

**PERFORMANCE REVIEW OF
BYBLOS BANK ARMENIA C.J.S.C.**



REVIEW OF OPERATIONS

MAKING ALL THE RIGHT MOVES

Byblos Bank Armenia (BBAM) focused in 2012 on expanding its market share and shoring up its overall position within the domestic banking sector. Commercial Banking supported this strategy by continuing to attract middle market companies in manufacturing, trade, food processing, transportation, infrastructure, telecommunications and services in order to reduce dependency on large corporate clients. Consumer Banking, meanwhile, grew its customer base thanks to both existing products, such as housing and personal loans, and new ones like home renovation loans; it also expanded its portfolio of small business loans. In addition, BBAM signed a USD 10 million loan framework agreement with the International Finance Corporation (IFC), the private sector arm of the World Bank, to help the Bank increase lending under an innovative energy-efficiency housing loan program.

The Bank was able to grow its deposit base faster than the market average, even as it trimmed its cost of funds. This was made possible primarily by improving brand recognition and an expanding branch network, with the Bank's new branch in Komitas – its third in the capital – quickly demonstrating a solid growth trend. Significant investments were made in the form of staff training for lending to small- and medium-sized enterprises (SMEs).

BBAM also obtained full membership in NASDAQ OMX in 2012, enabling it to further strengthen its position in terms of foreign exchange, money market and securities trading.

Corporate Social Responsibility has always been a central priority for the Bank, and this past year was no exception as sponsorship was extended to cultural, educational, and sports events, as well as local communities.

Many challenges combined to make 2012 a difficult year as regional and global instability exerted a negative influence on both consumer confidence and all sectors of the economy. Nonetheless, the Bank was able to achieve many of its goals by consistently delivering quality service and living up to the Group's core values.

The main goal for 2013 will be to improve BBAM's profitability through organic growth. To support an expansion of the lending portfolio, funding agreements for a total amount of USD 11 million will be finalized with the IFC and the European Bank for Reconstruction and Development. Received funds will be used to extend loans for SMEs, energy-efficient housing, and home renovation. Three major new products – Online Banking, Credit Cards and Long Term Savings Plans – will be introduced this year in order to increase the Bank's competitiveness and help attract new clients. Continuing efforts will also be made toward improving Byblos Bank Armenia's corporate image and brand recognition.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. ALAIN C. TOHMÉ

Lebanese, born in 1962. Holder of an MBA from Boston College in the US. Started working in the banking sector in 1985. Has assumed several positions at Byblos Bank S.A.L., the most recent having been Deputy General Manager, Head of the Group Commercial Banking Division, until he resigned in 2011. Has been a Member of the Board of Byblos Bank Armenia since 2009 and Chairman of the Board of Byblos Bank Armenia since July 2011. Also serves as Vice-Chairman of the Board of Byblos Bank Syria, and as a Member of the Boards of Byblos Bank S.A.L. and Byblos Bank RDC.

DR. FRANÇOIS S. BASSIL

Lebanese, born in 1934. Holder of a Doctorate in Law from Louvain University in Belgium. Has been working in the banking sector since 1962. Contributed to establishing Byblos Bank S.A.L., where he currently holds the positions of Chairman of the Board of Directors and General Manager. Is also Chairman of the Board of Directors of Byblos Bank Africa. Has been a Member of Byblos Bank Armenia's Board of Directors since 2007. Also sits on the Boards of Byblos Bank Europe and Byblos Bank Syria. In addition, serves as Chairman of the Board of Directors and General Manager of Byblos Invest Holding Luxembourg. Has served three terms as Chairman of the Board of Directors of the Association of Banks in Lebanon and remains a Member of the Board.

H.E. MR. ARTHUR G. NAZARIAN

Lebanese, born in 1951. Holder of a Degree in Textile Engineering from Philadelphia University in the US. Member of the Lebanese Parliament since 2009 and former Minister of Tourism and of Environment. Is an entrepreneur at the helm of several companies in Lebanon and the Gulf. Has been a Member of Byblos Bank Armenia's Board of Directors since 2007. Also serves as a Member of the Board of Directors of Byblos Bank S.A.L. and as a Member of the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee affiliated to the Board.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Established in 1991, the EBRD has become the largest financial investor in the region of operations which stretches from Central Europe and the Western Balkans to Central Asia. Main objectives in Armenia include supporting enterprises, strengthening the financial sector and fostering the commercialization of public infrastructure and utilities. Has 107 projects in Armenia with a total project value of EUR 993.7 million. Became a shareholder of Byblos Bank Armenia on 25 March 2008, acquiring 25.002% of total shares. Has held a seat on the Board of Byblos Bank Armenia since July 2008, represented by Ms. Sabina Dziurman, a British citizen born in 1954 and holder of an MBA from London Business School in the UK. Ms. Dziurman has held several positions at the EBRD, the most recent being Senior Banker with Group for Small Business, and also serves as a Member of the Audit Committee affiliated to the Board of Byblos Bank Armenia.

MR. ALAIN F. WANNA

Lebanese, born in 1969. Holder of an MA from the American University of Beirut. Joined Byblos Bank S.A.L. in 1993 and has assumed several positions, the most recent having been Deputy General Manager, Head of Group Financial Markets and Financial Institutions. Has been a Member of the Board of Directors of Byblos Bank Armenia since 2007 and also serves as a Member of the Audit Committee affiliated to the Board. Also sits on the Boards of Byblos Bank Africa and Byblos Bank RDC.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Alain C. Tohmé
Members	Mr. Alain F. Wanna
	Mrs. Sabina Dziurman (representing EBRD*)

* European Bank for Reconstruction and Development

MANAGEMENT COMMITTEES

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Chairman	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mr. Hayk Stepanyan	Head of Finance and Administration
Secretary	Mrs. Ani Hayrapetyan	Executive Secretary

ASSETS AND LIABILITIES COMMITTEE

Chairman	Mr. Hayk Stepanyan	Head of Finance and Administration
Vice-Chairman	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mrs. Viktoria Kocharian	Head of Risk Management
Member/Secretary	Mr. Armen Aleksanyan	Head of Treasury

INCOME STATEMENT

Year Ended 31 December 2012

	2012	2011	AMD Thousand
Interest income	3,854,701	2,918,435	
Interest expense	(2,250,214)	(1,643,606)	
Net interest income	1,604,487	1,274,829	
Fee and commission income	83,677	76,442	
Fee and commission expense	(45,656)	(44,476)	
Net fee and commission income	38,021	31,966	
Net Loss on financial instruments at fair value through profit or loss	-	(46,743)	
Net foreign exchange income	51,085	98,414	
Net gain on available-for-sale financial assets	3,094	1,414	
Other operating (expense)/income	(34,565)	21,093	
Operating income	1,662,122	1,380,973	
Impairment losses	(81,290)	(10,722)	
Personnel expenses	(704,742)	(622,589)	
Other general administrative expenses	(579,075)	(383,410)	
Profit / (loss) before income taxes	297,015	364,252	
Income tax expense	(104,864)	(97,860)	
Profit / (loss) for the year	192,151	266,392	
Other comprehensive income / (loss), net of income tax			
Revaluation reserve for available-for-sale financial assets:			
Net change in fair value	(1,988)	25,073	
Net change in fair value transferred to profit or loss	1,132	(14,607)	
Other comprehensive income for the year, net of income tax	(856)	10,466	
Total comprehensive income for the year	191,295	276,858	

STATEMENT OF FINANCIAL POSITION

31 December 2012

AMD Thousand	2012	2011
ASSETS		
Cash and cash equivalents	8,971,211	4,301,241
Available-for-sale financial assets		
Held by the Bank	2,198,292	2,048,323
Pledged under sale and repurchase agreements	573,912	-
Amounts receivable under reverse repurchase agreements	-	804,415
Loans and advances to banks	12,291,540	9,303,338
Loans to customers	23,364,346	20,122,283
Property, equipment and intangible assets	1,120,249	1,144,989
Other assets	423,734	95,689
TOTAL ASSETS	48,943,284	37,820,278
LIABILITIES		
Deposits and balances from banks	8,062,970	7,451,441
Amount payable under repurchase agreements	561,648	-
Current accounts and deposits from customers	24,945,995	16,188,674
Other borrowed funds	5,897,232	5,052,992
Deferred tax liabilities	66,194	26,932
Other liabilities	273,882	156,171
TOTAL LIABILITIES	39,807,921	28,876,210
EQUITY		
Share capital	8,125,100	8,125,100
Share premium	257,149	257,149
Revaluation reserve for available-for-sale financial assets	48,227	49,083
Retained earnings	704,887	512,736
TOTAL EQUITY	9,135,363	8,944,068
TOTAL LIABILITIES AND EQUITY	48,943,284	37,820,278

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Ararat Ghukasyan
CEO