

ARM SWISS BANK

Private & Investment Banking

ANNUAL **2006**
REPORT

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ARM SWISS BANK

Private & Investment Banking



ANNUAL 2

REPORT

Our **vision** is to be a leading universal banking institution in Armenia combining the advantages of corporate, investment and private banking to generate superior results for our clients, partners and stakeholders.

Our **mission** is to contribute to our corporate and private clients' prosperity by providing them tailor-made high-quality solutions generally accepted in international banking practice and meeting their requirements.

Our business philosophy core **values** are:

Client Focus
Professionalism
Prudence
Partnership
Confidentiality
Integrity

*Private
Banking*

Highlights 2006

January	Installation of an electronic trading system in international markets and implementation of marginal operations with contracts for difference (CFD's) on indices and stocks Development of loan refinancing instrument (debt assignment)
February	Launching the Armenian version of the Bank's web site
March	Membership to Armenian Mortgage Market Participants Association. Investments in shares of foreign investment funds
April	Appointment of Client Relationship Management Commission
May	Membership to "American Chamber of Commerce in Armenia" Obtaining a status of Armenian government securities agent from the Central Bank and the Ministry of Finance and Economy of the Republic of Armenia
June	Appointment of Compliance Commission
July	Appointment of Financial Monitoring Commission
August	Implementation of foreign currency Forward and SWAP operations for the Clients
September	Launch of the second official web site of "ARMSWISSBANK" CJSC in REUTERS international information system (first- ARSJ, second-ARSI) Launch of international trade finance operations
October	Launch of the second web site address: www.armswissbank.com
November	Consulting Armenian corporations on issuing their corporate securities
December	Introduction of internal factoring service Investments in Armenian corporate securities

*Investment
Banking*

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MESSAGE OF THE CHAIRMAN OF THE BOARD

Dear Ladies and Gentlemen,

The second year of ARMSWISSBANK's activity is already over and I am pleased to state the fact that the Bank has achieved its main strategic objectives set for the year.

No doubt, there have been obstacles on our way, but the process of overcoming those obstacles has shaped us and made us even stronger, more persistent and resolute. Of course, it is not an easy task to sustain the pace and develop in the current competitive environment of Armenian banking sector, and in this context it is worth mentioning that we did not deviate from our mission and business philosophy. We continuously implement the elements of private banking business philosophy by developing and improving our corporate and investment banking products.

In 2006 the Bank did not set an objective to maximize its profit, and does not challenge it in 2007 either.

In the current stage of our development we emphasize the importance of focusing on long-term objectives, or, in other words, on being stable, reliable and establishing an institution which performs like a Swiss watch mechanism.



In the course of 2006 essential improvements took place in the corporate governance of the Bank, which have been stipulated not only by legal norms, but also by the Bank's determination to employ international best practice. The Bank's Board has been enriched by high profile professionals, which will enhance the efficiency of the corporate governance and internal control of the Bank.

The Bank's organizational structure has been changed in line with its activities and development stages enhancing the management level of the Bank and the efficiency of rendered services.

In 2007 the Bank is going to increase its share capital by one billion Armenian drams, which will further increase the reliability and financial capacity of the Bank, in addition, the Bank will initiate the appointment of a new executive body - the management board, in order to enhance the level of risk management and corporate governance.

The experience of the past years and the professionalism of the staff allow us to believe that the Bank will strengthen its positions in the Armenian banking sector, and will take leading positions in the strategic spheres of its development - investment banking and financial operations, as well as in pursuing the introduction of innovative banking services and technologies corresponding to international standards.

I extend my gratitude to the Bank's management and employees for their efforts, loyalty and achievements.

With respect and in anticipation of further cooperation.

Remaining sincerely yours,

Vartan Sirmakes

A handwritten signature in black ink, appearing to be 'V. Sirmakes', written in a cursive style.

Chairman of the Board

MESSAGE OF THE EXECUTIVE DIRECTOR



Dear Clients and Partners,

I consider it an honour to introduce to you the second annual report of "ARMSWISSBANK" CJSC. The year 2006 was a significantly productive year for the Bank. As in 2005, during this reporting year the Bank has concentrated its efforts on issues related to infrastructure, clarification and improvement of existing banking technologies, development and introduction of new services, establishment and reinforcement of partner relationships.

Significant efforts have been made towards satisfaction of client needs. The Bank implemented innovative activities introducing financial instruments and services that are widely used in international practice but considered relatively new in Armenia. Through a thorough study of market demand the Bank gave its clients an opportunity to mitigate foreign exchange risks by offering a set of foreign exchange risk management instruments - forwards and swaps. The Bank has also started offering factoring services for internal trade financing. Along with the introduction of new instruments, great importance was attached to the enhancement of risk management.

Particularly, risk assessment and management guidelines were developed, and foreign exchange operations' benchmarks were defined. Some technologies of banking services were revised during the year resulting in the development of more simplified and comprehensive mechanisms of providing those services to the clients. The undertaken activities entailed growth of clientele. The Bank will further continue its innovative activities by offering new instruments to the clients and improving service mechanisms.

During the year 2006 the Bank was also very proactive in carrying out considerable volumes of financial operations in the Armenian financial market. As a result the Bank was granted a status of the Agent in the Armenian Government securities primary market.

The Bank had an active participation in the initiatives aimed at the development of the securities market, widened and improved the instruments related to investment services. I would like to stress that agreements have been made with prospective clients for rendering investment services, and contracts have been signed for consultancy on the organization of corporate debt securities issues with two prominent Armenian companies.

The Bank has also reinforced its status of a partner in the Armenian financial market cooperating with the vast majority of Armenian financial-banking sector participants (including the implementation of new services). The scope of cooperation with international institutions has also been enlarged. The Bank has hired competent specialists; a number of measures have been taken to raise the level of employee professionalism.

In 2007 the Bank intends to obtain a license for conducting professional activity in the securities market, strengthen its role of financial intermediary in the Armenian financial market and, of course, intensify activities towards client attraction.

We would like to express our sincere appreciation to all Clients and Partners for their reliance and support to the Bank.

With the best wishes for mutually beneficial cooperation,

Gevorg Machanyan



Executive Director

CLIENT FOCUS

We are committed to building and developing stable,
long-lasting partnerships with our clients





MAIN DIRECTIONS OF THE BANK ACTIVITY

The year 2006 is the second year for "ARMSWISSBANK" CJSC's operation in the financial market. In the course of its activities the Bank has always remained loyal to the core values of its business philosophy: client focus, professionalism, prudence, partnership, confidentiality and integrity.

Withdrawing itself from retail service the Bank conducts its activity in three main directions, specializing in the provision of internationally accepted services of corporate, investment and private banking. Withdrawing itself from retail banking means that the Bank does not render services to persons lacking accounts with the Bank and concentrates its efforts on the maximum satisfaction of its clients' needs.

Corporate banking includes provision of a complete package of banking services designed for legal entities, including not only provision of traditional services (payment services, lending, deposit schemes and trade finance), attuned to individual needs, but also provision of non traditional services, such as alternative financing, derivative instruments, factoring, financial consulting, and other services. The mentioned package of services allows the clients to plan their financial activities more accurately, diversify market risks, mitigate the risks which have originated as a result of foreign currency exchange rate fluctuations and minimize the losses.

Investment banking includes a wide range of services related to investments in debt instruments and other securities both in the local and foreign markets: from the creation of individual securities portfolios, as well as collective investment schemes, to the rendering of asset management, brokerage and custody services and consulting on investment operations. The activities of the Bank in this direction will progress following the changes in the legislative environment regulating the securities market (expected in the nearest future), and after the Bank obtains required licenses (custody, brokerage, asset management).

Private banking is a complex system of providing "tailor-made" individual and composite high-quality solutions to the private client, directed to fostering long term relationship between the client and the financial institution. Private banking is not simply a high-quality service, but is considered to be a business philosophy aimed at meeting the individual requirements of clients. It is a philosophy expressed in treating the client's problems as your own and suggesting the most optimal solutions. The Bank successively implements the fundamental principles of private banking; and obtaining licenses of professional activities in securities market will promote their development in the Bank.

The main approaches and provisions on the establishment of relationships with clients are presented in the "Clients and Partners: the Cornerstone of Activity" section.

BANKING SERVICES

The services provided by the Bank can be divided into two main groups: traditional banking and investment banking.

TRADITIONAL BANKING

With the application of banking technologies typical to private and corporate banking, the Bank offers its clients universal banking services, ranging from lending and deposits to payment services and trade finance.

Payment services

Maintaining an account with ARMSWISSBANK is essential for making use of the services offered by the Bank. It allows the client to choose from numerous solutions, meeting their payment, investment and financing needs.

Proceeding from its Client Service policy and "Know Your Customer" rules, the Bank does not offer services to walk-in customers (individuals not having an account with the Bank).

Multicurrency accounts allow the Bank's clients to carry out payments and make use of investment instruments.

Payments in Armenian drams

A participant in the CBANet interbank electronic payments system ARMSWISSBANK executes domestic transfers in AMD in the least time-consuming and the most cost-effective way. Due to the Bank's strengthening role in the financial market and the widening of the range of operations, in 2006 the turnover of the correspondent accounts in AMD reached 150.5 billion AMD.

International payments

Membership to SWIFT international payments system and partnership relations with a number of prominent financial institutions, such as UBS AG, Raiffeisen Zentralbank Osterreich AG, Commerzbank AG, International Moscow Bank, Rietumu Banka, enables the execution of the international payments of the clients in an efficient way. The network of the correspondents banks of ARMSWISSBANK has enlarged by one more partner, namely Promsvyazbank CJSC. In conjunction with the provision of new services and increase of the number of clients the turnover of correspondent currency accounts has rapidly increased, amounting to 95.7 billion denominated in AMD.

Foreign currency transactions

Using the network of its correspondent banks ARMSWISSBANK offers competitive exchange rates to its clients in local and international markets, demonstrating individual approach and exchange efficiency. In order to mitigate the risks caused by the fluctuations of foreign currency exchange rates the Bank also offers its clients a set of instruments designed for foreign currency risk management, namely foreign currency forward and SWAP quoted both in AMD and major currencies (EUR, USD etc.).

Deposits

The Bank offers a deposit program with wide investment capabilities meeting the clients' requirements in the allocation of free resources, which guarantees stable return and allows choosing deposits as to the type of currency, maturity and frequency of interest payment. In particular, short-term deposits (starting from 7 days) are of interest to legal entities. Taking into consideration the interest of the clients towards the deposits offered by the Bank and in order to provide their accessibility, the Bank has reduced the minimum entry amount of deposit attraction to 2 million AMD or 5,000 USD for individuals and 5 million AMD or 10,000 USD for legal entities. In conjunction with the changes in the financial market the Bank reviews deposit rates, offering more competitive ones. ARMSWISSBANK is one of the rare banks in the Armenian market that pays competitive interest rates to its corporate clients on the balance of their demand accounts. The volume of AMD deposits has rapidly increased in 2006 amounting to 355.3 million AMD, while the amount of deposits in USD reached to an amount of 946.4 thousand USD and for EUR deposits - 24.2 thousand EUR.

Financing

For successful business in a rapidly growing business environment ARMSWISSBANK offers its clients a wide range of traditional and modern financing instruments which allow the clients of the Bank to meet their financial needs by choosing appropriate solutions.

Lending

ARMSWISSBANK gives preference to corporate clients having sound operating businesses and good reputation in the business world. The Bank is interested in cooperation with those clients who intend to become long-term partners as well as to cooperate with the Bank on other services. Attraction of individuals is also considered by the Bank within the scope of the mentioned policy.

The clients, having good history of cooperation with the Bank, are offered the following advantages based on the client's individual needs:

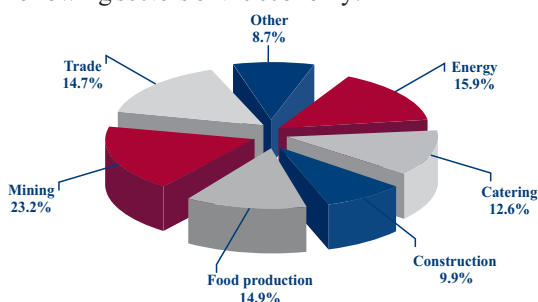
- ☐ Favorable conditions related to the terms and rates,
- ☐ Combination of different lending instruments,
- ☐ Attraction of investors for co-financing purposes.

In 2006 the Bank introduced two new lending instruments to its clients - factoring and loans against cash flow collateral, which has broadened the scope of lending instruments of the Bank. Interest in these instruments is due to their flexibility and accessibility. Moreover, in parallel with providing factoring services the Bank cooperated actively with "Bearing Point" company that was implementing the Business Law and Economic Regulation program of USAID. This cooperation is aimed at the inner regulation of factoring services and training of the staff.

The Bank has implemented quick lending activity against deposit collateral as well as realized the first attempt to refinance loans (debt assignment) which will be offered to clients henceforth.

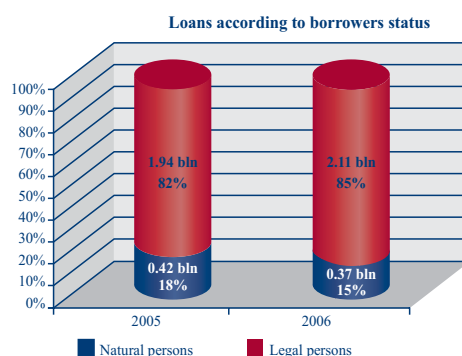
ARMSWISSBANK emphasizes cooperation with international financial organizations dealing with lending activities. In relation to this in 2006 the Bank participated in the Renewable Energy program envisaged by an agreement between KfW and the Central Bank of Armenia and was elected as a partner-bank. The implementation of the abovementioned project is planned to start in 2007.

Assigning great importance to the diversification of its loan portfolio, the Bank follows to the trends and developments in all sectors of the economy. During 2006 the Bank has financed companies operating in the following sectors of the economy:



Trade finance

ARMSWISSBANK offers international trade finance instruments (documentary letters of credit, collections, guarantees) to its clients, which are advantageous both for importers and exporters and allow them to reduce commercial risk and clarify payment processes. Moreover, owing to qualified personnel, comprehensive network of partner-banks and awareness of technologies, the Bank is a reliable intermediary in international trade activities. In 2006 ARMSWISSBANK started to provide not only domestic but also international trade finance services. In particular, performance and tender guarantees were provided.



INVESTMENT BANKING SERVICES

Activities in financial markets

Investment banking is one of the Bank's main strategic directions. That is why the Bank's activities from the very day of its creation have been directed at forming and developing this strategic course.

12 In 2006 the Bank continued to implement activities with the Armenian government securities in the internal financial market. During the year the Bank traded government securities in the secondary market for an amount of 26 billion AMD in nominal values, and the total volume of repo transactions amounted to more than 44 billion AMD. Simultaneously, the Bank remained an active participant in the primary market, buying government securities for an amount of 3 billion AMD in nominal values. As a result of that active participation in 2006 the Bank became the Government's Agent for internal state debt management.

During the year the Bank continued to trade at the Armenian Stock Exchange, as well as to participate in interbank non cash foreign exchange market, trading in world major currencies for a total amount of approximately 208 billion AMD. In 2006 the Bank offered to the clientele and partners foreign exchange risk management instruments - forwards and swaps, which the Bank quotes every day. The Bank has already implemented swaps for an amount of 4.9 billion AMD and forwards for an amount of 220 million AMD.

It is notable that ARMSWISSBANK is one of the rare banks in Armenia to quote Armenian dram against the world major currencies, foreign exchange forward and swap rates, as well as Armenian government securities in the Reuters international financial information system. Moreover, since January 2007, the quotations for the Armenian dram and world major currencies, foreign exchange forward, interbank deposit and repo rates, as well as for the Armenian government securities are available on the Bank's official page in the Bloomberg information system.

The Bank continues to invest in the securities issued by the Government and the Central Bank of Armenia, in corporate debt securities issued by the companies rated by the Central Bank of Armenia, in fixed income debt securities of developed countries, particularly the USA, European countries, Russian Federation, as well as in other government and corporate securities with "investment grade" international ratings within the range of the prudential standards set by the Central Bank of Armenia and risk level acceptable by the Board of the Bank.

The Bank operates actively both in the local interbank market by attracting and allocating short-term and mid-term deposits and in international money markets by placing deposits with foreign first-class banks. The total amount of last mentioned deposits during the reporting year amounted to 63 billion denominated in AMD.

In 2005 the Bank bought government bonds of the USA and Russian Federation. But because of the interest rates' fluctuations in international markets in 2006 the Bank was less active in speculative market. Instead the Bank managed its short-term and mid-term liquidity by its foreign securities portfolio, implementing reverse repo transactions with foreign counterparties, which is an additional instrument for making use of international markets and creating new opportunities. In 2006 the Bank also made investments in international investment funds' shares, as well as concluded contracts for difference (CFD's) on international indices and stocks for an amount of 5 billion AMD. The latter is not considered a long-term investment instrument for the Bank, but extends the investment instruments basket and is envisaged to be offered to the clients as a new investment opportunity.

Investment banking services

In 2006 the Bank formed a separate division with the mission of providing investment banking services in compliance with international standards and introducing new instruments in the Armenian financial market.

Since investment banking is one of the strategic directions of its development, the Bank welcomes any initiative aimed at the development of financial market and introduction of new financial instruments. Therefore the Bank was among the first to acquire corporate bills issued by "Shen Concern" CJSC and also the first in the financial market of Armenia to enter into a repo agreement with the Central Bank of Armenia on the abovementioned corporate bills.

Within the scope of already signed agreements, in 2007 ARMSWISSBANK will provide consulting services on issuing corporate debt securities to at least 2-3 leading Armenian companies who have been granted ratings from the Central Bank of Armenia.

Since 2006 the Bank has implemented preliminary actions for obtaining licenses for professional activity in the securities market (custody, brokerage and asset management), and regulating those activities. However the Bank could not obtain the above mentioned licenses in 2006 due to the delay of the earlier anticipated changes in the legal environment. The Bank foresees that licensing process will be completed by the first half of 2007.

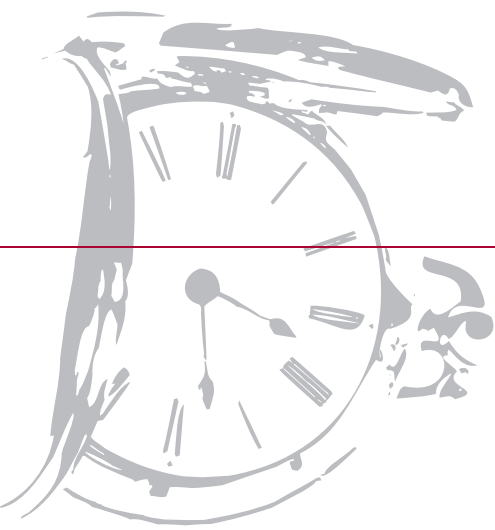
The Bank actively participated in legislation improvement initiatives in the fields of securities market and financial intermediation in Armenia through close cooperation with the Central Bank of Armenia and different international organisations (OMX, FSDP, World Bank) introducing its suggestions and opinions during organized discussions.

The financial information related to the Bank's investment activity is presented in the "Financial statements and independent auditor's report".

PROFESSIONALISM

Our team of professionals continuously enhances professionalism sharing knowledge and expertise to ensure outstanding performance





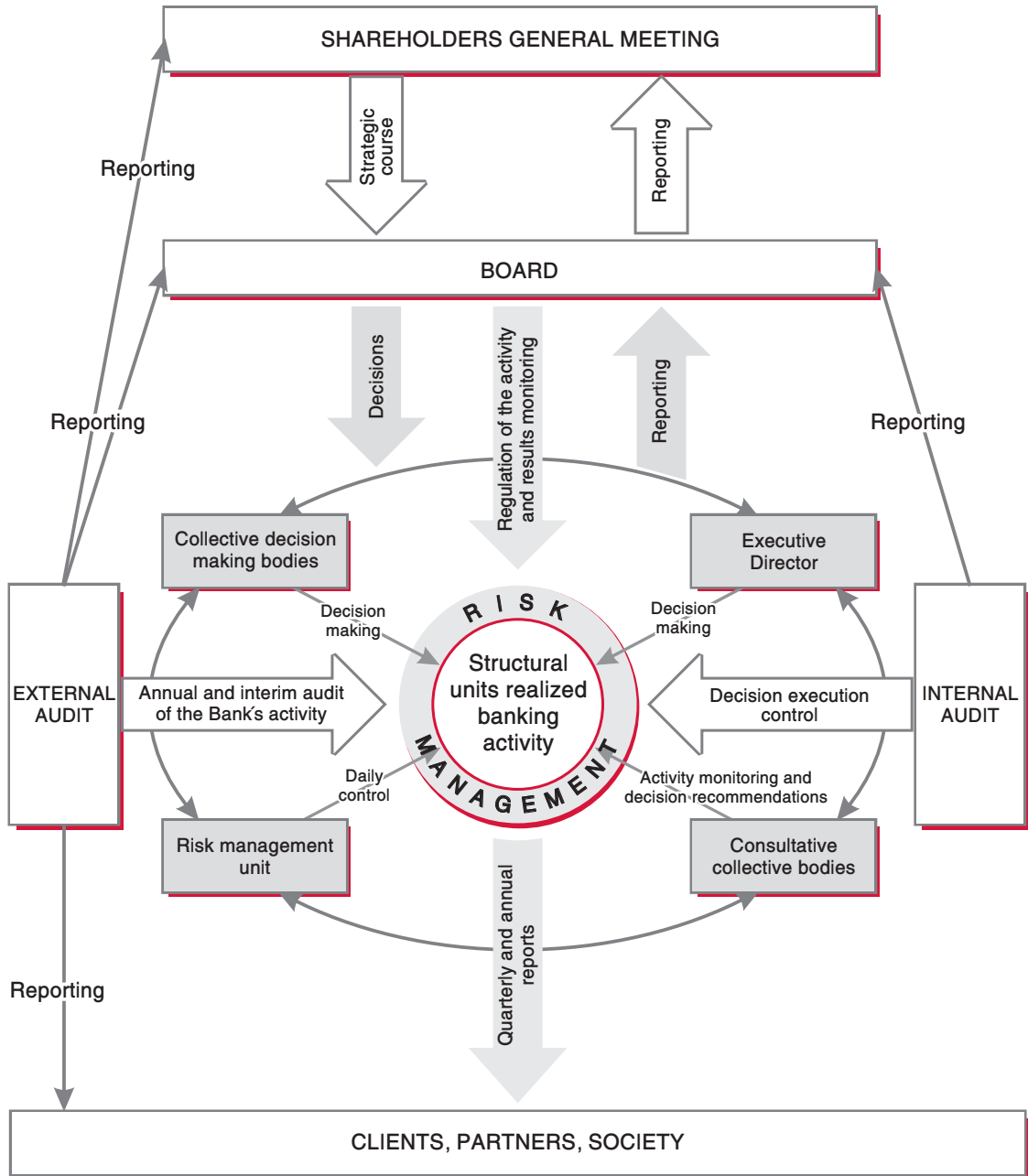
CORPORATE GOVERNANCE

From the moment of the Bank's foundation, the Shareholder and the Board have emphasized the importance of a corporate governance system in the Bank. The Bank has built up its corporate governance system on the generally accepted principles of "checks and balances", which is expressed with the application of the following provisions:

- ☐ *Clear segregation of authorities and responsibilities.* All the employees, managers and committees of the Bank have internal regulative documents which define their authorities and responsibilities (job descriptions).
- ☐ *Efficient cooperation between Shareholder, Board, Executive Management, Internal and External Auditors, stated in "Corporate Code of Conduct".* The recommendations made by the internal and external auditors of the Bank are thoroughly discussed to improve the management system.
- ☐ *Existence of a reliable internal control system, which ensures continuous monitoring of the risks.* The internal control system of the Bank consists of two levels: self-control and supervision. Each structural unit and employee, based on the assigned authorities and responsibilities, independently controls the accuracy of the performed operations. Supervision over the accuracy of the functions and correspondence to the regulating documents is exercised by the internal audit and risk management units of the Bank. Risk management unit exercises daily monitoring of risk bearing operations. At the same time, according to the annual audit plan approved by the Board, the internal audit unit examines various spheres of the Bank's activities. The internal control system efficiency is ensured by the existence of clear segregation and documentation of the authorities and responsibilities among the units, as well as by the application of reconciliation procedures.
- ☐ *Collective nature of decision making in the most risk bearing spheres.* The following decision making and consultative bodies operate in the Bank: Asset and Liabilities Management Committee, Credit Committee, Investment Committee, Financial Monitoring Commission, Compliance Commission, Client Relationship Management Commission and Budget Commission.
- ☐ *"Four eyes" principle application to the execution of transactions and risk bearing operations.* At least two employees participate in banking operations (for above average risk bearing operations their number can reach even three). The above mentioned procedure is stated in the appropriate internal regulative documents.
- ☐ *Availability of reliable reporting and information systems.* There is a reporting system at the Bank, aimed at providing the interested and authorized parties with comprehensive information to manage and mitigate risks, make decisions and exercise control.
- ☐ *Preserving corporate conduct values.* The Bank developed a "Corporate Code of Conduct" approved by the Board, which defines the values guiding the Bank in its relationship with the clients, partners, state authorities and employees.
- ☐ *Availability of a clearly formulated strategic program.* The Board approves the Bank's strategic program for each year which defines short-term and long-term objectives, benchmark financial indicators, expenses, revenues and related actions.

There were essential improvements in the Bank's corporate governance system in 2006, which were conditioned not only by changes of legislative requirements but also by the urge of the Bank to introduce and apply international best practice. The Board was amplified with three experienced specialists from financial and business management sphere both from the Republic of Armenia and Switzerland who will strengthen and improve the Bank's corporate governance and internal control.

The Bank's corporate governance system can be depicted as follows:



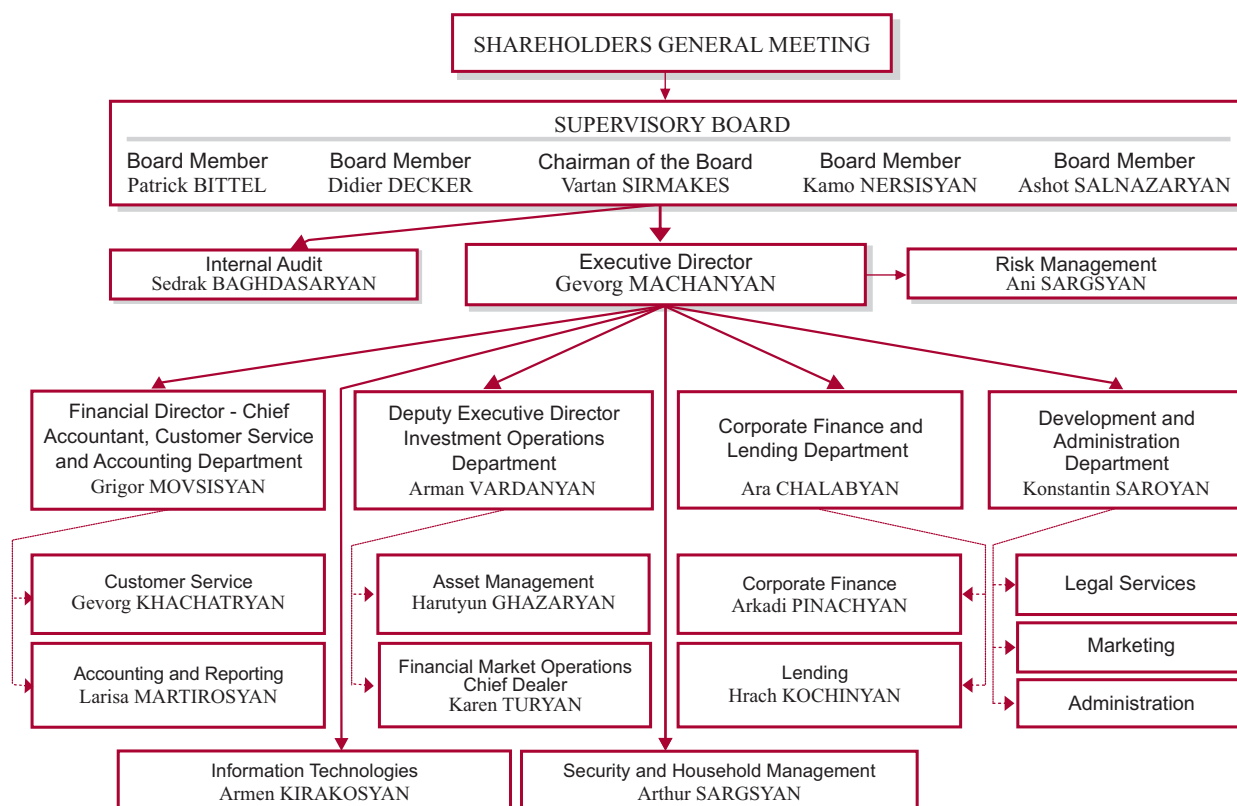
HUMAN RESOURCES MANAGEMENT

During 2006 the Bank has recruited both experienced personnel and young specialists (17 new employees), who have been actively involved in the Bank's activities and projects. The key personnel has extensive working experience in the financial and banking system of Armenia. All employees of the Bank have higher education, six of them have PhD degree and the majority speaks foreign languages. The Bank's staff excels not only in its experience, but also in rich professional knowledge and personal integrity. The employees' average age is 29 years old. Trainings are given a priority: in the course of the year the employees participated in courses and seminars both at the Bank (25 seminars) and outside the Bank (23 employees). One employee of the Bank has become an ACCA (the Association of Chartered Certified Accountants) member.

The Bank's HR Management Policy clearly sets out the following procedures: staff recruitment, training, remuneration and reward, promotion, and discussion and assessment of each employee's work individually.

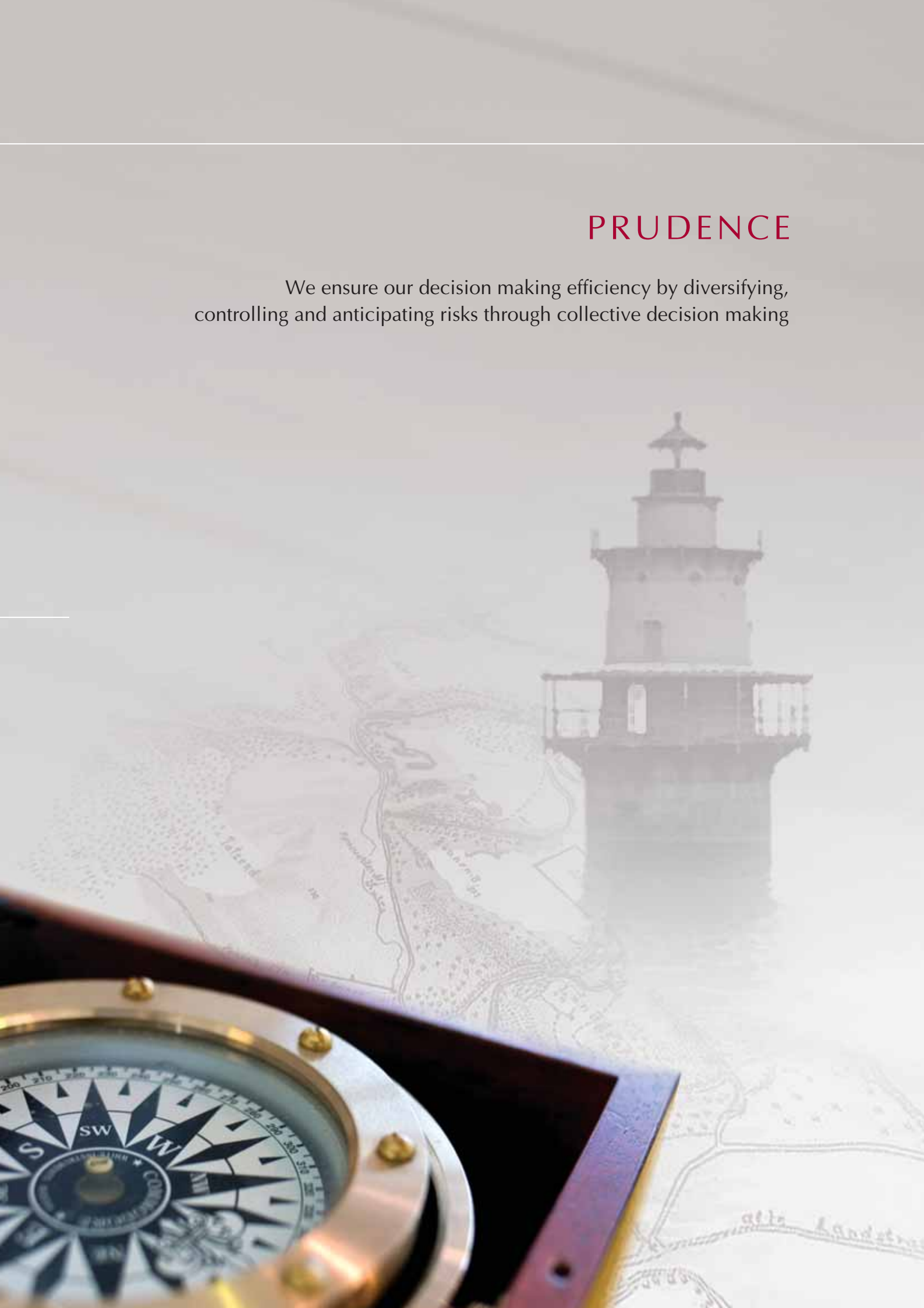
The Bank's organizational structure has been changed in line with its activities and development stages. New units and two new departments have been formed: Development and Administration and Corporate Finance and Lending. This has enhanced the management level of the Bank and the productivity of services rendered by the Bank.

The organizational structure of the Bank:



PRUDENCE

We ensure our decision making efficiency by diversifying, controlling and anticipating risks through collective decision making





RISK MANAGEMENT

The Management of the Bank assigns great importance to the risk management and its ongoing efficient provision. The Board and the CEO as well as each employee of the Bank are involved in the risk management process. Risk analysis is an inseparable part of the Bank's strategic planning and evaluation of investment plans.

The Bank has a **Risk Management Division**, which is independent from units executing transactions and exercises daily control over the Bank's financial operations, examining risk bearing transactions and monitoring the internal normative environment of the Bank.

An effective system of credit, market, liquidity and operational risk management is developed and implemented in the Bank based on contemporary methods and technologies of risk assessment and mitigation. The Risk Management Division amends and reviews the existing guidelines of investment benchmarks and investment limits according to the situation prevailing in the financial markets. Methodological guidelines for credit risk assessment as well as for defining benchmarks for forex operations are used in the Bank, which intend to differentiate and develop quantitative assessments to the factors affecting the client's credit risk.

The **Internal Audit Division** controls the compliance of the Bank activities with the internal policies, procedures and regulations adopted by the Board and the Executive body as well as to identify risks via investigation.

The Board. The Board sets up the standards, limits and guidelines for lending and investment activities, borrower and partner selection criteria, pledge requirements, asset allocation directions in order to mitigate the credit and market risks of the Bank. The Bank operates according to the requirements set by the Board.

Collegial bodies. The mission of the **Assets and Liabilities Management Committee** is to manage the liquidity risk. Besides the standards and limitations defined by the Board of the Bank and the Central Bank of the Republic of Armenia, the committee sets stricter standards, which are mostly of a preventive nature. In addition, the Assets and Liabilities Management Committee periodically monitors the implementation of the Bank's strategy. In accordance with the Credit Policy approved by the Board, the **Credit Committee** efficiently manages the credit risk by making decisions on granting credits within the scope of its authorities. The assessment of risks associated with the Bank's activities in the financial markets and development of appropriate investment solutions are within the competence of the **Investment Committee**. **Budget Commission** at the Bank approves the considerable acquisitions of the Bank and manages administrative expenditures.

In order to enhance the efficiency of the Bank management the **Financial Monitoring, Compliance and Client Relationship Management Commissions** were established in 2006 with the express aim of improving the procedures of organizing, regulating and controlling internal activities. The mission of the Financial Monitoring Commission is to identify and prevent suspicious transactions and implement anti-money laundering activities. The Compliance Commission must restrict legal risks and make it possible to quickly respond to the changes in the legislation and other legal acts. The decisions of these bodies are available and transparent for respective employees and allow them to be guided by the Bank's policy while executing their obligations.

Executive Director. The Executive Director is in charge of managing the overall risks of the Bank, heading the collegial bodies, creating working groups if required, organizing discussions and making decisions on the current activity of the Bank within the scope of his authorities.

Functional units. Each structural unit and employee of the Bank strictly follows the internal acts, which regulate all aspects of the Bank's activity. In order to mitigate operational risks, all operations in the Bank are executed with participation of at least two employees ("four eyes" principle). There are internal regulative documents clearly segregating the authorities and responsibilities of the staff, as well as a "cross-checking" reporting system.



PARTNERSHIP

We value sustainable and mutual cooperation with clients and partners to achieve win-win results

CLIENTS AND PARTNERS: THE CORNERSTONE OF ACTIVITY

The Bank appreciates long-lasting cooperation with its clients and partners and builds its relations on mutually beneficial principles.

The relations of the Bank with its clients and partners are built on the principles of legality, bona fides, honesty, mutual trust and respect, priority of client's interest and inviolability of liabilities.

In the field of customer care the Bank is guided with the Armenian legislation, the Charter of the Bank, the internal acts and Customer Service Policy, as well as the private banking philosophy, which is based on the following fundamental principles generally accepted and exercised in international banking practice:

- ☐ Guarantee of the confidentiality of the client related information;
- ☐ High-quality service;
- ☐ Providing clients with personalized, "tailor made" services, that meet client's individual needs;
- ☐ Application of a risk based asset management approach to ensure sustainable profitability of client assets via diversification of investments.

The Bank's business philosophy, Customer Service Policy and "Know Your Customer" rules imply that the Bank does not provide mass services typical to retail banks, nor does it provide services to persons lacking accounts with the Bank. The Bank strives to establish relations with the clients and partners meeting the following criteria:

- ☐ Corporate clients, who have stable medium and large-scale businesses;
- ☐ Banks and non-bank financial intermediaries;
- ☐ High-net-worth individuals who seek efficient wealth management or wish to invest in various financial instruments.

Each employee of the Bank realizes and accepts the mission of the Bank and in his/her relations with clients and partners preserves the following provisions of the Bank's "Code of Corporate Conduct":

- ☐ The Bank's employees do their best to minimize possible risks for the clients and partners;
- ☐ The Bank's employees carefully study the given assignments and give timely responses to the comments addressed to the Bank;
- ☐ The Bank's employees do not disclose information related to clients and partners, their transactions, accounts and investments, as well as other data unless disclosure of such information is foreseen by the Armenian legislation;
- ☐ The Bank's employees have no right to conduct research and provide clients or partners with any recommendations on behalf of the Bank, unless it is related to their job responsibilities.

Since the Bank is not engaged in retail banking, its marketing policy is not directed to mass advertising; instead it considers individual and effective interaction with the target groups of potential customers, applying the technologies of "Direct Marketing". In addition, the Bank actively cooperates with financial intermediaries, participates in all major discussions, conferences and seminars.

The Client Relationship Management Commission was established in the Bank in 2006 with a main objective of making the relationships with the clients more efficient, mutually beneficial and predictable, permanently improving service quality. The values adopted by the Bank are applied in practice and provide the clients with desired outcomes.

CONFIDENTIALITY

Governed in compliance with the legislation of the Republic of Armenia, and fully respecting the privacy of our clients in the best tradition of private banking, we preserve client information confidentiality



INFORMATION TECHNOLOGIES

From the moment of its conception "ARMSWISSBANK" CJSC has assigned great importance to the sound technical support and information systems, joining local and international payment and information systems (BankMail, CBANet, SWIFT, Bloomberg and Reuters). Presently the Bank continues to cooperate with companies providing the above-mentioned financial information systems in conjunction with the steps undertaken for the further development of the Bank.

A number of information systems were launched and operated in 2006, which enable providing new payment services as well as ensure the secure and continuous operation of every system within the Bank. Information preservation systems have been developed to totally restore the required information and make the preservation process controllable. Cooperation with two independent internet providers ensures uninterrupted internet provision for the international information systems (Bloomberg, Reuters). The information obtained via the above mentioned systems is promptly reflected on the "International Financial Markets" page of the Bank's official website.

Activities have been undertaken towards the improvement of online banking services, which allow the Bank's clients to receive information on their account balance, executed transactions, as well as implement money transfer and foreign exchange transactions any time and from any place. The PrivateLink software package for online banking services was developed on the basis of the enhanced version of the Bank-Client system used earlier.

The Bank's international website address (www.armswissbank.com) was registered and exercised. A system of updating the pages of the website containing periodic information was introduced to ensure the information published on the website is always accurate and up to date. This system is used by the respective units of the Bank adhering to the "four eyes" principle and is controlled by the Information Technologies Division.

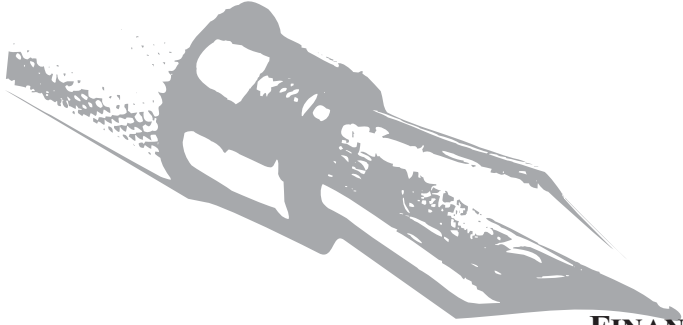
The above mentioned steps are aimed at ensuring that the Bank's Information Technology infrastructure is in compliance with international "COBIT" standards, which contribute to the balancing of Information Technology risks and investments.

The employees of the Information Technologies Division have participated in training courses. Additionally seminars have been periodically organized to enhance the knowledge of the staff about Information Technologies and to provide secure and efficient application of information resources.

INTEGRITY

We preserve our reputation by strongly valuing trustworthiness and ethics in our corporate conduct





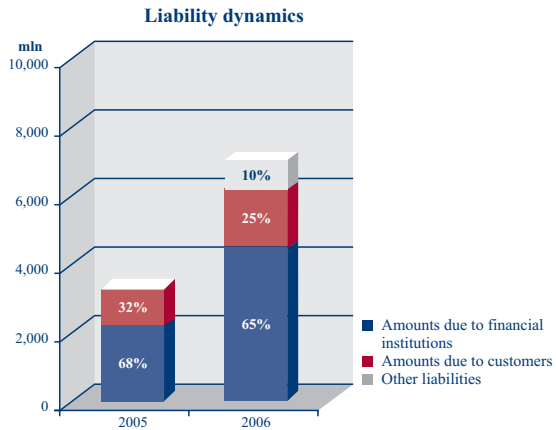
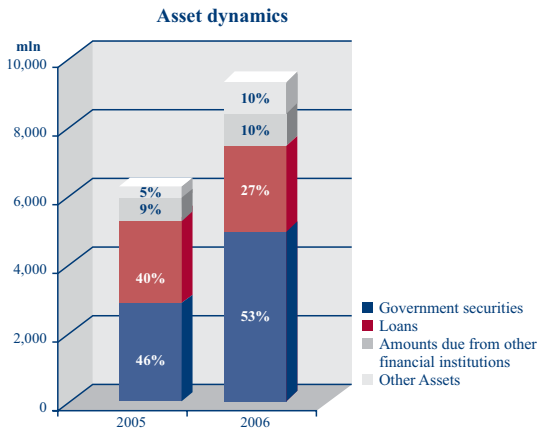
FINANCIAL PERFORMANCE

In 2006, the financial indicators of "ARMSWISSBANK" CJSC may be considered as constantly rising which is demonstrated in the overview of the Bank's financial results.

In 2006 the total capital of the Bank amounted to 3.058 billion AMD. It's worth mentioning that the Bank plans to increase the statutory capital by 1 billion AMD in 2007, which in turn will increase the reliability and financial capacity of the Bank.

The Bank's assets reached 9.4 billion AMD, an increase of 61% (3.6 billion AMD) compared with the previous year. This is mainly explained by increase of investments in Government securities by 2.3 billion AMD amounting to 5 billion AMD. During the year the Bank's asset structure was changed. The share of investments in government securities increased by 7%, while the share of loans declined by 14%. Loans provided to individuals increased by 9.8% compared with 2005, amounting to 467.5 million AMD, and loans to legal entities increased by 9.3% amounting to 2.11 billion AMD.

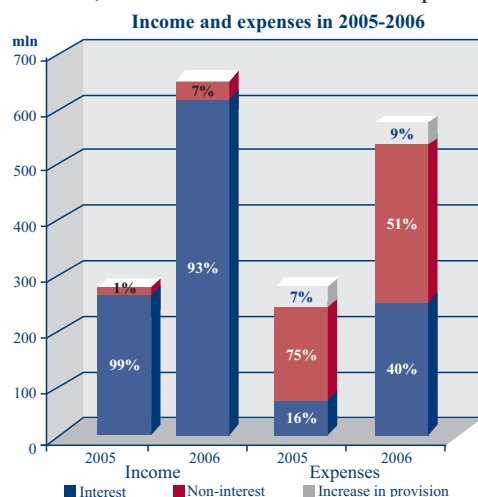
During 2006 the liabilities of the Bank exceeded the indicator of the previous reporting period by more than twice (by 3.5 billion AMD) amounting to 6.4 billion AMD. In particular, the funds attracted from individuals increased by 57%, and those of legal entities - by more than 3 times.



During 2005 the Bank was underway to its formation therefore its main objective was the development of respective infrastructures and not the implementation of large-scale banking activities and profit maximization, so a negative net loss of 11 million AMD was recorded, and the accumulated loss composed 21.5 million AMD as of December 31, 2005. However, during 2006 the Bank made a profit of 66.7 million AMD. As a result the accumulated (retained) profit in 2006 reached 45.2 million AMD.

Interest and non-interest income contributed to the growth of the profit by 367.1 and 42 million AMD respectively. Interest income from loans and government securities increased by 226 and 109 million AMD respectively and formed 91.3% of the interest income earned.

A considerable increase of 189.6 million AMD was recorded in interest expenses as a result of increase of attracted funds. Non-interest expenses increased by 44% reflecting mainly the increase in salary and other related payments as a result of new job openings as well as accumulated depreciation costs. Overall share of above mentioned composed 63% of non-interest expenses.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "ARMSWISSBANK" CJSC

Report on the financial statements

We have audited the accompanying financial statements of "ARMSWISSBANK" CJSC (the Bank), which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Bank'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 "ARMSWISSBANK" CJSC as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Yerevan

13 March 2007



Auditors and Chartered Accountants, registered at the State Register of Armenia, Certificate # 035877
Enterprise and Banking Audit Licenses # 021, 022 issued by the Ministry of Finance and Economy of Armenia

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INCOME STATEMENT

In thousand Armenian drams	Notes	Year ended December 31, 2006 (audited)	Year ended December 31, 2005 (audited)
Interest income	6	625,864	258,802
Interest expense	6	(234,285)	(44,686)
Net interest income		391,579	214,116
Impairment of interest bearing assets		(56,203)	(25,838)
Net interest income after impairment of interest bearing assets	11	335,376	188,278
Net trading loss		(4,958)	-
Gains less losses from trading in foreign currencies	7	20,209	4,897
Gains less losses from foreign exchange translation		5,344	(6,496)
Fee and commission income		14,007	2,141
Fee and commission expense	8	(6,217)	(4,396)
Gains less losses on investments available for sale	8	17,157	7,476
Dividend received		59	-
Other income		102	71
(Impairment) reversals of other assets	9	86	(86)
Other expenses	11	(296,929)	(206,253)
Profit/(loss) before income tax	10	84,236	(14,368)
Income tax (expense)/benefit		(17,512)	3,329
Profit/(loss) for the year	12	66,724	(11,039)

The accompanying notes on pages 31 to 56 are an integral part of these financial statements.

BALANCE SHEET

In thousand Armenian drams	Notes	Year ended December 31, 2006 (audited)	Year ended December 31, 2005 (audited)
ASSETS			
Cash and balances with CBA	13	684,244	330,100
Amounts due from other financial institutions	14	1,063,395	403,078
Loans and advances to customers	15	2,572,866	2,351,717
Investments available for sale	16	1,691,984	2,404,198
Investments held to maturity	16	18,374	-
Securities pledged under repurchase agreements		3,288,538	255,060
Property, plant and equipment	17	63,783	47,101
Intangible assets	18	25,432	27,436
Deferred income tax assets	12	-	3,227
Other assets	19	9,182	10,175
TOTAL ASSETS		9,417,798	5,832,092
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to financial institutions	20	4,142,293	1,932,376
Amounts due to customers	21	1,604,721	911,911
Trading liabilities	22	590,054	-
Current income tax liabilities		10,853	-
Deferred income tax liabilities	12	1,407	-
Other liabilities and provisions	23	10,366	8,914
Total liabilities		6,359,694	2,853,201
Equity			
Share capital	24	3,000,000	3,000,000
Other reserves		12,898	409
Retained earnings/ (Accumulated losses)		45,206	(21,518)
Total equity		3,058,104	2,978,891
TOTAL LIABILITIES AND EQUITY		9,417,798	5,832,092

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The financial statements from pages 27 to 56 were approved by the management of the Bank on March 13, 2007 and signed by the Bank's Executive Director and Chief Accountant. The accompanying notes on pages 31 to 56 are an integral part of these financial statements.

G. MACHANYAN

Executive Director

G. MOVSISYAN

Chief accountant

STATEMENT OF CHANGES IN EQUITY

In thousand Armenian drams	Share capital	Revaluation reserve of investments available for sale	Accumulated profit/(loss)	Total
Balance as of January 1, 2005 (audited)	120,000	-	(10,479)	109,521
Increase in share capital	2,880,000	-	-	2,880,000
Profit for the year	-	-	(11,039)	(11,039)
Net gains from changes in fair value	-	511	-	511
Effect of deferred taxes	-	(102)	-	(102)
Balance as of December 31, 2005 (audited)	3,000,000	409	(21,518)	2,978,891
Profit for the year	-	-	66,724	66,724
Net gains from changes in fair value	-	45,702	-	45,702
Net losses transferred to net profit on disposal of available-for-sale instruments	-	(30,091)	-	(30,091)
Effect of deferred taxes	-	(3,122)	-	(3,122)
Balance as of December 31, 2006 (audited)	3,000,000	12,898	45,206	3,058,104

STATEMENT OF CASH FLOWS

In thousand Armenian drams	Year ended December 31, 2006 (audited)	Year ended December 31, 2005 (audited)
Cash flows from operating activities		
Interest received	602,211	229,406
Interest paid	(224,627)	(32,670)
Fees and commissions received	14,007	2,141
Fees and commissions paid	(6,217)	(4,396)
Gains less losses from trading securities	(4,958)	-
Realised gains less losses from dealing in foreign currencies	20,209	4,897
Recovery of loans written off previously	17,259	71
Salaries and benefits paid	(160,159)	(100,861)
Other operating expenses paid	(116,020)	(82,068)
Cash flows from operating activities before changes in operating assets and liabilities	141,705	16,520
Net (increase)/decrease in operating assets		
Securities available for sale	(2,285,917)	(2,631,402)
Amounts due from other financial institutions	(553,122)	(315,445)
Loans and advances to customers	(278,406)	(2,359,208)
Other assets	485	(2,926)
Increase/(decrease) in operating liabilities		
Amounts due to financial institutions	(305,631)	814,881
Amounts due to customers	782,411	911,787
Other liabilities	1,024	-
Net cash flow used in operating activities before income tax	(2,497,451)	(3,565,793)
Income tax paid	(3,976)	(1,171)
Net cash used in operating activities	(2,501,427)	(3,566,964)
Cash flows from investing activities		
Purchase of investment securities	(18,355)	-
Dividends received	59	-
Purchase of property and equipment	(33,938)	(17,294)
Proceeds from sale of property and equipment	23	-
Purchase of intangible assets	(1,681)	(28,575)
Net cash used in investing activities	(53,892)	(45,869)
Cash flow from financing activities		
Issue of share capital	-	2,880,000
Loans received/(redeemed) from financial institutions	3,006,343	1,109,381
Net cash flow from financing activities	3,006,343	3,989,381
Effect of exchange rate changes on cash and cash equivalents	5,344	(6,496)
Net increase/(decrease) in cash and cash equivalents	456,368	370,052
Cash and cash equivalents at the beginning of the year	419,662	49,610
Cash and cash equivalents at the end of the year (Note 13)	876,030	419,662

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

1. Principal activities

"ARMSWISSBANK" CJSC ("the Bank") was formed in 2004 as a Closed Joint Stock Company under the laws of Republic of Armenia ("RA"). The Bank was registered on October 7, 2004 under the license N84 granted by the Central Bank of Armenia ("CBA").

The Bank provides corporate, investment and private banking services, particularly: investments in financial instruments, attracting deposits from individuals and legal entities, financing (crediting and factoring) and other banking services.

The Bank's main office is in Yerevan. The Bank's registered legal address is Yerevan, 13/2 Khanjyan str., Republic of Armenia, 0010.

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 exist in a more mature free market economy. Consequently, operations carried out in Armenia involve certain risks that are not typically associated with those in developed countries.

These risks and their consequences could affect the Bank's performance in the future. The accompanying financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Bank's financial statements in the period when they become known and estimable.

In addition, economic conditions continue to limit the volume of activities in the financial markets. Market quotations in illiquid markets may not be reflective of the values for financial instruments, which are determined in an efficient, active market involving many buyers and sellers.

3. Reporting basis

3.1. Compliance

The present financial statements are 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").

3.2. Measurement basis

The financial statements have been prepared on a fair value basis for financial assets and liabilities as well as for assets available for sale, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities as well as non-financial assets and liabilities are stated at depreciated or historical value.

3.3. Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and the Bank's presentation currency is the Armenian Dram ("AMD"), since this currency reflects best the economic essence of the underlying events and transactions of the Bank. The Bank prepares statements for regulatory purposes in accordance with legislative requirements and Accounting Standards of the Republic of Armenia. These financial statements are based on the Bank's book entries which have been adjusted and reclassified in order to comply with IFRS. The financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

3.4. Reclassifications

Where necessary, comparative figures have been adjusted to ensure comparability with the current year.

3.5. New standards and interpretations

In 2006 the following interpretations and amendments applicable to the Bank became effective:

- ☐ Amendment to IAS 39 regarding the financial guarantee contracts (effective from January 1, 2006),
- ☐ Amendment to IAS 39 regarding the fair value option (effective from January 1, 2006),
- ☐ The effect of these changes on the financial statements of the Bank is not significant.

At the authorization date of these financial statements, the following Standards and Interpretations applicable to the Bank were published but not yet effective:

- ☐ IFRS 7 *Financial Instruments: Disclosures* (effective from January 1, 2007),
- ☐ Amendment to IAS 1 *Amendments to Capital Disclosures* (effective from January 1, 2007).

3.6. Reconciliation of equity and annual profit under Accounting Standards of the Republic of Armenia and IFRS

Reconciliation of equity and annual profit under Accounting Standards of the Republic of Armenia and IFRS is presented below:

In thousand Armenian drams	2006		2005	
	Equity	Profit for the year	Equity	Loss for the year
Armenian Accounting Legislation	3,055,369	64,571	2,978,309	(11,621)
Opening balance adjustment	-	(582)	-	-
Decrease in allowance for impairment losses on off balance sheet items	954	227	727	727
Decrease in allowance for impairment losses on amounts from other financial institutions	2,082	2,082	-	-
Decrease in allowance for impairment losses on other assets	201	201	-	-
Deferred tax	(502)	(357)	(145)	(145)
International Financial Reporting Standards	3,058,104	66,724	2,978,891	(11,039)

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 applied consistently.

4.1. Recognition of income and expenses

Interest income and expense are recognised on an accrual basis calculated by using the effective interest method. Interest income also includes income earned on investment securities. Loan origination fees and expenses are rescheduled adjusting the effective interest rate of the given loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio as well as other management and advisory service fees are recognized based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

4.2. Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of income as gains less losses from foreign exchange translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	December 31, 2006	December 31, 2005
AMD/1 US Dollar	363.5	450.19
AMD/1 Euro	478.73	532.35

4.3. Taxation

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

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 realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

4.4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia, and amounts due from other banks, which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost.

4.5. Amounts due from other financial institutions

In the normal course of business, the Bank maintains current and deposit accounts for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

4.6. Derivative financial assets

In the normal course of business, the Bank enters into various derivative instrument transactions including futures, forwards, swaps, options and other derivative instruments. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of income as gains less losses from trading securities or gains less losses from foreign currency dealing, depending on the nature of the instrument.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

4.7. Financial instruments

The Bank 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.

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

The Bank classified its financial assets into the following categories: loans and receivables, financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity investments. The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired for the purpose of selling in the short-term or if so designated by management from the initial acquisition of that asset.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the statement of income.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

Loans and receivables

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

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

Available-for-sale financial instruments

Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

4.8. Allowance for impairment of financial assets

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

Assets carried at amortised cost

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). 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.

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.

The Bank 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of allowance for loan impairment in the income statement.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement on income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of income. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

4.9. 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank's continuing involvement is the amount of the transferred asset that the Bank 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 Bank'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 income.

4.10. Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified and faced the balance sheet as securities pledged under sale and repurchase agreements.

The corresponding liability is presented within amounts due to financial institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities borrowed are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of income as gains less losses from trading securities. The obligation to return them is recorded at fair value as a trading liability.

4.11. Leases

Operating - Bank as lessee

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.

4.12. 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:

	Useful life (years)	Rate (%)
Computers	4	25
Vehicles	5	20
Office equipment	5	20
Other fixed assets	3-5	33.33-20

Repair and maintenance expenses are recognized as costs in the income statement during the period in which they incur. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. 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.

4.13. Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives during 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

4.14. Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the amortisation process.

4.15. Pensions

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Armenia, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

4.16. Financial commitments and contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

In the normal course of business, the Bank enters into credit related commitments, including commitment to extend credit, letters of credit and guarantees. Specific provisions are recorded against credit related commitments when losses are considered more likely than not.

4.17. Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both 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 Bank or its subsidiaries purchases the Bank'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.

4.18. Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance 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.

4.19. Fiduciary activities

The Bank provides trustee services to its customers. Also the Bank provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

Commissions received from fiduciary activities are shown in fee and commission income.

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 those financial statements are presented below:

Classification of investment securities

Securities owned by the Bank comprise Armenian state and corporate bonds, securities issued by the Central Bank of Armenia and corporate shares. Upon initial recognition, the Bank designates securities as financial assets with recognition of changes in fair value through profit or loss, held to maturity financial assets or available-for-sale financial assets recognition of changes in fair value through equity.

Related party transactions

In the normal course of business the Bank 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.

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Tax legislation

Armenian tax legislation is subject to varying interpretations. Refer to Note 25.

Impairment of available-for-sale equity investments

The Bank determined that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged required judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows.

6. Interest income and expense

In thousand Armenian drams	2006	2005
Loans and advances to customers	360,659	134,874
Debt investment securities available-for-sale	213,318	104,040
Amounts due from financial institutions	21,029	12,356
Reverse repurchase transactions	30,858	7,532
Total interest income	625,864	258,802

In thousand Armenian drams	2006	2005
Amounts due to customers	104,812	5,853
Amounts due to financial institutions	77,397	28,324
Repurchase transactions	52,076	10,509
Total interest expense	234,285	44,686

7. Net trading loss

In thousand Armenian drams	2006	2005
Gains less losses arising on adjustment of fair value of trading assets	(6,481)	-
Gains less losses from sale of trading assets	1,523	-
Total loss from trading securities	(4,958)	-

Gains less losses from adjustment of fair value of trading assets amounting to AMD 6,481 thousand have comprised as a result of adjustment of fair value of derivative instruments. Liability arising from the adjustment of fair value of derivative instrument has been offset with the guarantee amount kept for the given transactions in financial organizations.

8. Fee and commission income and expenses

In thousand Armenian drams	2006	2005
Cash collection	4,182	2,141
Wire transfer fees	4,776	-
Guarantees	2,996	-
Other fees and commissions	2,053	-
Total fee and commission income	14,007	2,141

In thousand Armenian drams	2006	2005
Wire transfer fees	5,882	4,343
Cash operations	259	-
Other expenses	76	53
Total fee and commission expense	6,217	4,396

9. Other income

In thousand Armenian drams	2006	2005
Fines and penalties received	2	68
Other income	100	3
Total other income	102	71

10. Other expenses

In thousand Armenian drams	2006	2005
Staff costs	147,310	103,238
Social security contributions	14,301	8,815
Depreciation and amortization	20,345	12,132
Fixed assets maintenance	5,747	2,840
Advertising costs	1,590	525
Business trip expenses	5,675	5,322
Communications	32,108	15,867
Operating lease	28,620	20,363
Taxes, other than income tax, duties	12,372	6,529
Consulting and other services	4,002	8,267
Security	4,525	681
Loss on disposal of PPE	21	-
Representative expenses	8,930	3,289
Office supplies	2,280	1,020
Penalties paid	2,641	-
Other expenses	6,462	17,365
Total other expense	296,929	206,253

11. Allowances for impairment and other provisions

The movement in allowance for impairment losses on interest bearing assets were as follows:

In thousand Armenian drams	Amounts due from other financial institutions	Loans and advances to customers	Total
At January 1, 2005	-	-	-
Increase in provision	2,246	23,592	25,838
At December 31, 2005	2,246	23,592	25,838
Increase/(decrease) in provision	(2,246)	58,449	56,203
Write-off of assets	-	(56,839)	(56,839)
At December 31, 2006	-	25,202	25,202

The movement in allowance for impairment losses on other assets were as follows:

In thousand Armenian drams	Other assets	Total
At January 1, 2005	-	-
Increase in provision	86	86
At December 31, 2005	86	86
Increase/(decrease) in provision	(86)	(86)
At December 31, 2006	-	-

12. Income tax expense/(benefit)

In thousand Armenian drams	2006	2005
Current tax expense	16,000	-
Deferred tax	1,512	(3,329)
Total income tax expense/(benefit)	17,512	(3,329)

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2005: 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/(benefit) and accounting profit/(loss) is provided below:

In thousand Armenian drams	2006	Effective rate (%)	Effective rate (%)
Profit/(loss) before tax	84,236	-	-
Income tax at the rate of 20%	16,847	20	20
Non-taxable income	(12)	-	-
Non-deductible expenses	2,995	4	(3)
Foreign exchange (gains)/negative	(1,069)	(1)	(9)
Change in unrecognized deferred tax assets	-	-	15
Other	(1,249)	(1)	-
Income tax expense/(benefit)	17,512	22	23

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	2005	Recognized in income statement	2006
Accrued expenses and other liabilities	846	(49)	797
Adjustment of fair value of trading assets	-	1,522	1,522
Tax losses carried forward	2,628	(2,628)	-
Total deferred tax assets	3,474	(1,155)	2,319
Recovery of allowances for impairment and provisions for other income	(145)	(357)	(502)
Adjustment of fair value of securities available for sale	(102)	-	(3,224)
Total deferred tax liability	(247)	(357)	(3,726)
Net deferred tax asset/(liability)	3,227	(1,512)	(1,407)

In thousand Armenian drams	2005	Recognized in income statement	Recognized in equity	2006
Accrued expenses and other liabilities	63	783	-	846
Tax losses carried forward	2,071	557	-	2,628
Gross deferred tax asset	2,134	1,340	-	3,474
Revaluation of deferred tax assets	(2,134)	2,134	-	-
Total deferred tax assets	-	3,474	-	3,474
Recovery of allowances for impairment and provisions for other income	-	(145)	-	(145)
Adjustment of fair value of securities available for sale	-	-	(102)	(102)
Total deferred tax liability	-	(145)	(102)	(247)
Net deferred tax asset	-	3,329	(102)	3,227

13. Cash, cash equivalents and balances with CBA

In thousand Armenian drams	2006	2005
Cash on hand	5,203	-
Correspondent account with the CBA	679,041	330,100
Included in cash and cash equivalents with the CBA	684,244	330,100
Cash and balances with the CBA, included in cash flow	684,244	330,100
Placements with other banks (Note 13)	191,786	89,562
Total cash and cash equivalents	876,030	419,662

As at 31 December 2006 correspondent account with Central Bank of Armenia represents the obligatory minimum reserve deposits with the CBA, which is computed at 8% of certain obligations of the Bank and amounts to AMD 142,603 thousand (2005: AMD 92,436 thousand). There are no restrictions on the withdrawal of funds from the CBA, however, if minimum average requirement is not met, the Bank could be subject to penalties. Interest is not extended in respect of mandatory reserves.

14. Amounts due from other financial institutions

In thousand Armenian drams	2006	2005
Correspondent accounts with financial institutions	191,786	89,562
Included in cash and cash equivalents	191,786	89,562
Deposits to financial institutions	20,049	135,105
Reverse repo agreements	851,560	180,657
	871,609	315,762
Less allowance for impairment on financial institutions (Note 11)	-	(2,246)
	871,609	313,516
Total amounts due from other financial institutions	1,063,395	403,078

Item "Deposits in financial institutions" includes balance at the amount of AMD 20,049 thousand which is guarantee amount for making trade operations in international markets.

Information on related parties is disclosed in Note 26.

Fair value of securities obtained under reverse repurchase agreements and carrying value of loans are presented as follows:

In thousand Armenian drams	2006		2005	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Securities of the RA Ministry of Finance	844,492	851,560	195,153	180,657
Total securities under reverse repurchase agreements	844,492	851,560	195,153	180,657

15. Loans and advances to customers

In thousand Armenian drams	2006	2005
Loans to customers	2,500,051	2,375,309
Loans granted under reverse repurchase agreements	98,017	-
	2,598,068	2,375,309
Less allowance for loan impairment (Note 11)	(25,202)	(23,592)
Total loans and advances to customers	2,572,866	2,351,717

As of 31 December 2006 accrued interest income included in loans and advances to customers amounted to AMD 17,293 thousand (2005: AMD 16,101 thousand).

As of December 31, 2006, 88% of the Bank's loan portfolio at the total amount of AMD 2,283,728 thousand have been provided to 8 borrowers and parties related with them (2005: AMD 2,133,814 thousand or 90 % provided to 7 borrowers and parties related with them). An allowance of AMD 22,152 thousand (2005: AMD 21,338 thousand) was made against these loans.

Loans and advances by customer profile may be specified as follows:

In thousand Armenian drams	2006	2005
State owned enterprises	7,000	20,000
Privately held companies	2,106,301	1,913,362
Individuals	467,474	425,846
Accrued interest	17,293	16,101
	2,598,068	2,375,309
Less allowance for loan impairment (Note 11)	(25,202)	(23,592)
Total loans and advances to customers	2,572,866	2,351,717

Loans to individuals comprise the following products:

In thousand Armenian drams	2006	2005
Mortgage loans	38,957	92,846
Consumer loans	9,259	-
Car loans	970	-
Other	418,288	333,000
Total loans and advances to individuals (gross)	467,474	425,846

Loans are made principally within Armenia in the following industry sectors:

In thousand Armenian drams	2006	%	2005	%
Manufacturing	1,003,977	38	1,463,304	61
Construction	250,000	10	450,057	19
Energy	403,227	16	-	-
Trade	374,256	14	-	-
Consumer sector	49,185	2	92,847	4
Finance sector	32,003	1	-	-
Service sector	363,838	14	333,000	14
Other sectors	104,289	4	20,000	1
Accrued interest	17,293	1	16,101	1
Total loans and advances to customers (gross)	2,598,068	100	2,375,309	100

The analysis of loan portfolio upon collateral is represented as follows:

In thousand Armenian drams	2006	2005
Loans collateralized by real estate	1,927,615	1,984,891
Loans collateralized by movable property	209,831	241,276
Loans collateralized by guarantees of enterprises	132,416	-
Loans collateralized by shares of other companies	82,765	113,041
Loans collateralized by cash	130,859	20,000
Loans collateralized by guarantees of financial institutions	97,289	-
Other collateral	17,293	16,101
Accrued interests	2,598,068	2,375,309
Less allowance for loan impairment (Note 11)	(25,202)	(23,592)
Total loans and advances to customers	2,572,866	2,351,717

Fair value of securities under reverse repurchase agreements and carrying value of loans are presented as follows:

In thousand Armenian drams	2006		2005	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Securities of the RA Ministry of Finance	101,363	97,289	-	-
Total securities under reverse repurchase agreements	101,363	97,289	-	-

At 31 December 2006 the estimated fair value of loans and advances to customers was AMD 2,572 866 thousand (2005: AMD 2,351,717 thousand). Refer to Note 27.

Credit, currency, liquidity and interest rate analyses of loans and advances to customers are disclosed in Note 28. The information on related party balances is disclosed in Note 26.

16. Investment securities

Investments available for sale

In thousand Armenian drams	2006	2005
Securities issued by the Ministry of Finance of Armenia	1,298,008	1,616,346
Securities issued by the CBA	-	265,827
Government securities of OECD countries	316,736	399,819
Government securities of non-OECD countries	75,334	122,206
Debt instruments available for sale	1,690,078	2,404,198
Shares of OECD countries companies	1,906	-
Total equity instruments available for sale	1,906	-
Total investments available for sale	1,691,984	2,404,198

Available for sale securities by maturity date and profitability comprise:

In thousand Armenian drams	%	2006	%	2005
		Maturity		Maturity
Securities issued by the Ministry of Finance of Armenia	5-10%	2007-2021	5-10%	2006-2020
Securities issued by the CBA	-	-	5%	2006
Government securities of OECD	4%	2015	4%	2015
Government securities of non- OECD	8,25%	2010	8,25%	2010

As at 31 December 2006 investments available for sale amounting to AMD 643,961 thousand (2005: AMD 1,349,709 thousand) have been pledged as collateral under the deposit received from other bank. (Note 20).

Investments held to maturity

In thousand Armenian drams	2006	2005
Nominal value	20,000	-
Discount	(1,626)	-
Total investments held to maturity	18,374	-

Held-to-maturity securities upon profitability and maturity terms:

In thousand Armenian drams	%	2006	%	2005
		Maturity		Maturity
Non-state bonds	9%	2007	-	-

17. Property, plant and equipment

In thousand Armenian drams	Computers and communication means	Vehicles	Fixtures and fittings	Total
COST				
Cost at January 1, 2005	29,807	5,073	6,310	41,190
Additions	11,277	-	6,017	17,294
Disposals	-	-	-	-
At December 31, 2005	41,084	5,073	12,327	58,484
Additions	13,959	16,998	2,981	33,938
Disposals	(56)	-	-	(56)
At December 31, 2006	54,987	22,071	15,308	92,366
DEPRECIATION				
At January 1, 2005	352	103	80	535
Depreciation charge	7,987	1,014	1,847	10,848
Disposals	-	-	-	-
At December 31, 2005	8,339	1,117	1,927	11,383
Depreciation charge	11,237	3,003	2,972	17,212
Disposals	(12)	-	-	(12)
At December 31, 2006	19,564	4,120	4,899	28,583
CARRYING VALUE				
At December 31, 2006 before revaluation	35,423	17,951	10,409	63,783
At December 31, 2005	32,745	3,956	10,400	47,101

Fixed assets in the phase of installation

As at 31 December 2006 fixed assets included assets in the phase of installation in amount of AMD 1,500 thousand (2005: AMD 1,901 thousand), which are not amortized and are classified in accordance with their type.

18. Intangible assets

In thousand Armenian drams	Trademarks, licenses and patents	Acquired software licenses	Other	Total
COST				
At January 1, 2005	-	120	25	145
Additions	529	27,755	291	28,575
Disposals	-	-	-	-
At December 31, 2005	529	27,875	316	28,720
Additions	-	1,681	-	1,681
Disposals	-	(274)	(316)	(590)
At December 31, 2006	529	29,282	-	29,811
AMORTISATION				
At January 1, 2005	-	-	-	-
Amortisation charge	216	1,049	19	1,284
Disposals	-	-	-	-
At December 31, 2005	216	1,049	19	1,284
Amortisation charge	313	2,812	8	3,133
Disposals	-	(11)	(27)	(38)
At December 31, 2006	529	3,850	-	4,379
CARRYING VALUE				
At December 31, 2006	-	25,432	-	25,432
At December 31, 2005	313	26,826	297	27,436

19. Other assets

In thousand Armenian drams	2006	2005
Prepayments and other debtors	1,819	3,815
Settlements with employees	5	161
Accounts receivable	4,500	4,524
Less allowance for impairment (Note 11)	-	(86)
	6,324	8,414
Assets classified as held for sale	-	540
Prepaid income taxes	-	1,171
Other prepaid taxes	2,494	-
Materials	364	50
Total other assets	9,182	10,175

20. Amounts due to financial institutions

In thousand Armenian drams	2006	2005
Loans under repurchase agreements from the CBA	401,047	-
Correspondent accounts of other banks	99,901	415,415
Current accounts of other financial institutions	9,598	148
Deposits from financial institutions	727,363	1,261,297
Loans under repurchase agreements from international financial institutions	2,904,384	255,516
Total amounts due to financial institutions	4,142,293	1,932,376

As at 31 December 2006 for the deposits at the amount of 1,110,000 US Dollar attracted from resident bank the Bank has pledged securities available for sale at the amount of AMD 643,961 thousand (2005: securities at the amount of AMD 1,349,709 thousand pledged against deposits attracted from resident and non-resident banks) (see Note 16).

21. Amounts due to customers

In thousand Armenian drams	2006	2005
Corporate customers		
Current/Settlement accounts	93,953	115,400
Time deposits	257,055	-
	351,008	115,400
Retail customers		
Current/Settlement accounts	61,537	6,797
Time deposits	1,192,176	789,714
	1,253,713	796,511
Total amounts due to customers	1,604,721	911,911

As at 31 December 2006 included in amounts due to corporate customers are deposits amounting to AMD 145,400 thousand (In 2005 such transactions have been performed) held as security against loans.

58% of amounts due to the Bank's customers (2005: 80%) at the amount of AMD 987,880 thousand (2005: AMD 731,615 thousand) are the funds of the party related to the Bank's shareholder (see Note 26).

22. Trading liabilities

The trading liabilities have been arisen as a result of sale of securities under the repurchase agreements from financial organizations and individuals, which the Bank intended to repurchase in the short period.

23. Other liabilities and provisions

In thousand Armenian drams	2006	2005
Accounts payables	3,776	5,137
Tax payable, other than income tax	2,292	1,068
Due to personnel	3,986	2,534
Other	312	175
Total other liabilities and provisions	10,366	8,914

24. Equity

As at 31 December 2006 the Bank's registered and paid-in share capital was AMD 3,000,000 thousand. In accordance with the Bank's statutes, the share capital consists of 5,000 ordinary shares, all of which have a par value of AMD 600,000 each. The only shareholder of the Bank is Swiss businessman Vartan Sirmakes.

Distributable reserves of the Bank are limited by accumulated gain and recorded according to the Armenian legislation, and as at December 31, 2006 amounted to AMD 42,471 thousand.

25. Financial commitments and contingencies

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

As at 31.12.2006 there have not been any legal actions and complaints taken against the Bank. Therefore, the Bank has not made any respective provision related to such tax and legal matters.

Credit related commitments

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

As of 31 December the nominal or contract amounts were:

In thousand Armenian drams	2006	2005
Undrawn loan commitments	73,948	72,689
Guarantees	21,411	-
Total credit related commitments	95,359	72,689

Operating lease commitments

In the normal course of business the Bank enters into other lease agreements for business areas.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousand Armenian drams	2006	2005
Not later than 1 year	31,200	21,069
Later than 1 year and not later than 5 years	117,000	61,451
Later than 5 years	-	-
Total operating lease commitments	148,200	82,520

Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Liability insurance is generally not available in Armenia at present.

Starting from 2005 the Bank is member of the obligatory deposit insurance system. The system operates under the Armenian laws and regulations and is governed by Law on Guarantees of Bank Deposits to Physical Persons. Insurance covers Bank's liabilities to individual depositors for the amount up to AMD 2,000 thousand (up to AMD 1,000 thousand for deposits in foreign currency) for each individual in case of business failure and revocation of the banking license.

Maintenance of depo accounts

By the commission of its customers, the Bank obtains securities and maintains depo accounts.

These assets are not included in the Bank's balance sheet as they are not assets of the Bank. Nominal values disclosed below are normally different from the fair values of respective securities. The balances of depo accounts of the Bank's clients are as follows:

In thousand Armenian drams	2006	2005
Armenian government loan bonds held by the Bank on behalf of its customers	32,132	-
Total fiduciary assets	32,132	-

26. 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 Bank's Management as well as other persons and enterprises related with and controlled by them respectively.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. 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 year are as follows:

In thousand Armenian drams	2006		2005	
	Share-holders	Key management personnel	Share-holders	Key management personnel
Loans outstanding at January 1, gross	-	6,415	-	-
Loans issued during the year	-	21,659	-	7,000
Loan repayments during the year	-	(5,520)	-	(585)
Loans outstanding at December 31	-	22,554	-	6,415
Interest income on loans	-	1,462	-	325
Deposits at January 1	731,615	183	-	-
Deposits received during the year	767,014	255,087	1,857,050	8,066
Deposits repaid during the year	(510,293)	(229,726)	(1,125,435)	(7,883)
Deposits at December 31	988,336	25,544	731,615	183
Interest expense on deposits	83,700	573	5,743	-
Amounts due from other financial institutions	17,313	-	-	-
Amounts due to other financial institutions at January 1	452,210	-	-	-
Issued during the year	16,212	-	2,183,187	-
Repaid during the year	460,163	-	(1,730,977)	-
Balance at December 31	8,259	-	452,210	-
Interest expense	853	-	8,695	-
<i>Type of Income</i>				
Fee and commission income	5	106	-	-
<i>Type of Expense</i>				
Fee and commission expense	170	-	-	-

The information mentioned in the tables above is the following transactions with related parties:
 Amounts due from other financial institutions include the balances of correspondent accounts in the related bank.

Amounts due to other financial institutions include the balance of correspondent accounts of the related parties in the Bank.

The loans and advances include loans provided to the managers of the Bank and to the parties related to them.

Amounts due to clients are demand and time deposits of the party related to the Bank's shareholder, managers of the Bank and the parties related to them.

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2006	2005
Salaries and other short-term benefits	106,713	47,969
Social security costs	7,888	3,821
Total key management compensation	114,601	51,790

27. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank is presented below:

In thousand Armenian drams	2006		2005	
	Current value	Fair value	Current value	Fair value
FINANCIAL ASSETS				
Amounts due from other financial institutions	1,063,395	1,063,395	403,078	403,078
Loans and advances to customers	2,572,866	2,572,866	2,351,717	2,351,717
Investment securities held to maturity	18,374	18,369	-	-
FINANCIAL LIABILITIES				
Amounts due to financial institutions	4,142,293	4,142,293	1,932,376	1,932,376
Amounts due to customers	1,604,721	1,604,721	911,911	911,911

Amounts due from and to financial institutions

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.

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Their interest rates are mainly coincided with the interest rates of the provided loans. Therefore, their fair values are similar to the carrying amount.

Investment securities held to maturity

Market values have been used to determine the fair value of investment securities held-to-maturity traded on an active market. For securities that are not traded on an active market, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

28. Risk management

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks is presented below.

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry or geographical segments. Limits on the level of credit risk are approved by the Board of the Bank. Where appropriate, and in the case of most loans, the Bank obtains collateral. Such risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

In the context of the credit risk the Board of the Bank has defined the criteria for partners' selection on the basis of estimations of well-known credit rating agencies (S&P's and Moody's Credit Rating Agencies). If there is a necessity to collaborate with a partner who has no respective investment credit rating, the Board of the Bank defines limits for the latter as an exception.

The exposure to any one borrower including financial institutions is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Board of the Bank. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments, is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

Contingent liabilities of providing loans represent unused portions of credit lines, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the granting of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

The geographical concentration of the Bank's monetary assets and liabilities is as follows:

				2006
	Armenia	OECD countries	Other non-OECD countries	Total
In thousand Armenian drams				
ASSETS				
Cash and balances with CBA	684,244	-	-	684,244
Amounts due from other financial institutions	868,873	95,827	98,695	1,063,395
Loans and advances to customers	2,363,145	209,721	-	2,572,866
Investments available for sale	1,298,006	318,643	75,335	1,691,984
Investments held to maturity	18,374	-	-	18,374
Securities pledged under repurchase agreements	3,288,538	-	-	3,288,538
	8,521,180	624,191	174,030	9,319,401
LIABILITIES				
Amounts due to financial institutions	4,142,293	-	-	4,142,293
Amounts due to customers	496,074	1,101,760	6,887	1,604,721
Trading liabilities	590,054	-	-	590,054
	5,228,421	1,101,760	6,887	6,337,068
Net position	3,292,759	(477,569)	167,143	2,982,333
Credit related commitments	95,359	-	-	95,359
				2005
	Armenia	OECD countries	Other non-OECD countries	Total
In thousand Armenian drams				
ASSETS				
Cash and balances with the CBA	330,100	-	-	330,100
Amounts due from other financial institutions	269,324	133,754	-	403,078
Loans and advances to customers	2,306,832	44,885	-	2,351,717
Investments available for sale	1,882,173	399,819	122,206	2,404,198
Securities pledged under repurchase agreements	255,060	-	-	255,060
	5,043,489	578,458	122,206	5,744,153
LIABILITIES				
Amounts due to financial institutions	1,546,930	385,446	-	1,932,376
Amounts due to customers	116,065	795,846	-	911,911
	1,662,995	1,181,292	-	2,844,287
Net position	3,380,494	(602,834)	122,206	2,899,866
Credit related commitments	72,689	-	-	72,689

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located.

Market risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits, margin and collateral requirements.

Currency risk

The Bank is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currencies (primarily US dollar), by branches and in total. These limits also comply with the minimum requirements of the CBA.

The Bank's exposure to foreign currency exchange risk is as follow:

				2006
	Armenian Dram	Freely convertible currencies/ precious metals	Non-freely convertible currencies	Total
In thousand Armenian drams				
ASSETS				
Cash and balances with CBA	466,643	217,546	55	684,244
Amounts due from other financial institutions	861,410	200,059	1,926	1,063,395
Loans and advances to customers	1,289,515	1,283,351	-	2,572,866
Investments available for sale	1,298,008	393,976	-	1,691,984
Investments held to maturity	18,374	-	-	18,374
Securities pledged under repurchase agreements	3,288,538	-	-	3,288,538
	7,222,488	2,094,932	1,981	9,319,401
LIABILITIES				
Amounts due to financial institutions	3,451,066	691,227	-	4,142,293
Amounts due to customers	122,685	1,481,904	132	1,604,721
Trading liabilities	590,054	-	-	590,054
	4,163,805	2,173,131	132	6,337,068
Net position	3,058,683	(78,199)	1,849	2,982,333
Credit related commitments	43,378	51,981	-	95,359
2005				
	Armenian Dram	Freely convertible currencies/ precious metals	Non-freely convertible currencies	Total
In thousand Armenian drams				
ASSETS				
Cash and balances with the CBA	66,577	263,523	-	330,100
Amounts due from other financial institutions	180,657	222,421	-	403,078
Loans and advances to customers	1,245,789	1,105,928	-	2,351,717
Investments available for sale	1,882,173	522,025	-	2,404,198
Securities pledged under repurchase agreements	255,060	-	-	255,060
	3,630,256	2,113,897	-	5,744,153
LIABILITIES				
Amounts due to financial institutions	665,513	1,266,863	-	1,932,376
Amounts due to customers	88,121	823,790	-	911,911
	753,634	2,090,653	-	2,844,287
Net position	2,876,622	23,244	-	2,899,866
Credit related commitments	10,000	62,689	-	72,689

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Bank monitors, on a daily basis, the expected cash flows on clients' banking operations. This is a part of the normal asset and liability management process.

The respective collegial body (Assets and Liabilities Management Committee) efficiently manages the liquidity risks by means of GAP model.

The Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The tables below provide an analysis of the Bank's monetary assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date. As loans are sometimes re-scheduled and re-negotiated actual maturity could exceed contractual maturity.

							2006
In thousand Armenian drams	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 stated maturity	Total
ASSETS							
Cash and balances with CBA	684,244	-	-	-	-	-	684,244
Amounts due from other financial institutions	963,143	100,252	-	-	-	-	1,063,395
Loans and advances to customers	182,546	171,848	1,159,928	1,053,507	5,037	-	2,572,866
Investments available for sale	30,443	148,626	419,564	779,694	311,751	1,906	1,691,984
Investments held to maturity	-	-	18,374	-	-	-	18,374
Securities pledged under repurchase agreements	3,288,538	-	-	-	-	-	3,288,538
	5,148,914	420,726	1,597,866	1,833,201	316,788	1,906	9,319,401
LIABILITIES							
Amounts due to financial institutions	3,735,955	-	406,338	-	-	-	4,142,293
Amounts due to customers	123,239	236,253	1,071,023	174,206	-	-	1,604,721
Trading liabilities	590,054	-	-	-	-	-	590,054
	4,449,248	236,253	1,477,361	174,206	-	-	6,337,068
Net position	699,666	184,473	120,505	1,658,995	316,788	1,906	2,982,333
Accumulated gap	699,666	884,139	1,004,644	2,663,639	2,980,427	2,982,333	

							2005
In thousand Armenian drams	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	Total	
ASSETS							
Cash and balances with CBA	330,100	-	-	-	-	330,100	
Amounts due from other financial institutions	403,078	-	-	-	-	403,078	
Loans and advances to customers	64,249	121,395	393,339	221,950	1,772,734	2,351,717	
Investments available for sale	7,122	91,558	295,347	519,340	1,490,831	2,404,198	
Securities pledged under repurchase agreements	255,060	-	-	-	-	255,060	
	1,059,609	212,953	688,686	2,292,074	1,490,831	5,744,153	
LIABILITIES							
Amounts due to financial institutions	717,656	1,214,720	-	-	-	1,932,376	
Amounts due to customers	185,348	-	-	726,563	-	911,911	
	903,004	1,214,720	-	726,563	-	2,844,287	
Net position	156,605	(1,001,767)	688,686	1,565,511	1,490,831	2,899,866	
Accumulated gap	156,605	(845,162)	(156,476)	1,409,035	2,899,866		

The time deposits attracted from the party related with the Bank make up significant portion in the structure of the Bank's attracted funds due to the gradual formation of deposits. Management believes that in the event of withdrawal of funds before the maturity date, the Bank would be given sufficient notice beforehand and it does not have an adverse impact on the operations of the Bank.

Long-term loans and overdraft facilities are generally not available in Armenia. However, in the Armenian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. While trading securities are shown at demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Armenian legislation, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Interest rate risk

Changes in interest rates have a direct effect on the interest rate exposure of the Bank and on cash flows associated with assets and liabilities and on their fair values. Therefore, disclosure of maturity analysis of assets and liabilities enables users of financial statements to assess to which extent the Bank is exposed to interest risk and, consequently, its expected gain or loss.

As at December 31, 2006 based on the Bank's analysis of monetary assets and liabilities the re-pricing dates did not differ significantly from the contractual maturity dates.

As of December 31, the effective average interest rates by currencies for interest generating/bearing financial assets and liabilities were as follows.

In thousand Armenian drams	2006		2005	
	Armenian Dram	Foreign currency	Armenian Dram	Foreign currency
ASSETS				
Cash and balances with the CBA	-	-	1.75	-
Amounts due from other financial institutions	6.06	2.58	3.71	3.31
Loans and advances to customers	14.83	14.19	14.5	13.6
Investments available for sale	6.80	4.61	6.1	4.7
Investments held to maturity	9	-	-	-
LIABILITIES				
Amounts owed to financial institutions	4.77	5.25	2.85	3.86
Amounts owed to customers	5	7.73	-	8.0

Balances in foreign currencies mainly comprise balances in USD.

29. Capital adequacy

The Bank's total capital adequacy ratio of risk weighted assets, as at 31 December 2006 was 110%.

The Central Bank of Armenia requires banks to maintain a total capital adequacy ratio of 12% of risk-weighted assets.

According to the requirements of the RA legislation the standard value of the Bank's total normative capital as at 31 December 2006 makes up AMD 3,056,604 thousand.

Effective July 1, 2005 the Central Bank of RA defines the minimum value of the total normative capital amounting to AMD 2,400,000 thousand.

Bank Details

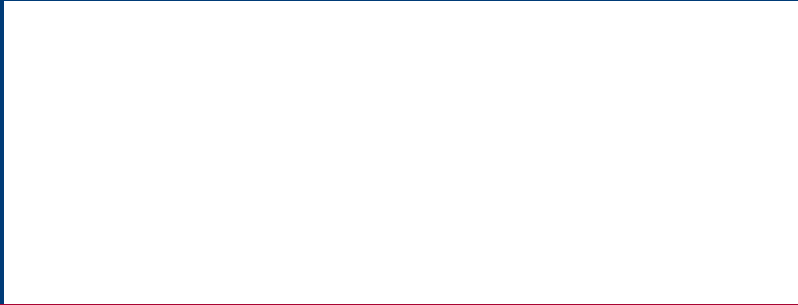
Full name:	"ARMSWISSBANK" CJSC
Licenses:	Banking License N 84 granted by the CB A on February 25, 2005 Brokerage License N BG0064 granted by the CBA on May 30, 2007 Custodian License N PG0065 granted by the CBArmenia on May 30, 2007
Tax Code:	02574955
Correspondent account at the Central Bank of RA:	103002102509
SWIFT code:	ARSJAM22
Reuters page:	ARSJ, ARSI
Bloomberg page:	ASWI
Service hours:	9:30 - 17:00 (weekdays)
Membership to Associations and Professional Bodies:	Union of Banks of Armenia (UBA) Society for Worldwide Interbank Financial Telecommunications (SWIFT) American Chamber of Commerce in Armenia (AMCHAM) Mortgage Market Participants Association of Armenia (MMPAA) Armenian Credit Reporting Agency (ACRA)

Contacts

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Main clearing accounts for international payments as of 01.03.2007

Austria			
Vienna	Raiffeisen Zentralbank Osterreich AG	EUR	RZBA AT WW
		USD	
		Custody Acc	
Switzerland			
Zurich	UBS AG	CHF	UBSW CH ZH 80A
		EUR	
		USD	
Germany			
Frankfurt am Main	Commerzbank AG	EUR	COBA DE FF
		USD	
Russia			
Moscow	International Moscow Bank	RUB	IMBK RU MM
		EUR	
		USD	
		GBP	
		CHF	
Moscow	Promsvyazbank JSCB	RUB	PRMSRUMM
		EUR	
		USD	
Latvia			
Riga	Rietumu Banka	LVL	RTMBLV2X
		USD	
		EUR	
		RUB	



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