Ameriabank cjsc

Financial Statements

for the year ended 31 December 2013

Contents

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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 2013, and the statements of profit or loss and other 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Coxshall
Director

Andrew Coxshall
Engagement Partner

KPMG Armenia cjsc
6 March 2014

	Notes	2013 AMD'000	2012 AMD'000
Interest income	4	22,769,407	20,733,752
Interest expense	4	(11,110,094)	(9,858,731)
Net interest income		**11,659,313**	**10,875,021**
Fee and commission income	5	2,055,424	1,681,813
Fee and commission expense	6	(413,461)	(396,336)
Net fee and commission income		**1,641,963**	**1,285,477**
Net gain (loss) on financial instruments at fair value through profit or loss		146,439	(549,771)
Net foreign exchange income	7	1,821,577	1,191,890
Net gain on available-for-sale financial assets		146,423	41,900
Other operating income		796,365	352,136
Operating income		**16,212,080**	**13,196,653**
Impairment (losses) reversals	8	(1,959,550)	395,529
Personnel expenses	9	(3,391,800)	(3,085,155)
Other general administrative expenses	10	(3,173,969)	(2,922,794)
Profit before income tax		**7,686,761**	**7,584,233**
Income tax expense	11	(1,629,573)	(1,546,795)
Profit for the year		**6,057,188**	**6,037,438**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		492,653	13,249
- Net change in fair value transferred to profit or loss		(117,138)	(33,520)
Total items that are or may be reclassified subsequently to profit or loss		*375,515*	*(20,271)*
Other comprehensive income for the year, net of income tax		**375,515**	**(20,271)**
Total comprehensive income for the year		**6,432,703**	**6,017,167**

The financial statements as set out on pages 5 to 67 were approved by the Management Board on 6 March 2014 and were signed on its behalf by:

Artak Hanesyan
General Director
Chairman of Management Board

Gohar Khachatryan
Chief Accountant

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

	Notes	2013 AMD'000	2012 AMD'000
ASSETS			
Cash and cash equivalents	12	98,815,692	57,567,215
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	43,406	1,444
- Pledged under sale and repurchase agreements	13	844,660	-
Available-for-sale financial assets			
- Held by the Bank	14	3,525,900	5,771,617
- Pledged under sale and repurchase agreements	14	5,815,585	-
Loans and advances to banks	15	3,106,483	11,478,687
Amounts receivable under reverse repurchase agreements	16	8,441,159	968,852
Loans to customers	17	169,861,420	141,419,180
Receivables from letters of credit	18	8,966,815	9,700,484
Receivables from finance leases	19	2,696,869	3,050,756
Receivables from factoring	20	3,575,063	1,692,447
Held-to-maturity investments			
- Held by the Bank	21	885,566	7,325,533
- Pledged under sale and repurchase agreements	21	3,361,500	-
Assets held for sale		254,192	853,782
Property, equipment and intangible assets	22	2,894,285	2,521,641
Other assets	23	1,959,501	2,702,141
Total assets		**315,048,096**	**245,053,779**
LIABILITIES			
Financial instruments at fair value through profit or loss	13	234,160	356,484
Deposits and balances from banks	24	22,935,230	23,218,961
Amounts payable under repurchase agreements	25	16,013,140	-
Current accounts and deposits from customers	26	169,942,151	126,301,847
Subordinated borrowing	27	4,967,435	-
Other borrowed funds	27	59,367,736	55,426,057
Current tax liability		502,824	307,966
Deferred tax liability	11	166,410	49,676
Other liabilities	28	2,213,277	2,620,078
Total liabilities		**276,342,363**	**208,281,069**
EQUITY			
Share capital	29	25,447,680	25,447,360
Share premium		28,571	28,571
Revaluation reserve for available-for-sale financial assets		417,522	42,007
Retained earnings		12,811,960	11,254,772
Total equity		**38,705,733**	**36,772,710**
Total liabilities and equity		**315,048,096**	**245,053,779**

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

	Notes	2013 AMD'000	2012 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		22,149,666	20,185,390
Interest payments		(9,948,831)	(8,993,619)
Fee and commission receipts		2,055,424	1,678,144
Fee and commission payments		(413,461)	(631,339)
Net receipts from available-for-sale financial assets		146,423	41,900
Net receipts from foreign exchange		1,478,075	1,131,286
Other income receipts		796,365	373,459
Salaries and other payments to employees		(3,461,347)	(3,062,529)
Other general administrative expenses payments		(2,496,917)	(2,303,455)
(Increase) decrease in operating assets			
Financial instruments at fair value through profit or loss		(716,784)	52,020
Available-for-sale financial assets		(2,818,225)	(546,379)
Loans and advances to banks		7,861,085	(2,465,639)
Amounts receivable under reverse repurchase agreements		(7,455,244)	(45,618)
Loans to customers		(29,607,736)	(1,813,052)
Receivables from letters of credit		1,161,610	(9,682,825)
Receivables from finance leases		742,383	(732,252)
Receivables from factoring		(1,900,512)	(964,867)
Assets held for sale		599,590	1,380,498
Other assets		458,215	(72,176)
Increase (decrease) in operating liabilities			
Financial instruments at fair value through profit or loss		(163,813)	(584,781)
Deposits and balances from banks		(1,894,973)	1,804,595
Amounts payable under repurchase agreements		15,999,428	-
Current accounts and deposits from customers		46,354,734	31,665,069
Other liabilities		(859,790)	(76,120)
Net cash from operating activities before income tax paid		**38,065,365**	**26,337,710**
Income tax paid		(1,411,860)	(1,443,022)
Cash flows from operations		**36,653,505**	**24,894,688**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and intangible assets		(1,051,970)	(624,980)
Sales of property and equipment and intangible assets		2,906	2,136
Proceeds from maturity of held-to-maturity investments		2,859,914	468,039
Cash flows from (used in) investing activities		**1,810,850**	**(154,805)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		320	-
Dividends paid		(4,500,000)	(5,330,054)
Receipt of subordinated borrowing		4,870,920	-
Receipts of other borrowed funds		8,753,144	6,710,344
Repayment of other borrowed funds		(5,271,574)	(2,955,023)
Cash flows from (used in) financing activities		**3,852,810**	**(1,574,733)**
Net increase in cash and cash equivalents		**42,317,165**	**23,165,150**
Effect of changes in exchange rates on cash and cash equivalents		(1,068,688)	201,208
Cash and cash equivalents as at the beginning of the year		57,567,215	34,200,857
Cash and cash equivalents as at the end of the year	12	**98,815,692**	**57,567,215**

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

AMD'000	**Share capital**	**Share premium**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total equity**
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					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	13,249	-	13,249
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	(33,520)	-	(33,520)
Total items that are or may be reclassified subsequently to profit or loss	-	-	*(20,271)*	-	*(20,271)*
Total other comprehensive income	-	-	(20,271)	-	(20,271)
Total comprehensive income for the year	**-**	**-**	**(20,271)**	**6,037,438**	**6,017,167**
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**
Balance as at 1 January 2013	25,447,360	28,571	42,007	11,254,772	36,772,710
Total comprehensive income					
Profit for the year	-	-	-	6,057,188	6,057,188
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	492,653	-	492,653
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	(117,138)	-	(117,138)
Total items that are or may be reclassified subsequently to profit or loss	-	-	*375,515*	-	*375,515*
Total other comprehensive income	-	-	375,515	-	375,515
Total comprehensive income for the year	**-**	**-**	**375,515**	**6,057,188**	**6,432,703**
Transactions with owners, recorded directly in equity					
Shares issued	320	-	-	-	320
Dividends declared	-	-	-	(4,500,000)	(4,500,000)
Total transactions with owners	**320**	**-**	**-**	**(4,500,000)**	**(4,499,680)**
Balance as at 31 December 2013	**25,447,680**	**28,571**	**417,522**	**12,811,960**	**38,705,733**

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

1 Background

(a) Organisation and operations

Ameriabank cjsc (formerly Armimpexbank cjsc) (the Bank) was established on 8 September 1992. In 2007 the Bank was acquired by TDA Holdings Limited, which purchased a shareholding of 96.15%. TDA Holdings Limited was renamed to Ameria Group (CY) during 2011.

The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has nine branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 9 Grigor Lusavorich Street, Yerevan 0015, Republic of Armenia.

The main shareholder of the Bank as at 31 December 2013 and 31 December 2012 is Ameria Group (CY) which owns 100 % of the Bank's shares.

The Bank is ultimately controlled by a single individual, Ruben Vardanyan, who has the power to direct the transactions of the Bank at his own discretion and for his own benefit.

Related party transactions are detailed in note 35.

(b) Armenian business environment

The Bank's operations are primarily located in Armenia. Consequently, the Bank is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Armenia. The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The AMD is also the presentation currency for the purposes of these financial statements.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 17 “Loans to customers”.

(e) Changes in accounting policies and presentation

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 13 *Fair Value Measurements* (see (i))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1 *Presentation of Financial Statements*) (see (ii))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (iii))

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.*

As a result, the Bank adopted a new definition of fair value, as set out in note 3(c)(v). The change had no significant impact on the measurements of assets and liabilities. However, the Bank included new disclosures in the financial statements that are required under IFRS 13, comparatives not restated.

(ii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Bank modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information is also re-presented accordingly.

(iii) Financial instruments: Disclosures – Offsetting financial assets and financial liabilities

Amendments to IFRS 7 _Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities_ introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Bank included new disclosures in the financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognized in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBA and other banks. The mandatory reserve deposit with the CBA is considered to be a cash equivalent due to the absence of restrictions on its withdrawability. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative that is financial guarantee contract or designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the trade date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in profit or loss.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(x) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Precious metals

Precious metals are stated at the lower of net realizable value and cost. The net realizable value of precious metals is estimated based on quoted market prices. The cost of precious metals is assigned using the first-in, first-out cost formula. Precious metals are recorded within other assets.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

-	leasehold improvements	5-10 years
-	computers and communication equipment	1 to 7 years
-	fixtures and fittings	3 to 10 years
-	motor vehicles	7 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(h) Impairment

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that is recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(i) Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(j) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognized, except for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.
-

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) Share premium

Any amount paid in excess of par value of shares issued is recognized as a share premium.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared and such decision is effective according to legislation of the Republic of Armenia.

(l) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(m) Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognized in gains (losses) from financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* will not be effective before 2017. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. The Bank recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued. The Bank does not intend to adopt this standard early.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. The Bank has not yet analyzed the likely impact of the new standard on its financial position or performance.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Bank does not believe the impact of the amendment on its financial position or performance will be significant.

4 Net interest income

	2013 AMD'000	2012 AMD'000
Interest income		
Loans to customers	19,421,429	17,598,116
Available-for-sale financial assets	826,031	745,912
Held-to-maturity investments	666,449	900,636
Receivables from letters of credit	635,798	382,683
Loans and advances to banks	539,927	378,695
Receivables from finance leases	350,256	375,686
Amounts receivable under reverse repurchase agreements	302,775	211,243
Other	26,742	140,781
	22,769,407	**20,733,752**
Interest expense		
Current accounts and deposits from customers	6,353,114	5,080,330
Other borrowed funds and subordinated borrowing	3,553,879	3,491,001
Deposits and balances from banks	480,639	858,393
Amounts payable under repurchase agreements	150,115	22,689
Other	572,347	406,318
	11,110,094	**9,858,731**
Net interest income	**11,659,313**	**10,875,021**

5 Fee and commission income

	2013 AMD'000	2012 AMD'000
Credit card maintenance	846,873	739,525
Money transfers	383,366	326,956
Guarantee and letter of credit issuance	257,395	263,267
Cash withdrawal and account service	254,231	209,995
Brokerage services	228,080	71,639
Settlement operations	18,914	15,189
Other	66,565	55,242
	2,055,424	**1,681,813**

6 Fee and commission expense

	2013 AMD'000	2012 AMD'000
Credit card maintenance	175,585	145,829
Guarantee and letter of credit issuance	90,617	176,494
Money transfers	46,934	48,026
Other	100,325	25,987
	413,461	**396,336**

7 Net foreign exchange income

	2013 AMD'000	2012 AMD'000
Net gain on spot transactions	1,478,075	1,131,286
Net gain from revaluation of financial assets and liabilities	343,502	60,604
	1,821,577	**1,191,890**

8 Impairment (losses) reversals

	2013 AMD'000	2012 AMD'000
Loans to customers	(1,863,614)	396,573
Other assets	(95,936)	(1,044)
	(1,959,550)	**395,529**

9 Personnel expenses

	2013 AMD'000	2012 AMD'000
Employee compensation	**3,391,800**	**3,085,155**

10 Other general administrative expenses

	2013 AMD'000	2012 AMD'000
Operating lease expense	759,811	704,622
Depreciation and amortization	677,053	637,640
Advertising and marketing	571,474	653,809
Charity and sponsorship	323,596	64,593
Repairs and maintenance	166,274	142,432
Communications and information services	122,877	120,969
Security	57,402	55,935
Travel expenses	57,252	68,632
Electricity and utilities	51,691	45,635
Professional services	40,551	51,033
Representation expenses	28,274	26,907
Office supplies	25,113	21,598
Insurance	14,522	16,418
Taxes other than on payroll and income	13,199	13,538
Other	264,880	299,033
	3,173,969	**2,922,794**

11 Income tax expense

	2013 AMD'000	2012 AMD'000
Current tax expense		
Current year	1,606,718	1,438,127
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	22,855	108,668
Total income tax expense	**1,629,573**	**1,546,795**

In 2013 the applicable tax rate for current and deferred tax is 20% (2012: 20%).

Reconciliation of effective tax rate:

	2013 AMD'000	%	2012 AMD'000	%
Profit before tax	7,686,761		7,584,233	
Income tax at the applicable tax rate	1,537,353	20.0	1,516,847	20.0
Non-deductible costs	92,220	1.2	29,948	0.4
	1,629,573	**21.2**	**1,546,795**	**20.4**

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2013 and 2012.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2013 and 2012 are presented as follows:

2013 **AMD'000**	**Balance 1 January 2013**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance 31 December 2013**
Financial instruments at fair value through profit or loss	60,709	(14,446)	-	46,263
Available-for-sale financial assets	(10,501)	-	(93,879)	(104,380)
Loans and advances to banks	(73,721)	(23,147)	-	(96,868)
Loans to customers	(239,562)	(6,592)	-	(246,154)
Property and equipment	26,693	14,455	-	41,148
Other assets	13,207	(100)	-	13,107
Other liabilities	173,499	6,975	-	180,474
	(49,676)	**(22,855)**	**(93,879)**	**(166,410)**

2012 **AMD'000**	**Balance 1 January 2012**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance 31 December 2012**
Financial instruments at fair value through profit or loss	-	60,709	-	60,709
Available-for-sale financial assets	(15,569)	-	5,068	(10,501)
Loans and advances to banks	(47,846)	(25,875)	-	(73,721)
Loans to customers	(102,624)	(136,938)	-	(239,562)
Property and equipment	14,315	12,378	-	26,693
Other assets	13,207	-	-	13,207
Other liabilities	192,441	(18,942)	-	173,499
	53,924	**(108,668)**	**5,068**	**(49,676)**

(b) Income tax recognized in other comprehensive income

The tax effects relating to components of other comprehensive income for the year ended 31 December comprise the following:

	2013			**2012**		
AMD'000	**Amount before tax**	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Net change in fair value of available-for-sale financial assets	615,817	(123,164)	492,653	16,561	(3,312)	13,249
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(146,423)	29,285	(117,138)	(41,900)	8,380	(33,520)
Other comprehensive income	**469,394**	**(93,879)**	**375,515**	**(25,339)**	**5,068**	**(20,271)**

12 Cash and cash equivalents

	2013 AMD'000	**2012 AMD'000**
Cash on hand	10,955,628	6,498,640
Nostro accounts with the CBA	68,814,293	42,848,030
Nostro accounts with other banks		
- rated AA- to AA+	12,010	1,062,670
- rated A- to A+	17,914,102	5,913,004
- rated from BB- to BBB+	1,084,152	742,760
- not rated	35,507	98,530
Total nostro accounts with other banks	**19,045,771**	**7,816,964**
Cash equivalents		
Demand deposits with other banks		
- rated A- to A+	-	403,581
Total cash and cash equivalents	**98,815,692**	**57,567,215**

The nostro accounts with the CBA represent balances related to settlement activity and are available for withdrawal at the year-end.

No cash and cash equivalents are impaired or past due. The above ratings are per Fitch rating agency.

As at 31 December 2013 the Bank has two banks (2012: no bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is AMD 13,957,925 thousand.

As at 31 December 2013 and 2012 the balances with the Central Bank of Armenia exceed 10% of equity.

13 Financial instruments at fair value through profit or loss

	2013 AMD'000	2012 AMD'000
ASSETS		
Held by the Bank		
Debt and other fixed-income instruments		
Corporate bonds		
- not rated	43,406	-
Derivative financial instruments		
Other contracts	-	1,444
	43,406	**1,444**
Pledged under sale and repurchase agreements		
Corporate bonds		
- not rated	844,660	-
	844,660	**-**
LIABILITIES		
Derivative financial instruments		
Interest rate swaps	231,316	349,572
Foreign currency contracts	-	6,912
Other contracts	2,844	-
	234,160	**356,484**

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are past due or impaired.

Interest rate swaps

The table below summarizes the contractual amounts of interest rate swap contracts outstanding as at 31 December 2013 and 2012 with details of the fair values and notional amounts. Foreign currency amounts presented below are translated at rates effective at the reporting date. The resultant unrealized gains and losses on these unmatured contracts are recognized in profit or loss, as appropriate.

	Fair value		**Notional amount**	
	2013	**2012**	**2013**	**2012**
	AMD'000	**AMD'000**	**AMD'000**	**AMD'000**
Pay fixed in USD, receive floating in USD	231,316	349,572	15,027,118	18,161,100

As at 31 December 2013 the Bank has three interest rate swap contracts with USD 15,000,000 initial notional amount each (2012: three interest rate swap contracts with USD 15,000,000 notional amount each). Under these contracts the Bank pays 2.1350%, 1.3125% and 0.9450% fixed rates, and receives 6-month USD-LIBOR-BBA (British Bankers' Association) floating rates for each contract, respectively. The contractual maturity of outstanding interest rate swap contracts is 2018.

14 Available-for-sale financial assets

	2013 AMD'000	2012 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	2,187,976	5,674,923
Eurobonds of the Republic of Armenia	818,558	-
- Corporate bonds		
International Finance Corporation	375,876	-
Other	41,023	-
Equity investments		
- Unquoted equity securities at cost	102,467	96,694
	3,525,900	**5,771,617**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	5,815,585	-
	5,815,585	**-**

Included in available-for-sale assets are non-quoted equity securities as follows:

Name	Country of incorporation	Main activity	% Controlled 2013	% Controlled 2012	2013 AMD'000	2012 AMD'000
ArCa	Republic of Armenia	Payment system	3.76%	3.89%	34,826	34,826
Artsakh bank cjsc	Republic of Armenia	Banking	1.06%	1.10%	66,862	61,089
SWIFT	Belgium	Money transfer	0.00%	0.00%	779	779
					102,467	**96,694**

(a) Investments without a determinable fair value

Available-for-sale equity investments stated at cost comprise unquoted equity securities in the money transfer industry. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

(b) Reclassifications out of available-for-sale financial assets

On 11 January 2012, the Bank reclassified certain available-for-sale assets to held-to-maturity investments for which at the date of reclassification it had the intention and ability to hold them until maturity. The assets reclassified represent Government securities of the Republic of Armenia.

The reclassifications were made with effect from 11 January 2012 at the fair value at that date. The fair value of the financial assets reclassified is AMD 7,825,634 thousand at the date of reclassification.

15 Loans and advances to banks

	2013 AMD'000	2012 AMD'000
Due from the CBA		
Credit card settlement deposit with the CBA	720,000	745,000
Loans and deposits with other banks		
Small and medium size Armenian banks	2,030,799	1,619,702
OECD banks	322,994	144,357
Foreign banks (not rated)	32,690	5,536,334
Largest 5 Armenian banks	-	3,433,294
Total loans and deposits with other banks	**2,386,483**	**10,733,687**
Total loans and advances to banks	**3,106,483**	**11,478,687**

No loans and advances to banks are impaired or past due.

Included in loans and deposits with OECD banks and other foreign banks is AMD 355,684 thousand (2012: AMD 144,357 thousand) which represents deposits pledged for letters of credit, guarantees and credit cards.

Concentration of loans and advances to banks

As at 31 December 2013 the Bank has no bank (2012: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2012 is AMD 5,536,334 thousand.

16 Amounts receivable under reverse repurchase agreements

	2013 AMD'000	2012 AMD'000
Amounts receivable from medium and small Armenian financial institutions	7,423,387	968,852
Amounts receivable from a medium size Armenian bank	1,017,772	-
	8,441,159	**968,852**

Collateral

As at 31 December amounts receivable under reverse repurchase agreements were collateralized by securities with the following fair values:

	2013 AMD'000	2012 AMD'000
Government securities of the Republic of Armenia	**8,098,541**	**980,202**

The collateral of AMD 5,910,451 thousand pledged for amounts receivable under reverse repurchase agreements is re-pledged for amounts payable under repurchase agreements as at 31 December 2013 (2012: nil).

17 Loans to customers

	2013 AMD'000	2012 AMD'000
Loans to corporate customers		
Loans to large corporates	106,095,838	95,648,432
Loans to small and medium size companies	33,670,967	21,329,542
Total loans to corporate customers	**139,766,805**	**116,977,974**
Loans to retail customers		
Mortgage loans	10,250,398	9,271,134
Credit cards	10,424,703	7,140,820
Business loans	5,853,812	4,810,645
Auto loans	3,359,988	2,683,878
Consumer loans	1,183,682	716,070
Other	408,542	452,154
Total loans to retail customers	**31,481,125**	**25,074,701**
Gross loans to customers	**171,247,930**	**142,052,675**
Impairment allowance	(1,386,510)	(633,495)
Net loans to customers	**169,861,420**	**141,419,180**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2013 are as follows:

	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the year	469,065	164,430	633,495
Net charge	1,553,069	310,545	1,863,614
Recovery of loans previously written off	73,351	27,670	101,021
Write-offs	(916,934)	(294,686)	(1,211,620)
Balance at the end of the year	**1,178,551**	**207,959**	**1,386,510**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2012 are as follows:

	Loans to corporate customers AMD'000	**Loans to retail customers AMD'000**	**Total AMD'000**
Balance at the beginning of the year	837,533	260,997	1,098,530
Net reversal	(348,071)	(48,502)	(396,573)
Recovery of loans previously written off	29,263	49,783	79,046
Write-offs	(49,660)	(97,848)	(147,508)
Balance at the end of the year	**469,065**	**164,430**	**633,495**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2013:

	Gross loans AMD'000	**Impairment allowance AMD'000**	**Net loans AMD'000**	**Impairment allowance to gross loans %**
Loans corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	103,889,850	207,808	103,682,042	0.2%
Overdue or impaired loans:				
- overdue more than 90 days and less than 180 days	910,099	159,169	750,930	17.5%
- overdue more 180 days and less than 1 year	1,295,889	373,691	922,198	28.8%
Total overdue or impaired loans	2,205,988	532,860	1,673,128	24.2%
Total loans to large corporates	**106,095,838**	**740,668**	**105,355,170**	**0.7%**
Loans to small and medium size companies				
Loans without individual signs of impairment	33,363,988	433,892	32,930,096	1.3%
Overdue or impaired loans:				
- not overdue	17,683	230	17,453	1.3%
- overdue less than 90 days	129,929	1,689	128,240	1.3%
- overdue more than 90 days and less than 180 days	159,367	2,072	157,295	1.3%
Total overdue or impaired loans	306,979	3,991	302,988	1.3%
Total loans to small and medium size companies	**33,670,967**	**437,883**	**33,233,084**	**1.3%**
Total loans to corporate customers	**139,766,805**	**1,178,551**	**138,588,254**	**0.8%**

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans %
Loans to retail customers				
Mortgage loans				
- not overdue	10,185,573	132,412	10,053,161	1.3%
- overdue less than 30 days	21,471	279	21,192	1.3%
- 30-89 days overdue	43,354	563	42,791	1.3%
Total mortgage loans	**10,250,398**	**133,254**	**10,117,144**	**1.3%**
Credit cards				
Secured credit cards				
- not overdue	3,175,752	6,352	3,169,400	0.2%
- overdue less than 30 days	34,548	95	34,453	0.3%
- 31-89 days overdue	10,439	451	9,988	4.3%
- 90-180 days overdue	17,664	1,035	16,629	5.9%
- overdue more than 180 days	117,170	9,034	108,136	7.7%
Total secured credit cards	**3,355,573**	**16,967**	**3,338,606**	**0.5%**
Other credit cards				
- not overdue	7,025,481	14,050	7,011,431	0.2%
- overdue less than 30 days	23,381	2,665	20,716	11.4%
- 31-89 days overdue	16,161	6,809	9,352	42.1%
- 90-180 days overdue	2,148	1,557	591	72.5%
- overdue more than 180 days	1,959	1,793	166	91.5%
Total other credit cards	**7,069,130**	**26,874**	**7,042,256**	**0.4%**
Total credit cards	**10,424,703**	**43,841**	**10,380,862**	**0.4%**
Business loans				
- not overdue	5,474,361	16,971	5,457,390	0.3%
- 31-89 days overdue	218,063	676	217,387	0.3%
- 90-180 days overdue	161,388	500	160,888	0.3%
Total business loans	**5,853,812**	**18,147**	**5,835,665**	**0.3%**
Auto loans				
- not overdue	3,334,865	6,670	3,328,195	0.2%
- overdue less than 30 days	13,956	28	13,928	0.2%
- 31-89 days overdue	5,815	12	5,803	0.2%
-overdue more than 180 days	5,352	1,230	4,122	23.0%
Total auto loans	**3,359,988**	**7,940**	**3,352,048**	**0.2%**
Consumer loans				
- not overdue	1,179,331	2,359	1,176,972	0.2%
- overdue less than 30 days	2,474	27	2,447	1.1%
- 90-180 days overdue	1,246	567	679	45.5%
-overdue more than 180 days	631	287	344	45.5%
Total consumer loans	**1,183,682**	**3,240**	**1,180,442**	**0.3%**
Other loans to retail customers				
- not overdue	405,522	811	404,711	0.2%
- overdue less than 30 days	1,651	3	1,648	0.2%
- 31-89 days overdue	457	1	456	0.2%
- 90-180 days overdue	912	722	190	79.2%
Total other loans to retail customers	**408,542**	**1,537**	**407,005**	**0.4%**
Total loans to retail customers	**31,481,125**	**207,959**	**31,273,166**	**0.7%**
Total loans to customers	**171,247,930**	**1,386,510**	**169,861,420**	**0.8%**

The following table provides information on the credit quality of loans to customers as at 31 December 2012:

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans %
Loans corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	94,578,197	189,300	94,388,897	0.2%
Overdue or impaired loans:				
- overdue more than 90 days and less than 180 days	1,070,235	2,140	1,068,095	0.2%
Total overdue or impaired loans	1,070,235	2,140	1,068,095	0.2%
Total loans to large corporates	**95,648,432**	**191,440**	**95,456,992**	**0.2%**
Loans to small and medium size companies				
Loans without individual signs of impairment	21,135,817	275,106	20,860,711	1.3%
Overdue or impaired loans:				
- not overdue	19,033	247	18,786	1.3%
- overdue less than 90 days	56,095	730	55,365	1.3%
- overdue more than 90 days and less than 180 days	118,597	1,542	117,055	1.3%
Total overdue or impaired loans	193,725	2,519	191,206	1.3%
Total loans to small and medium size companies	**21,329,542**	**277,625**	**21,051,917**	**1.3%**
Total loans to corporate customers	**116,977,974**	**469,065**	**116,508,909**	**0.4%**
Loans to retail customers				
Mortgage loans				
- not overdue	9,142,672	118,855	9,023,817	1.3%
- overdue less than 30 days	51,295	667	50,628	1.3%
- 31-90 days overdue	812	11	801	1.4%
- 91-180 days overdue	1,474	19	1,455	1.3%
- 181-270 days overdue	74,881	973	73,908	1.3%
Total mortgage loans	**9,271,134**	**120,525**	**9,150,609**	**1.3%**
Credit cards				
Secured credit cards				
- not overdue	3,266,531	6,533	3,259,998	0.2%
- overdue less than 30 days	7,777	16	7,761	0.2%
- 31-90 days overdue	5,682	12	5,670	0.2%
- 91-180 days overdue	13,895	58	13,837	0.4%
Total secured credit cards	**3,293,885**	**6,619**	**3,287,266**	**0.2%**
Other credit cards				
- not overdue	3,834,526	7,669	3,826,857	0.2%
- overdue less than 30 days	3,545	520	3,025	14.7%
- 31-90 days overdue	811	175	636	21.6%
- 91-180 days overdue	4,267	2,727	1,540	63.9%
- 181-270 days overdue	3,786	3,534	252	93.3%
Total other credit cards	**3,846,935**	**14,625**	**3,832,310**	**0.4%**
Total credit cards	**7,140,820**	**21,244**	**7,119,576**	**0.3%**

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans %
Business loans				
- not overdue	4,810,645	14,913	4,795,732	0.3%
Total business loans	**4,810,645**	**14,913**	**4,795,732**	**0.3%**
Auto loans				
- not overdue	2,682,543	5,365	2,677,178	0.2%
- overdue less than 30 days	1,335	48	1,287	3.6%
Total auto loans	**2,683,878**	**5,413**	**2,678,465**	**0.2%**
Consumer loans				
- not overdue	716,070	1,432	714,638	0.2%
Total consumer loans	**716,070**	**1,432**	**714,638**	**0.2%**
Other loans to retail customers				
- not overdue	452,080	903	451,177	0.2%
- overdue less than 30 days	74	-	74	0.2%
Total other loans to retail customers	**452,154**	**903**	**451,251**	**0.2%**
Total loans to retail customers	**25,074,701**	**164,430**	**24,910,271**	**0.7%**
Total loans to customers	**142,052,675**	**633,495**	**141,419,180**	**0.4%**

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment or negative changes in the borrower's markets.

The Bank estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment have been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historic annual loss rate of 0.2% for loans to large corporates and 1.3% for loans to small and medium size companies
- a discount of between 20% and 30% to the originally appraised value if the property pledged is sold
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2013 would be up to AMD 1,385,883 thousand lower/higher (2012: AMD 1,165,089 thousand lower/higher).

(ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months
- loss migration rates of 0.4% applied in respect of credit card loans and 0.2% on auto and consumer loans
- historic annual loss rates of 1.3% applied in respect of mortgage loans and 0.3% on business loans.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2013 would be up to AMD 938,195 thousand lower/higher (2012: AMD 747,308 thousand).

(c) Analysis of collateral

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be important indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The following tables provide information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2013 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral assessed as of reporting date**	**Fair value of collateral assessed as of loan inception date**
Loans without individual signs of impairment			
Cash and deposits	573,757	573,757	-
Real estate and movable property	110,801,765	-	110,801,765
State guarantee	2,569,344	-	-
Other guarantee	6,043,265	-	-
Corporate shares	4,294,860	-	4,294,860
Finished goods	6,307,436	-	6,307,436
Other collateral	2,958,123	-	2,958,123
No collateral*	3,063,588	-	-
Total loans without individual signs of impairment	136,612,138	573,757	124,362,184
Overdue or impaired loans			
Real estate and movable property	1,976,116	-	1,976,116
Total overdue or impaired loans	1,976,116	-	1,976,116
Total loans to corporate customers	**138,588,254**	**573,757**	**126,338,300**

* 74% of these loans are secured by cash turnover in the Bank.

31 December 2012 **AMD'000**	**Loans to customers, carrying amount**	**Fair value of collateral assessed as of reporting date**	**Fair value of collateral assessed as of loan inception date**
Loans without individual signs of impairment			
Cash and deposits	50,104	50,104	-
Real estate and movable property	92,210,088	-	92,210,088
State guarantee	5,196,324	-	-
Other guarantee	3,823,806	-	-
Corporate shares	6,959,121	-	6,959,121
Finished goods	3,745,059	-	3,745,059
Other collateral	3,265,106	-	3,265,106
Total loans without individual signs of impairment	115,249,608	50,104	106,179,374
Overdue or impaired loans			
Real estate	1,259,301	-	1,259,301
Total overdue or impaired loans	1,259,301	-	1,259,301
Total loans to corporate customers	**116,508,909**	**50,104**	**107,438,675**

The tables above exclude overcollateralization.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the bank does not necessarily update the valuation of collateral as at each reporting date.

Management estimates that the impairment allowance on past due or impaired loans to large corporates would have been AMD 1,673,128 thousand higher without any collateral (2012: AMD 1,068,095 thousand).

Management estimates that the impairment allowance on past due or impaired loans to small and medium size companies would have been AMD 285,535 thousand higher without any collateral (2012: AMD 172,420 thousand).

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%. The fair value of real estate securing mortgage loans is at least equal to the carrying amounts of individual loans based on the values determined at the loan inception date.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. Approximately 86% of consumer loans are secured by real estate and movable property, 0.4% are secured by salary and cash and 12% are secured by guarantees. Other retail loans are mainly secured by gold.

The fair values of the collateral were estimated at inception of the loans and were not adjusted for subsequent changes to the reporting date.

(iii) Repossessed collateral

During the year ended 31 December 2013, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers with a net carrying amount of AMD 254,192 thousand (2012: AMD 853,782 thousand). As at 31 December 2013 and 2012, the repocessed collateral comprise real estate and is classified as assets held for sale.

The Bank's policy is to sell these assets as soon as it is practicable.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

	2013 AMD'000	2012 AMD'000
Trade	42,152,373	33,669,792
Food and beverage	17,698,356	12,965,778
Power generation	14,726,727	10,776,369
Manufacturing	13,763,426	11,960,907
Construction	11,260,473	7,787,961
Transportation	8,484,915	9,248,249
Mining/Metallurgy	7,166,914	5,315,705
Real estate	5,080,869	7,697,662
Hotel service	4,309,739	-
Communication services	4,280,314	1,743,445
Agriculture, forestry and timber	3,415,776	1,498,889
Municipal authorities	2,420,547	4,237,590
Gemstone manufacturing	-	1,070,515
Finance	-	228,501
Other	5,006,376	8,776,611
Loans to retail customers	31,481,125	25,074,701
	171,247,930	**142,052,675**
Impairment allowance	(1,386,510)	(633,495)
	169,861,420	**141,419,180**

(e) Significant credit exposures

As at 31 December 2013 the Bank has seven borrowers or groups of connected borrowers (2012: six), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is AMD 35,921,654 thousand (2012: AMD 28,385,490 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

18 Receivables from letters of credit

	2013 AMD'000	2012 AMD'000
Receivables from letters of credit	**8,966,815**	**9,700,484**

No receivables from letters of credit are impaired or past due.

As at 31 December 2013 the Bank has one customer (2012: one customer), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is AMD 5,720,643 thousand (2012: AMD 5,935,395 thousand).

19 Receivables from finance leases

	2013 AMD'000	2012 AMD'000
Gross investment in finance leases receivable:		
Less than one year	1,204,651	1,338,695
Between one and five years	2,003,213	2,226,499
	3,207,864	**3,565,194**
Unearned finance income	(510,995)	(514,438)
Net investment in finance leases	**2,696,869**	**3,050,756**
The net investment in finance leases comprises:		
Less than one year	1,147,449	1,259,199
Between one and five years	1,549,420	1,791,557
	2,696,869	**3,050,756**

As at 31 December 2013 and 31 December 2012 there are no contractually overdue finance lease receivables.

(a) Concentration of receivables from finance leases

As at 31 December 2013 the Bank has no customers whose balances exceed 10% of equity (2012: nil).

(b) Finance lease maturities

The maturity of the Bank's finance lease portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the receivables from finance leases.

(c) Geographical analysis of the finance lease portfolio

The majority of finance leases are with customers located within the Republic of Armenia and operating in the mining sector. The leased assets represent mainly mining equipment.

20 Receivables from factoring

	2013 AMD'000	**2012 AMD'000**
Receivables from factoring	**3,575,063**	**1,692,447**

No receivables from factoring are impaired or past due.

As at 31 December 2013 the Bank has no customers whose balances exceed 10% of equity (2012: nil).

21 Held-to-maturity investments

	2013 AMD'000	**2012 AMD'000**
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	**885,566**	**7,325,533**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	**3,361,500**	**-**

22 Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2013	1,183,146	1,879,404	408,218	175,173	569,177	4,215,118
Additions	323,182	424,807	83,023	5,433	215,525	1,051,970
Disposals/write-offs	(2,099)	(1,256)	(28,723)	(2,758)	-	(34,836)
Balance at 31 December 2013	**1,504,229**	**2,302,955**	**462,518**	**177,848**	**784,702**	**5,232,252**
Depreciation and amortization						
Balance at 1 January 2013	264,721	977,774	142,893	136,578	171,511	1,693,477
Depreciation and amortization for the year	143,685	317,279	92,665	15,662	107,762	677,053
Disposals/write-offs	(2,080)	(121)	(27,924)	(2,438)	-	(32,563)
Balance at 31 December 2013	**406,326**	**1,294,932**	**207,634**	**149,802**	**279,273**	**2,337,967**
Carrying amount						
At 31 December 2013	**1,097,903**	**1,008,023**	**254,884**	**28,046**	**505,429**	**2,894,285**

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2012	1,042,454	1,675,196	304,290	171,326	468,401	3,661,667
Additions	140,692	224,253	116,532	9,007	134,496	624,980
Disposals/write-offs	-	(20,045)	(12,604)	(5,160)	(33,720)	(71,529)
Balance at 31 December 2012	**1,183,146**	**1,879,404**	**408,218**	**175,173**	**569,177**	**4,215,118**
Depreciation and amortization						
Balance at 1 January 2012	140,943	687,369	69,017	107,979	109,627	1,114,935
Depreciation and amortization for the year	123,778	310,364	84,518	32,484	86,496	637,640
Disposals/write-offs	-	(19,959)	(10,642)	(3,885)	(24,612)	(59,098)
Balance at 31 December 2012	**264,721**	**977,774**	**142,893**	**136,578**	**171,511**	**1,693,477**
Carrying amount						
At 31 December 2012	**918,425**	**901,630**	**265,325**	**38,595**	**397,666**	**2,521,641**

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during 2013 (2012: nil).

23 Other assets

	2013 AMD'000	2012 AMD'000
Receivables from banking services	357,810	1,252,858
Brokerage accounts	335,696	275,858
Restricted accounts with clearing houses	209,243	208,205
Total other financial assets	**902,749**	**1,736,921**
Prepayments to suppliers	837,810	686,236
Standard bullions of precious metals	90,710	111,103
Repossessed assets	68,242	71,646
Small value assets	49,824	76,381
Other	75,688	86,934
Impairment allowance	(65,522)	(67,080)
Total other non-financial assets	**1,056,752**	**965,220**
Total other assets	**1,959,501**	**2,702,141**

Movements in the impairment allowance for other non-financial assets for the years ended 31 December 2013 and 2012 are as follows:

	2013 AMD'000	2012 AMD'000
Balance at the beginning of the year	67,080	66,036
Net (recovery) charge	(1,558)	1,044
Balance at the end of the year	**65,522**	**67,080**

24 Deposits and balances from banks

	2013 AMD'000	2012 AMD'000
Liabilities for letters of credit	11,648,205	10,871,982
Loans and term deposits from commercial banks	9,241,940	4,556,189
Loans from CBA	1,859,440	7,734,910
Vostro accounts	185,645	55,880
	22,935,230	**23,218,961**

As at 31 December 2013 the Bank has two banks (2012: two banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is AMD 11,772,674 thousand (2012: AMD 16,566,908 thousand).

25 Amounts payable under repurchase agreements

	2013 AMD'000	**2012 AMD'000**
Amounts due to the CBA	**16,013,140**	**-**

The Bank has transactions to lend securities and to sell securities under agreements to repurchase and to purchase securities under agreements to resell.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be re-pledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. These securities of AMD 10,021,745 thousand are presented as "pledged under sale and repurchase agreements" in notes 13, 14 and 21. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay the purchase price for this collateral.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

The collateral of AMD 5,910,451 thousand pledged for amounts receivable under reverse repurchase agreements (note 16) is re-pledged for amounts payable under repurchase agreements as at 31 December 2013 (2012: nil).

26 Current accounts and deposits from customers

	2013 AMD'000	**2012 AMD'000**
Current accounts and demand deposits		
- Retail	14,529,399	10,370,697
- Corporate	47,058,444	31,778,752
Term deposits		
- Retail	67,804,636	46,857,221
- Corporate	40,549,672	37,295,177
	169,942,151	**126,301,847**

As at 31 December 2013, the Bank maintained customer deposit balances of AMD 6,183,017 thousand (2012: AMD 3,852,245 thousand) that serve as collateral for loans and unrecognized credit instruments granted by the Bank.

As at 31 December 2013, the Bank has five customers (2012: three customers) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is AMD 41,035,852 thousand (2012: AMD 21,383,551 thousand).

27 Other borrowed funds and subordinated borrowing

	2013 AMD'000	2012 AMD'000
Borrowings from international financial institutions	52,676,660	46,998,712
Borrowings from Government of Armenia	6,691,076	8,427,345
	59,367,736	**55,426,057**
Subordinated borrowing from a related party	**4,967,435**	-

(a) Concentration of borrowings from international financial institutions

As at 31 December 2013, the Bank has eight financial institutions (2012: six), whose balances exceed 10% of equity. These balances as at 31 December 2013 are AMD 57,868,279 thousand (2012: AMD 46,096,820 thousand).

(b) Borrowings from the Government of Armenia

The borrowings from the Government of Armenia include amounts lent under an agreement with the CBA (acting as the agent of the Government of Armenia) and the Bank. According to the agreement the CBA provides borrowings to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the "Directing Office of the "German Armenian Foundation" program".

The borrowings are in AMD, bear interest rates of 7.0-7.8%, are granted for period of up to five years and are to be repaid at maturity.

As at 31 December 2013, loans to customers with a gross value of AMD 6,726,948 thousand (2012: AMD 8,767,056 thousand) serve as collateral for borrowings from the Government of Armenia.

(c) Subordinated borrowing

As at 31 December 2013, subordinated borrowing represents borrowing received from a related party maturing on 8 January 2019 (2012: no borrowing) and carries an annual interest rate of 6%.

In case of bankruptcy, the repayment of the subordinated borrowing will be made after repayment in full of all other liabilities of the Bank.

(d) Covenants

The Bank is required to meet certain covenants in connection with borrowing agreements. The Bank was in compliance with those covenants in 2013 and 2012.

28 Other liabilities

	2013 AMD'000	2012 AMD'000
Payables to staff	832,463	902,010
Accrued expenses	277,835	318,845
Liabilities for letters of credit	-	544,637
Other financial liabilities	974,537	693,522
Total other financial liabilities	**2,084,835**	**2,459,014**
Deferred income	9,226	41,777
Other taxes payable	119,216	119,287
Total other non-financial liabilities	**128,442**	**161,064**
Total other liabilities	**2,213,277**	**2,620,078**

29 Share capital and treasury shares

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 79,524 ordinary shares (2012: 79,523). All shares have a nominal value of AMD 320 thousand.

On 15 October 2012 the Extraordinary Shareholder meeting voted to implement a 8 to 1 reverse share split. As a result the authorized, issued and outstanding shares decreased from 636,191 as at 31 December 2011 to 79,523.875 as at 31 December 2012, and the nominal value increased from AMD 40 thousand to AMD 320 thousand as at 31 December 2012. In addition, 0.875 fractional shares (7 pre-split shares) were purchased by the Bank and were shown as treasury shares.

During 2013 one new share with nominal value of AMD 320 thousand was issued.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Nature and purpose of reserves

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia.

During 2013 dividends declared and paid by the Bank amounted to AMD 4,500,000 thousand (2012: AMD 4,015,000 thousand). Dividends per share amounted to AMD 56.587 thousand (2012: 50.489 thousand).

On 19 December 2013 the Board of Directors of the Bank proposed interim dividends of AMD 2,250,000 thousand which is subject of approval of the Shareholders meeting.

(d) Treasury shares

At 31 December 2013 the Bank held no own shares (2012: 0.875 own shares).

30 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Asset and Liabilites Department in its day-to-day monitoring activities. A summary of the interest gap position for major financial instruments is as follows:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2013							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	98,815,692	98,815,692
Financial instruments at fair value through profit or loss	-	-	888,066	-	-	-	888,066
Available-for-sale financial assets	148,632	759,006	1,042,617	6,356,223	932,540	102,467	9,341,485
Loans and advances to banks	2,030,799	-	-	-	-	1,075,684	3,106,483
Amounts receivable under reverse repurchase agreements	8,441,159	-	-	-	-	-	8,441,159
Loans to customers	17,888,492	14,873,614	21,430,308	102,733,454	12,935,552	-	169,861,420
Receivables from letters of credit	72,350	130,376	572,201	8,191,888	-	-	8,966,815
Receivables from finance leases	376,714	308,836	461,899	1,549,420	-	-	2,696,869
Receivables from factoring	3,261,147	311,752	2,164	-	-	-	3,575,063
Held-to-maturity investments	136,405	621,453	769,725	2,633,869	85,614	-	4,247,066
	32,355,698	**17,005,037**	**25,166,980**	**121,464,854**	**13,953,706**	**99,993,843**	**309,940,118**
LIABILITIES							
Deposits and balances from banks	(3,377,639)	(943,251)	(1,095,479)	(13,842,849)	(3,676,012)	-	(22,935,230)
Amounts payable under repurchase agreements	(16,013,140)	-	-	-	-	-	(16,013,140)
Current accounts and deposits from customers	(43,045,451)	(28,532,536)	(31,312,320)	(5,373,162)	(90,839)	(61,587,843)	(169,942,151)
Subordinated borrowing	(99,755)	-	-	-	(4,867,680)	-	(4,967,435)
Other borrowed funds	(15,213,160)	(39,156,236)	(1,734,566)	(3,263,774)	-	-	(59,367,736)
	(77,749,145)	**(68,632,023)**	**(34,142,365)**	**(22,479,785)**	**(8,634,531)**	**(61,587,843)**	**(273,225,692)**
Effect of derivatives	15,027,118	(1,613,341)	(1,613,341)	(11,800,436)	-	-	-
Net position	**(30,366,329)**	**(53,240,327)**	**(10,588,726)**	**87,184,633**	**5,319,175**	**38,406,000**	**36,714,426**

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2012							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	57,567,215	57,567,215
Available-for-sale financial assets	109,645	206,457	296,240	4,659,094	403,487	96,694	5,771,617
Loans and advances to banks	3,247,392	-	7,341,938	-	-	889,357	11,478,687
Amounts receivable under reverse repurchase agreements	968,852	-	-	-	-	-	968,852
Loans to customers	14,276,182	10,336,896	22,651,360	84,631,686	9,523,056	-	141,419,180
Receivables from letters of credit	563,330	6,057,614	-	3,079,540	-	-	9,700,484
Receivables from finance leases	322,721	310,366	626,112	1,791,557	-	-	3,050,756
Receivables from factoring	958,658	733,789	-	-	-	-	1,692,447
Held-to-maturity investments	2,944,201	128,961	518,787	3,527,295	206,289	-	7,325,533
	23,390,981	**17,774,083**	**31,434,437**	**97,689,172**	**10,132,832**	**58,553,266**	**238,974,771**
LIABILITIES							
Deposits and balances from banks	(1,425,869)	(17,193,479)	(565,219)	(3,928,794)	(105,600)	-	(23,218,961)
Current accounts and deposits from customers	(33,820,647)	(24,070,069)	(24,513,860)	(1,663,614)	(84,208)	(42,149,449)	(126,301,847)
Other borrowed funds	(18,642,982)	(29,761,785)	(1,377,554)	(5,643,736)	-	-	(55,426,057)
	(53,889,498)	**(71,025,333)**	**(26,456,633)**	**(11,236,144)**	**(189,808)**	**(42,149,449)**	**(204,946,865)**
Effect of derivatives	18,161,100	-	-	(16,051,477)	(2,109,623)	-	-
Net position	**(12,337,417)**	**(53,251,250)**	**4,977,804**	**70,401,551**	**7,833,401**	**16,403,817**	**34,027,906**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities, except for loans included in other borrowed funds of AMD 52,676,660 thousand (AMD 46,998,712 thousand), the interest rates on which are repriced on a semi-annual basis based on LIBOR as follows:

Interest rate repricing date	**2013 AMD'000**	**Interest rate repricing date**	**2012 AMD'000**
15 February 2014	10,059,402	15 February 2013	12,210,990
15 March 2014	5,090,379	15 March 2013	6,092,725
25 March 2014	101,582	15 April 2013	3,941,916
15 April 2014	14,156,424	16 April 2013	508,930
16 April 2014	304,104	17 May 2013	671,690
17 April 2014	4,971,498	25 May 2013	398,529
18 May 2014	2,222,445	18 May 2013	2,876,366
27 May 2014	806,664	29 May 2013	8,030,090
29 May 2014	8,086,665	4 June 2013	177,686
16 June 2014	6,877,497	16 June 2013	12,089,790
	52,676,660		**46,998,712**

	2013 Average effective interest rate, %			**2012 Average effective interest rate, %**		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Financial instruments at fair value through profit or loss	-	10.22%	-	-	-	-
Available-for-sale financial assets	12.96%	-	-	13.82%	-	-
Loans and advances to banks	-	4.50%	-	-	4.94%	-
Amounts receivable under reverse repurchase agreements	8.64%	6.69%	-	10.54%	-	-
Loans to customers	14.09%	11.43%	11. 63%	13.25%	11.43%	12.64%
Receivables from letters of credit	-	7.39%	7.53%	-	4.99%	7.27%
Receivables from finance leases	15.27%	11.76%	12.00%	15.14%	11.82%	12.00%
Receivables from factoring	15.90%	11.50%	12.22%	16.01%	-	-
Held-to-maturity investments	13.17%	-	-	12.62%	-	-
Interest bearing liabilities						
Deposits and balances from banks						
- Liabilities for letters of credit	-	2.51%	1.23%	-	4.43%	1.20%
- Term deposits	7.0%	3.98%	-	7.42%	4.18%	-
Amounts payable under repurchase agreements	7.82%	-	-	-	-	-
Current accounts and deposits from customers						
- Term deposits	10.40%	6.14%	3.81%	10.62%	6.78%	6.19%
Subordinated borrowing	-	6.00%	-	-	-	-
Other borrowed funds	8.83%	4.78%	-	7.46%	5.06%	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is suplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2013 and 2012 is as follows:

	2013 AMD'000	**2012 AMD'000**
100 bp parallel fall	616,186	466,674
100 bp parallel rise	(616,186)	(466,674)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2013		**2012**	
	Net profit or loss AMD'000	**Equity AMD'000**	**Net profit or loss AMD'000**	**Equity AMD'000**
100 bp parallel fall	-	164,215	-	96,262
100 bp parallel rise	-	(164,215)	-	(96,262)

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2013:

	USD AMD'000	**EUR AMD'000**	**Other currencies AMD'000**	**Total AMD'000**
ASSETS				
Cash and cash equivalents	45,299,786	12,694,235	1,499,116	59,493,137
Available-for-sale financial assets	859,582	-	-	859,582
Loans and advances to banks	2,365,962	11,191	9,330	2,386,483
Amounts receivable under reverse repurchase agreements	469,070	-	-	469,070
Loans to customers	132,737,530	3,117,711	-	135,855,241
Receivables from finance leases	1,863,642	345,849	-	2,209,491
Receivables from letters of credit	2,951,861	6,014,954	-	8,966,815
Receivables from factoring	1,446,332	27,700	289,810	1,763,842
Other financial assets	784,542	7,812	28,865	821,219
Total assets	**188,778,307**	**22,219,452**	**1,827,121**	**212,824,880**

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
LIABILITIES				
Deposits and balances from banks	13,187,106	6,078,460	-	19,265,566
Current accounts and deposits from customers	122,949,027	16,309,503	1,901,936	141,160,466
Subordinated borrowing	4,967,435	-	-	4,967,435
Other borrowed funds	47,977,236	-	-	47,977,236
Other financial liabilities	382,832	44,857	67,877	495,566
Total liabilities	**189,463,636**	**22,432,820**	**1,969,813**	**213,866,269**
Net position	**(685,329)**	**(213,368)**	**(142,692)**	**(1,041,389)**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2012:

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	26,805,367	4,594,098	1,027,499	32,426,964
Financial instruments at fair value through profit or loss (net of foreign currency derivatives)	1,444	-	-	1,444
Loans and advances to banks	10,733,688	-	-	10,733,688
Loans to customers	109,162,604	1,630,538	-	110,793,142
Receivables from finance leases	2,586,641	120,372	-	2,707,013
Receivables from letters of credit	5,976,590	3,723,894	-	9,700,484
Other financial assets	621,075	16,079	6,376	643,530
Total assets	**155,887,409**	**10,084,981**	**1,033,875**	**167,006,265**
LIABILITIES				
Deposits and balances from banks	11,729,005	3,738,861	-	15,467,866
Current accounts and deposits from customers	93,584,084	8,949,471	1,321,039	103,854,594
Other borrowed funds	47,397,350	-	-	47,397,350
Other financial liabilities	929,570	42,725	68,897	1,041,192
Total liabilities	**153,640,009**	**12,731,057**	**1,389,936**	**167,761,002**
Net position	**2,247,400**	**(2,646,076)**	**(356,061)**	**(754,737)**
The effect of derivatives held for risk management	**(2,661,200)**	**2,661,200**	**-**	**-**
Net position after derivatives held for risk management purposes	**(413,800)**	**15,124**	**(356,061)**	**(754,737)**

A strengthening of the AMD, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2013	2012
	Profit or loss AMD'000	**Profit or loss AMD'000**
10% appreciation of AMD against USD	68,533	41,380
10% appreciation of AMD against EUR	21,337	(1,512)

A weakening of the AMD against the above currencies at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee and Risk Management Center, which actively monitor credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing control and monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Subdivisions.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2013 AMD'000	2012 AMD'000
ASSETS		
Cash and cash equivalents	87,860,064	51,068,575
Financial instruments at fair value through profit or loss	888,066	1,444
Available-for-sale financial assets	9,239,018	5,674,923
Loans and advances to banks	3,106,483	11,478,687
Amounts receivable under reverse repurchase agreements	8,441,159	968,852
Loans to customers	169,861,420	141,419,180
Receivables from letters of credit	8,966,815	9,700,484
Receivables from finance leases	2,696,869	3,050,756
Receivables from factoring	3,575,063	1,692,447
Held-to-maturity investments	4,247,066	7,325,533
Other financial assets	902,749	1,736,921
Total maximum exposure	**299,784,772**	**234,117,802**

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral hexld against loans to customers and concentration of credit risk in respect of loans to customers refer to note 17.

The maximum exposure to credit ris from unrecognised contractual commitments at the reporting date is presented in note 32.

As at 31 December 2013 the balance with Central Bank of Armenia of AMD 68,814,293 thousand exceeds 10% of maximum credit exposure (2012: balance with Central Bank of Armenia of AMD 42,848,030 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Bank receives and accepts collateral in the form of marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Gross amount of recognized financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	8,441,159	-	8,441,159	(8,098,541)	-	342,618
Total financial assets	**8,441,159**	**-**	**8,441,159**	**(8,098,541)**	**-**	**342,618**
Amounts payable under repurchase agreements	(16,013,140)	-	(16,013,140)	10,021,745	-	(5,991,395)
Total financial liabilities	**(16,013,140)**	**-**	**(16,013,140)**	**10,021,745**	**-**	**(5,991,395)**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2012:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Gross amount of recognized financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	968,852	-	968,852	(968,852)	-	-
Total financial assets	**968,852**	**-**	**968,852**	**(968,852)**	**-**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortized cost basis.

(d) Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the liquidty risk.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and international financial organisations, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Assets and Liabilities Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment.

The maturity analysis for financial liabilities as at 31 December 2013 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount (inflow) outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	2,241,755	1,105,033	812,583	1,264,909	19,662,354	25,086,634	22,935,230
Amounts payable under repurchase agreements	16,013,140	-	-	-	-	16,013,140	16,013,140
Current accounts and deposits from customers	92,209,579	12,565,952	28,863,859	31,886,683	5,646,850	171,172,923	169,942,151
Subordinated borrowing	-	147,680	-	161,892	6,285,573	6,595,145	4,967,435
Other borrowed funds	-	1,983,444	5,202,564	6,499,661	53,811,478	67,497,147	59,367,736
Other financial liabilities	1,411,558	654,177	19,100	-	-	2,084,835	2,084,835
Derivative liabilities							
- Inflow	-	-	-	-	(58,685)	(58,685)	(58,685)
- Outflow	-	2,844	-	-	290,001	292,845	292,845
Total financial liabilities	**111,876,032**	**16,459,130**	**34,898,106**	**39,813,145**	**85,637,571**	**288,683,984**	**275,544,687**
Credit related commitments	**20,224,113**	**-**	**-**	**-**	**-**	**20,224,113**	**20,224,113**

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount (inflow) outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	673,356	1,082,019	17,430,040	702,804	4,393,912	24,282,131	23,218,961
Current accounts and deposits from customers	58,541,334	17,663,416	24,735,965	25,904,840	2,052,446	128,898,001	126,301,847
Other borrowed funds	-	2,101,247	2,483,492	4,042,584	54,723,675	63,350,998	55,426,057
Other financial liabilities	721,185	418,953	1,104,711	-	214,165	2,459,014	2,459,014
Derivative liabilities							
- Inflow	-	(2,661,200)	-	-	(15,052)	(2,676,252)	(2,676,252)
- Outflow	-	2,668,112	-	-	364,624	3,032,736	3,032,736
Total liabilities	**59,935,875**	**21,272,547**	**45,754,208**	**30,650,228**	**61,733,770**	**219,346,628**	**207,762,363**
Credit related commitments	**19,151,914**	**-**	**-**	**-**	**-**	**19,151,914**	**19,151,914**

In accordance with Armenian legislation, individuals can withdraw their term deposits at any time, forfeiting, in most cases, the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The principal amount of such deposits, by each time band as at 31 December, is as follows:

- less than 1 month: AMD 8,458,025 thousand (2012: AMD 4,055,641 thousand)
- from 1 to 3 months: AMD 10,370,349 thousand (2012: AMD 6,325,664 thousand)
- from 3 to 6 months: AMD 17,004,347 thousand (2012: AMD 12,217,363 thousand)
- from 6 to 12 months: AMD 25,522,758 thousand (2012: AMD 21,812,898 thousand)
- more than 1 year: AMD 5,037,466 thousand (2012: AMD 1,441,308 thousand)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2013:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	98,815,692	-	-	-	-	-	-	98,815,692
Financial instruments at fair value through profit or loss	-	-	888,066	-	-	-	-	888,066
Available-for-sale financial assets	42,243	106,389	1,801,623	6,356,223	932,540	102,467	-	9,341,485
Loans and advances to banks	2,030,799	-	-	-	-	1,075,684	-	3,106,483
Amounts receivable under reverse repurchase agreements	8,080,261	360,898	-	-	-	-	-	8,441,159
Loans to customers	6,401,003	10,109,963	36,303,922	102,733,454	12,935,552	-	1,377,526	169,861,420
Receivables from letters of credit	72,350	-	702,577	8,191,888	-	-	-	8,966,815
Receivables from finance leases	135,938	240,776	770,735	1,549,420	-	-	-	2,696,869
Receivables from factoring	1,631,194	1,629,953	313,916	-	-	-	-	3,575,063
Held-to-maturity investments	37,319	99,086	1,391,178	2,633,869	85,614	-	-	4,247,066
Assets held for sale	-	-	254,192	-	-	-	-	254,192
Property, equipment and intangible assets	-	-	-	-	-	2,894,285	-	2,894,285
Other assets	940,253	319,807	344,975	53,718	-	300,748	-	1,959,501
Total assets	**118,187,052**	**12,866,872**	**42,771,184**	**121,518,572**	**13,953,706**	**4,373,184**	**1,377,526**	**315,048,096**
LIABILITIES								
Financial instruments at fair value through profit or loss	-	2,844	-	231,316	-	-	-	234,160
Deposits and balances from banks	2,187,359	1,190,280	2,038,730	13,842,849	3,676,012	-	-	22,935,230
Amounts payable under reverse repurchase agreements	16,013,140	-	-	-	-	-	-	16,013,140
Current accounts and deposits from customers	92,172,932	12,460,362	59,844,856	5,373,162	90,839	-	-	169,942,151
Subordinated borrowing	-	99,755	-	-	4,867,680	-	-	4,967,435
Other borrowed funds	-	1,969,248	11,313,648	40,722,071	5,362,769	-	-	59,367,736
Current tax liability	-	-	502,824	-	-	-	-	502,824
Deferred tax liabilities	-	-	-	-	-	166,410	-	166,410
Other liabilities	1,540,000	654,177	19,100	-	-	-	-	2,213,277
Total liabilities	**111,913,431**	**16,376,666**	**73,719,158**	**60,169,398**	**13,997,300**	**166,410**	**-**	**276,342,363**
Net position	**6,273,621**	**(3,509,794)**	**(30,947,974)**	**61,349,174**	**(43,594)**	**4,206,774**	**1,377,526**	**38,705,733**

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2012:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	57,567,215	-	-	-	-	-	-	57,567,215
Financial instruments at fair value through profit or loss	-	1,444	-	-	-	-	-	1,444
Available-for-sale financial assets	56,133	53,512	502,697	4,659,094	403,487	96,694	-	5,771,617
Loans and advances to banks	3,159	3,244,233	7,341,938	-	-	889,357	-	11,478,687
Amounts receivable under reverse repurchase agreements	968,852	-	-	-	-	-	-	968,852
Loans to customers	3,741,121	10,410,893	32,988,256	84,631,686	9,523,056	-	124,168	141,419,180
Receivables from letters of credit	434,384	128,946	6,057,614	3,079,540	-	-	-	9,700,484
Receivables from finance leases	117,634	205,087	936,478	1,791,557	-	-	-	3,050,756
Receivables from factoring	383,482	575,176	733,789	-	-	-	-	1,692,447
Held-to-maturity investments	36,222	2,907,979	647,748	3,527,295	206,289	-	-	7,325,533
Assets held for sale	-	-	853,782	-	-	-	-	853,782
Property, equipment and intangible assets	-	-	-	-	-	2,521,641	-	2,521,641
Other assets	626,171	1,565,594	256,941	39,620	-	213,815	-	2,702,141
Total assets	**63,934,373**	**19,092,864**	**50,319,243**	**97,728,792**	**10,132,832**	**3,721,507**	**124,168**	**245,053,779**
LIABILITIES								
Financial instruments at fair value through profit or loss	-	6,912	-	349,572	-	-	-	356,484
Deposits and balances from banks	563,064	862,805	17,758,698	3,928,794	105,600	-	-	23,218,961
Current accounts and deposits from customers	58,508,993	17,461,103	48,583,929	1,663,614	84,208	-	-	126,301,847
Other borrowed funds	-	2,097,105	6,271,196	43,250,960	3,806,796	-	-	55,426,057
Current tax liability	-	-	307,966	-	-	-	-	307,966
Deferred tax liabilities	-	-	-	-	-	49,676	-	49,676
Other liabilities	840,474	460,729	1,104,711	214,164	-	-	-	2,620,078
Total liabilities	**59,912,531**	**20,888,654**	**74,026,500**	**49,407,104**	**3,996,604**	**49,676**	**-**	**208,281,069**
Net position	**4,021,842**	**(1,795,790)**	**(23,707,257)**	**48,321,688**	**6,136,228**	**3,671,831**	**124,168**	**36,772,710**

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 December and during the reporting period are as follows:

	2013 AMD'000	**2012 AMD'000**
At 31 December (unaudited)	171%	150%
Average for December (unaudited)	171%	145%

The above ratio is also used to measure compliance with the liquidity limit established by the CBA.

31 Capital management

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2013 and 2012, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2013 and 2012.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Central Bank of Armenia, as at 31 December:

	2013 AMD'000 Unaudited	**2012 AMD'000 Unaudited**
Tier 1 capital		
Share capital	25,447,680	25,447,360
Share premium	28,571	28,571
General reserve	3,817,146	3,445,309
Retained earnings	7,733,315	6,554,483
Deductions	(1,416,396)	(1,049,844)
Total tier 1 capital	**35,610,316**	**34,425,879**
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	417,522	42,007
Subordinated borrowing (principal)	4,867,680	-
Total tier 2 capital	**5,285,202**	**42,007**
Total capital	**40,895,518**	**34,467,886**
Total risk weighted assets	**279,714,776**	**244,674,695**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**14.6%**	**14.1%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**12.7%**	**14.1%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

32 Commitments

The Bank has outstanding credit related commitments to extend loans. These credit realted commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2013 AMD'000	**2012 AMD'000**
Contracted amount		
Guarantees and letters of credit	7,485,946	10,783,208
Credit card commitments	6,634,532	4,955,015
Loan and credit line commitments	4,757,613	2,389,847
Undrawn overdraft facilities	1,346,022	1,023,844
	20,224,113	**19,151,914**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

Of these credit related commitments, AMD 1,082,280 thousand (2012: AMD 2,942,126 thousand) are to one customer at 31 December 2013 (2012: one customer). This exposure represents a significant credit risk exposure to the Bank.

33 Operating leases

(a) Leases as lessee

Non-cancelable operating lease rentals as at 31 December are payable as follows:

	2013 AMD'000	2012 AMD'000
Less than 1 year	717,983	637,433
Between 1 and 5 years	1,958,817	1,426,952
More than 5 years	487,994	742,555
	3,164,794	**2,806,940**

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

34 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 5,683,556 thousand coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of accidents on the Bank's property or related to operations.

(b) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Taxation contingencies

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in the Republic of Armenia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

35 Related party transactions

(a) Control relationships

The Bank's parent company is Ameria Group (CY) Limited, which owns 100% of the share capital. The party with ultimate control over the Bank is Ruben Vardanyan.

No publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the year ended 31 December are as follows:

	2013 AMD'000	2012 AMD'000
Short-term employee benefits	**516,257**	**608,448**

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as at 31 December for transactions with the members of the Board of Directors and the Management Board are as follows:

	2013 AMD'000	Average interest rate, %	2012 AMD'000	Average interest rate, %
Statement of financial position				
Loans issued (gross)	542,424	6.8%	472,529	6.3%
Loan impairment allowance	(5,194)		(5,047)	
Deposits received	1,372,753	7.9%	1,185,983	8.2%
Guarantees	47,979	0.0%	46,879	0.0%

The loans and guarantees are in Armenian Drams and repayable by 2023.

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2013 AMD'000	2012 AMD'000
Profit or loss		
Interest income	27,790	29,113
Interest expense	(100,303)	(86,845)

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows:

	Parent company		**Other subsidiaries of the parent company**		**Other**		
	AMD'000	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**Total AMD'000**
Statement of financial position							
ASSETS							
Loans to customers							
- Principal balance	-	-	-	-	29,150	10.4%	29,150
- Impairment allowance	-	-	-	-	(273)		(273)
LIABILITIES							
Current accounts and deposits from customers							
- Current accounts and demand deposits	68,791	0.0%	408,822	0.0%	1,094,855	0.0%	1,572,468
- Term deposits	-	-	584,636	3.4%	4,184,324	1.9%	4,768,960
Subordinated borrowing	-	-	-	-	4,967,435	6.0%	4,967,435
Items not recognised in the statement of financial position							
Guarantees given	-	-	-	-	82,466	0.0%	82,466
Profit (loss)							
Interest income	-		3,870		243,068		246,938
Interest expense	(595)		(22,323)		(147,742)		(170,660)
General administrative expenses	-		(18,080)		(225,699)		(243,779)

The outstanding balances and the related average effective interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows:

	Parent company		**Other subsidiaries of the parent company**		**Other**		
	AMD'000	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**Total AMD'000**
Statement of financial position							
ASSETS							
Loans to customers							
- Principal balance	-	-	201,506	11.0%	2,801,052	11.5 %	3,002,558
- Impairment allowance	-	-	(2,620)		(8,186)		(10,806)
LIABILITIES							
Current accounts and deposits from customers							
- Current accounts and demand deposits	431	0.0%	45,414	0.0%	1,571,886	0.0%	1,617,731
- Term deposits	-	-	-		309,988	11.1%	309,988
Other liabilities	-	-	6,795	0.0%	50	0.0%	6,845
Items not recognised in the statement of financial position							
Guarantees given	-	-	3,733	0.0%	93,744	0.0%	97,477
Profit (loss)							
Interest income	-		922		161,614		162,536
Interest expense	(1,685)		-		(46,643)		(48,328)
General administrative expenses	-		(109,374)		(4,938)		(114,312)

36 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2013:

AMD'000	**Trading**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	-	98,815,692	-	-	98,815,692	98,815,692
Financial instruments at fair value through profit or loss	888,066	-	-	-	-	888,066	888,066
Available-for-sale financial assets	-	-	-	9,239,018	-	9,239,018	9,239,018
Loans and advances to banks	-	-	3,106,483	-	-	3,106,483	3,106,483
Amounts receivable under reverse repurchase agreements	-	-	8,441,159	-	-	8,441,159	8,441,159
Loans customers:							
Loans to corporate customers	-	-	138,588,254	-	-	138,588,254	138,588,254
Loans to retail customers	-	-	31,273,166	-	-	31,273,166	31,273,166
Receivables from letters of credit	-	-	8,966,815	-	-	8,966,815	8,966,815
Receivables from finance leases	-	-	2,696,869	-	-	2,696,869	2,696,869
Receivables from factoring	-	-	3,575,063	-	-	3,575,063	3,575,063
Held-to-maturity investments	-	4,247,066	-	-	-	4,247,066	4,247,066
Other financial assets	-	-	902,749	-	-	902,749	902,749
	888,066	**4,247,066**	**296,366,250**	**9,239,018**	**-**	**310,740,400**	**310,740,400**
Financial instruments at fair value through profit or loss	234,160	-	-	-	-	234,160	234,160
Deposits and balances from banks	-	-	-	-	22,935,230	22,935,230	22,935,230
Amounts payable under reverse repurchase agreements	-	-	-	-	16,013,140	16,013,140	16,013,140
Current accounts and deposits from customers	-	-	-	-	169,942,151	169,942,151	169,942,151
Subordinated borrowing	-	-	-	-	4,967,435	4,967,435	4,967,435
Other borrowed funds	-	-	-	-	59,367,736	59,367,736	59,367,736
Other financial liabilities	-	-	-	-	2,084,835	2,084,835	2,084,835
	234,160	**-**	**-**	**-**	**275,310,527**	**275,544,687**	**275,544,687**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2012:

AMD'000	**Trading**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	-	57,567,215	-	-	57,567,215	57,567,215
Financial instruments at fair value through profit or loss	1,444	-	-	-	-	1,444	1,444
Available-for-sale financial assets	-	-	-	5,674,923	-	5,674,923	5,674,923
Loans and advances to banks	-	-	11,478,687	-	-	11,478,687	11,478,687
Amounts receivable under reverse repurchase agreements	-	-	968,852	-	-	968,852	968,852
Loans customers:							
Loans to corporate customers	-	-	116,508,909	-	-	116,508,909	116,508,909
Loans to retail customers	-	-	24,910,271	-	-	24,910,271	24,910,271
Receivables from letters of credit	-	-	9,700,484	-	-	9,700,484	9,700,484
Receivables from finance leases	-	-	3,050,756	-	-	3,050,756	3,050,756
Receivables from factoring	-	-	1,692,447	-	-	1,692,447	1,692,447
Held-to-maturity investments	-	7,325,533	-	-	-	7,325,533	7,325,533
Other financial assets	-	-	1,736,921	-	-	1,736,921	1,736,921
	1,444	**7,325,533**	**227,614,542**	**5,674,923**	**-**	**240,616,442**	**240,616,442**
Financial instruments at fair value through profit or loss	356,484	-	-	-	-	356,484	356,484
Deposits and balances from banks	-	-	-	-	23,218,961	23,218,961	23,218,961
Current accounts and deposits from customers	-	-	-	-	126,301,847	126,301,847	126,301,847
Other borrowed funds	-	-	-	-	55,426,057	55,426,057	55,426,057
Other financial liabilities	-	-	-	-	2,459,014	2,459,014	2,459,014
	356,484	**-**	**-**	**-**	**207,405,879**	**207,762,363**	**207,762,363**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The estimated fair values of all financial instruments except for unquoted equity securities available-for-sale approximate their carrying values. As at 31 December 2013 fair value of unquoted equity securities available-for-sale with a carrying value of AMD 102,467 thousand (2012: AMD 96,694 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 3.5% and 10% - 15% are used for discounting future cash flows from loans and advances to banks and loans to customers, respectively
- discount rates of 5.5% - 12% are used for discounting future cash flows for liabilities.

(b) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

AMD'000	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	888,066	888,066
- Derivative liabilities	-	(234,160)	(234,160)
Available-for-sale financial assets			
- Debt instruments	-	9,239,018	9,239,018
	-	**9,892,924**	**9,892,924**

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

AMD'000	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	1,444	1,444
- Derivative liabilities	-	(356,484)	(356,484)
Available-for-sale financial assets			
- Debt instruments	-	5,674,923	5,674,923
	-	**5,319,883**	**5,319,883**