

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



REVIEW OF OPERATIONS

Putting All the Pieces in Place

Byblos Bank Armenia had to overcome a series of obstacles in 2013, including disappointing domestic economic growth and both regional and global instability, all of which led to a fall in direct investment and a slowdown of business activity. These and other difficult conditions had direct impacts on certain aspects of the Bank's performance, but some business lines exceeded expectations, and the long-term outlook remains positive.

Accordingly, while commercial lending reported zero growth for the year, the consumer portfolio grew by an impressive 28%, and non-performing loans were kept under control. The expansion was due primarily to strong demand for Housing, Small Business and newly introduced Renovation Loans.

In addition, Byblos Bank Armenia continued its partnership with the International Financial Corporation (or IFC, the private sector arm of the World Bank) in 2013, launching Armenia's first Energy Efficient Housing and Renovation Loans Program. Under this program, the Bank received and almost fully disbursed the first USD 5 million tranche under a USD 10 million framework agreement with the IFC.

As part of continuous efforts to diversify its range of products and services, Byblos Bank Armenia also finalized the procedural and technical aspects of its new Internet Banking platform, initiating a soft launch ahead of assuming a comprehensive online presence in 2014. The main objective for 2014 is to improve the Bank's profitability by focusing on Commercial Banking's Middle Market loans, which should both improve lending margins and increase risk diversification. Byblos Bank Armenia's activities in this vein will concentrate on dynamic companies operating in areas such as manufacturing, trade, food processing, transportation and services.

For Consumer Banking, the emphasis will be on already proven products such as Housing, Renovation and Small Business Loans, products for which the Bank enjoys considerable competitive advantage due to attractive interest rates, high standards of staff professionalism, and speedy approval processes.

To help realize these growth plans, in the coming year the Bank will introduce staff sales incentives, which are expected to have positive impacts on branch performance and the overall profitability of the Bank.

We also will continue our current policy of actively increasing our deposit base while keeping a tight grip on our cost of funds.

In addition to deposits, planned growth will also be supported by tapping facilities available under funding agreements with the IFC and the European Bank for Reconstruction and Development totaling some USD 8 million.

Other top priorities in 2014 will be to expand Internet Banking's customer base and introduce credit cards and long-term savings plans, both of which will further increase the Bank's competitiveness.

All of the aforementioned objectives will be pursued in a manner that reflects the country's difficult economic conditions, in particular by strictly controlling the Bank's cost base in order to improve shareholders' returns.

BOARD OF DIRECTORS MEMBER PROFILES

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 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. Is now serving a fourth term as Chairman of the Board of the Association of Banks in Lebanon.

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. 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 Invest Bank S.A.L., Byblos Bank Africa, Byblos Bank RDC and ADIR.

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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President	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mr. Hayk Stepanyan	Head of Finance and Administration
	Mrs. Viktoria Kocharian	Head of Risk Management
Secretary	Mrs. Ani Hayrapetyan	Executive Secretary

ASSETS AND LIABILITIES COMMITTEE

President	Mr. Hayk Stepanyan	Head of Finance and Administration
Vice President	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 2013

	2013	2012	AMD Thousand
Interest income	3,736,869	3,854,701	
Interest expense	(2,345,494)	(2,250,214)	
Net interest income	1,391,375	1,604,487	
Fee and commission income	91,773	83,677	
Fee and commission expense	(47,707)	(45,656)	
Net fee and commission income	44,066	38,021	
Net foreign exchange income	52,120	51,085	
Net gain on available-for-sale financial assets	743	3,094	
Other operating expense	(24,632)	(34,565)	
Operating income	1,463,672	1,662,122	
Impairment losses	(725,150)	(81,290)	
Personnel expenses	(621,395)	(704,742)	
Other general administrative expenses	(502,539)	(579,075)	
(Loss)/Profit before taxes	(385,412)	297,015	
Income tax benefit/(expense)	36,184	(104,864)	
(Loss)/profit for the year	(349,228)	192,151	
Other comprehensive income/(loss) for the year, net of income tax			
Revaluation reserve for available-for-sale financial assets:			
Net change in fair value	197,909	(1,988)	
Net change in fair value transferred to profit or loss	(4,869)	1,132	
Other comprehensive income/(loss) for the year, net of income tax	193,040	(856)	
Total comprehensive (loss)/income for the year	(156,188)	191,295	

STATEMENT OF FINANCIAL POSITION

31 December 2013

AMD Thousand	2013	2012
ASSETS		
Cash and cash equivalents	8,327,826	8,971,211
Available-for-sale financial assets		
Held by the Bank	2,665,910	2,198,292
Pledged under sale and repurchase agreements	773,337	573,912
Loans to banks	5,110,012	12,291,540
Loans to customers	24,105,161	23,364,346
Property, equipment and intangible assets	1,072,720	1,120,249
Other assets	560,565	423,734
TOTAL ASSETS	42,615,531	48,943,284
LIABILITIES		
Deposits and balances from banks	2,439,877	8,062,970
Amount payable under repurchase agreements	750,641	561,648
Current accounts and deposits from customers	24,388,803	24,945,995
Other borrowed funds	5,841,164	5,897,232
Deferred tax liabilities	26,525	66,194
Other liabilities	189,346	273,882
TOTAL LIABILITIES	33,636,356	39,807,921
EQUITY		
Share capital	8,125,100	8,125,100
Share premium	257,149	257,149
Revaluation reserve for available-for-sale financial assets	241,267	48,227
Retained earnings	355,659	704,887
TOTAL EQUITY	8,979,175	9,135,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	42,615,531	48,943,284

These accounts have been approved by the Board of Directors.

Hayk Stepanyan
Head of Finance and Administration

Ararat Ghukasyan
CEO