

“Byblos Bank Armenia” cjsc

Financial Statements
for the Year Ended 31 December 2009

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KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia

Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

To the Board of Directors
"Byblos Bank Armenia" cjsc

Report on the Financial Statements

We have audited the accompanying financial statements of "Byblos Bank Armenia" cjsc (the Bank), which comprise the statement of financial position as at 31 December 2009, 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the "Byblos Bank Armenia" cjsc as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Andrew Coxshall
Director


Tigran Gasparyan
Head of Audit Department

KPMG Armenia cjsc
22 February 2010




"Byblos Bank Armenia" cjsc
Statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 AMD'000	2008 AMD'000
Interest income	4	1,674,237	696,393
Interest expense	4	(543,468)	(153,833)
Net interest income		1,130,769	542,560
Fee and commission income	5	47,363	90,109
Fee and commission expense	6	(30,439)	(45,153)
Net fee and commission income		16,924	44,956
Net foreign exchange income	7	87,501	144,210
Net realized loss on available-for-sale assets		-	(62)
Other operating income/(loss)		33,764	(2,941)
Operating income		1,268,958	728,723
Impairment losses	8	(283,875)	(108,992)
Personnel expenses	9	(438,969)	(569,097)
Other general administrative expenses	10	(319,574)	(308,067)
Profit/(loss) before taxes		226,540	(257,433)
Income tax (expense)/benefit	11	(56,151)	28,020
Profit/(loss)		170,389	(229,413)
Other comprehensive income/(loss)			
Revaluation reserve for assets available-for-sale:			
-Net change in fair value of available-for-sale assets, net of tax		1,414	(2,831)
-Net change in fair value of available-for-sale assets transferred to profit or loss, net of tax		-	(100)
Other comprehensive income/(loss), net of tax		1,414	(2,931)
Total comprehensive income/(loss)		171,803	(232,344)

The financial statements as set out on pages 4 to 46 were approved by Board of Directors on 22 February 2010.


George Steh
Chief Executive Officer




Karapet Melkonyan
Chief Accountant

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

“Byblos Bank Armenia” cjsc
Statement of financial position as at 31 December 2009

	Notes	2009 AMD'000	2008 AMD'000
ASSETS			
Cash		270,371	141,578
Due from the Central Bank of Armenia	12	1,195,711	772,088
Placements with banks	13	2,581,401	3,432,745
Loans to customers	14	12,048,787	7,214,117
Available-for-sale assets			
- Held by the Bank	15	493,468	190,538
- Pledged under repurchase agreements	15	298,995	1,334,083
Property, equipment and intangible assets	16	616,464	539,792
Other assets	17	83,722	53,572
Deferred tax asset	11	-	25,685
Total assets		17,588,919	13,704,198
LIABILITIES			
Deposits and balances from banks	18	586,557	2,227,732
Current accounts and deposits from customers	19	8,496,388	3,187,072
Other liabilities	20	92,557	78,600
Deferred tax liability	11	30,820	-
Total liabilities		9,206,322	5,493,404
EQUITY			
Share capital	21	8,125,100	8,125,100
Share premium		257,149	257,149
Revaluation reserve for available-for-sale assets		631	(783)
Accumulated losses		(283)	(170,672)
Total equity		8,382,597	8,210,794
Total liabilities and equity		17,588,919	13,704,198

Commitments and contingencies 24-25

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

“Byblos Bank Armenia” cjsc
Statement of cash flows for the year ended 31 December 2009

	Notes	2009 AMD'000	2008 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		1,610,610	657,415
Interest payments		(450,002)	(152,581)
Fee and commission receipts		36,901	68,999
Fee and commission payments		(26,453)	(40,816)
Net receipts from available-for-sale securities		-	50
Net receipts from foreign exchange		68,026	121,402
Tax payments (other than income tax)		(40,319)	(46,428)
Salaries and other payments to employees		(422,279)	(531,630)
Other general administrative expenses		(270,158)	(290,188)
Net cash flows from other operating activities		38,267	(1,082)
(Increase)/decrease in operating assets			
Placements with banks		1,674,229	(2,862,926)
Loans to customers		(4,719,486)	(5,314,611)
Available-for-sale assets		731,476	(767,838)
Other assets		75,402	56,032
Increase/(decrease) in operating liabilities			
Deposits and balances from banks		(1,412,959)	179,407
Amounts payable under repurchase agreements		(1,034,539)	1,333,418
Current accounts and deposits from customers		4,270,303	1,103,550
Other liabilities		15,852	11,147
Net cash provided from/(used in) operating activities before taxes paid		144,871	(6,476,680)
Taxes paid		(15,251)	(14,939)
Cash flows from/(used in) operations		129,620	(6,491,619)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of property and equipment		(128,698)	(50,562)
Cash flows used in investing activities		(128,698)	(50,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	5,416,649
Cash flows from financing activities		-	5,416,649
Net increase/(decrease) in cash and cash equivalents		922	(1,125,532)
Effect of changes in exchange rates on cash and cash equivalents		725,459	59,281
Cash and cash equivalents at the beginning of the year		804,863	1,871,114
Cash and cash equivalents at the end of the year	27	1,531,244	804,863

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

“Byblos Bank Armenia” cjsc
Statement of changes in equity for the year ended 31 December 2009

	Share capital AMD'000	Share premium AMD'000	Revaluation reserve for available-for-sale assets AMD'000	(Accumulated losses)/ Retained earnings AMD'000	Total AMD'000
Balance as at 1 January 2008	2,965,600	-	2,148	58,741	3,026,489
Total comprehensive loss					
Loss	-	-	-	(229,413)	(229,413)
Other comprehensive loss					
Net change in fair value of available-for-sale assets transferred to profit or loss, net of tax of AMD 25 thousand	-	-	(100)	-	(100)
Net change in fair value of available-for-sale assets, net of tax of AMD 708 thousand	-	-	(2,831)	-	(2,831)
Total comprehensive loss	-	-	(2,931)	(229,413)	(232,344)
Shares issued	5,159,500	257,149	-	-	5,416,649
Balance as at 31 December 2008	8,125,100	257,149	(783)	(170,672)	8,210,794
Total comprehensive income					
Profit	-	-	-	170,389	170,389
Other comprehensive income					
Net change in fair value of available-for-sale assets, net of tax of AMD 354 thousand	-	-	1,414	-	1,414
Total comprehensive income	-	-	1,414	170,389	171,803
Balance as at 31 December 2009	8,125,100	257,149	631	(283)	8,382,597

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

Principal activities

The principal activities of “Byblos Bank Armenia” cjsc (“the Bank”) are deposit taking and customer accounts maintenance, lending, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (“CBA”). The majority of the assets are placed in, and liabilities attracted from the Republic of Armenia. The registered address of the Bank’s head office is 18/3 Amiryan Street, Yerevan, Republic of Armenia. The average number of persons employed by the Bank during the period was 81 (2008: 103).

Shareholders

In August 2007 Byblos Bank SAL purchased 100% of the shares of “ITB” International Trade Bank” cjsc and the Bank was renamed “Byblos Bank Armenia” cjsc.

During the year ended 31 December 2008 the European Bank for Reconstruction and Development and the OPEC Fund for International Development acquired 25% and 10% of the ordinary shares of “Byblos Bank Armenia” cjsc, respectively. The current shareholder structure is as follows:

Byblos Bank SAL – 65%

European Bank for Reconstruction and Development – 25%

OPEC Fund for International Development – 10%

The party with ultimate control over the Bank is Francois Bassil. Related party transactions are detailed in note 26.

Armenian business environment

Armenia is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Armenia involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.

2 Basis of preparation

Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value.

Functional and presentation currency

The functional currency of the Bank is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The AMD is also the Bank’s presentation currency for the purposes of these financial statements. The Armenian Dram is not a convertible currency outside the Republic of Armenia.

Financial information presented in AMD is rounded to the nearest thousand.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 14 “Loans to customers”.

3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the financial statements. Changes in accounting policies are described at the end of this note.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

The Bank includes cash and nostro accounts with banks and the CBA in cash and cash equivalents.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the Bank as at fair value through profit or loss.

The Bank designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale; or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the end of reporting period without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices for substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in the profit or loss. Interest in relation to an available-for-sale financial asset is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognized when it is extinguished.

The Bank also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under reverse repo transactions within placements with banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

– buildings	50 years
– computers and communication equipment	1-5 years
– fixtures and fittings	5-10 years
– vehicles	5 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangible assets range from 1-10 years.

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (“loans and receivables”). The Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share premium

Any amount paid in excess of par value of shares issued is recognized as share premium.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognized in net gains/(losses) from financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Changes in accounting policies

Starting from 1 January 2009 the Bank adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets. The balance sheet is renamed the statement of financial position and the cash flow statement is renamed the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the Bank restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt this pronouncement when it becomes effective. The Bank has not yet analysed the likely impact of this pronouncement on its financial statements.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Bank recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

Various *Improvements to IFRSs* which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010.

4 Net interest income

	2009 AMD'000	2008 AMD'000
Interest income		
Loans to customers	1,277,034	530,690
Placements with banks	290,151	66,184
Available-for-sale assets	106,559	97,750
Amounts receivable under reverse repurchase agreements	493	1,769
	1,674,237	696,393
Interest expense		
Current accounts and deposits from customers	348,871	115,375
Deposits and balances from banks	190,025	33,679
Amounts payable under repurchase agreements	4,572	4,779
	543,468	153,833
Net interest income	1,130,769	542,560

5 Fee and commission income

	2009 AMD'000	2008 AMD'000
Remittances	14,483	33,619
Cash entry and withdrawal	10,932	21,908
Guarantees and letters of credit	10,443	8,726
Credit card maintenance	7,074	7,610
Other	4,431	18,246
	47,363	90,109

6 Fee and commission expense

	2009 AMD'000	2008 AMD'000
Plastic card services	18,040	7,204
Remittances	4,127	4,673
Guarantees and letters of credit	3,986	4,337
Cash withdrawal and settlement	1,735	27,416
Other	2,551	1,523
	30,439	45,153

7 Net foreign exchange income

	2009 AMD'000	2008 AMD'000
Gain on spot transactions	68,026	121,402
Gain from revaluation of financial assets and liabilities	19,475	22,808
	87,501	144,210

8 Impairment losses

	2009 AMD'000	2008 AMD'000
Loans to customers	279,225	105,997
Other assets	4,650	2,995
	283,875	108,992

9 Personnel expenses

	2009 AMD'000	2008 AMD'000
Employee compensation	411,003	534,231
Payroll related taxes	27,966	34,866
	438,969	569,097

10 Other general administrative expenses

	2009 AMD'000	2008 AMD'000
Depreciation and amortization	63,384	47,822
Communications and information services	35,011	38,403
Advertising and marketing	32,101	8,742
Insurance	27,182	12,715
Professional services	25,168	36,408
Maintenance of accounting application	19,574	17,420
Security	18,735	18,654
Repairs and maintenance	16,368	18,159
Occupancy	15,017	21,170
Stationery	14,247	10,955
Taxes and other dues	13,512	11,156
Maintenance of cars	13,422	17,318
Business trips	6,021	6,022
Subscription fees	4,580	4,056
Other	15,252	39,067
	319,574	308,067

11 Income tax (expense)/benefit

	2009 AMD'000	2008 AMD'000
Current tax expense		
Underprovided in prior years	-	(1,089)
	-	(1,089)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	(56,151)	29,109
Total income tax (expense)/benefit in the statement of comprehensive income	(56,151)	28,020

The Bank's applicable tax rate for current and deferred tax is 20% (2008: 20%).

Reconciliation of effective tax rate

	2009 AMD'000	%	2008 AMD'000	%
Profit/(loss) before tax	226,540		(257,433)	
Income tax (expense)/benefit at the applicable tax rate	(45,308)	(20%)	51,487	(20%)
Non-taxable income	(10,843)	(5%)	(22,378)	8.6%
Underprovided in prior years	-	-	(1,089)	0.4%
	(56,151)	(25%)	28,020	(11%)

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities and assets as at 31 December 2009 and 2008, respectively.

These deductible temporary differences (except for tax loss carry-forwards) do not expire under current tax legislation. Under current tax legislation the tax loss carry-forwards can be carried forward a maximum of 5 subsequent years starting from the year of origination of the loss. The tax loss carry-forwards expire in 2013.

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows.

	Assets		Liabilities		Net	
AMD'000	2009	2008	2009	2008	2009	2008
Loans to customers	-	-	(55,839)	(11,474)	(55,839)	(11,474)
Available-for-sale assets	-	196	(493)	-	(493)	196
Placements with banks and other financial institutions	-	-	(5,003)	(6,834)	(5,003)	(6,834)
Property and equipment	1,807	516	-	-	1,807	516
Other assets	-	-	(124)	(117)	(124)	(117)
Tax losses carry-forward	23,730	37,158	-	-	23,730	37,158
Other liabilities	5,102	6,240	-	-	5,102	6,240
Recognised net deferred tax assets/(liabilities)	30,639	44,110	(61,459)	(18,425)	(30,820)	25,685

Movement in temporary differences during the year ended 31 December 2009

AMD'000	Balance 1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2009
Loans to customers	(11,474)	(44,365)	-	(55,839)
Available-for-sale assets	196	(335)	(354)	(493)
Placements with banks and other financial institutions	(6,834)	1,831	-	(5,003)
Property and equipment	516	1,291	-	1,807
Other assets	(117)	(7)	-	(124)
Tax losses carry-forward	37,158	(13,428)	-	23,730
Other liabilities	6,240	(1,138)	-	5,102
	25,685	(56,151)	(354)	(30,820)

Movement in temporary differences during the year ended 31 December 2008

AMD'000	Balance 1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2009
Loans to customers	(9,940)	(1,534)	-	(11,474)
Available-for-sale assets	(1,146)	609	733	196
Placements with banks and other financial institutions	(243)	(6,591)	-	(6,834)
Property and equipment	-	516	-	516
Other assets	(120)	3	-	(117)
Tax losses carry-forward	-	37,158	-	37,158
Other liabilities	7,292	(1,052)	-	6,240
	(4,157)	29,109	733	25,685

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

AMD'000	2009			2008		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of available-for-sale assets	1,768	(354)	1,414	(3,539)	708	(2,831)
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	(125)	25	(100)
Other comprehensive income	1,768	(354)	1,414	(3,664)	733	(2,931)

12 Due from the Central Bank of Armenia

	2009 AMD'000	2008 AMD'000
Nostro accounts	1,074,035	657,445
Deposited funds in the CBA	121,676	114,643
	1,195,711	772,088

The nostro accounts represent balances with the Central Bank of Armenia related to settlement activity and were available for withdrawal at year end.

The deposited funds in the Central Bank of Armenia represent a non-withdrawable deposit in the Central Banks of Armenia for membership in ArCa system.

13 Placements with banks

	2009 AMD'000	2008 AMD'000
Nostro accounts		
OECD banks	16,272	709
Other foreign banks	169,383	4,113
Largest 10 Armenian banks	1,183	800
Small and medium size Armenian banks	-	218
Accrued interest	1,076	-
Total nostro accounts	187,914	5,840
Loans and deposits		
Largest 10 Armenian banks	2,346,293	3,385,715
OECD banks	47,194	41,190
Total loans and deposits	2,393,487	3,426,905
	2,581,401	3,432,745

Included in loans and deposits with OECD banks is AMD 47,194 thousand (31 December 2008: AMD 41,190 thousand) which represents a blocked deposit in HSBC Bank Plc for membership in Europay International.

Concentration of placements with banks

As at 31 December 2009 and 2008 there were 1 and 3 banks, respectively, whose balances exceeded 10% of total placements with banks. The gross value of these balances as of 31 December 2009 and 2008 were AMD 2,346,293 thousand and AMD 3,385,988 thousand, respectively.

14 Loans to customers

	2009	2008
	AMD'000	AMD'000
Loans to legal entities		
Loans to large corporates	9,110,747	4,910,372
Loans to small and medium size companies	12,859	46,442
Total commercial loans	9,123,606	4,956,814
Loans to individuals		
Mortgage loans	1,684,028	1,176,654
Auto loans	714,561	599,675
Consumer loans secured by real estate	635,854	268,322
Credit card loans	274,890	64,049
Consumer loans not secured by real estate	1,651	263,067
Total loans to individuals	3,310,984	2,371,767
Gross loans to customers	12,434,590	7,328,581
Impairment allowance	(385,803)	(114,464)
Net loans to customers	12,048,787	7,214,117

Movements in the loan impairment allowance for the year ended 31 December 2009 are as follows:

	2009	2008
	AMD'000	AMD'000
Balance at the beginning of the year	114,464	16,313
Net charge	279,225	105,997
Write-offs	(7,886)	(7,846)
Balance at the end of the year	385,803	114,464

As at 31 December 2009, interest accrued on impaired loans amounts to AMD 6,656 thousand (31 December 2008: AMD 4,824 thousand).

Credit quality of loans to legal entities portfolio

The following table provides information on the credit quality of loans to legal entities as at 31 December 2009:

	Gross loans AMD'000	Impairment AMD'000	Net loans AMD'000	Impairment to gross loans %
Loans to large corporates				
Loans without individual signs of impairment	8,633,494	(43,167)	8,590,327	0.5%
Impaired loans:				
- not overdue	73,592	(29,437)	44,155	40.0%
- overdue more than 180 days and less than 360 days	168,727	(74,275)	94,452	44.0%
- overdue more than 360 days	234,934	(187,947)	46,987	80.0%
Total impaired loans	477,253	(291,659)	185,594	61.1%
Total loans to large corporates	9,110,747	(334,826)	8,775,921	3.7%
Loans to small and medium size companies				
Impaired loans:				
- overdue more than 360 days	12,859	(6,044)	6,815	47.0%
Total impaired loans	12,859	(6,044)	6,815	47.0%
Total loans to small and medium size companies	12,859	(6,044)	6,815	47.0%
Total loans to legal entities	9,123,606	(340,870)	8,782,736	3.74%

The following table provides information on the credit quality of loans to legal entities as at 31 December 2008:

	Gross loans AMD'000	Impairment AMD'000	Net loans AMD'000	Impairment to gross loans %
Loans to large corporates				
Loans without individual signs of impairment	4,640,338	(23,202)	4,617,136	0.5%
Impaired loans:				
- not overdue	124,934	(24,987)	99,947	20.0%
- overdue less than 30 days	110,000	(22,000)	88,000	20.0%
- overdue more than 180 days and less than 360 days	35,100	(176)	34,924	0.5%
Total impaired loans	270,034	(47,163)	222,871	17.0%
Total loans to large corporates	4,910,372	(70,365)	4,840,007	1.4%
Loans to small and medium size companies				
Loans without individual signs of impairment	21,852	(109)	21,743	0.5%
Impaired loans:				
- overdue less than 30 days	1,458	(7)	1,451	0.5%
- overdue more than 30 days and less than 60 days	8,382	(42)	8,340	0.5%
- overdue more than 180 and less than 360 days	14,750	(74)	14,676	0.5%
Total impaired loans	24,590	(123)	24,467	0.5%
Total loans to small and medium size companies	46,442	(232)	46,210	0.5%
Total loans to legal entities	4,956,814	(70,597)	4,886,217	1.42%

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower’s markets

The Bank estimates loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to legal entities, management made the following key assumptions:

- for non-impaired loans the Bank created a collective provision of 0.5% considering the economic environment and market loss experience.
- for impaired loans a discount of 50% to the originally appraised value if the property pledged is sold and delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to legal entities as at 31 December 2009 would be AMD 91,236 thousand higher (31 December 2008: AMD 49,568 thousand)

During the year ended 31 December 2009 the Bank renegotiated loans to legal entities that would otherwise be past due or impaired of AMD 73,592 thousand (31 December 2008: nil). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

Analysis of collateral

All loans to legal entities are secured by real estate. Impaired or overdue loans with a gross value of AMD 490,112 thousand are secured by real estate with a fair value of at least AMD 608,742 thousand.

During the year ended 31 December 2009 the Bank did not obtain any assets by taking control of collateral accepted as security for loans to legal entities (31 December 2008: nil).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2009 are as follows:

AMD'000	Loans to large corporates	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	70,365	232	70,597
Loan impairment losses during the period	264,461	5,812	270,273
Loan impairment allowance as at 31 December	334,826	6,044	340,870

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2008 are as follows:

AMD'000	Loans to large corporates	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	-	-	-
Loan impairment losses during the year	70,365	232	70,597
Loan impairment allowance as at 31 December	70,365	232	70,597

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2009:

	Gross loans AMD'000	Impairment AMD'000	Net loans AMD'000	Impairment to gross loans %
Mortgage loans				
- Not past due	1,665,858	(16,659)	1,649,199	1.0%
- Overdue 30-89 days	3,642	(729)	2,913	20.0%
- Overdue 90-179 days	9,500	(1,900)	7,600	20.0%
- Overdue 180-360 days	5,028	(1,006)	4,022	20.0%
Total mortgage loans	1,684,028	(20,294)	1,663,734	1.2%
Auto loans				
- Not past due	696,339	(13,927)	682,412	2.0%
- Overdue 30-89 days	18,222	(364)	17,858	2.0%
Total auto loans	714,561	(14,291)	700,270	2.0%
Consumer loans secured by real estate				
- Not past due	629,792	(6,298)	623,494	1.0%
- Overdue less than 30 days	806	(161)	645	20.0%
- Overdue 90-179 days	1,413	(283)	1,130	20.0%
- Overdue 180-360 days	1,282	(256)	1,026	20.0%
- Overdue more than 360 days	2,561	(512)	2,049	20.0%
Total consumer loans secured by real estate	635,854	(7,510)	628,344	1.2%
Credit card loans				
- Not past due	274,890	(2,749)	272,141	1.0%
Total credit cards	274,890	(2,749)	272,141	1.0%
Consumer loans not secured by real estate				
- Overdue less than 360 days	1,651	(89)	1,562	5.4%
Total consumer loans not secured by real estate	1,651	(89)	1,562	5.4%
Total loans to individuals	3,310,984	(44,933)	3,266,051	1.36%

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2008:

	Gross loans AMD'000	Impairment AMD'000	Net loans AMD'000	Impairment to gross loans %
Mortgage loans				
- Not past due	1,172,100	(11,721)	1,160,379	1.0%
- Overdue 90-179 days	4,554	(455)	4,099	10.0%
Total mortgage loans	1,176,654	(12,176)	1,164,478	1.0%
Auto loans				
- Not past due	599,675	(11,993)	587,682	2.0%
Total auto loans	599,675	(11,993)	587,682	2.0%
Consumer loans secured by real estate				
- Not past due	243,982	(2,440)	241,542	1.0%
- Overdue less than 30 days	284	(28)	256	10.0%
- Overdue 30-89 days	9,177	(918)	8,259	10.0%
- Overdue 90-179 days	5,433	(543)	4,890	10.0%
- Overdue 180-360 days	3,252	(325)	2,927	10.0%
- Overdue more than 360 days	6,194	(619)	5,575	10.0%
Total consumer loans secured by real estate	268,322	(4,873)	263,449	1.8%
Consumer loans not secured by real estate				
- Not past due	225,061	(2,251)	222,810	1.0%
- Overdue less than 30 days	17,289	(1,729)	15,560	10.0%
- Overdue 30-89 days	6,170	(1,234)	4,936	20.0%
- Overdue 90-179 days	7,966	(2,390)	5,576	30.0%
- Overdue 180-360 days	6,581	(6,581)	-	100.0%
Total consumer loans not secured by real estate	263,067	(14,185)	248,882	5.4%
Credit card loans				
- Not past due	64,049	(640)	63,409	1.0%
Total credit cards	64,049	(640)	63,409	1.0%
Total loans to individuals	2,371,767	(43,867)	2,327,900	1.85%

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for loans to individuals include the following loan loss rates:

- Loans secured by real estate not past due – 1.0%
- The cost associated with the collection of the past due loans secured by real estate will not exceed 20.0% of the outstanding exposure
- Auto loans – 2.0%
- Consumer loans not secured by real estate – 5.4%
- Credit card loans – 1.0%

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment on loans to individuals as of 31 December 2009 would be AMD 33,110 thousand higher (31 December 2008: AMD 23,718 thousand).

Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by underlying cars. Consumer loans not secured by real estate are secured by consumer appliances. Credit cards are secured by salaries.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2009 are as follows:

AMD'000	Mortgage loans	Auto loans	Consumer loans secured by real estate	Credit card loans	Consumer loans not secured by real estate	Total
Loan impairment allowance as at 1 January	12,176	11,993	4,873	640	14,185	43,867
Loans written off during the period as uncollectible	-	-	-	-	(7,886)	(7,886)
Loan impairment losses/(recovery) during the period	8,118	2,298	2,637	2,109	(6,210)	8,952
Loan impairment allowance as at 31 December	20,294	14,291	7,510	2,749	89	44,933

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2008 are as follows:

AMD'000	Mortgage loans	Auto loans	Consumer loans secured by real estate	Consumer loans not secured by real estate	Credit card loans	Total
Loan impairment allowance as at 1 January	-	-	-	16,313	-	16,313
Loans written off during the year as uncollectible	-	-	-	(7,846)	-	(7,846)
Loan impairment losses during the year	12,176	11,993	4,873	5,718	640	35,400
Loan impairment allowance as at 31 December	12,176	11,993	4,873	14,185	640	43,867

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located in Armenia, who operate in the following economic sectors:

	2009	2008
	AMD'000	AMD'000
Trade	6,638,258	4,126,544
Manufacturing	1,942,129	537,829
Agriculture, forestry and timber	234,934	234,934
Public catering and other services	294,757	39,824
Construction	13,528	17,060
Other	-	623
Loans to individuals	3,310,984	2,371,767
	12,434,590	7,328,581
Impairment allowance	(385,803)	(114,464)
	12,048,787	7,214,117

Significant credit exposures

As at 31 December 2009 and 2008 there were 1 and 2 borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans to customers with a gross value of AMD 1,315,986 thousand and 2,444,111 thousand, respectively.

15 Available-for-sale assets

	2009 AMD'000	2008 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government securities of the Republic of Armenia	480,308	177,378
	480,308	177,378
Equity investments		
Corporate shares	13,160	13,160
	13,160	13,160
	493,468	190,538
Pledged under repurchase agreements		
Debt and other fixed-income instruments		
- Government securities of the Republic of Armenia	298,995	1,334,083
	298,995	1,334,083

Included in available-for-sale assets are non-quoted equity securities:

Name	Country of incorporation	Main activity	% Controlled		2009	2008
			2009	2008	AMD'000	AMD'000
ArCa	Republic of Armenia	Payment system	2%	2%	12,143	12,143
SWIFT	Belgium	Money transfer	0%	0%	1,017	1,017
					13,160	13,160

Investment without a determinable fair value

Available-for-sale equity investments stated at cost comprise unquoted equity securities in the money transfer industry. There is no market for this investment and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

Securities pledged

As of 31 December 2009, the Bank pledged Armenian Government securities as collateral under repurchase agreements.

16 Property, equipment and intangible assets

AMD'000	Land and buildings	Computers and communication equipment	Fixtures and fittings	Vehicles	Leasehold improvement	Intangible assets	Total
Cost							
At 1 January 2009	457,530	159,337	136,605	68,800	19,628	93,040	934,940
Additions	61,747	46,453	31,939	-	-	60	140,199
Disposals	-	(5,583)	(13,120)	-	-	-	(18,703)
At 31 December 2009	519,277	200,207	155,424	68,800	19,628	93,100	1,056,436
Depreciation							
At 1 January 2009	(54,392)	(139,622)	(114,368)	(29,943)	(2,780)	(54,043)	(395,148)
Depreciation charge	(9,549)	(18,019)	(9,407)	(10,740)	(7,955)	(7,714)	(63,384)
Disposals	-	5,583	12,977	-	-	-	18,560
At 31 December 2009	(63,941)	(152,058)	(110,798)	(40,683)	(10,735)	(61,757)	(439,972)
Carrying value							
At 31 December 2009	455,336	48,149	44,626	28,117	8,893	31,343	616,464
AMD'000	Land and buildings	Computers and communication equipment	Fixtures and fittings	Vehicles	Leasehold improvement	Intangible assets	Total
Cost							
At 1 January 2008	447,907	151,576	140,060	68,800	26,950	93,724	929,017
Additions	9,623	19,580	12,259	-	-	21	41,483
Disposals	-	(11,819)	(15,714)	-	(7,322)	(705)	(35,560)
At 31 December 2008	457,530	159,337	136,605	68,800	19,628	93,040	934,940
Depreciation							
At 1 January 2008	(45,432)	(138,456)	(112,401)	(19,203)	(2,399)	(47,030)	(364,921)
Depreciation charge	(8,960)	(10,352)	(8,885)	(10,740)	(1,165)	(7,720)	(47,822)
Disposals	-	9,186	6,918	-	784	707	17,595
At 31 December 2008	(54,392)	(139,622)	(114,368)	(29,943)	(2,780)	(54,043)	(395,148)
Carrying value							
At 31 December 2008	403,138	19,715	22,237	38,857	16,848	38,997	539,792

17 Other assets

	2009 AMD'000	2008 AMD'000
Prepayments	46,006	36,669
Prepayments for income taxes	26,388	10,686
Receivables under money transfer and clearing systems	2,647	1,256
Other	8,681	4,961
	83,722	53,572

Analysis of movements in the impairment allowance

	2009 AMD'000	2008 AMD'000
Balance at the beginning of the year	-	-
Net charge	4,650	2,995
Write-offs	(4,650)	(2,995)
Balance at the end of the year	-	-

18 Deposits and balances from banks

	2009 AMD'000	2008 AMD'000
Amounts payable under repurchase agreements	298,961	1,333,946
Loans and deposits with banks	287,205	893,469
Vostro accounts	391	317
	586,557	2,227,732

Concentration of deposits and balances from banks

As at 31 December 2009 and 2008 there were 1 and 2 banks, respectively, whose balances exceeded 10% of total deposits and balances from banks. The gross value of these balances as at 31 December 2009 and 2008 were AMD 586,138 thousand and AMD 2,227,414 thousand, respectively.

19 Current accounts and deposits from customers

	2009 AMD'000	2008 AMD'000
Current accounts and demand deposits		
- Retail	368,024	333,320
- Corporate	516,487	444,152
Term deposits		
- Retail	2,255,551	1,265,935
- Corporate	5,356,326	1,143,665
	8,496,388	3,187,072

Blocked accounts

As of 31 December 2009, the Bank has customer deposit balances of AMD 5,422 thousand (31 December 2008: AMD 49,750 thousand) that serve as collateral for loans and off-balance sheet credit instruments granted by the by the Bank.

Concentrations of current accounts and customer deposits

As of 31 December 2009 and 2008 the Bank has 1 and 2 customers, respectively, whose balances exceed 10% of total customer accounts. The gross value of these balances as of 31 December 2009 and 2008 are AMD 2,670,898 thousand and 965,098 thousand, respectively.

20 Other liabilities

	2009 AMD'000	2008 AMD'000
Payables to suppliers	27,175	23,113
Salary and similar payables	17,164	19,384
Non-income taxes payable	13,075	939
Other	35,143	35,164
	92,557	78,600

21 Share capital

Issued capital and share premium

The authorized, issued and outstanding share capital comprises 81,251 ordinary shares (2008: 81,251). All shares have a nominal value of AMD 100,000. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia. In accordance with the legislation of the Republic of Armenia, as of the reporting date no reserves are available for distribution.

22 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank’s operations. The major risks faced by the Bank are those related to market risk, which includes interest rate and currency risks, credit risk and liquidity risk.

Risk management policies and procedures

The Bank’s risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Committee with the support of the assets and liability committee (“ALCO Committee”) is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Management Department is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk management is vested in the ALCO Committee, chaired by the Head of Finance and Administration. Market risk limits are approved by the ALCO Committee.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the ALCO Committee.

The management of interest rates risk includes the monitoring of the interest rate gap and is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

The Bank manages its currency risk by setting open position limits in relation to currency positions which are monitored on a regular basis and reviewed and approved by the ALCO Committee.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of profit or loss and equity to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

	2009		2008	
	Profit or loss AMD'000	Equity AMD'000	Profit or loss AMD'000	Equity AMD'000
100 bp parallel increase	(6,491)	(6,491)	16,449	16,449
100 bp parallel decrease	6,491	6,491	(16,449)	(16,449)

In the above table if figure is negative this means profit and loss and equity will decrease as a result of changes in the interest rate and vice versa.

An analysis of sensitivity of profit or loss and equity as a result of changes in fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2009		2008	
	Profit or loss AMD'000	Equity AMD'000	Profit or loss AMD'000	Equity AMD'000
100 bp parallel increase	-	(938)	-	(8,800)
100 bp parallel decrease	-	938	-	8,800

Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the exposure to currency risk at year end refer to note 31.

An analysis of sensitivity of the profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 31 December 2008 and a simplified scenario of a 10% change in USD and EUR to AMD exchange rates is as follows:

	2009		2008	
	Profit or loss AMD'000	Equity AMD'000	Profit or loss AMD'000	Equity AMD'000
10% appreciation of USD against AMD	30,598	30,598	(28,285)	(28,285)
10% depreciation of USD against AMD	(30,598)	(30,598)	28,285	28,285
10% appreciation of EUR against AMD	(3,909)	(3,909)	(1,162)	(1,162)
10% depreciation of EUR against AMD	3,909	3,909	1,162	1,162

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures both for on balance sheet and off balance sheet exposures.

Corporate loan/credit applications are originated and analyzed by the relevant relationship managers from the Commercial Banking Department, which is responsible for the corporate loan portfolio. Reports produced by the department’s credit analysts are based on a structured analysis focusing on the customer’s business and financial performance. The loan/credit application and the report are then independently reviewed by the Risk Management Department and a second opinion is given accompanied by a check that credit policy requirements have been met. The Management Committee reviews the loan/credit application on the basis of submissions by the Commercial Banking Department. Individual transactions are also reviewed by the Legal Unit, depending on the specific risks and pending final approval of the Management Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer’s most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or the Bank’s specialists.

Retail loan/credit applications are reviewed by the Retail Approval Unit, Retail Approval Committee and Management Committee based on the authorized limits.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and guarantees and credit commitments included in note 24. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	2009	2008
	AMD’000	AMD’000
ASSETS		
Due from the Central Bank of Armenia	1,195,711	772,088
Placements with banks	2,581,401	3,432,745
Loans to customers	12,048,787	7,214,117
Available-for-sale debt assets	792,463	1,524,621
Other assets	83,722	53,572
Total maximum exposure to on balance sheet credit risk	16,702,084	12,997,143

For the analysis of concentration of credit risk in respect of loans to customers refer to note 14.

The maximum exposure to off balance sheet credit risk at the reporting date is presented in note 24.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the ALCO Committee.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Unit receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Unit then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Unit. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the liquidity management are made by the ALCO Committee, based on the reports of Risk Management and Treasury.

The Bank also calculates mandatory liquidity ratios in accordance with the requirement of the Central Bank of Armenia. The Bank was in compliance with these ratios as at 31 December 2009 and 31 December 2008.

The following tables show the undiscounted cash flows on financial assets and liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment. The expected cash flows on these financial assets and liabilities and unrecognized loan commitments can vary significantly from this analysis.

The liquidity position of the Bank as at 31 December 2009 was as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
Non-derivative assets							
Due from the Central Bank of Armenia	1,074,035	-	-	-	121,676	1,195,711	1,195,711
Placements with banks	2,539,503	-	-	-	47,194	2,586,697	2,581,401
Loans to customers	537,801	545,581	743,043	1,232,291	13,812,039	16,870,755	12,048,787
Available-for-sale assets	730,000	5,046	-	5,225	60,388	800,659	792,463
Other assets	5,000	6,328	-	-	-	11,328	11,328
Total assets	4,886,339	556,955	743,043	1,237,516	14,041,297	21,465,150	16,629,690
Non-derivative liabilities							
Deposits and balances from banks	300,943	240	505	1,396	351,773	654,857	586,557
Current accounts and deposits from customers	1,728,954	4,331,906	289,404	1,946,687	401,499	8,698,450	8,496,388
Other liabilities	34,188	16,691	19,090	3,852	18,736	92,557	92,557
Total liabilities	2,064,085	4,348,837	308,999	1,951,935	772,008	9,445,864	9,175,502
Net position	2,822,254	(3,791,882)	434,044	(714,419)	13,269,289	12,019,286	7,454,188
Credit related commitments	2,775,081	-	-	-	-	2,775,081	2,775,081

The liquidity position of the Bank as at 31 December 2008 was as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying Amount
Non-derivative liabilities							
Deposits and balances from banks	1,338,572	620	1,464	562,707	424,903	2,328,266	2,227,732
Current accounts and deposits from customers	1,429,951	619,971	369,591	565,570	284,052	3,269,135	3,187,072
Other liabilities	47,771	20,738	50	101	9,940	78,600	78,600
Total	2,816,294	641,329	371,105	1,128,378	718,895	5,676,001	5,493,404
Credit related commitments	328,441	-	-	-	-	328,441	328,441

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, gold bullions, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The ratios for December 2009 and during the reporting period are as follows:

	2009	2008
	Unaudited	Unaudited
Average for December	523.7%	253.6%
Average for the period	453.4%	245.6%
Maximum for the period	606.7%	307.9%
Minimum for the period	228.1%	199.5%

The above ratio is also used to measure compliance with the liquidity limit established by the CBA.

For further information on the exposure to liquidity risk at year end refer to note 30.

23 Capital management

The Central Bank of Armenia sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia banks have to maintain a ratio of capital to risk weighted assets (“statutory capital ratio”) above the prescribed minimum level. As at 31 December 2009, this minimum level was 12%. The Bank was in compliance with the statutory capital ratios during the periods ended 31 December 2009 and 31 December 2008.

24 Commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	2009	2008
	AMD’000	AMD’000
Contracted amount		
Loan and credit line commitments	2,475,038	108,671
Guarantees	242,026	202,163
Credit card commitments	58,017	17,607
	2,775,081	328,441

The total outstanding contractual commitments to extend credit indicated above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

25 Contingencies

Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 305 million coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of property arising from accidents on the Bank's property or related to the Bank's operations. The Bank also has up to AMD 90 million insurance coverage of cash desks against physical damage and theft.

Litigation

Bank management is unaware of any significant actual, pending or threatened claims against the Bank.

Taxation contingencies

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in the Republic of Armenia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

26 Related party transactions

Control relationships

The Bank's Parent is “Byblos Bank S.A.L”, which owns 65% of the share capital. The Parent produces publicly available financial statements.

The party with ultimate control over the Bank is Francois Bassil.

Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses (refer note 9):

	2009 AMD'000	2008 AMD'000
Members of the Board of Directors	2,875	1,890
Members of the Management Board	179,772	255,993
	182,647	257,883

Included in management remuneration is AMD 19,101 thousand which represents non-cash benefits in respect of the members of the management of the Bank (2008: AMD 21,023 thousand).

The outstanding balances and average interest rates as of 31 December for transactions with the members of the Board of Directors and the Management Board are as follows:

	2009 AMD'000	Average interest rate	2008 AMD'000	Average interest rate
Statement of financial position				
Assets				
Loans to customers	195,155	9.0%	107,160	9.0%
Liabilities				
Current accounts and deposits from customers	45,295	6.8%	25,972	5.6%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board are as follows:

	2009 AMD'000	2008 AMD'000
Profit or loss		
Interest income	14,184	1,603
Interest expense	(3,362)	(983)

Transactions with other related parties

Other related parties include the Parent company and fellow subsidiaries. The outstanding balances and the related average interest rates as at 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 with fellow subsidiaries are as follows:

	Parent company		Fellow subsidiaries		Total	
	Average interest rate, %		Average interest rate, %		Average interest rate, %	
	AMD'000		AMD'000		AMD'000	
Statement of financial position						
ASSETS						
Placements with banks	160,218	0.1%	16,272	0.0%	176,490	0.1%
LIABILITIES						
Deposits and balances from banks	28	-	-	-	28	-
Current accounts and deposits from customers	-	-	805,659	7.0%	805,569	7.0%
Profit (loss)						
Interest income	569		246		815	
Interest expense	(1,154)		(51,058)		(52,212)	

The outstanding balances and the related average interest rates as at 31 December 2008 and related profit or loss amounts of transactions for the year ended 31 December 2008 with fellow subsidiaries are as follows:

	Parent company		Fellow subsidiaries		Total	
	Average interest rate, %		Average interest rate, %		Average interest rate, %	
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Statement of financial position						
ASSETS						
Placements with banks	-	-	478	0.0%	478	0.0%
LIABILITIES						
Deposits and balances from banks	560,492	3.6%	-	-	560,492	3.6%
Current accounts and deposits from customers	-	-	460,473	7.5%	460,473	7.5%
Profit (loss)						
Interest income	1,177		7		1,184	
Interest expense	(13,190)		-		(13,190)	

27 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow are composed of the following items:

	2009 AMD'000	2008 AMD'000
Cash	270,371	141,578
Due from the Central Bank of Armenia – nostro accounts	1,074,035	657,445
Placements with banks – nostro accounts	186,838	5,840
	1,531,244	804,863

28 Fair value of financial instruments

The estimated fair values of financial assets and liabilities, except as described below, are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. As disclosed in note 15 the fair value of unquoted equity securities available for sale with a carrying value of AMD 13,160 thousand could not be determined.

The estimated fair values of all financial instruments except for unquoted equity securities available-for-sale approximates their carrying values.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2009:

	Quoted market prices AMD'000	Valuation techniques based on market observable inputs AMD'000	Total AMD'000
Financial assets			
Available-for-sale assets	-	779,303	779,303

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2008:

	Quoted market prices AMD'000	Valuation techniques based on market observable inputs AMD'000	Total AMD'000
Financial assets			
Available-for-sale assets	-	1,511,461	1,511,461

As at 31 December 2009 and 31 December 2008, the Bank does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

29 Average effective interest rates

The table below displays average effective interest rates for the Bank’s interest bearing assets and liabilities as at 31 December 2009 and 2008. These interest rates are an approximation of the yields to maturity of these assets and liabilities, except for the placements with banks of AMD 161,728 thousand the interest rate on which is based on Libor/Euribor - 0.125% for USD/EUR balances, respectively.

	2009			2008		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest bearing assets						
Nostro accounts with banks	0.0%	0.1%	0.2%	0.0%	1.0%	3.0%
Placements with banks	-	7.8%	-	8.4%	1.9%	-
Loans to customers	14.4%	13.2%	16.0%	13.9%	12.1%	11.8%
Available-for-sale assets	7.1%	-	-	8.4%	-	-
Interest bearing liabilities						
Deposits and balances from banks						
- Vostro accounts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Loans and term deposits	7.7%	-	-	7.7%	0.6%	2.7%
- Amounts payable under repurchase agreements	5.0%	-	-	7.3%	-	-
Current accounts and deposits from customers						
- Current accounts and demand deposits	1.6%	0.4%	0.3%	2.0%	0.2%	0.3%
- Term deposits	8.5%	8.0%	4.2%	8.2%	7.3%	4.9%

30 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009.

	Less than 1 month AMD'000	1 to 3 months AMD'000	3 months to 1 year AMD'000	1 to 5 years AMD'000	More than 5 years AMD'000	No maturity AMD'000	Overdue AMD'000	Total AMD'000
Assets								
Cash	270,371	-	-	-	-	-	-	270,371
Due from the Central Bank of Armenia	1,074,035	-	-	-	-	121,676	-	1,195,711
Placements with banks	2,534,207	-	-	-	-	47,194	-	2,581,401
Loans to customers	296,681	532,668	1,816,952	7,727,839	1,435,120	-	239,527	12,048,787
Available-for-sale assets	728,845	5,001	5,006	40,451	-	13,160	-	792,463
Property, equipment and intangible assets	-	-	-	-	-	616,464	-	616,464
Other assets	13,781	21,349	22,203	26,389	-	-	-	83,722
Total assets	4,917,920	559,018	1,844,161	7,794,679	1,435,120	798,494	239,527	17,588,919
Liabilities								
Deposits and balances from banks	300,533	237	1,804	283,983	-	-	-	586,557
Current accounts and deposits from customers	1,727,225	4,275,915	2,115,912	377,336	-	-	-	8,496,388
Other liabilities	34,188	16,691	22,942	10,745	7,991	-	-	92,557
Deferred tax liability	-	-	-	-	-	30,820	-	30,820
Total liabilities	2,061,946	4,292,843	2,140,658	672,064	7,991	30,820	-	9,206,322
Net position as at 31 December 2009	2,855,974	(3,733,825)	(296,497)	7,122,615	1,427,129	767,674	239,527	8,382,597
Net position as at 31 December 2008	1,437,084	805,375	564,976	3,219,979	1,349,957	733,550	99,873	8,210,794
Cumulative net position as at 31 December 2009	2,855,974	(877,851)	(1,174,348)	5,948,267	7,375,396	8,143,070	8,382,597	8,382,597
Cumulative net position as at 31 December 2008	1,437,084	2,242,459	2,807,435	6,027,414	7,377,371	8,110,921	8,210,794	8,210,794

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates, except for the placements with banks of AMD 161,728 thousand the interest rate on which is based on Libor/Euribor - 0.125% for USD/EUR balances, respectively.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

The overdue column includes only the contractually overdue portion of financial instruments.

Management believes that in spite of the early withdrawal option for term deposits of individuals as permitted by Civil Code of Republic of Armenia and the fact that, about 10% of customer accounts are on demand, diversification of these customer accounts by number and type of depositors and the past experience of the Bank indicates that these customer accounts provide a long term and stable source of funding.

31 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	AMD AMD'000	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
Assets					
Cash	126,438	126,465	6,935	10,533	270,371
Due from the Central Bank of Armenia	461,327	630,196	104,188	-	1,195,711
Placements with banks	402	2,560,766	11,043	9,190	2,581,401
Loans to customers	7,507,402	4,404,421	136,964	-	12,048,787
Available-for-sale assets	792,463	-	-	-	792,463
Property, equipment and intangible assets	616,464	-	-	-	616,464
Other assets	81,998	1,619	105	-	83,722
Total assets	9,586,494	7,723,467	259,235	19,723	17,588,919
Liabilities					
Deposits and balances from banks	586,150	116	289	2	586,557
Current accounts and deposits from customers	775,536	7,411,163	294,593	15,096	8,496,388
Other liabilities	82,900	6,212	3,445	-	92,557
Deferred tax liability	30,820	-	-	-	30,820
Total liabilities	1,475,406	7,417,491	298,327	15,098	9,206,322
Net positions as of 31 December 2009	8,111,088	305,976	(39,092)	4,625	8,382,597
Net positions as of 31 December 2008	8,494,962	(282,855)	(11,619)	10,306	8,210,794