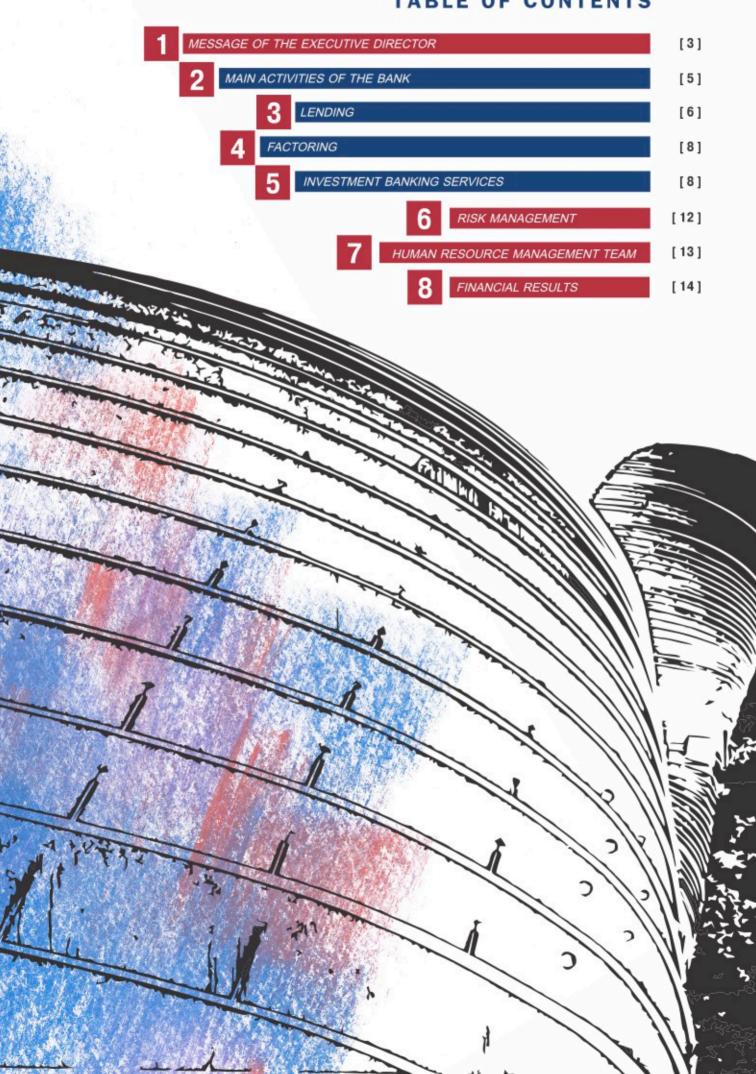


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HENDERSON WAVES BRIDGE

Henderson waves is a 274-metre (899 ft) long pedestrian bridge. At 36 metres (118 ft) above Henderson Road, it is the highest pedestrian bridge in Singapore. It connects Mount Faber Park and Telok Blangah Hill Park. It was designed by IJP Corporation, London, and RSP Architects Planners and Engineers (PTE) Itd Singapore.

The bridge has a wave-form made up of seven undulating curved steel ribs that alternately rise over and under its deck. The curved ribs form alcoves that function as shelters with seats within. Slats of yellow balau wood, an all-weather timber found in Southeast Asia, are used in the decking. The wave-forms are lit with LED lamps at night from 7pm to 2am daily.





1 MESSAGE OF THE EXECUTIVE DIRECTOR

In 2010 the Bank continued its steady progress and accomplished a number of new achievements. Despite the increased competition in the RA banking sector, which is most evident in the credit market with more funds being offered including the funds available under the programs of international organizations, the Bank managed to report increase in its year-end key performance indicators.

Given the abovementioned situation in the RA banking sector, the Bank reported net income of AMD 953 million slightly overperforming the planned indicator.

The Bank continued to develop increasing the quality and quantity of its services, as well as developing and offering its clients new services. At the beginning of 2010 the Bank signed two contracts with the European Bank for Reconstruction and Development (EBRD) for the amount of USD 5 million under the SME lending and USD 3 million under the Trade Facilitation program.

The Bank also continued cooperation with Factors Chain International (FCI) to promote international factoring as well as German Armenian fund within the scope of SME lending and "Renewable Energy Development" programs.

The Bank plans to expand the scope of its partners emphasizing cooperation with international organizations through involvement in new programs of the current partners as well as establishing cooperation with at least three new international organizations within the coming 2-3 years.

Towards the end of the year 2010 the Bank gained membership to the National Mortgage Company and plans to allocate at least AMD 500 million within the scope of the mortgage loans refinancing program.

The Bank continued to provide high quality financial services including both traditional services and tailor made alternative solutions to the increasing base of clients within the comfortable facilities of its new building.

"NASDAQ OMX ARMENIA" OJSC announced the Bank a winner of the 2010 Best Exchange Member award for the nomination of Best Exchange Member in Government Bonds Market. Evaluation criteria included the Bank's active role in the development of RA financial market, participation in activities initiated by the stock exchange, etc. Considering the growing interest in investment instruments, in 2010 the Bank launched a new investments web site which allows existing and potential investors to access more detailed information on the Bank's investment services as well as follow the developments of the international financial markets.

Taking into account the previous positive experience, in 2010 the Bank acted as an underwriter for "Artsakh HEK" OJSC placing the second issuance of its 1,400,000 common nominal shares in full. As a result of this placement the company raised capital for the amount of AMD 1,554,000,000 which is a notable event in the history of RA corporate securities market. The Bank continues offering its clients the opportunity of using e-trade systems in the international securities markets, making repurchase agreement transactions with foreign securities, etc. In 2010 the Bank also implemented operations with standard gold bullion bars and coins. Initial activities towards providing leasing and asset management services have also been implemented. The Bank maintains its status of agent in the treasury bonds market and acts as a market maker for the securities issued by its clients. The Bank plans to continue being proactive in the sphere of investments.

ARMSWISSBANK has entered a new stage of development where accumulated expertise, acquired market position, reputation and qualified professional staff will ensure a sustainable basis for further development.

On behalf of ARMSWISSBANK Staff I would like to extend our grateful acknowledgement to our Clients, Partners, Board as well as Shareholder for the faith in our Bank, support and mutually beneficial cooperation.

I would also like to express my trust and profound gratitude to the Bank's personnel for their devoted work.

Gevorg Machanyan

Chairman of the Management Board Executive Director

Executive Director



Remaining loyal to its policy, ARMSWISSBANK continues to evolve activities in three main directions, namely, corporate, investment and private banking, with the vision to become the leading bank in Armenia in those areas. ARMSWISSBANK is distinguished by the broad spectrum of services provided to its clients ranging from traditional (payment and settlement services, lending services, flexible deposit schemes, trade finance, etc.) to non-traditional services (alternative financing, factoring, forward, swap, option, financial consulting, etc.)

Trade finance, factoring as well as commodity and financial futures are mainly designed for clients engaged in importing and exporting activities to maintain their competitiveness in local and international markets and facilitate new markets penetration. Since 2008 ARMSWISSBANK is a member of Factors Chain International (FCI), which allows global reach while conducting international factoring operations through 250 member-banks in more than 70 countries.

Investment banking attuned to international standards is one of the Bank's main strategic directions. Hence, from the moment of its conception, the Bank has been actively promoting new investment services and making notable efforts to achieve leading position in this field. As a result, the Bank offers its customers a wide range of investment instruments, such as shares of American, European and Russan companies and investment funds, depositary receipts, government and corporate bonds, commodity futures as well as repo and marginal operations with foreign securities.

Our clients can improve risk diversification and manage their cash flows more efficiently through a variety of financial instruments including derivatives.

In order to cope with new market challenges and successfully devise and implement investment projects, ARMSWISSBANK offers underwriting services to its corporate clients.

ARMSWISSBANK, being one of the leaders in the Armenian government securities market and a government securities agent of RA acts as a market maker to enhance liquidity of the Armenian securities market, ARMSWISSBANK continues its active participation in all initiatives related to RA securities market reforms and financial intermediation legislation.

ARMSWISSBANK offers its clients tailor-made services, including development of personalized, collective and other types of securities portfolios, brokerage, custodial and consulting services. The flexibility while working with the clients is one of the key factors for the progressive development of the Bank and promotion of "ARMSWISSBANK" brand. ARMSWISSBANK develops long-term partnership relations with its clients based on close and mutually beneficial cooperation. Thanks to the professional, skilled and experienced personnel the Bank identifies its clients' needs and offers them quality financial solutions.



BROOKLYN BRIDGE (New York)

The Brooklyn bridge is one of the oldest suspension bridges in the United States. Completed in 1883, it connects the New York City boroughs of Manhattan and Brooklyn by spanning the East River. With a main span of 1,595.5 feet (486.3 m), it was the longest suspension bridge in the world from its opening until 1903, and the first steel-wire suspension bridge. Originally referred to as the New York and Brooklyn Bridge and as the East River Bridge, it was dubbed the Brooklyn Bridge in a January 25, 1867 letter to the editor of the Brooklyn Daily Eagle, and formally so named by the city government in 1915. Since its opening, it has become an iconic part of the New York skyline. It was designated a National Historic Landmark in 1964 and a National Historic Civil Engineering Landmark in 1972.

TOWER BRIDGE (London)

Tower bridge is a combined bascule and suspension bridge in London, England, over the River Thames. It is close to the Tower of London, which gives it its name. It has become an iconic symbol of London.

The bridge consists of two towers which are tied together at the upper level by means of two horizontal walkways which are designed to withstand the horizontal forces exerted by the suspended sections of the bridge on the landward sides of the towers. The vertical component of the forces in the suspended sections and the vertical reactions of the two walkways are carried by the two robust towers. The bascule pivots and operating machinery are housed in the base of each tower. The bridge's present color dates from 1977 when it was painted red, white and blue for the Queen's Silver Jubilee. Originally it was painted a chocolate brown color. Tower Bridge is sometimes mistakenly referred to as London Bridge, which is actually the next bridge upstream.

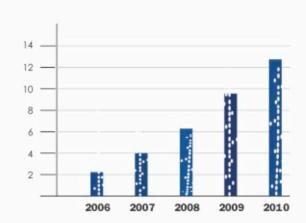


3 LENDING

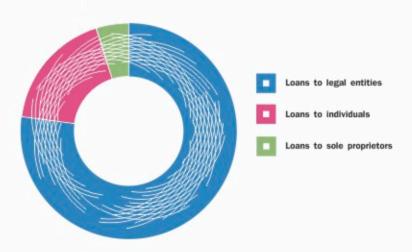
In 2010 the Bank made loans for about AMD 11.9 billion and about AMD 8.7 billion of the outstanding loans were retired.

This resulted in a loan portfolio of AMD 12.8 billion as of 2010 year-end while in 2009 the portfolio amounted to only AMD 9.6 billion.

Growth dynamics of the loan portfolio (AMD million):



Corporate lending is one of the Bank's strategic development directions. Therefore, loans made to legal entities comprise 77.3% of the loan protfolio. Although the Bank refuses retail banking, the representatives of its corporate clients are provided mortgage loans and car loans to ensure the availability of a full range of services.



The Bank's loan portfolio is comprised mostly of loans made to the industry and trade sectors of the economy, constituting 38% and 13% of the portfolio respectively. Meanwhile, loans made to the industry sector are mostly comprised of loans to the energy sector (47%), particularly renewable energy financing, where the bank has a leading position.

Allocated resources according to economic sectors

Changes in the structure of the loan portfolio throughout 2009-2010:





To match the structure of its liabilities' by currency, the Bank also diversifies the currency structure of its lending portfolio, where loans made in US dollars prevail, accounting for 68.1% of the portfolio, while loans made in AMD are only 30.9%.



In 2010 the Bank continued cooperation with German Armenian fund (GAF) under Renewable Energy Development and lending programs as well as with the Small and Medium Entrepreneurship Development National Center of Armenia (SME DNC), which provides guarantees for loans to sectors of critical importance for the economy.

At the beginning of 2010 the Bank signed a contract with the European Bank for Reconstruction and Development (EBRD) receiving a loan for the amount of USD 5 million under the SME lending program, which will also be used for financing the RA economy. EBRD has also granted the Bank another line for trade financing with a USD 3 million limit, which is also an indirect lending facility. The Bank's HPP financing portfolio as of 31 December 2010 amounted to AMD 2,250 million, of which about AMD 596 million was the portfolio of loans under the German Armenian Fund Renewable Energy Program(Loans for construction and renovation of small HPPs). Besides financing new HPP construction and existing HPP renovation projects, the Bank also offers its clients the opportunity of equity participation in HPP projects.

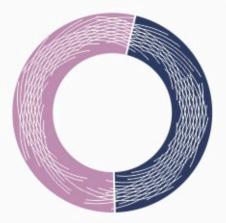
Interest income on lending

In 2010 interest income on lending increased by 37 percent compared to 2009 indicating an efficient performance of the benchmark indicators set out in the Bank's strategic development plan.

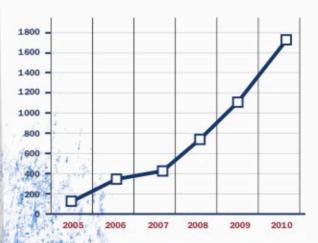
Guarantees

In 2010 the Bank has provided contract implementation, advance repayment and tender guarantees for the amount of AMD 851.7 million vs. the amount of AMD 314.5 million for 2009. In 2010 income on guarantees amounted to AMD 14.4 million, increasing by about 3 times compared to the previous year.

Although the Bank has no branches, lending activities to other regions are actively implemented. This is evidenced by having 55% of the allocations within other regions.



- YEREVAN [45 %]
- OTHER REGIONS [55%]



CHAPEL BRIDGE

The Chapel Bridge ("Kapellbr cke" in German) is a 204 m (670 ft) long bridge crossing the Reuss River in the city of Lucerne in Switzerland. It is the oldest wooden covered bridge in Europe, and one of Switzerland's main tourist attractions. The covered bridge, constructed in 1333, was designed to help protect the city of Lucerne from attacks. Inside the bridge are a series of paintings from the 17th century, depicting events from Lucerne's history. Much of the bridge, and the majority of these paintings, were destroyed in a 1993 fire, though it was quickly rebuilt. Some of the blackened structure of the bridge still remains today, evident from the newly rebuilt parts of the bridge.



FACTORING AND TRADE FINANCE

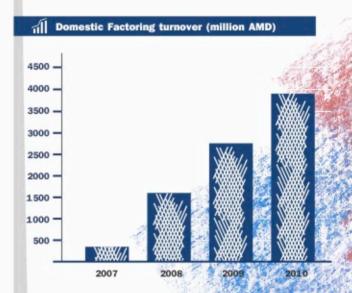
In 2010 the Bank provided the following trade finance services: domestic and inernational factoring, letters of credit, guarantees, collection of payment and short term financing of import operations.

FACTORING

During the reporting period the Bank continued enhancing the efficiency of factoring operations and client service In 2010 the Bank maintained the tendency of steady growth of the domestic factoring portfolio established throughout the previous years. During the reporting year, domestic factoring operations amounted to AMD 3.95 billion exceeding the previous year amounts by 42% and income by 43%. Such growth was achieved both through expanding cooperation with existing clients and attracting new clients.

OTHER INSTRUMENTS OF TRADE FINANCE

In 2010 the Bank continued to develop and expand trade finance services through the Trade Facilitation Program initiated at the beginning of the year together with the Eurpean Bank for Resconstruction and Development. The Bank's portfolio of other trade finance instruments including letters of credit issued under EBRD's TFP program amounted to AMD 340 million as of 2010 year end, while loans for financing international trade amounted to AMD 375 million.



CORPORATE SECURITIES UNDERWRITING

In 2010 the Bank's major achievement in the primary market of corporate securities was the placement of the total additional issuance of "ARTSAKH HEK" shares for the amount of AMD 1,554,000,000. This was the largest IPO ever in the history of Armenian corporate securities market where ARMSWISSBANK acted as an underwriter and settlement bank. The placement was implemented in two stages: via exercising preemptive rights by the existing shareholders to purchase shares and open subscription. The Bank assisted the Company in the processes of registering the shareholders' ownership rights of the shares with the RA Central Depository and "ARMSWISSBANK" CJSC and transfering the shares to the owners' personal accounts.

In addition to placement services the Bank also ensures the liquidity of "ARTSAKH HEK" OJSC shares' secondary market by making two-sided quatations in the "NASDAQ OMX ARMENIA" stock exchange and acting as a market maker for the Company's shares.

The situation in the corporate bonds market during the year 2010 is characterized by a post-crisis slowdown. Given the vast availability of cheaper credit resources, the attractiveness of coporate bonds as a financing instruments was diminished. The deficit of temporarily free cash flows and high returns on government bonds also present setbacks to the corporate bonds issuances.

As a result, the Bank did not implement any placements of corporate bonds in 2010. However, the Bank continued servicing the retirements and coupon payments of the already issued bonds. Particularly, complete retirement of "Express Credit UCO" CJSC's bonds and partial retirement of "Valletta" Ltd's third issuance principle amount were implemented for a total amount of AMD 400 million.

The Bank made two coupon payments for

"ArmRusGasProm" CJSC and "Valletta" Ltd each, as well as
"Express Credit UCO" CJSC's last coupon payments for a
total amount of AMD 159 million (tax-inclusive). Throughout
this process the Bank has assisted the abovementioned
issuing companies and provided settlement services to them.
In 2010 the Bank continued quoting corporate bonds in its
official ASWI web-page at Bloomberg international
information system which had been previously placed by the
Bank.

In 2010 the Bank continued providing consulting services to its corporate clients regarding capital structure, corporate strategy, restructuring and other issues.

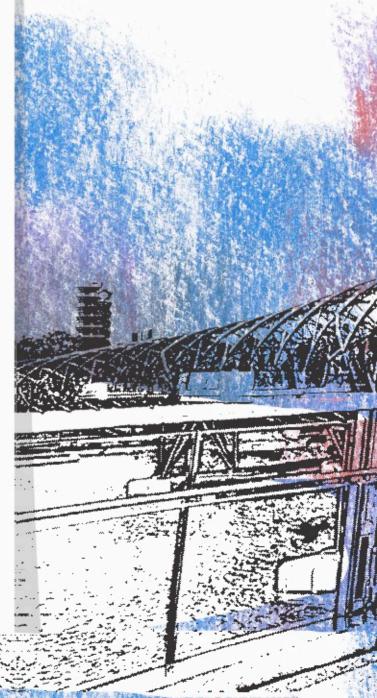
Dealing activities

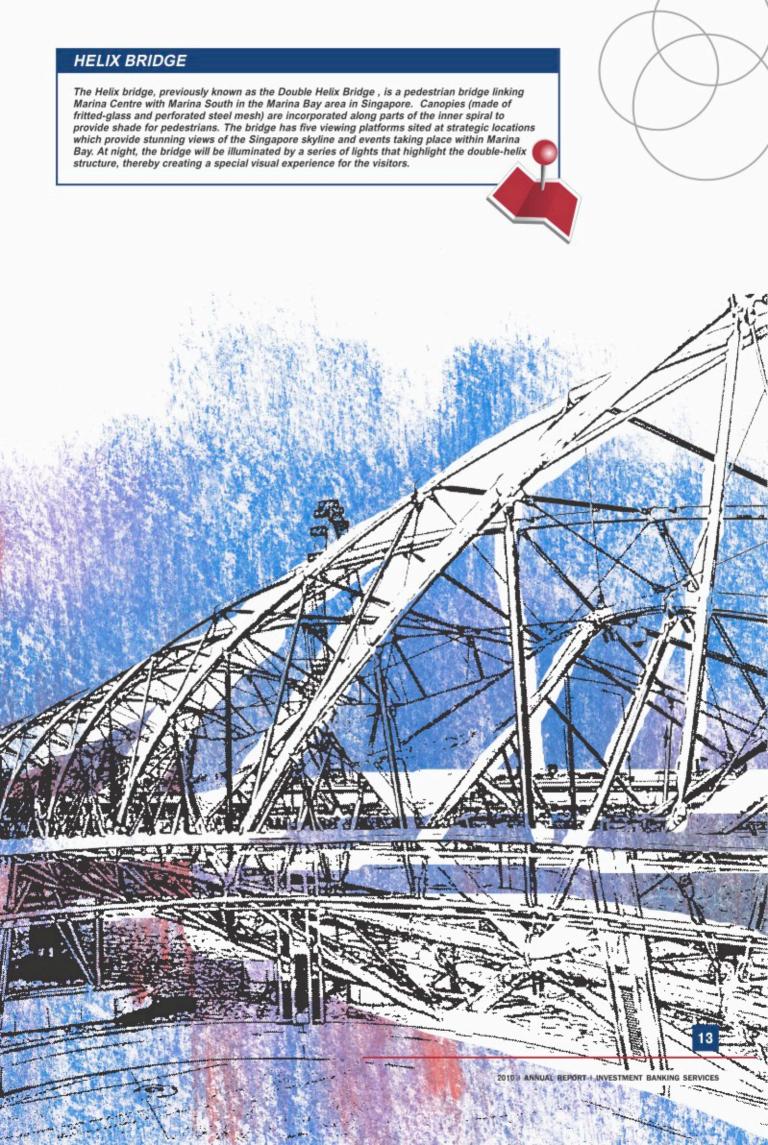
In 2010 the Bank continued to actively implement operations with RA government and corporate securities in the domestic financial market. During the reporting year the Bank's operations in the secondary market amounted to about AMD 12.5 billion, of which AMD 2.3 were stock exchange transactions.

In 2010 "ARMSWISSBANK" CJSC was nominated Best Exchange Member in Government Bonds Market. The share of government securities transactions made by the Bank accounts for over 37 percent of the total stock exchange transactions.

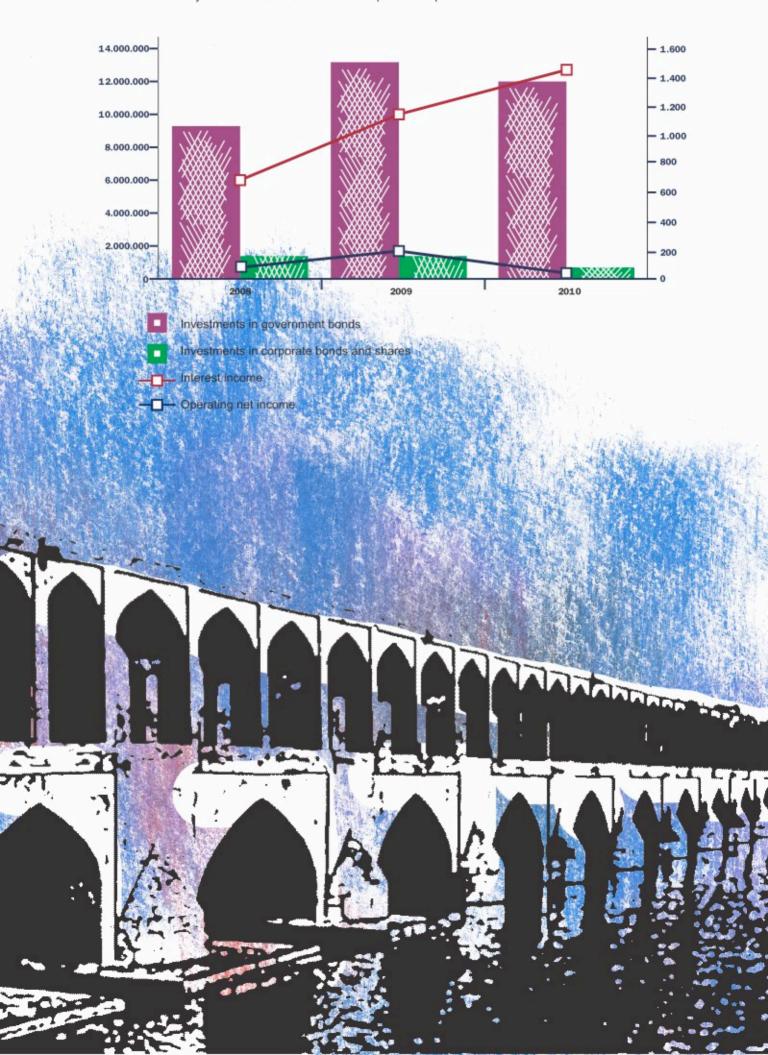
Operations with corporate bonds decreased due to postcrisis issues, particulary the fact that since bond yields were higher than loan interest rates availble to the companies in the real sector of the economy, there were no new issuances of corporate bonds. The obove mentioned situation has adversely affected the attractiveness of issuing corporate bonds for the companies. To promote the development of the RA stock market, and increase liquidity of "Artsakh HEK" OJSC's stocks, in 2010 the Bank provided two-sided quots for those stocks implementing buy/sell transactions with about 9800 stocks (for the amount of AMD 10 million). In 2010 the Bank purchased government securities for a nominal value of about AMD 7.2 billion from government securities initial allocation auctions.

In 2010 the Bank's bond portfolio decreased by about AMD 1 billion in nominal value, but at the same time, interest income on the bond portfolio increased in 2010 by 25 percent as compared to 2009 results, amounting to AMD 1,419 million, which is due to the increase of average return. In 2010 the Bank maintained its status of agent in the market of treasury bonds.





The structure and income dynamics of the Bank's investment portfolio is presented below:



In 2010 the Bank continued participating in foreign currency auctions at "NASDAQ OMX ARMENIA" stock exchange, implemented buy and sell operations for around AMD 126 billion with main convertible currencies in the non cash interbank forex markets.

In 2010 the Bank continued the extensive use of foreign currency swaps, transactions in the interbank market which amounted to AMD 110 billion. In fact, a significant part of this amount is attributed to operations in foreign markets. During the reporting year, the Bank implemented swap and forward transactions also with its clients amounting to AMD 120 million and AMD 65 million respectively.

In 2010 the Bank continued active operations in the domestic market of precious metals maintaining a leading position in the RA financial system with the largest share of the total operations with previous metals. During the year the Bank implemented buy or sell transactions with standardized bank bullion bars for around AMD 32.5 billion.

It is also worth mentioning, that during 2010, the Bank has expanded the range of imported gold bullion bars and besides the 12.5kg bars also offers different sizes of standard gold bars starting from the weight of 5 grams up to 1 kg. Also, in 2010 for the first time in Armenia, the Bank imported and offered the investors the world famous "Vienna Philharmonic" gold coins in 10, 25, 50 and 100 Euros denominations.

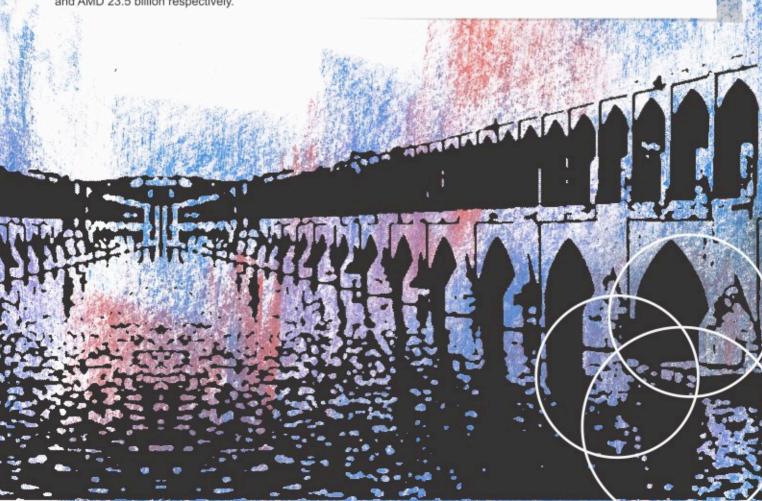
"ARMSWISSBANK" CJSC is one of the few banks in Armenia that provides quotations for AMD, RA government bonds, currency forwards and swaps in Reuters system as well as quotations for AMD, major currencies, RA government and corporate bonds, currency forwards, interbank deposit and repurchase agreement rates at the official web site of the Bank in Bloomberg information system. The Bank is active both in RA (attraction and allocation of short and medium term deposits and loans) and international money markets, making deposits with leading foreign banks. The overall amount of deposits and loans is AMD 118.5 billion and AMD 23.5 billion respectively.

ill Brokerage Activity

Investment banking including brokerage services is considered one of the Bank's main strategic activities and is carried out in accordance with the International Standards. Within the scope of its brokerage activities The Bank offers its clients a wide variety of investment instruments, such as shares of American, European and Russian companies and shares of investment funds and depository receipts, government and corporate securities, commodity futures, repo operations with foreign securities and marginal operations.

The Bank had a number of significant achievements during the year 2010. The Bank's brokerage clients increased by 30% compared to the previous year. Operations were implemented with shares and depository receipts of leading companies trading on Russian, European and American stock exchanges. The total number or brokerage transactions with foreign securities implemented upon the orders of the Bank's clients during 2010 was 1047 for an amount of AMD 6.26 billion. Major part of this amount, namely AMD 6.15 billion is attributed to the brokerage transactions with foreign securities. In 2010 the Bank also offered its clients repo transactions with foreign securities which amounted to AMD 2.1 billion in contrast to the amount of AMD 650 million for the previous year. Return on the said operations was AMD 4.6 million for the reporting year increasing more than twice compared to the previous year. In 2010 the Bank's intensive activities succeeded in increasing the number of the brokerage clients.

In 2010 the Bank also had active participation in the auctions at corporate securities platforms of the NASDAQ OMX ARMENIA stock exchange. Transactions with corporate bonds implemented at NASDAQ OMX ARMENIA upon customers' orders amounted to AMD 110 million.

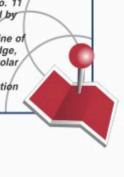




The Rainbow bridge (Reinbō burijji?) is a suspension bridge crossing northern Tokyo Bay between Shibaura Pier and the Odaiba waterfront development in Minato, Tokyo, Japan. Construction started in 1987 and was completed in 1993. The bridge is 798 metres (2,618 ft) long with a main span of 580 metres (1,903 ft). Officially called the "Shuto Expressway No. 11 Daiba Route - Port of Tokyo Connector Bridge," the name "Rainbow Bridge" was decided by the public. It is colloquially known as "RB."

The towers supporting the bridge are white in color, designed to harmonize with the skyline of central Tokyo seen from Odaiba. There are lamps placed on the wires supporting the bridge, which are illuminated into three different colors, red, white and green every night using solar energy obtained during the day.

The bridge can be accessed by foot from Tamachi Station (JR East) or Shibaura-futo Station (Yurikamome) on the mainland side.





6 RISK MANAGEMENT

The Bank's management has always prioritized the efficiency and consistancy of risk management mechanisms. The Bank's Board, the Executive Director, the Management Board, the Internal audit and each employee are involved in the risk management process. Risk analysis is a vital component of not only the Bank's strategic planning process but also assessment and implementation procedures of short and medium term projects.

The Bank has a separate Risk Management Division, which is independent from operational units and exercises daily and periodic control over the Bank's operations through examining risk bearing transactions and monitoring the compliance with the set benchmarks and internal normatives of the Bank.

An effective system of credit, market, liquidity and operational risk management is applied in the Bank based on modern methods and technologies of risk assessment and mitigation.

The Bank periodically reviews the existing guidelines and limits of investment benchmarks adjusting to the situation in local and international financial markets.

Stress test models are periodically exercised for observing the risks typical of the Bank.

Methodological guidelines for credit risk assessment as well as for defining benchmarks of currency (exchange and derivative) operations are used in the Bank.

One of the key elements of interest rate risk management, namely the liquidity GAP model, is used for market risk assessment.

The Bank implements detailed examination of its clients, partners and beneficiaries within the framework of its antimoney laundering policy which complies with international standards.

The Internal Audit also studies the risks related to the Bank's activity, evaluates whether the internal control mechanisms for the reduction and prevention of such risks are sufficient and effective, and monitors the correspondence of the Bank's activity to the RA legislation, legal requirements of the CBA and internal regulations of the Bank.

Consultative and decision-making collective bodies operate in the Bank, namely, Management Board, Credit, Investment, Assets and Liabilities Management, Compliance and Client Relations Management committees. The risk management process is regulated by the Board, which establishes limits, benchmarks, investment guidelines, borrower and counterparties' selection criteria, pledge requirements, etc., which aim to reduce the Bank's exposure to credit and market risks. For the puprose of Operational Risk management, the Bank acquired insurance packages (the Bankers Blanked Bond Policy and building and property insurance) for reducing possible losses.



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HUMAN RESOURCE MANAGEMENT

Human resources management policy aims at ensuring the conformity of human resource management quality with international standards and creating favorable environment for the employees' responsible and creative work. Particularly, the Bank gives priority to its employees' career advancement creating all necessary conditions for their professional growth, acquisition of new skills and knowledge, as well as for social welfare. In 2010 the Bank recruited both experienced and young professionals (18 new employees). As of December 31, 2010, the number of the Bank's employees was 82, and the average age was 30. The Bank attaches importance to the training of its personnel to ensure awareness of the changing legislation, new technologies, studying cooperation mechanisms with institutional partners, etc.

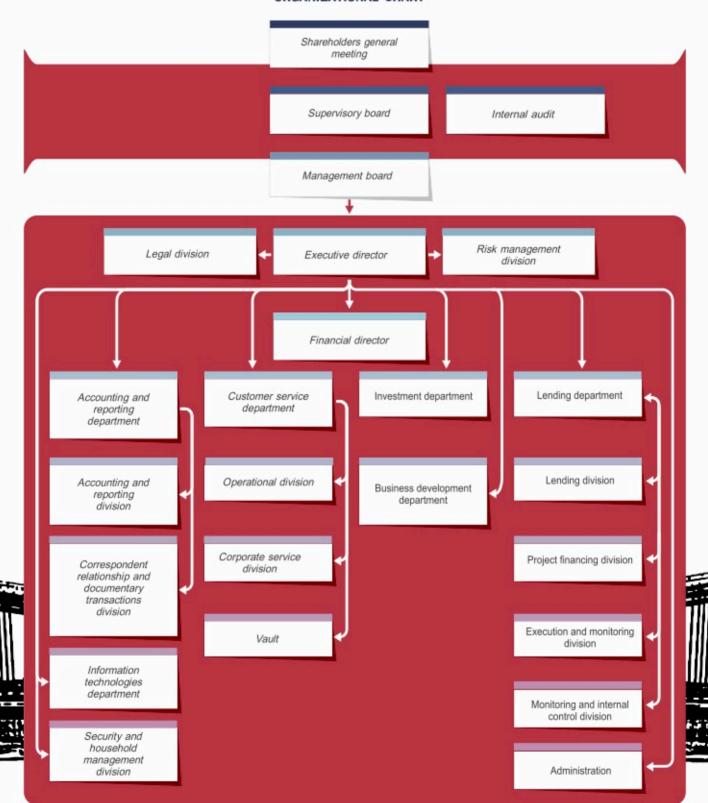
During the reporting year 40 employees of the Bank participated in 53 seminars, presentations and conferences in the Republic of Armenia and 4 employees participated in conferences and trainings abroad. Furthermore, 38 internal seminars were organized in the Bank. Certificates were granted to 3 employees of the Bank for participating in the FCI course on International Factoring and successfully passing the exam. A number of analytical papers were introduced by the Bank's employees on issues related to the Bank.

Around 70% of the employees participated in the health insurance package offered within the scope of the Bank's social policies during the reporting year. Corporate events and parties were organized for the Bank's employees. All these factors contributed to strengthening interpersonal relationships among the employees creating a strong team spirit and an atmosphere of cooperation and mutual respect. Consistent with the Bank's activity and development stages the Bank's organizational structure was reviewed, which led to the creation of Business development department, emphasizing client attraction and attaching importance to marketing activities, as well as cooperation with international institutions.





ORGANIZATIONAL CHART

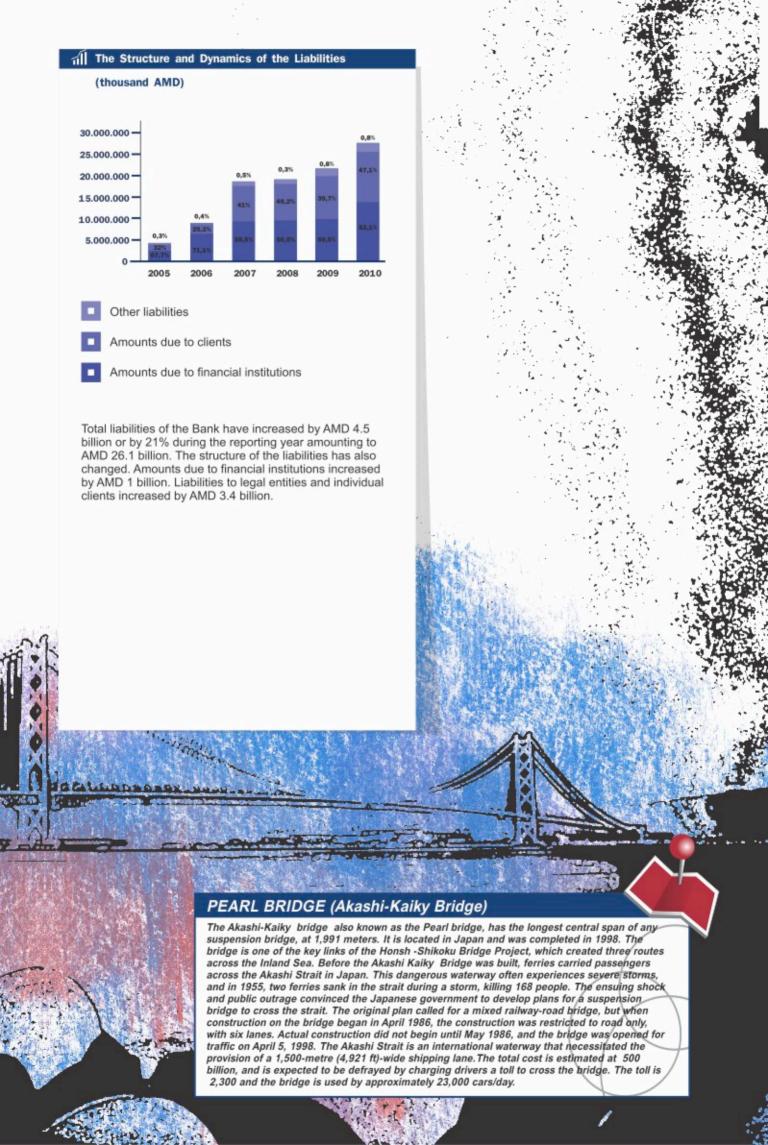




8 FINANCIAL RESULTS

"ARMSWISSBANK" CJSC completed the sixth year of its activity with a substantial growth in all key indicators. During the reporting year the Bank's assets increased by AMD 5.5 billion or by 26% compared with the previous period amounting to AMD 35.1 billion. Also there were some changes within the structure of the assets. Amounts due from financial institutions increased by AMD 1.8 billion, loans to the customers increased by AMD 2.7 billion, securities pledged under repurchase agreements (sold under the condition of buying back) decreased by AMD 1.2 billion. Loans comprise a large portion of the assets, namely, 37%, securities account for 36%, the share of interbank deposits is 12%.





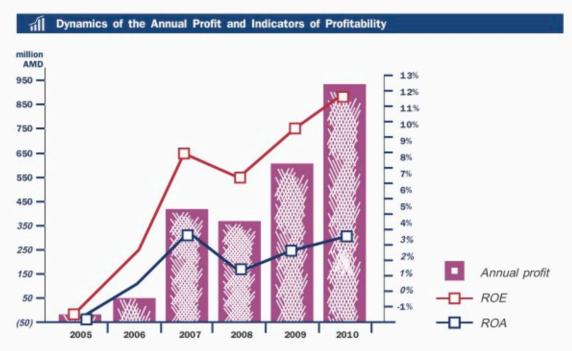


The Chain bridge (Hungarian: Lánchíd) is a suspension bridge that spans the River Danube between Buda and Pest, the western and eastern sides of Budapest, the capital of Hungary. It was the first permanent bridge across the Danube in Budapest, and was opened in 1849.

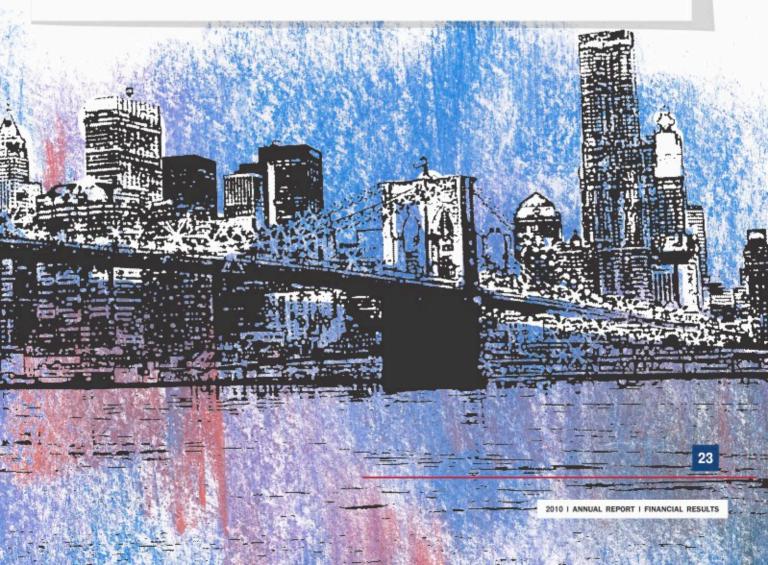
It is anchored on the Pest side of the river to Széchenyi (formerly Roosevelt) Square, adjacent to the Gresham Palace and the Hungarian Academy of Sciences, and on the Buda side to Adam Clark Square, near the Zero Kilometer Stone and the lower end of the Castle Hill Funicular, leading to Buda Castle. The bridge has the name of István Széchenyi, a major supporter of its construction, attached to it, but is most commonly known as the Chain Bridge. At the time of its construction, it was regarded as one of the modern world's engineering wonders. It has asserted an enormous significance in the country's economic, social and cultural life, much as the Brooklyn Bridge has in New York and America. Its decorations made of cast iron, and its construction, radiating calm dignity and balance, have elevated the Chain Bridge to a high stature in Europe. It became a symbol of advancement, national awakening, and the linkage between East and West.

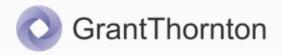


Net interest income has increased by 37% or AMD 464 million during the reporting period amounting to AMD 1.7 billion. Income on loans and securities have comprised 98% of the total interest income.



In 2010 the Bank's net profit was AMD 953 million. Compared to 2009, net profit has increased by AMD 393 million which is mainly a result of increase of the Bank's income bearing assets and the annual return on RA government securities. As a result, the retained profit as of December 31, 2010 amounted to more than AMD 2.1 billion of which provisions to the general reserve amounted to AMD 500 million. Total capital of the Bank amounted to AMD 9 billion at the end of 2010, increasing by 12% compared to the previous period due to the profit made during the reporting period.





Independent auditor's report

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To the Shareholder and Board of Directors of "Armswissbank" CJSC:

We have audited the accompanying financial statements of "Armswissbank" CJSC (the "Bank"), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

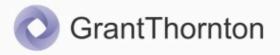
Management's responsibility for the financial statements

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 Bank'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 the Bank as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Gagik Gyulbudaghyan Managing partner

Grant Thornton CJSC 14 February 2011

Yerevan

Armen Vanyan Auditor

I Statement of comprehensive income

In thousand Armenian drams	Notes	Year ended December 31, 2010	Year ended December 31, 2009
Interest and similar income	6	3,316,153	2,513,160
Interest and similar expense	6	(1,583,504)	(1,244,919)
Net interest income		1,732,649	1,268,241
Fee and commission income	7	92,897	75,883
Fee and commission expense	7	(13,049)	(18,166)
Net fee and commission income		79,848	57,717
Net trading income	8	68,960	62,961
Gains less losses on investments available for sale		39,184	156,733
Other income	9	74,465	74,930
Impairment charge for credit losses	17	(42,528)	(299,971)
Staff costs	10	(480,447)	(416,427)
Depreciation of property and equipment	19	(57,944)	(34,423)
Amortization of intangible assets	20	(6,529)	(5,912)
Other expenses	11	(202,096)	(176,127)
Profit before income tax		1,205,562	687,722
Income tax expense	12	(252,571)	(127,404)
Profit for the year		952,991	560,318
Other comprehensive income:			
Net unrealized gains/(losses) from changes in fair value		(186,985)	69,733
Net (gains)/losses realized to net profit on disposal of available-for-sale instruments		196,158	(109,833)
Income tax relating to components of other comprehensive income		(1,834)	8,067
Other comprehensive income for the year, net of tax		7,339	(32,033)
Total comprehensive income for the year		960,330	528,285

In thousand Armenian drams	Notes	As of December 31, 2010	As of December 31, 2009
ASSETS			
Cash and balances with CBA	13	4,040,968	2,030,121
Precious metals	14	153,785	-
Amounts due from other financial institutions	15	4,368,441	2,595,767
Derivative financial assets	16	20,644	-
Loans and advances to customers	17	13,034,621	10,376,790
Investments available for sale	18	7,347,074	6,771,933
Securities pledged under repurchase agreements	26	5,320,918	7,070,431
Property, plant and equipment	19	619,868	668,888
Intangible assets	20	50,354	41,853
Deferred income tax assets	12	16,306	38,995
Other assets	21	191,233	54,483
TOTAL ASSETS		35,164,212	29,649,261
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the CBA	22	5,661,265	7,842,153
Derivative financial liabilities	16	10,716	-
Amounts due to other financial institutions	23	7,936,890	4,674,120
Amounts due to customers	24	12,313,526	8,902,263
Current income tax liabilities		127,913	81,375
Other liabilities	25	84,134	79,912
Total liabilities		26,134,444	21,579,823
Equity			
Share capital	27	7,002,000	7,002,000
Statutory general reserve		500,000	200,000
Other reserves		(144,659)	(151,998)
Retained earnings		1,672,427	1,019,436
Total equity		9,029,768	8,069,438
TOTAL LIABILITIES AND EQUITY		35,164,212	29,649,261

____ Statement of changes in equity

In thousand Armenian drams	Share capital	Statutory general reserve	Revaluation reserve of securities available for sale	Retained earnings	Total
Balance as of January 1, 2009	5,001,000	100,000	(119,965)	559,118	5,540,153
Increase in share capital	2,001,000	-	-		2,001,000
Distribution to reserve	- 5	100,000	7	(100,000)	-
Transactions with owners	2,001,000	100,000	(286	(100,000)	2,001,000
Profit for the year	-	-	240	560,318	560,318
Other comprehensive income:					
Net unrealized gains from changes in fair value	-	÷:	69,733		69,733
Net gains realized to net profit on disposal of available-for-sale instruments			(109,833)	-	(109,833)
Income tax relating to components of other comprehensive income		-	8,067	-:	8,067
Total comprehensive income for the year	-		(32,033)	560,318	528,285
Balance as of December 31, 2009	7,002,000	200,000	(151,998)	1,019,436	8,069,438
Distribution to reserve	-	300,000	-	(300,000)	-
Transactions with owners		300,000		(300,000)	-
Profit for the year	-	*	•	952,991	952,991
Other comprehensive income:					
Net unrealized loss from changes in fair value	-	-	(186,985)	*	(186,985)
Net loss realized to net profit on disposal of available-for- sale instruments		•	196,158	-	196,158
Income tax relating to components of other comprehensive income	-	-	(1,834)	-	(1,834)
Total comprehensive income for the year		2	7,339	952,991	960,330
Balance as of December 31, 2010	7,002,000	500,000	(144,659)	1,672,427	9,029,768

I Statement of cash flows

In thousand Armenian drams	Year ended December 31, 2010	Year ended December 31, 2009
Cash flows from operating activities		
Profit before tax	1,205,562	687,722
Adjustments for		
Impairment charge for credit losses	42,528	299,971
Amortization and depreciation allowances	64,473	40,335
Net (gains)/losses from sale of PPE	(140)	36
Interests receivable	(140,627)	(93,418)
Interests payable	114,015	9,712
Foreign currency translation net (gains)/losses of non-trading assets and liabilities	9,015	(19,115)
Net income from changes in fair value of trading instruments	(9,928)	4
Cash flows from operating activities before changes in operating assets and liabilities	1,284,898	925,243
(Increase)/decrease in operating assets	<u> </u>	
Precious metals	(153,785)	110,496
Amounts due from other financial institutions	(1,792,252)	(803,315)
Loans and advances to customers	(2,992,258)	(2,596,166)
Other assets	(63,478)	56,798
Increase/(decrease) in operating liabilities		
Repurchase agreements with the CBA	(2,199,985)	(2,844,637)
Amounts due to financial institutions	(88,340)	2,308,391
Amounts due to customers	3,003,516	(2,137,488)
Other liabilities	20,175	52,944
Net cash flow used in operating activities before income tax	(2,981,509)	(4,927,734)
Income tax paid	(185,178)	(68,171)
Net cash flow used in operating activities	(3,166,687)	(4,995,905)
Cash flows from investing activities		
(Purchase) /sale of investment securities	1,281,803	(3,311,025)
Purchase of property and equipment	(8,951)	(414,255)
Proceeds from sale of property and equipment	167	800
Purchase of intangible assets	(15,030)	-
Net cash from/ (used in) investing activities	1,257,989	(3,724,480)
Cash flow from financing activities		
Proceeds from issue of share capital	-	2,001,000
Loans received from the CBA	7,445	2,012,715
Loans received from financial institutions	3,328,803	1,827,673
Other long term loans	755,317	308,725
Net cash flow from financing activities	4,091,565	6,150,113
Net increase/(decrease) in cash and cash equivalents	2,182,867	(2,570,272)
Cash and cash equivalents at the beginning of the year	2,596,993	4,274,357
Exchange differences on cash and cash equivalents	(46,936)	892,908
Cash and cash equivalents at the end of the year (Note 13)	4,732,924	2,596,993
Supplementary information:		
Interest received	3,175,545	2,419,742
Interest paid	(1,469,489)	(1,235,207)

■ ■ Main clearing accounts for international payments

Austria

	Austria			
Vienna	Raiffeisen Zentralbank Osterreich AG	EUR USD	RZBA AT WW	
	Switzerland	1000		
		CHF	7	
Zurich	UBS AG	EUR	UBSW CH ZH80A	
Zanon	00070	USD	OBSW CI1211007	
	Germany			
Frankfurt		EUR		
am Main	Commontabank AC	USD	COBA DE FF	
	Russian Federation			
		RUB		
		EUR	8.	
Moscow	UniCreditBank	USD		
		GBP	IMBK RU MM	
		CHF		
		RUB		
Moscow	Promsvyazbank JSCB	EUR	PRMSRUMM	
		USD		
	Latvia	**	*	
Riga Norvik Bank JSC		EUR		
	USD	LATBLV22		
	Republic of Armenia			
		EUR		
Yerevan	Central Bank of Armenia	USD	CBRA AM 22	
		AMD	4	

■ ■ Cooperation and Membership

Union of Banks of Armenia (UBA)

NASDAQ OMX Armenia Stock Exchange

Armenian Credit Reporting Agency (ACRA)

Society for Worldwide Interbank Financial Telecommunications (SWIFT)

FCI (FACTORS CHAIN INTERNATIONAL)

American Chamber of Commerce in Armenia (AMCHAM)

Partner Bank of the German-Armenian Found (Renewable Energy

program)

SME DNC (SME DEVELOPMENT NATIONAL CENTER)

European Bank for Reconstruction and Development (EBRD)

National Mortgage Company (NMC)

_ BANK DETAILS

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