Grant Thornton

Financial Statements and Independent Auditor's Report

"AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company

31 December 2013

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Independent auditor's report

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To the Shareholders and Board of Directors of closed joint stock company "AMUNDI-ACBA ASSET MANAGEMENT":

We have audited the accompanying financial statements of the "AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company (the "Company"), which comprise the statement of financial position as of December 31, 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from November 19 to December 31, 2013 and 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.

Auditor's 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 give a true and fair view of the financial position of "AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company as of December 31, 2013, and of its financial performance and its cash flows for the period from November 19 to December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of a Matter

We draw your attention to note 20 of the financial statements. According to the decision of the Constitutional Court of the Republic of Armenia dated April 2, 2014, certain articles of the Law on "Funded Pensions" were recognized unconstitutional and September 30, 2014 has been set as an expiration deadline for those articles. The existence of this factor cast doubt on the ability of the company to continue as a going concern. Our opinion is not qualified in respect of this matter.

Gagik Gyulbudaghyan
Managing partner

Armen Vanyan
Auditor

Grant Thornton CJSC
26 April, 2014
Yerevan

Statement of profit or loss and other comprehensive income

In thousand Armenian drams	Notes	For the period from November 19 to December 31,2013
Interest and similar income	6	**3,790**
Net interest income		**3,790**
Fee and commission expense	7	**(101)**
Net fee and commission expense		**(101)**
Other expenses	8	**(15,337)**
Loss before income tax		**(11,648)**
Income tax expense	9	**-**
Loss for the period		**(11,648)**
Other comprehensive income		**-**
Total comprehensive income for the period		**(11,648)**

The accompanying notes on pages 7 to 20 are an integral part of these financial statements.

Statement of financial position

In thousand Armenian drams	Notes	As of December 31, 2013
ASSETS		
Cash and cash equivalents	10	**788,720**
TOTAL ASSETS		**788,720**
LIABILITIES AND EQUITY		
Liabilities		
Other liabilities	11	**368**
Total liabilities		**368**
Equity		
Share capital	12	**800,000**
Accumulated loss		**(11,648)**
Total equity		**788,352**
TOTAL LIABILITIES AND EQUITY		**788,720**

The financial statements from pages 3 to 20 were signed by the Company's Executive Director and Chief Accountant on 26 April, 2014.

The accompanying notes on pages 7 to 20 are an integral part of these financial statements.

PHILIPPE CLAUDE ROUSSEAU
Executive Director

ARMEN HAKOBYAN
Chief accountant

Statement of changes in equity

In thousand Armenian drams	Share capital	Accumulated loss	Total
Balance as of November 19, 2013	**-**	**-**	**-**
Increase in share capital	**800,000**	**-**	**800,000**
Transactions with owners	**800,000**	**-**	**800,000**
Loss for the period	**-**	**(11,648)**	**(11,648)**
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**(11,648)**	**(11,648)**
Balance as of December 31, 2013	**800,000**	**(11,648)**	**788,352**

Statement of cash flows

In thousand Armenian drams	For the period from November 19 to December 31,2013
Cash flows from operating activities	
Loss before income tax	**(11,648)**
Amounts payable	**368**
Cash used in operating activities before changes in operating assets and liabilities	**(11,280)**
Net cash used in operating activities before income tax	**(11,280)**
Income tax paid	**-**
Net cash used in operating activities	**(11,280)**
Cash flow from financing activities	
Proceeds from issue of share capital	**800,000**
Net cash from financing activities	**800,000**
Net increase in cash and cash equivalents	**788,720**
Cash and cash equivalents at the beginning of the year	**-**
Exchange differences on cash and cash equivalents(Note 4.2)	**-**
Cash and cash equivalents at the end of the year (Note 10)	**788,720**

Accompanying notes to the financial statements

1 Principal activities

"AMUNDI-ACBA ASSET MANAGEMENT" closed joint-stock company (the "Company") was incorporated in 2013 and is regulated by the legislation of RA. The Company was registered on 19.11.2013 by the Central Bank of Armenia under license number 2.

The principal activity of the Company is the management of mandatory pension funds. Clauses regarding the obligation to make mandatory payments according to the law on "Funded pensions" were effective from 1 January, 2014, consequently the main activity of the company started thereafter. Within the frames of mandatory funded pension system the following three funds are under the management of the Company.

- "AMUNDI-ACBA ASSET MANAGEMENT" CJSC fixed income pension fund,
- "AMUNDI-ACBA ASSET MANAGEMENT" CJSC conservative pension fund,
- "AMUNDI-ACBA ASSET MANAGEMENT" CJSC balanced pension fund

The Company's main office is located in Yerevan. The registered office of the Company is located at: 10 V. Sargsyan street, 123-124, Yerevan, RA.

2 Armenian business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy.

As the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected. Accordingly, the financial statements of the Company do not include the effects of adjustments.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). As this is the first year of the Company's activities, therefore comparative information is not presented, and the financial statements comprise the financial performance and cash flows for the period from November 19 to December 31, 2013.

3.2 Basis of measurement

Financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at amortized or historical cost.

3.3 Functional and presentation currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency and the Company's presentation currency is Armenian Drams ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Company. The financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

3.4 Changes in accounting policies

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides relevant guidelines and enhanced disclosures about fait value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies to both financial and non-financial items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied for comparative information in the first year of application.

The Company has applied IFRS 13 for the first time in the current year. Refer to note 15.

IAS 1 **(Amendment)** *Presentation of Financial Statements*

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment, which has changed the current presentation of items in other comprehensive income; however, it has not affected the measurement or recognition of such items.

IFRS 7 **(Amendment)** *Offsetting Financial Assets and Financial Liabilities*

The amendment adds qualitative and quantitative disclosures to IFRS 7 relating to gross and net amounts of recognized financial instruments that are
a) set off in the statement of financial position and
b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position.

The IFRS has been applied for the first time in the current year. Refer to note 16.

3.5 Standards and Interpretations not yet applied by the Company

At the date of authorization of these financial statements, certain new Standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Company has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company's financial statements from these Amendments, they are presented below.

The amendments are effective for annual reporting periods beginning on or after 1 January 2014 and are required to be applied retrospectively, with the exception of amendments performed in *IFRS 9, Financial Instruments*.

IFRS 9 Financial Instruments

The IASB aims to replace *IAS 39 Financial Instruments: Recognition and Measurement* in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Because the impairment phase of the IFRS 9 project has not yet been completed, the IASB decided that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare to apply the new Standard. Accordingly, the IASB decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. The amendments made to IFRS 9 in November 2013 remove the mandatory effective date from IFRS 9. However, entities may still choose to apply IFRS 9 immediately.

IAS 36* (Amendment) *Recoverable Amounts Disclosure for Non-Financial Assets

Amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Earlier application is permitted provided the entity has already adopted IFRS 13.

IAS 32* (Amendment) *Offsetting Financial Assets and Financial Liabilities

The amendment addresses inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. Two areas of inconsistency are addressed by the amendments.

- relates to the meaning of 'currently has a legally enforceable right of set-off'. The IASB has clarified that a right of set-off is required to be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The right must also exist for all counterparties.

- relates to gross settlement systems, such as clearing houses, used by banks and other financial institutions. There had been diversity in practice over the interpretation of IAS 32's requirement for there to be 'simultaneous settlement' of an asset and a liability in order to achieve offsetting.

The IASB has clarified in the amendments the principle behind net settlement and included an example of a 'gross settlement system' with characteristics that would satisfy the IAS 32 criterion for net settlement.

These Amendments were made in conjunction with additional disclosures in IFRS 7 on the effects of rights of set-off and similar arrangements.

4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

4.1 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Company and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio management fees are recorded based on the applicable service contracts. Asset management fees are recorded over the period the service is provided.

4.2 Foreign currency translation

During the reporting period the Company has performed transactions exclusively in AMD.

4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Republic of Armenia also has various operating taxes, which are assessed on the Company's activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income .

4.4 Cash and cash equivalents

Cash equivalents comprise current account balances and short term time deposits in armenian banks, which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value. Cash equivalents are carried at amortised cost.

4.5 Financial instruments

The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Classification and subsequent measurement of financial assets

Upon initial recognition financial assets are classified into the following categories for carrying out subsequent measurement:

- loans and receivables
- financial instruments at fair value through profit or loss
- available-for-sale financial instruments
- held-to-maturity investments.

As of 31 December 2013 financial assets of the Company are included in the category of loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Company provides money directly to a debtor with no intention of trading the receivable and comprise cash and cash equivalents in banks.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include other payables.

After initial recognition all financial liabilities, other than liabilities at fair value through profit or loss are measured at amortized cost using effective interest method.

4.6 Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

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

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of income. If held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

4.7 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income .

4.8 Leases

Operating - Company as leasee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

4.9 Property, plant and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

The Company acquired fixed assets starting from 2014.

4.10 Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Company purchases the Company's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

4.11 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

Related party transactions

In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Tax legislation

Armenian tax legislation is subject to varying interpretations. Refer to Note 13.

6 Interest and similar income and expense

In thousand Armenian drams	For the period from November 19 to December 31,2013
Amounts due from other financial institutions	**3,790**
Total interest and similar income	**3,790**

7 Fee and commission income and expense

In thousand Armenian drams	For the period from November 19 to December 31,2013
Bank account maintenance fee	**101**
Total fee and commission expense	**101**

8 Other expenses

In thousand Armenian drams	For the period from November 19 to December 31,2013
Payments to guarantee fund	**15,000**
State duty	**268**
Financial system mediator expenses	**50**
Other expenses	**19**
Total other expenses	**15,337**

9 Income tax expense

The corporate income tax within the Republic of Armenia is levied at the rate of 20%. Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

Numerical reconciliation between the tax expenses and accounting loss is provided below:

In thousand Armenian drams	2013	Effective rate (%)
Loss before tax	**(11,648)**	
Income tax at the rate of 20%	**(2,329)**	**20**
Non-deductible expenses	**62**	**(1)**
Effect of unrecognized accumulated tax loss	**2,267**	**(19)**
Income tax expense	**-**	**-**

As of 31 December, 2013 deferred tax asset against tax loss in the amount of AMD 2,267 drams was not recognized because of uncertainty of realization.

10 Cash and cash equivalents

In thousand Armenian drams	For the period from November 19 to December 31,2013
Bank accounts	5,330
Time deposits	783,390
Total cash and cash equivalents	**788,720**

As of 31 December 2013 term deposits in the amount of AMD 788,720 thousand (100%) were due from one RA commercial bank (note 14).

11 Other liabilities

In thousand Armenian drams	As of 31 December 2013
Amounts payables	368
Total other liabilities	**368**

12 Equity

As of 31 December 2013 the Company's registered and paid-in share capital amounted to AMD 800,000 thousand. In accordance with the Company's statues, the share capital consists of 2,500 ordinary shares, all of which have par value of AMD 320,000.

The shareholders of the Company As of 31 December 2013 are as follows:

In thousand Armenian drams	As of December 31, 2013	
	Paid-in share capital	% of total paid-in capital
"AMUNDI" joint stock company (France)	408,000	51%
"ACBA-CREDIT AGRICOLE BANK" CJSC (Armenia)	392,000	49%
	800,000	**100%**

As of 31 December 2013, the Company did not possess any of its own shares.

13 Contingent liabilities and commitments

Tax and legal matters

The taxation system in Armenia is characterized by frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among various taxation authorities and jurisdictions.

Often tax authorities claim additional taxes for transactions and accounting methods, for which they did not claim previously. As a result additional fines and penalties could arise.

Management believes that the Company has complied with all regulations and has completely settled its all tax liabilities.

As of 31 December 2013 there were no legal actions and complaints taken against the Company. Therefore, the Company has not made any respective provision related to such tax and legal matters.

14 Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively.

The ultimate controlling party of the Company is "AMUNDI" joint stock company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

In thousand Armenian drams		As of December 31, 2013
	Share-holders and parties related with them	**Key management personnel and parties related with them**
Statement of Financial Position		
Cash and cash equivalents	**788,720**	**-**
Other liabilities	**368**	**-**
Statement of profit and loss and other comprehensive income		
Interest income	**3,790**	**-**
Commission expense	**101**	**-**

During the period time deposits included in cash and cash equivalents bear interest rate of 7.8%.

15 Fair value of financial instruments

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

15.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which teach fair value measurement is categorised.

In thousand Armenian drams	As of 31 December 2013				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
FINANCIAL ASSETS					
Cash and cash equivalents	-	788,720	-	788,720	788,720
FINANCIAL LIABILITIES					
Other liabilities	-	368	-	368	368

Cash and cash equivalents

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

16 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Company performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As of December 31, 2013 the Company does not have financial assets and financial liabilities in the statement of financial position which are presented in net amount or will be offset due to presence of the master netting arrangements or similar agreements.

17 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

In thousand Armenian drams	As of December 31, 2013							
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and cash equivalents	788,720	-	-	788,720	-	-	-	788,720
Total	788,720	-	-	788,720	-	-	-	788,720
LIABILITIES								
Other liabilities	368	-	-	368	-	-	-	368
Total	368	-	-	368	-	-	-	368
Net position	788,352	-	-	788,352	-	-	-	788,352
Accumulated gap	788,352	788,352	788,352		788,352	788,352		

18 Risk management

Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risks.

18.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in investment activities that bring debt securities and other debt instruments into the Company's asset portfolio.

As of 31 December 2013 there are no impaired assets in the Company.

The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

18.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Company classifies exposures to market risk into either trading or non-trading portfolios. As of 31 December 2013 the Company had no trading portfolio. Non trading portfolio is managed and controlled through sensitivity analysis. As of 31 December 2013 The Company does not have significant concentrations of market risk.

18.2.1 Market risk – Non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As of 31 December 2013 the Company had no financial assets and liabilities in variable interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As of 31 December 2013 the Company had no financial assets and liabilities in foreign currency, therefore it is not exposed to currency risk.

18.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources. The Company maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

19 Capital adequacy

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The equity consists of share capital and accumulated loss.

The Central Bank of Armenia has set the minimal required total capital for mandatory pension fund managers at AMD 500,000 thousand.

20 Post balance sheet transactions

The purpose of the Law on Funded Pensions (the "Law") is the creation of possibility to receive in the pension age pension incomes in addition to state pension for persons having made funded pension contributions during working activities in the Republic of Armenia by ensuring average direct link between amount of pension contributions and pensions to be received, as well as providing the opportunity for person making contribution to affect the amount of funded pensions by selecting, in accordance with Law, the person who will manage cumulated funds and the management policy of such funds.

Funded component of Republic of Armenia's pension system shall be regulated by Republic of Armenia Constitution, Republic of Armenia Civil Code, Republic of Armenia international agreements, Law, regulations adopted on the bases of the mentioned above Law, other Laws and regulations. Provisions of other Laws shall apply to relations regulated by the Law to the extent they do not contradict to this Law.

According to the decision of the Constitutional Court of the Republic of Armenia dated April 2, 2014, certain articles of the Law on "Funded Pensions" were recognized unconstitutional and September 30, 2014 has been set as an expiration deadline for those articles by enabling the national Assembly of Armenia and the Government to ensure the compliance of RA Law on "Funded Pensions", other laws and other normative acts related to it with the requirements of this decision within their authority.

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