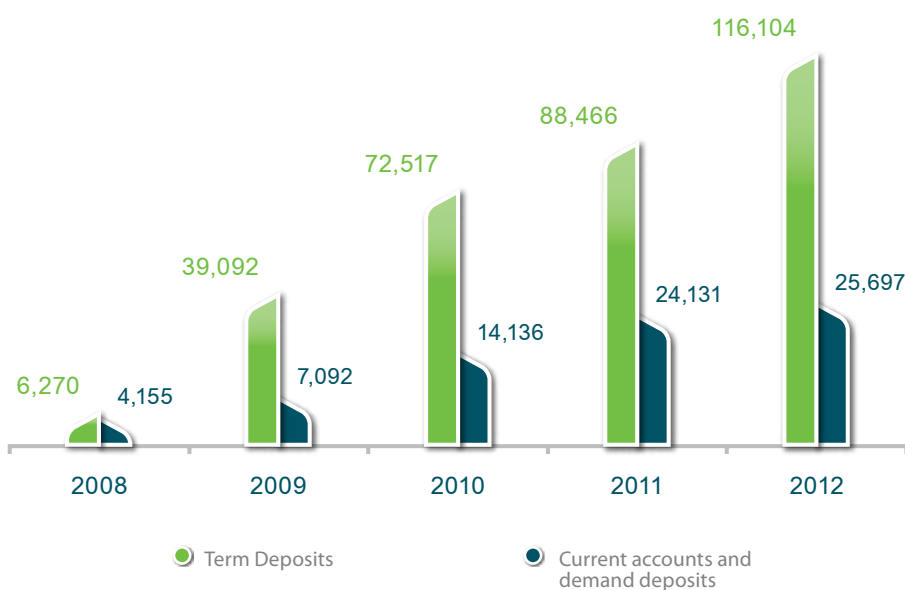
In 2012, the deposit base of individuals in Ameriabank continued to grow rapidly, despite increased competition among banks in the retail segment. The total volume of deposits attracted from individual clients in 2012 increased by 31.75%. Moreover, there was a growth in the volume of term deposits, and on-demand deposits.

At the end of 2012 the total amount of funds raised from retail customers in Ameriabank reached AMD 57.2 billion, which is equivalent to USD 141.8 million.



In 2012, the volume of current accounts and demand deposits of individuals at Ameriabank grew by 11.4% and amounted to the equivalent of USD 25.7 million.

Term Deposits and Demand Deposits of Individuals at Ameriabank,
USD thousand



In 2012, the growth of fixed-term deposits placed by individuals in Ameriabank accelerated and reached 37.3%.

The number of deposits at the end of 2012 reached 18.8 thousand, which is higher than the 2011 indicator by 51%.

From October to December, 2012 the Bank conducted a major deposit campaign under the slogan “Value the Money” thanks to which the Bank managed to raise new deposits in the amount of AMD 5.3 billion (equivalent to USD 13.2 million). The campaign gave the clients a chance to get the interest in the beginning of the term.

Loans to Individuals

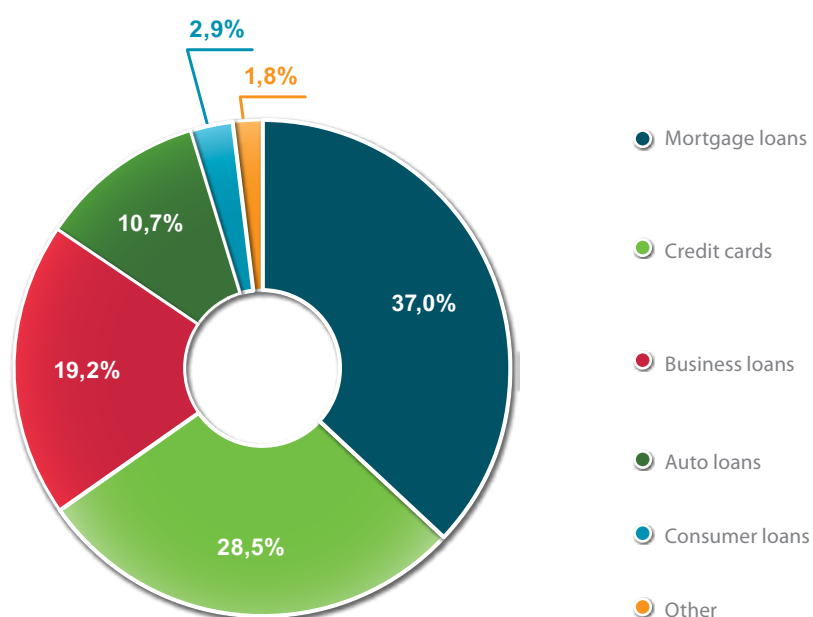
As of December 31 of 2012 balance of loans granted to individuals amounted to USD 62.1 million showing an increase of 12.4%. The number of individual borrowers increased by 38% in 2012, in total the number of granted loans was 14,553.

In 2012, the Bank continued active development of its business loan portfolio to retail customers. All in all loans have been granted in the amount of approximately USD 2.6 million, as well as credit lines to corporate clients amounting to USD 615 million. By the end of 2012 the total portfolio of business loans amounted to USD 11.9 million.

In 2012, in the structure of the retail loan portfolio of Ameriabank, the share of business loans, accounted for about 19.2%. In 2013, the Bank intends to significantly expand the area of business lending to retail clients, enabling them to run their own business. Above all, the procedure for SME lending will be simplified and the amount of necessary documentation will be reduced to a minimum.

The Bank’s clients have a high demand for loans with the means of credit cards. The share of such loans was 28.5% in the total loan portfolio of individuals.

Structure of Ameriabank Retail Portfolio in 2012



Dynamics of retail lending Ameriabank, USD thousand

	2008	2009	2010	2011	2012
Loans to Individuals	18,963	20,877	39,324	57,839	62,131
Mortgage Loans	5,604	5,486	14,480	19,198	22,972
Credit Cards	2,864	5,922	11,389	15,055	17,694
Business Loans	0	0	3,028	14,863	11,920
Car Loans	9,500	7,967	6,765	6,141	6,650
Consumer Loans	910	1,394	3,111	1,712	1,774
Other Loans	86	110	550	870	1,120
Provisions		-259	-454	-677	-407
Net Loans	18,963	20,619	38,870	57,162	61,723

Most of the loans granted to individuals are secured with real estate

Car Loans

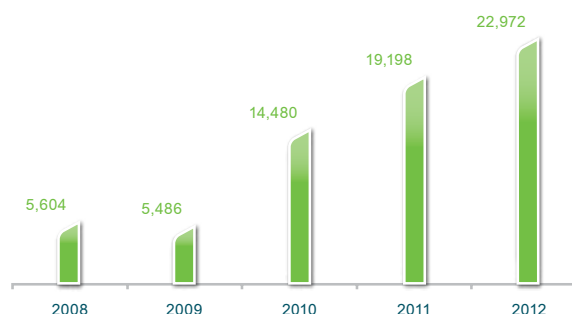
The car loan portfolio of Ameriabank as of December 31, 2012 accounted for 10.7% of the total retail portfolio (USD 6.7 million).

In 2012, the number of car dealerships that the Bank cooperated with was 15. The Bank is one of the most active in Armenia by this indicator. The Bank offers car loans for the purchase of cars both from the primary market and as well as the secondary market. The minimum down payment amount is 5% of the car value and depends on various parameters and the level of the client's creditworthiness. Moreover, the Bank has not set any restrictions on the minimum or maximum amount of consumer loans. The loan amount is calculated based on the ratio of credit to the collateral.

Mortgage

In the structure of the retail loan portfolio of Ameriabank the share of mortgage loans accounts for about 37%. The volume of the mortgage portfolio in 2012 reached AMD 9.3 billion, which is equivalent to USD 23 million, recording an increase of 25.2%. In 2012, 152 mortgage loans were granted for a total of USD 7.3 million. The product line of mortgage loans of Ameriabank is designed so that any client has a choice of terms and conditions in exact accordance with their needs. Mortgage products of Ameriabank are unique in the market and the demand for them permanently increases.

Ameriabank Mortgage Loans,
USD thousand



Expanding the scope of retail lending, Ameriabank also conducts rigorous monitoring of the whole lending process, thus ensuring the high quality of the retail loan portfolio.

At the end of 2012, the proportion of overdue consumer loans did not exceed 1% of the total loan portfolio of this type, which is low for the banking system of Armenia.

In order to improve the efficiency of retail lending programs and to reduce credit risk, the Bank applies not only its own scoring system for decision making, but also a scoring system of "ACRA" private credit bureau (ACRA Credit Reporting).

The following table provides information about the quality of loans to individuals as of December 31, 2012 in USD thousands.

31/12/12	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Loans to retail customers				
Standard	61,710	386	61,325	0.6%
Overdue	421	22	399	5.2%
Total loans to individuals	62,131	407	61,723	0.7%

Plastic Cards

The development of card business is one of the priorities of Ameriabank, especially for retail. In terms of income from commission charges, payment cards are the number one item on the agenda. At the end of 2012 the share of the latter in total commissions was 48.3% (44.3% in 2011), demonstrating an increase of 38.33%.

In the field of payment cards the Bank seeks to provide maximum convenience to its clients by implementing a service model that would allow them to use the full range of services. In particular, access to information about all your accounts, deposits, loans, and other operations available for clients round the clock via internet banking. In 2012, the number of active cards issued by Ameriabank increased by 38.5% achieving a total number of 38,574. Along with local payment cards ArCa, the Bank also issues and services international MasterCard and Visa cards. Ameriabank is a principal member of Visa International since July 2008.

Beginning from 2011 the Bank offers Visa Gift cards for individuals and ArCa customs cards for businesses allowing them simplified payments of customs duties at all customs terminals of Armenia. Both products were quite popular among customers in 2012 and during the reporting year more than 500 Visa Gift cards were issued.

All Ameriabank cardholders also have the opportunity of getting discounts at more than 250 retail and service locations in Armenia.

- In 2012, Ameriabank issued 16.7 thousand new payment cards, of which 10.4 thousand - VISA, 2.6 thousands - MasterCard, 3.65 thousands - local cards.
- The total number of active cards of international systems of Ameriabank exceeded 32.8 thousand, local cards - 5.75 thousand.
- In 2012, the Bank issued 485 Gold cards and 142 - Platinum cards.
- Since 2012 Ameriabank began issuing chip cards with the new design and maximum possible degree of safety and reliability.
 - The Bank has introduced a simplified procedure to replace existing cards with magnetic stripe to new chip cards.
 - In addition, if cards with magnetic stripes were issued by the Bank for 2 years, the chip cards are issued for 4 years.
- Since June 18, 2012 Ameriabank and "Yerevan City" supermarket chain launched a joint project of co-branded payment cards:
 - The cards combine advantages of the two leading companies in their fields and are provided to loyal customers of "Yerevan City" for purchases at the retailer locations,
 - The cards provide an opportunity to exchange bonus cards of "Yerevan City" for the latter co-branded one and use the credit line on the card provided by the Bank for shopping at the supermarket chain,
 - By the end of 2012, 1,014 credit cards were issued and the loan portfolio of these cards was AMD 153.8 million (equivalent to USD 381.2 thousand).

Ameriabank intends to expand its business of co-branded cards and in 2013 has planned to implement co-branding projects with other companies.

Total turnover on plastic cards for the reporting year reached AMD 72.3 billion, which is equivalent to about USD 179 million, against AMD 52.5 billion in 2011 (USD 136.2 million).

Additionally, Ameriabank not only expands its payment card business, but also implements a policy to encourage non-cash turnover, which is gradually growing in Armenia. In fact the volume of non-cash card transactions exceeded the volume of cash card transactions in 2012. The number of card transactions through sales points in 2012 exceeded its 2011 indicator by 37.14%, while the volume of transactions by virtual cards or on line has increased by 69%. On the other hand, cash withdrawals through ATMs and POS terminals have increased by 30.9%.

As part of promoting the new culture of non-cash payments, the Bank launched a campaign under the slogan of "Pay with card - Give Life" as part of its CSR. The campaign started on November 1 and lasted till January 31, 2013. The campaign was targeted at Ameriabank cardholders who do card transactions anywhere in the world, as well as card holders of other banks, paying with cards at POS-terminals served by Ameriabank.

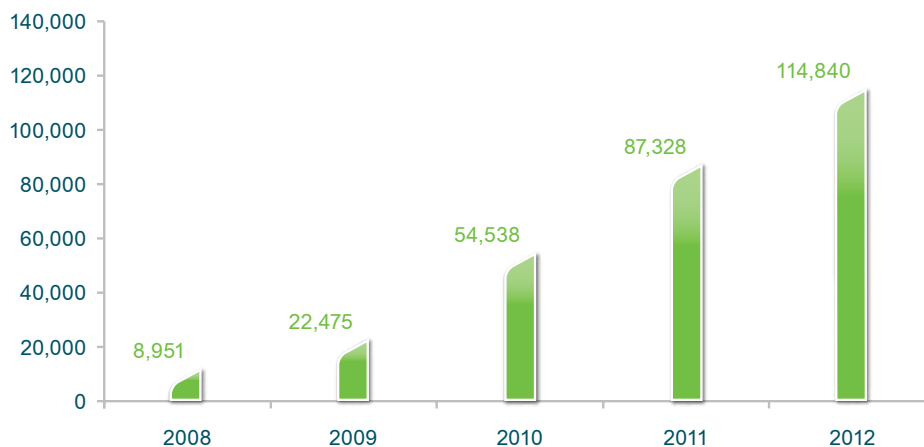
For every AMD 1000 Ameriabank transferred AMD 1 of its profits to the treatment of children. The funds raised as a result of the campaign amounted to more than AMD 5 million was transferred to "Give Life" foundation for the children that urgently need surgeries abroad.

Ameriabank also continues its active operations in the credit card market. The share of credit cards accounts for 28.5% of the total retail loan portfolio. For the year 2012 the volume of loans (including overdrafts, used parts of the credit lines) on credit cards increased by 23% reaching AMD 7.1 billion, which is equivalent to USD 17.7 million.

Along with the development of card products and programs Ameriabank pays due attention to the development of relevant infrastructure. Ameriabank not only expands its service network, but also optimizes its network by installing ATMs and POS-terminals in places that are most in demand among clients for their utmost convenience.

At the end of 2012, the total turnover of Ameriabank ATMs exceeded the equivalent of almost USD 115 million (AMD 46.3 billion), and the turnover of POS-terminals exceeded USD 52.4 million, of which approximately USD 26.9 million were accounted for non-cash transactions done at sales and service locations as well as online.

Total Turnover through Ameriabank ATM, USD thousand



Salary Projects

Ameriabank offers special packages for the employees of its corporate clients. These special packages are considered as Salary projects.

During 2012, in the scope of salary projects around 10,000 new cards were issued.

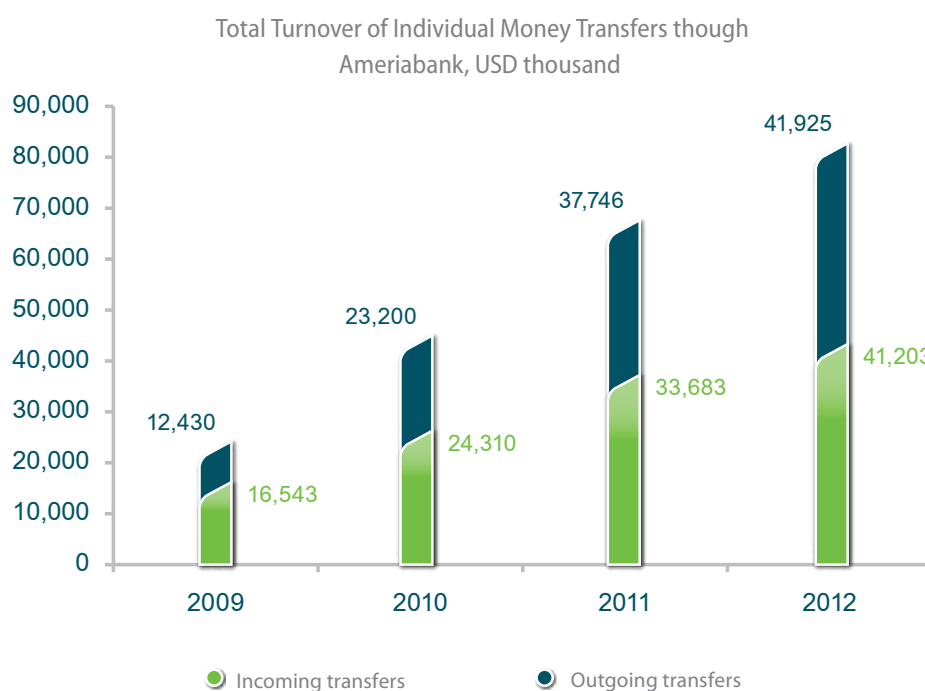
Along with payment cards, employees of organizations were also offered discounted loan products with special simplified processing procedures. Consequently, by the end of 2012, more than 3,200 lines of credit were provided in the scope of salary projects.

Guided by the strategy of complex client service, Ameriabank develops special preferential tariff packages for each organization. The Bank also installs ATMs and POS-terminals in places that are the most convenient for the given organization and are in accordance with the desires of employees.

Money Transfers

In 2012, the Bank cooperated with 5 international systems, such as: Contact, Migom, MoneyGram, InterExpress and Bistraya Pochta. The Bank also continues negotiations with other payment systems.

In 2012, the total turnover of individual money transfers through the Bank increased by 16.4%, amounting to the equivalent of USD 83.1 million, 41.2 million of which were transfers from abroad to Armenia, and 41.9 million - transfers from Armenia.



The turnover rate of international money transfer systems has increased 2.5 times, the value of which was nearly USD 10 million in 2012 against USD 3.8 million in 2011. Proceeds from the latter amounted to USD 5.9 million (an increase of USD 2.4 million), and from transfers abroad –USD 4.1 million (an increase of USD 3.1 million).

Investment Banking and Trading Operations



Dynamism

**For me nature is not landscape,
but the dynamism of visual forces.**

Bridget Riley, English painter

Thanks to the high level of professionalism of the team with international experience the client base of this business unit is gradually increasing.

Before making decisions clients can benefit from professional services provided by specialists of not only the Bank, but also the rest of Ameria Group companies specializing in the investment business.

Financial Institutions

Being focused on active development and expansion of the volume of financing instruments, and by increasing the availability of long term investment instruments for SMEs, Ameriabank thereby contributes to the development of the financial and real sectors of Armenia.

To achieve the ambitious objectives, the Bank maintains and builds new strong and long term business relationships with partners and customers.

In 2012 the Bank began to cooperate with Austrian Development Bank (OeEB) and PROPARGO - a French development financial institution.

- By the end of year 2012, the aggregate portfolio of attracted funds from international financial organizations and development institutions reached USD 300 million*, including funds raised from the; International Finance Corporation (IFC), Dutch Fund for Development (FMO), German Corporation for Investment and Development (DEG), European Bank for Reconstruction and Development (EBRD), Eurasian Development Bank (EDB) and Asian Development Bank (ADB). The list of investors however is not limited to IFIs only and major multinationals, such as Citibank, Commerzbank and BNP Paribas are on board as well.

Corporate Finance

One of the most important aspects of a modern customer centric organization is being a reliable and professional partner in all stages of its customers' evolution.

Corporate finance services offered by Ameriabank help our clients in finding reliable strategic partners and satisfying their corporate finance needs of various calibers.

The Bank leverages the expertise of its corporate finance team having profound local market knowledge and provides its clients with informed strategic advice and comprehensive financial solutions.

In 2012, to ensure the Bank's loan portfolio growth is fueled by sustainable and long term funding, loan agreements for an aggregate amount of USD 30 million were arranged by the Corporate Finance Unit.

Within the same period mandate letters and term sheets of more than USD 100 million were successfully negotiated.

* Including TFP

Capital Markets

With the still embryonic capital market in Armenia, Ameriabank is offering a full range of services for debt and equity capital markets participants, including but not limited to bond/stock underwriting, IPOs/SPOs, market making services and corporate finance advisory.

Ameriabank retained its leading role in the debt capital market of Armenia in 2012 by organizing the public placement of the largest USD denominated corporate bonds issuance ever done in Armenia. Ameriabank was the lead and sole underwriter of "SAS Group" LLC bonds and successfully placed 700,000 bonds worth USD 7 million. These bonds have USD 10 face value, a coupon of 10.1% per annum paid semi-annually, and maturing in December 2014. The face value of USD 10 attracted a number of retail investors who usually don't consider corporate debt securities as investment vehicles.

Ameriabank still remains committed to development and believes in the future of the local equity and debt markets. The Bank plans to announce new lucrative DCM/ECM projects in 2013 for the benefit of both issuers and investors.

Mergers and Acquisitions

Ameriabank's M&A practice is providing investment advisory services to enterprises and investors in relation to sale, acquisition or merger of companies.

In addition, the Bank is offering a wide range of M&A advisory services, including corporate restructuring, business valuation and vendor due diligence.

Our practice is taking advantage of local market knowledge, industry practice and professional expertise, gained from over 15 years of operations by Ameria Group.

The Bank has observed a significant increase in the number of clients and transactions in 2012 within our two business lines – buy-side/sell-side advisory and valuations.

From the standpoint of industries, we have been more active in the Retail and Wholesale Trade, Food Processing, Mining and Hospitality industries.

The Bank constantly studies the economy and works with major market players in various sectors to identify opportunities for M&A transactions.

The Bank has worked both with privately held local companies as well as major international companies listed on the major stock exchanges of the world.

In the background of economic uncertainty and slowdown in the developed economies of the world, Armenia has a rather high growth outlook in the midterm. In this context, we see local market consolidations and penetration of international companies as major drivers for the M&A services market in Armenia.

Overall, we believe Ameriabank remains the largest M&A advisor in the local market in terms of the number and volume of M&A projects.

Trading

Ameriabank is one of the few banks of Armenia that offer securities investment services in international markets.

This year again, Global Finance recognized Ameriabank as the Best Foreign Exchange Provider in Armenia.

The Bank's clients are able to trade securities listed on major foreign stock markets, get quotes of securities in real time. This has been possible since 2011, when the Bank launched investment services in international markets through the securities trading system AMERIA GLOBAL TRADING.

- In 2012, Ameriabank introduced a new automated system to establish exchange rates. This innovation allowed reduction of the time required to set exchange rates by 3-4 times, thereby greatly increasing the efficiency of the process and minimizing the risk of exposure to the human factor.
- As a result, the exchange rates in the "Operating day" system and the rates for cash gold listed on the Bank's website are updated automatically, rather than by hand.
- At Thomson Reuters information terminal a page was opened for Ameriabank, which displays the exchange rates of the Bank, interest rates of attraction and lending, as well as quotes for RA government bonds.
- To increase the effectiveness of the customer service process of clients that make orders for brokerage services over the phone, in 2012, we introduced a system for identification of clients using special plastic card. This allowed automation of the identification process as well as the minimization the possibility of unfair transactions in brokerage accounts by a third party.

The Bank is an active member of the Armenian Stock Exchange - NASDAQ-OMX Armenia. At the end of 2012 the Bank was again declared the winner of the "Best Member of the Stock Exchange in the Category of NASDAQ-OMX Armenia" in the section of foreign exchange transactions.

Ameriabank Strategic Goals and Plans for 2013



Persistence

Energy and persistence conquers all things.

*Benjamin Franklin,
one of the Founding Fathers of the United States*

In the current economic situation in the country and the world, Ameriabank has revised its strategic objectives and plans towards extending the sphere of its activity and geography, as well as towards expansion and diversification of its client base.

Economic growth in Armenia in 2013-2014 is projected at 5-6%, if there are no destabilizing shocks. Inflation is expected to be seen around 5% in 2013.

Economic vulnerability remains a serious challenge for Armenia due to its lack of diversification and the high degree of centralization of markets. With the deterioration of the economic situation in Europe and Russia, the major trade partner countries of Armenia, the symptoms of the economic crisis will quickly transfer to Armenia. At the same time, having a limited market, Armenia cannot objectively provide a high level of competitiveness, particularly in the absence of the regional market and the limited access to the markets of neighboring countries.

In 2013, the business environment surrounding Ameriabank will be characterized by the following trends and factors:

- uncertainty due to the slow recovery of the global economy will adversely affect the economic development of Armenia as a whole,
- risks of the development of the industrial sector due to the slow recovery of the world economy and domestic demand,
- the expected increase in the price of gas supplied to Armenia, which may lead to a slowdown in economic growth,
- implementation of large investment projects in road construction and infrastructure,
- active development of SMEs through bank financing,
- slowdown in spending in the private sector because of the expected slowdown in economic activity and foreign remittances,
- further development of export oriented industries, such as; mining, metal production, food, drinks, the diamond industry and energy,
- modernization and reform of the transport and telecommunications infrastructure,
- increased competition among banks and the growth of their key indicators,
- growth of financing needs in enterprises and households,
- stimulation and development of capital markets.

Under these circumstances of business environment development, new challenges and problems for financial organizations are expected:

- strengthening of non-price competitive advantages (quality of service, relationships with clients, reliability, and etc.),
- improvement of risk assessment and management systems,
- increase of management efficiency,
- difficulties in attracting foreign capital, respectively, higher cost of the resource base,
- further reduction in lending rates, reducing margins, respectively, reduced profitability level,
- increased competition in lending to promising sectors,
- expansion of product line for integrated services in response to the growing needs of clients,
- further development of distance banking and modern technologies,
- search of effective tools for fund placements,
- possible consolidation processes in the financial market of Armenia.

Furthermore, the possible deepening of the crisis in the euro zone threatens Armenia with recession or slowdown in lending of the economy. In this case, lending will be mainly directed to small and medium-sized businesses, as well as an increase in consumer lending is expected.

Under these circumstances of the business environment development and the new challenges faced by the financial institutions, Ameriabank has somewhat revised its development strategy, which involves the expansion of areas of activity and active market entry into retail services with further strengthening of its position in the corporate banking market.

As its important task for 2013 Ameriabank sees further improvement of service quality, creation of maximum comfort for each client and the ability to meet the needs of a larger group of clients. The Bank intends to provide the level of service in accordance with international standards, effective management systems that will guarantee a stable and long-term development.

Among the strategic objectives of Ameriabank for 2013-2015, are to:

- Strengthen its market position as a universal bank, equally accessible to both corporate and retail clients,
- improve service quality and expand the range of new banking products,
- ensure the rapid growth of key indicators in comparison with the market,
- increase the share of non-interest income in the income structure of the Bank due to the introduction of new products,
- expand the scope of cooperation with small and medium businesses,
- expand the channels of service (distance banking).

The Bank will continue to work towards expanding and improving infrastructure, strengthening its position in the market, which presumes:

- expansion of the branch network in the economically active areas (2 new branches are expected in 2013),
- development of remote banking services,
- optimization of the ATM network,
- introduction of new instruments for investment banking services,
- staff qualifications development.

In accordance with the development strategy of Ameriabank till 2015, the Bank plans to strengthen its role as a key player in the Armenian banking system and strengthen its position as one of the leading financial institutions in the country.

To reach the established goals and fulfilling its mission in 2013 Ameriabank intends to:

- ensure the growth of its financial performance by an average of 20-25%,
- further develop the retail business,
- continue introducing innovative financial solutions,
- intensify cooperation with small and medium-sized businesses,
- expand the geographical structure of its client base,
- promote the development of the capital market in Armenia, providing services in mergers and acquisitions and asset management,
- increase a stable and low-cost resource base,
- continue the process of raising funds from international financial institutions, with focus on key sectors, such as:
 - small and medium business,
 - renewable energy.

In 2013, Ameriabank intends to increase SME lending by 75%. The growth will be achieved both through its own resources as well as Partner IFI funds, of which the Bank plans to raise USD 60-70 million.

Financial Statements and Independent Auditors Report



Reliability

**The shifts of fortune test the
reliability of friends.**

Marcus T. Cicero, Roman philosopher



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Independent Auditors' Report

To the Management Board Ameriabank cjsc

We have audited the accompanying financial statements of Ameriabank cjsc (the Bank), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Andrew Coxshall
 Director


Tigran Gasparyan
 Head of Audit Department

KPMG Armenia cjsc
 17 April 2013

KPMG Armenia cjsc. a company incorporated under the Laws of the Republic of Armenia, a subsidiary of KPMG Europe LLP. and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Ameriabank cjsc


Statement of Comprehensive income for the year ended 31 December 2012

	2012 AMD'000	2011 AMD'000
Interest income	20,733,752	16,68,848
Interest expense	(9,623,728)	(7,466,101)
Net interest income	11,110,024	8,802,747
fee and commission income	1,681,813	1,324,729
Fee and commission expense	(631,339)	(451,408)
Net fee and commission income	1,050,474	873,321
Net loss on financial instruments at fair value through profit or loss	(549,771)	(238,871)
Net foreign exchange income	1,191,890	1,096,625
Net gain on available-for-sale financial assets	41,900	31,452
Other operating income	352,136	63,242
Operating income	13,196,653	10,628,516
Impairment reversals (losses)	395,529	10,628,516
Personnel expenses	(3,085,155)	(304,900)
Other general administrative expenses	(2,922,794)	(2,798,417)
Profit before income tax	7,584,233	(2,369,377)
Income tax expense	(1,546,795)	(1,100,477)
Profit for the year	6,037,438	4,055,345
Other comprehensive income, net of income tax		
Revaluation reserve for available-for-sale financial assets:		
• Net change in fair value	13,49	69,456
• Net change in fair value transferred to profit or loss	(33,520)	(25,162)
Other comprehensive income for the year, net of income tax	(20,271)	44,294
Total comprehensive income for the year	6,017,167	4,099,639

The financial statements as set out on pages 4 to 62 were approved by the Management Board on 17 April 2013 and were signed on its behalf by:


Artak Hanesyan
 General Director
 Chairman of Management Board




Gohar Khachatryan
 Chief Accountant

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of the financial statements.

Ameriabank cjsc

Statement of Financial Position as at 31 December 2012

	2012 AMD'000	2011 AMD'000
ASSETS		
Cash and cash equivalents	57,567,215	34,200,857
Financial instruments at fair value through profit or loss	1,444	52,406
Available-for-sale financial assets	5,771,617	13,225,987
Loans and advances to banks	11,478,687	8,635,846
Amounts receivable under reverse repurchase agreements	968,852	922,519
Loans to customers	141,419,180	134,053,462
Receivables from letters of credit	9,700,484	
Receivables from finance leases	3,050,756	1,815,786
Receivables from factoring	1,692,447	569,743
Held-to-maturity investments	7,325,533	-
Assets held for sale	853,782	2,234,280
Property, equipment and intangible assets	2,521,641	2,546,732
Deferred tax asset	-	53,924
Other assets	2,702,142	2,631,043
Total assets	245,053,779	200,942,585
LIABILITIES		
Financial instruments at fair value through profit or loss	356,484	390,251
Deposits and balances from banks	23,218,961	20,932,458
Current accounts and deposits from customers	126,301,847	91,332,821
Other borrowed funds	55,426,057	49,591,576
Current tax liability	307,966	312,861
Deferred tax liabilities	49,676	-
Dividends payable	-	1,315,054
Other liabilities	2,620,078	2,295,621
Total liabilities	208,281,069	166,170,642
EQUITY		
Share capital	25,447,360	25,447,640
Share premium	28,571	29,691
Revaluation Reserve	42,007	62,278
Retained earnings	11,254,772	9,232,334
Total capital	36,772,710	34,771,943
Total liabilities and capital	245,053,779	200,942,585

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

Ameriabank cjsc

Statement of Cash Flows for the year ended 31 December 2012

	2012 AMD'000	2011 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	20,185,390	15,769,744
Interest payments	(8,993,619)	(6,550,548)
Fee and commission receipts	1,678,144	1,556,290
Fee and commission payments	(631,339)	(451,408)
Net receipts from available-for-sale financial assets	41,901	31,452
Net receipts from foreign exchange	1,131,286	959,377
Other income (expenses) receipts (payments)	373,459	(112,160)
Salaries and other payments to employees	(3,062,529)	(2,360,179)
Other general administrative expenses payments	(2,303,455)	(1,863,154)
(Increase) decrease in operating assets		
Financial instruments at fair value through profit or loss	52,020	(28,587)
Available-for-sale financial assets	(546,379)	(303,926)
Loans and advances to banks	(2,465,639)	5,941,586
Amounts receivable under reverse repurchase agreements	(45,618)	1,441,432
Loans to customers	(1,813,052)	(40,817,037)
Receivables from letters of credit	(9,682,825)	-
Receivables from finance leases	(732,252)	167,348
Receivables from factoring	(964,867)	(90,757)
Assets held for sale	1,380,498	(2,234,280)
Other assets	(72,176)	(1,254,174)
Increase (decrease) in operating liabilities		
Financial instruments at fair value through profit or loss	(584,781)	265,345
Deposits and balances from banks	1,804,595	7,319,776
Current accounts and deposits from customers	31,665,069	19,489,321
Other liabilities	(76,121)	(679,323)
Net cash from (used in) operating activities before income tax paid	26,337,710	(3,803,862)
Income tax paid	(1,443,022)	(998,704)
Cash flows from (used in) operations	24,894,688	(4,802,566)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(624,980)	(1,119,723)
Sales of property and equipment and intangible assets	2,136	781,397
Held-to-maturity investments	468,039	-
Cash flows used in investing activities	(154,805)	(338,326)

Ameriabank cjsc

Statement of Cash Flows for the year ended 31 December 2012

	2012 AMD'000	2011 AMD'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(5,330,054)	-
Receipts of other borrowed funds	6,710,344	13,173,417
Repayment of other borrowed funds	(2,955,023)	(3,217,567)
Cash flows (used in) from financing activities	(1,574,733)	9,955,850
Net increase in cash and cash equivalents	23,165,150	4,814,958
Effect of changes in exchange rates on cash and cash equivalents	201,208	977,407
Cash and cash equivalents as at the beginning of the year	34,200,857	28,408,492
Cash and cash equivalents as at the end of the year	57,567,215	34,200,857

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of the financial statements.

Ameriabank cjsc

Statement of Changes in Equity for the year ended 31 December 2012

AMD'000	Share capital	Share premium	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2011	25,447,640	29,691	17,984	6,492,043	31,987,358
Total comprehensive income					
Profit for the year	-	-	-	4,055,345	4,055,345
Other comprehensive income					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	69,456	-	69,456
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	(25,162)	-	(25,162)
Total other comprehensive income	-	-	44,294	-	44,294
Total comprehensive income for the year	-	-	44,294	4,055,345	4,099,639
Transactions with owners, recorded directly in equity					
Dividends declared	-	-	-	4,055,345	4,055,345
Total transactions with owners	-	-	-	(1,315,054)	(1,315,054)
Balance as at 31 December 2011	25,447,640	29,691	62,278	9,232,334	34,771,943
Balance as at 1 January 2012	25,447,640	29,691	62,278	9,232,334	34,771,943
Total comprehensive income					
Profit for the year	-	-	-	6,037,438	6,037,438
Other comprehensive income					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	13,249	-	13,249
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	(33,520)	-	(33,520)
Total other comprehensive income	-	-	-	-	(20,271)
Total comprehensive income for the year	-	-	6,037,438	6,037,438	6,017,167

Ameriabank cjsc

Statement of Changes in Equity for the year ended 31 December 2012

AMD'000	Share capital	Share premium	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Transactions with owners, recorded directly in equity					
Treasury shares acquired	(280)	(1,120)	-	-	(1,400)
Dividends declared	-	-	-	(4,015,000)	(4,015,000)
Total transactions with owners	(280)	(1,120)	-	(4,015,000)	(4,016,400)
Balance as at 31 December 2012	25,447,360	28,571	42,007	11,254,772	36,772,710

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.



Useful Information about the Bank

Network

**All men are caught in an inescapable
network of mutuality.**

*Martin Luther King Jr.,
Activist and leader in the African-American Civil Rights Movement*



Ameriabank CJSC

9 Grigor Lusavorich Str.,
Yerevan, Republic of Armenia

Taxpayers' Identification Number (TIN) 02502212

a/c 103002101576

The Central Bank of the Republic of Armenia

SWIFT/ BIC ARMIAM22,

Bank code 1570

Tel.: (37410) 561111

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E-mail: office@ameriabank.am

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Ameriabank Branches

Cascade Branch

6 Deghatan Str., Yerevan, 0010, RA

Dilijan Branch

66 Miasnikyan Str., Dilijan, 3901, RA

Kentron Branch

Vazgen Sargsyan Str., Yerevan, 0010, RA

Komitas Branch

12 Komitas Ave., n. 102, Yerevan, 0033 RA

Moskovyan Branch

48 Mashtots Str., 2/1 Yerevan, 0009, RA

Qajaran Branch

16/31 Lernagorcneri Str., Qajaran, 3309, RA

Shengavit Branch

18 Bagratunyats Str., Area 112, Yerevan, 0046,

RA **Vanadzor Branch**

65 Tigran Mets Str., Vanadzor, 2021, RA

Key Nostro Accounts for bank transfers of foreign currencies

COUNTRY	CORRESPONDENT BANK	SWIFT	CURRENCY	31/12/12
Germany	COMMERZBANK AG, FRANKFURT/MAIN	COBADEFF	EUR	400/8866071/00
	DEUTSCHE BANK AG, FRANKFURT/MAIN	DEUTDEFF	EUR	100-9477498-00
	CITIBANK, FRANKFURT/MAIN	CITIDEFF	EUR	4117180005
	COMMERZBANK AG, FRANKFURT/MAIN	COBADEFF	GBP	400/8866071/00
Switzerland	UBS AG, ZURICH	UBSWCHZH80A	CHF	02300000069026050000V
UAE	NATIONAL BANK OF ABU DHABI, ABU DHABI	NBADAEEA	AED	6200969039
Georgia	LIBERTY BANK JSC, TBILISI	LBRTGE22	GEL	GE75LB0114253131878000
Russia	SBERBANK RF, MOSCOW	SABRRUMM	RUB	301118109000000003 71
	PROMSVYAZBANK, MOSCOW	PRMSRUMM	RUB	30111810790000021401
			JPY	30111392690000021401
			CAD	30111124790000021401
	ALFA-BANK, MOSCOW	ALFARUMM	RUB	30111810300000000212
USA	CITIBANK N. A., NEW YORK	CITIUS33	USD	36116208
	DEUTSCHE BANK TRUST COMPANY AMERICAS, NEW YORK	BKTRUS33	USD	04437701
Luxembourg	COMMERZBANK AG LUXEMBOURG BRANCH, LUXEMBOURG	COBALULU	XAU	1264423253940
			XAG	1264423253949
Italy	UNICREDIT S.P.A.	UNCRITMM	EUR	995/101468077

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