



ANNUAL REPORT
2009

KEY FIGURES AND RATIOS

in '000 AMD (unless otherwise noted)	as of the years ended December 31		
	2008	2009	change, %
Income Statement Data			
Net interest income	68,773	123,439	79.5%
Net fee and commission income	26,285	16,727	-36.4%
Operating Income	81,741	157,861	93.1%
Net income	21,218	68,585	223.2%
Balance Sheet Data			
Total Assets	1,172,565	2,413,432	105.8%
Claims on banks & other fin. institutions	553,650	817,635	47.7%
Investment portfolio	573,603	1,559,117	171.8%
Total Liabilities	772	1,173,054	1518.5%
Due to other banks	0	1,150,354	n.m.
Total Equity	1,171,793	1,240,378	5.9%
Chartered capital	531,150	531,150	0.0%
Share Premium	524,811	524,811	0.0%
Retained Earnings	36,162	104,747	189.7%
Other Figures & Ratios			
Share Data			
Number of shares outstanding	531,150	531,150	0.0%
Book Value Per Share, AMD	2,206	2,335	5.9%
EPS, AMD	40	129	223.2%
Profitability			
ROA, %	1.70%	2.84%	1.14 pps
ROE, %	1.80%	5.53%	3.73 pps
ROAA, %	2.60%	3.83%	1.23 pps
ROAE, %	3.10%	5.69%	2.59 pps
Efficiency			
Net interest margin	6.2%	5.2%	-0.8 pps
Cost of funds	-	2.7%	2.7 pps
Interest earning assets to total assets	95.0%	98.0%	3.0 pps
Leverage			
Debt to equity ratio, times	0.00x	0.95x	n.m.
Debt to assets ratio, times	1.00x	1.95x	94.4%

We keep challenging the market to be on top of its latest developments with state-of-art solutions.

We value our brand, name, past and future devoting ourselves strongly to what we do.

We do care for the funds of our shareholders like we do for ours. This means always trying to do **the right move**.

DEAR FELLOW SHAREHOLDERS



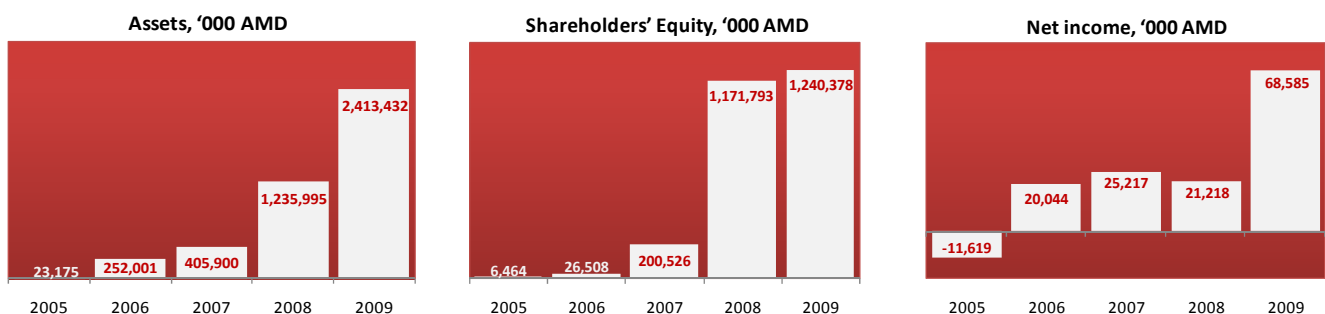
Aram Kayfajyan
Chief Executive Officer

While writing this letter we continue receiving positive macroeconomic signals, such as 5 months GDP growth of 8.8% y-o-y, where industry contributes the most by a rough 3.6 pps to the GDP growth. The main driving force of industry growth was mining industry having gained from recent rise in international prices of metals. Even construction, which decreased by about 43% during the global financial turbulence, set up a new growth path demonstrating more than 12% rise y-o-y; however it has not yet fully recovered. Along with that, some healthy movements are also recorded with regard to private remittances from abroad, which have grown in the last 4 months by a bit more than 3% y-o-y, having positive impact on the overall demand of the economy. Moreover, an outstanding growth was recorded in foreign trade turnover, with export and import having increased by 64.5% and 28.5%, correspondingly.

Though the first wave of global crisis did not have notable impact on Armenian financial markets, its further expansion affected them badly, pushing the overall economy into recession, with economy decline amounted to 14.4% and all major industries feeling rather weak. The main drivers of this negative impact were decrease in metal prices in international markets, sharp cut down of remittances (which used to constitute up to 25% of GDP), resulting in decline in demand in local and international markets and frozen business processes.

In 2009 the national currency Armenian Dram (AMD) picked up the instability and depreciated further by 22% during the year.

While the economy has suffered a lot in the past year, almost all year on year figures and results of Armenbrok have grown. Total assets' growth comprised 105.8%, which was mainly due to the expansion of government bonds' short and midterm portfolio, which is being refinanced by commercial banks within the repo transactions structure. Equity growth summed up 5.9%, which was fully assured by Net income growth which, in its turn, constituted 223.2% y-o-y.



The local capital market, as expected, was not an exception. The liquidity fell even more, and naturally, new instruments failed to appear in this tricky period. In these conditions, which were previously duly estimated by us, we succeeded in implementation of the plan of turning into a full service investment company. We put a lot of efforts and made certain expenses on adding several service provisions, consequently becoming a unique company which operates in the following fields: Investment Banking, Securities Brokerage, Securities Dealing (including currency dealing, treasuries transactions and repos), Business Consulting, International Consulting, Custody & Shareholder/Registrar Services and International Trading & Forex.

From all the aforementioned services Custody & Shareholder/Registrar Services, International Trading & Forex and International Consulting were launched during 2009. We started having active involvement in government bond and repo dealing also in the mid 2009. The repo deals didn't make us wait long to prove their efficiency, while other fresh services demand more time to start showing results. We are confident that these services will greatly contribute to the Company's earnings power in Y2010 and further. Moreover, every next year the services adopted in 2009 will be contributing to the earnings more than the year before.

In 2009 we also launched Armenbrok Business Academy training centre, which intends to train and also to raise awareness and interest towards securities and foreign exchange markets, thus bringing new clients and increasing trades turnover.

Now, let's go through all products in more details:

Investment Banking

Investment Banking remains as one of our major directions, by which Armenbrok takes leading positions among investment companies. Here we provide strategic advice, raise capital, make markets and extend liquidity. Since now we have participated in most of the equity and debt capital raise processes within the country capital market. The Company is more active in equity financing schemes, while it has also participated in a few corporate bonds issues acting as a member of the underwriting syndicate.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

In Y2009 Armenbrok realized the first ever Armenian IPO of Artsakh HPP even in those unstable times and it proved to be successful. Furthermore it also raised the value and recognition of our brand. Investment banking contributed to the generation of fee & commission income the most, constituting 72% of it as well as getting a 9.2% share in total income of the Company. The income from investment banking in Y2009 amounted to AMD 18.1 mln representing a 14% y-o-y increase.

WHAT COMES NEXT

The government implemented a tax incentive plan for the companies which get listed and prepare an IPO. We consider it will be an attractive activity for the companies to take the opportunity to get public and save up to \$1 million as income tax cut per annum, and whilst feeling macroeconomic and national currency stability, we intend to actively renew communications with potential public enterprises on future possible placement performance.

Securities Brokerage

Since its establishment, brokerage has always been the core activity of the Company. It is one of the main business areas in which the Company has always claimed to have a competitive advantage over the others, as always proved by the leading positions of brokerage transactions in the market, evidenced by the share of the Company in Exchange trading (comprising 87% in Y2009).

Armenbrok renders brokerage services to individual and institutional clients, both local and international, in Armenian capital market acting as an intermediary at either exchange or OTC markets. Armenbrok is a full member of NASDAQ OMX Armenia the only exchange operator in Armenian capital market.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

Unfortunately in 2009 brokerage services rendered by the Company were of quite small volume, which is mainly conditioned by sharp decline in total market activity in 2009 due to global financial crisis. The total income from this direction amounted to only AMD 1.5 mln, constituting 6.1% of fee and commission income and 0.78% of total income generated by the Company in 2009. This figure has dropped by 61% y-o-y. However, Armenbrok still succeeded to remain first in the market based on transaction volumes. In 2009 the Company concluded transactions with a total volume of AMD 84.5 mln, which constitutes about 87% of total stocks trading volume at NASDAQ OMX Armenia. Transactions in OTC even exceeded the exchange trading volume reaching about AMD 1.5 bln.

WHAT COMES NEXT

We still have the biggest clientele and hold a large database of foreign and local investors, also Diaspora members. We continue distributing our analytical materials, research and presentations to thousands of potential investors. However first of all, we concentration creating the market, introducing new instruments, raising the volumes. Strategic development will focus on continuing active communication with local companies to increase their level of capital market knowledge and introducing these companies to the public market as soon as possible. This, in its turn, will boost the secondary market and brokerage activities.

Dealing & Investments

Closely related to dealing activity, Armenbrok allocated its equity and debt resources to various financial assets, thus constructing well diversified and liquid investment portfolio. The major part of this portfolio (61%) is allocated to government short and mid term debt instruments under the repurchase agreements. In total 5% of the portfolio comes to equity instruments, with majority classified as available for sale.

Armenbrok has got direct access to the FX trading floor of NASDAQ-OMX Armenia. To convert its clients' and its own currency to Armenian dram and vice versa, Armenbrok no longer needs to negotiate with banks to get an optimal currency converting rates, pay extra fees to the banks for doing those transactions. Now Armenbrok can deal directly in the market and exercise transactions by the best market rate. This helps the company to achieve the best possible result by trading on the initial market where the rates are estimated by the demand and supply, without depending on the bank's current needs or human factors that may sometimes take place.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

In mid 2009 we started participating in short and midterm Government bonds issue auctions and refinancing them by repurchase agreements with local commercial banks. Most of our peer companies are making these operations as their major and mostly only kind of activity.

These operations require everyday efforts on duly keeping the portfolio and getting the best yields and interest. We managed to make it very efficiently in 2009 and are excited about the results.

WHAT COMES NEXT

We are keen to continue our dealing operation in the same manner, with more activity in two of the

aforementioned fields. Firstly, considering capital that Armenbrok owns, our treasuries' portfolio has a lot of space to expand without bearing big risks. And if the most appropriate time is seized to enter into bigger volumes, they could turn into one of Armenbrok core business activities with major part in the income structure.

Business Consulting

Our business and attorney advisors suggest tailored solutions to companies with regard to corporate related issues, including but not limited to corporate restructuring, corporate governance, business strategies, capital structure, capital budgeting, capital raise, M&A, IPO etc. Besides, the Company also provides consulting to individual and institutional clients with regard to investment strategies, providing individual and unique approach to the investment preferences of the clients.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

This group of activities generated AMD 5.3 mln in Y2009 having declined by 18.4% y-o-y due to the considerable inactive business and investment environment.

WHAT COMES NEXT

We are planning to continue offering advisory to legal customers further on; expecting to increase the number of clients by suggesting our tailored services to potential new customers enabling cross-selling of services between Business Consulting and Shareholder Services.

Custody & Shareholder Services

This service includes nominee account keeping service provisions to individual and legal clients as well as maintaining the shareholder lists of local companies together with further clearing and settlement procedures.

A while ago Armenbrok had to make the account opening procedure a bit complicated which means that besides signing an agreement with Armenbrok and opening a local account with the company, an additional account should be opened for the client in the Central Depository of Armenia for settling and keeping client's securities. This rises additional inconvenience for the company because all the documents required by the CDA (including foreign business entity clients' charter, memorandum and other official documents) are to be translated into Armenian which takes time and expenses. Starting custodian activity will help to avoid the aforementioned problems by keeping nominee accounts with Armenbrok. This will also simplify the duties of Armenbrok clients because no further relations between them and the CDA will be required.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

The Company has introduced Custody and Shareholder services, particularly keeping the shareholder lists, which will raise the efficiency of customer relationship. Until recently, the law forced all the joint stock companies to keep their shareholder lists in the Central Depository of Armenia. Amendments to the existing laws made it possible for investment companies to render the same services as the CDA. This became a quite good opportunity for the Company to offer full investment services to clients and not to act as an intermediary between them and the CDA.

WHAT COMES NEXT

We intend to develop these depository services very assertively. There are only 2 players in the market with similar product. One of them is major player CDA which has about 1500 client base and another minor participant with small ambitions in this field. While we have competitive fee structure, well settled infrastructure and big ambitions on market penetration, we insistently increase the number of clients and are confident on our ability to serve them best.

International Trading

After long preparations, the Company launched the international trading department for its clients. Besides traditional investment instruments on the Armenian market, Armenbrok is able to render new services, including access to U.S., European, Russian Stock Exchanges such as NYSE, NASDAQ, AMEX, Frankfurt Stock Exchange, London Stock Exchange, NASDAQ OMX Europe, Euronext, Vienna Stock Exchange, RTS, MICEX and others.

This market is quite new for Armenia, and there are only a few companies offering such services, so this could be a quite good opportunity for Armenbrok to take strong positions in the market.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

Armenbrok has signed partnership agreement with the largest brokerage house of Russia – FINAM, according to which Armenbrok has become an exclusive partner of FINAM in the territory of Armenia, offering services with much better terms and conditions than any other company acting in this market does.

By implementing a fully automated IT based approach, the Company has succeeded in reaching tariff and commission scales that can compete even with the largest international investment companies, leaders on their markets. With this we intend to create our long term clientele basement.

Besides FINAM we have established partner account with the following brokers- Saxo Bank- full world coverage of stocks, bonds, derivatives, forex. LekSecurities- a privately held US brokerage company providing real time execution services on US stock exchanges with low commission fees. These partner accounts can be used once required by the market.

Armenbrok became first in Armenia to introduce a new web site fully dedicated to international trading at <http://www.armenbrok.com>.

WHAT COMES NEXT

Armenbrok is going to further expand its active participation on the market. Due to the lack of instruments available on NASDAQ OMX Armenia, we think that foreign markets are especially attractive for our clients. We believe that a correct approach and training can create an investment climate in which the capital market can become as an excellent and, what is most important, profitable substitute for Armenian common saving method- bank deposits. The objective of the company is to reach the society and companies in explaining to them the structure of foreign trading.

International Consulting

Armenbrok is involved in a completely new type of business – international consulting, meaning participation in international tender projects funded by various international organizations such as UN, World Bank, ADB etc.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

The Company has already made the first steps in that direction. Particularly, Armenbrok has become a member of a consortium led by international consulting company ECORYS Nederland BV, together with CSP Caucasus Organization (an affiliate of CSP Group). The consortium was created to participate in tender offer financed by World Bank “Inward Investment Attraction into Armenian Selected Industries in Targeted Markets”, which is also coordinated by the Ministry of Finance of Armenia. And we are proud to announce, that the consortium has won the tender, and in the nearest future the project will start up. Though Armenbrok does not play a major role in this project, its participation with companies like ECORYS and CSP provides the Company with good background and lays excellent ground for further development of this service, which can become a good and stabile source of income.

WHAT COMES NEXT

We definitely wish to develop this secondary direction and will continue expanding communications, building relations and participating in other international tender projects.

Training Centre

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

In late October 2009 Armenbrok Business Academy was established. The training centre has launched an investor training program aimed to raise the knowledge and understanding of the ordinary citizens about capital markets thus creating a potential clientele for the nearest future. The training centre is located in the office of Armenbrok and can allow up to 18 attendants to listen to the lectures. The centre is part of Armenbrok social program that is designed to develop good understanding of capital markets.

WHAT COMES NEXT

In 2010 we have continued massively advertising the training centre through social networks. Free seminars on financial topics are organized in biweekly basis in our office. The seminars attract wide auditorium and create interest towards our services. Many of the attendants later open demo accounts or go further to paid education or live trading account opening. The Academy plays a vital role in establishing the market, having a prosperous clientele aimed at profitable trading and customer loyal environment.

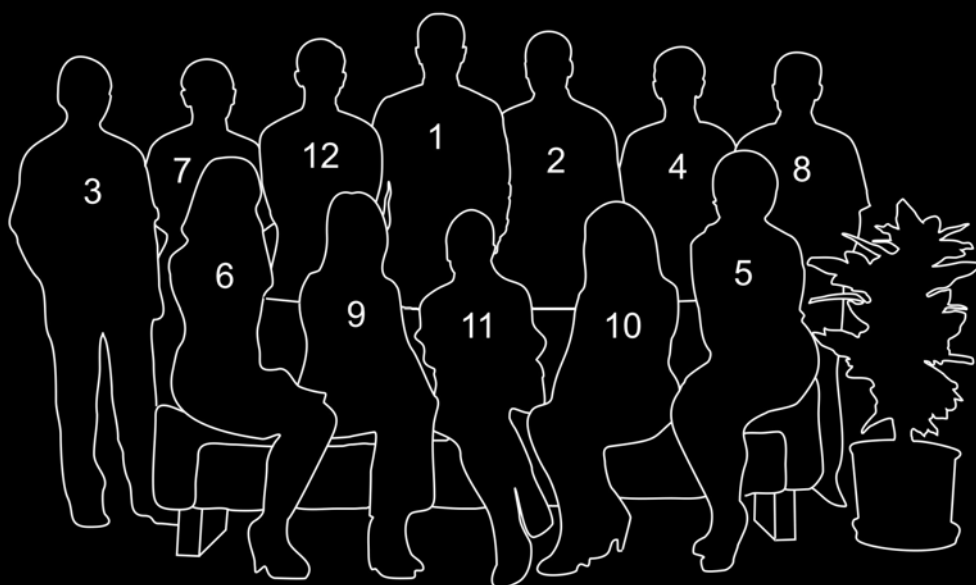
Obviously Armenbrok management wished to provide all possible services, strongly considering the risks connected to these activities within the framework of the current economic turbulence. As a result, we managed to successfully implement the aforementioned new services, which will undoubtedly add value to Armenbrok earnings power.

As we move forward, Armenbrok remains a long-term optimist about our future and our country. We have a strong platform for progress, and we look forward to working with our customers and our stakeholders to seize the opportunities that lie ahead of us.



Aram Kayfajyan,
Chief Executive Officer

MANAGEMENT & EMPLOYEES



- 1 Aram Kayfajyan**
Chief Executive Officer
- 2 Samvel Sahakyan**
Head of Research
- 3 Hayk Manaselyan**
Internal Control, Compliance
- 4 Vazgen Abgaryan**
International trading
- 5 Siranush Khlgatyan**
Accountancy, back office
- 6 Araxya Harutyunyan**
Chief Trader
- 7 Suren Mkrtychyan**
Legal/Corporate Adviser
- 8 Edgar Aghabekyan**
Dealing, Repo Transactions
- 9 Lilit Papoyan**
Custody and Shareholder Services
- 10 Karine Nersisyan**
Shareholder Services and Sales
- 11 Julieta Hovhannisyan**
Reception, research
- 12 Samvel Darbinyan**
Technical Assistance

Armenbrok's corporate bodies are the Shareholders General Meeting and the CEO, each having its own responsibilities and authorities in accordance with the Armenian legislation and the Company's Charter. The SGM appoints the Chief Executive Officer (CEO), which is the executive body of the Company directly responsible for day-to-day operations thereof. According to the Law of RA on Securities Markets, each investment company in Armenia is required to have an Internal Audit, appointed by the GMS, which mainly oversees the correct functioning of the Company, monitoring all the transactions carried out by, both, management and other employees of the company. This structure allows the Company to mitigate most of the non-systematic risks that arise during its performance.

The management of Armenbrok is considered to be one of the main assets of the Company. All the management members, as well as the employees have securities market professional qualification licenses, issued by the Central Bank of Armenia on the basis of special exams, which is in great demand by Armenian Investment Companies, both bank and non bank. The management team consists of young and ambitious professionals, who are very flexible to the changing environment and bear progressive approaches towards the strategy and further development of the Company, as well as demonstrate efficient results.

As of 31 December 2009, the Company had a total of 12 employees, as against 11 in 2008. Annual employee turnover of the Company is very low. Actually no employee has left the Company since 2006 if not for maternity leaves.

The Company places significant emphasis on the capacities' development of its employees. The Company's employees are offered training opportunities at special training centers and various educational institutions.

As of 30 December 2009, the top management of the Company held an aggregate of approximately 59,926 shares in Armenbrok, approximately 11.28% the Company's total issued share capital. Other employees also have some participation in the share capital with total amount of 0.5% of issued share capital.

GENERAL MARKET CONDITIONS AND OPERATING ENVIRONMENT

The Company's results of operations and financial condition are dependent on the general economic conditions in Armenia. While there have been improvements in the economy in the period from 1995 to 2007, it was highly affected by the Global Financial Crisis in 2008-2009, recording decreases in almost all industries and sectors of economy. The following table sets out certain key Armenian economic indicators for the years ended 31 December 2007, 2008 and 2009.

	2007	2008	2009
Real GDP Growth, %	13.8	6.8	-14.4
GDP per capita, US dollars	2,844	3,689	2,686
Unemployment rate, %	7.0	6.3	6.9
CPI, %	4.4	9.0	3.4
Fiscal Balance, bln AMD	(23.6)	(44.2)	(244.2)
Exchange rate, AMD per USD, avrg.	342.1	305.9	363.3

As presented in the table, the economy growth declined in 2008 and fell into recession in 2009. This greatly affected the total financial system and particularly the capital market, creating extremely illiquid environment at stock exchange, thus affecting the total investment industry. As

to the banking sector, it was not as much affected as the capital market, mainly due to the high quality of credit portfolios of Armenian banks, stipulated by tough regulation and supervision of the Central Bank of Armenia. On the other hand, the exchange rate was quite volatile in recent years creating substantial amount of exchange rate risk for both local and foreign investors.

The table below sets forth the main indicators of Armenian capital market as for the years indicated.

	2007	2008	2009
Equities			
Market Cap, bln AMD	32.1	53.6	49.6
Trading volume, mln AMD	1,517.1	255.9	97.1
Number of trades	220	63	24
Corporate Bonds			
Trading volume, mln AMD	702.9	2,194.4	8,258.8
Number of trades	99	308	671

As represented in the table above, the traded volume in equities market gradually declined in the recent years, which was partially due to the changes in securities regulations resulting in delisting of many companies. However, this did not affect the Market Cap, as the decrease in the number of listed companies went in line with even more increase in the shares' prices of the remaining companies.

MARKET SHARE AND PEER ANALYSIS

Armenbrok still maintains its leading position in the equities market, as it has always been in the Armenian capital market history. In spite of sharp decline in trading volume in 2009, Armenbrok covered the most part of the transactions executed at NASDAQ OMX Armenia totaling AMD 84 mln or 87% of total market as against 61% in 2008. We do not have figures for peer companies' trading volumes, however we do know that only 13% of market share was covered by the remaining 6 investment companies and several commercial banks that are more or less active in the market.

With regard to corporate bonds' market, Armenbrok covers only a minor part thereof, which yet comprises about 3% of the total trading volume in Y2009. It is noteworthy that the total volume arises by transactions which change the same hands several times per year by tax and efficiency reasons. The Company always takes active steps to participate in most corporate bonds initial or secondary issue projects, which has been yet quite inert in Y2009 due to the decline in the operating and economic environment of Armenia.

The table below sets out the market share of the Company's brokerage and dealing transactions in total market turnover as for the years ended 31 December 2008 and 31 December 2009.

Market share of the Company by trading volume as for the years indicated

	2008	2009
NASDAQ OMX Armenia trading volume	262,017,276	97,014,800
Armenbrok trading volume	160,899,846	84,449,500
Market share of Armenbrok, %	61.4%	87.0%

Besides exchange transactions, the Company continues to be active also in OTC market, the total value of transactions in which reached to AMD 1.5 bln, i.e. 15 times more than of the transactions commenced at exchange.

Looking at other measures of market share, we see that Armenbrok covers the 44% of total industry capitalization, as calculated by shareholders equity. Moreover, the Company succeeded to generate a rough 38% of entire industry net income (2nd position) and 17% of total industry assets (4th position).

Financial position of the Company in Armenian investment industry

	Assets	Equity	Net income
Armenbrok	17.0%	44.2%	37.8%
Ameria Invest	1.0%	3.6%	4.9%
Capital Asset Management	7.9%	5.4%	-3.4%
Cascade Investments	6.1%	3.6%	-34.4%
Future Capital Markets	18.7%	8.7%	10.2%
Renesa	28.2%	17.1%	76.3%
Tonton	21.1%	17.4%	8.5%
Total	100%	100%	100%

Looking at comparative financial performance and position of investment companies, we note that 4 out of 5 remaining companies (excluding Armenbrok) have repo transactions as their core business activity and thus are heavily leveraged, as evidenced by their debt to equity ratios. The average debt ratio for these companies constitutes 7.29 times equity, which also greatly contributes to their return on equities; while the return on assets is lower than that of Armenbrok.

Compared to its peers, Armenbrok is in the fourth place by its repo portfolio comprising AMD 1.15 bln, while its leverage is too low compared to the others as the Company is the most capitalized in the market.

	Armenbrok	Ameria Invest	Capital Asset Manag.	Cascade Invest.	Future Capital Markets	Renesa	Tonton
Financial Performance							
Net Interest Income	123,439	7,292	12,696	-8,890	51,964	96,791	92,970
Operating Income	157,861	27,946	33,954	26,766	33,166	199,113	72,891
Net income	68,585	8,964	-6,239	-62,338	18,524	138,543	15,428
Financial Position							
Assets	2,413,432	147,861	1,118,569	872,977	2,663,985	4,006,441	3,001,367
Investment Portfolio	2,376,752	127,660	1,105,092	866,381	2,656,980	3,938,399	2,784,586
Equity	1,240,378	100,234	152,278	100,272	244,037	479,302	489,228
Liabilities	1,173,054	47,626	966,291	772,705	2,419,948	3,527,139	2,512,139
Selected ratios							
Interest earning assets, thous. AMD	2,399,950	127,660	1,105,092	866,394	2,656,980	3,975,045	2,784,586
Interest bearing liabilities, thous. AMD	1,150,354	46,138	963,228	750,114	2,405,048	3,329,579	2,262,562
Interest earning assets to total assets, %	99.4%	86.3%	98.8%	99.2%	99.7%	99.2%	92.8%
Leverage (Debt to Equity ratio), times	0.95x	0.48x	6.35x	7.71x	9.92x	7.36x	5.13x
Net interest margin, %	5.1%	5.7%	1.1%	-1.0%	2.0%	2.4%	3.3%
Cost of funds, %	2.7%	10.3%	3.1%	8.6%	3.5%	3.5%	4.5%
RoE, %	5.5%	8.9%	-4.1%	-62.2%	7.6%	28.9%	3.2%
RoA, %	2.8%	6.1%	-0.6%	-7.1%	0.7%	3.5%	0.5%

Based on the facts presented above, as well as taking into consideration the fact, that Armenbrok is acting only 7 months in the Repo market, and has not yet raised its repo portfolio to the sufficient level, we expect that the Company will take much higher positions with its profitability and efficiency indicators in Y2010 and further.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Based on the Company's IFRS management accounts as of the year ended 31 December 2009, the Company's total assets were AMD 2,413.4 million and its total liabilities as of the same date above were AMD 1,173.1 million, representing increases of 105.8% and 1519 times respectively, as compared to 31 December 2008. Company's net income for the year ended 31 December 2009 was AMD 68.6 million, representing 223.2% growth year over year.

The common size analysis of the income statement, presented in the table below, shows that the largest part of the total income, generated by the company is interest income, which is the result of company's operating activity and constitutes 78.3% of total income, though its share has decreased mainly due to the substantial increase in net trading income of the Company.

Composition of Company's total income as for the dates indicated,
 '000 AMD unless otherwise noted

	Y2008	as % of total	Y2009	as % of total
Income attributable to:				
Interest income	68,773	84.1%	154,757	78.3%
Fee and Commission income	26,285	32.2%	25,121	12.7%
Dividend income	0	0.0%	200	0.1%
Net trade income	-13,897	-17.0%	17,377	8.8%
Other operating income	580	0.7%	118	0.1%
Total income	81,741	100.0%	197,573	100.0%

Interest income is principally comprised from income on Company's fixed income portfolio, including interest income on the corporate bonds, government bonds as well as from bank deposits and current accounts. The other accounts of the interest income such as income from repurchase agreements, income from loans granted are immaterial and do not have significant effect on total interest income (all these items comprise only 0.3% of total interest income). The following table sets out the principal components of the Company's interest income for the periods indicated.

Composition of Company's interest income as for the dates indicated
 '000 AMD unless otherwise noted

	Y2008	Y2009	Growth, y-o-y %
Interest income attributable to:			
Income from bank deposits and current accounts	24,326	48,762	100.5%
Income from fixed income securities	44,447	105,567	137.5%
Income from loans granted		366	n.m.
Income from repurchase agreements		12	n.m.
Other interest income		50	n.m.
Total interest income	68,773	154,757	125.0%

All the components of the interest income have grown in Y2009 as against Y2008. Particularly the income from fixed income securities, as well as the income from bank deposits has doubled during the above-noted period, constituting AMD 105.6 mln and AMD 48.8 mln respectively.

The following table sets out the amounts of the Company's interest-bearing assets by type as of the dates indicated:

**Composition of Company's interest earning assets as for the dates indicated
'000 AMD unless otherwise noted**

	Y2008	as % of total	Y2009	as % of total
Current accounts at local banks	50,127	4.5%	9,860	0.4%
Bank deposits	500,000	44.9%	804,007	34.0%
Loans and other advances	4,900	0.4%	5,580	0.2%
Financial assets classified as held for trading	11,655	1.0%	6,766	0.3%
Government securities	0	0.0%	0	0.0%
Corporate debt instruments	0	0.0%	0	0.0%
Equity instruments	11,655	1.0%	6,766	0.3%
Financial assets classified as available for sale	71,015	6.4%	101,895	4.3%
Government securities	0	0.0%	0	0.0%
Corporate debt instruments	0	0.0%	0	0.0%
Equity instruments	71,015	6.4%	101,895	4.3%
Financial assets classified as held to maturity	475,139	42.7%	1,437,879	60.8%
Government securities	0	0.0%	1,277,129	54.0%
Corporate debt instruments	475,139	42.7%	160,750	6.8%
Equity instruments	0	0.0%	0	0.0%
Total interest earning assets	1,112,836	100.0%	2,365,987	100.0%

As we see, there was a substantial increase in interest earning assets, which rose by more than 112% y-o-y. The majority of these assets lay on the government securities which comprise AMD 1.3 bln or 54% of total interest earning assets. These securities constitute the repurchase agreement portfolio of the Company, a newly implemented service in 2009, which has already showed a high efficiency and contributed to the generation of Company's net income in Y2009 the most. The average interest rate of government securities portfolio constitutes 11.47% (using weighted average measures), and they do not bear neither default risk nor interest rate risk (because they are classified as held to maturity as such they are). However repurchase agreements carry also interest expenses, which constitute on average 7.94% (using weighted average measures).

The total interest income of AMD 154.8 mln together with incurred interest expenses of AMD 31.3 mln (the most part of which, 99.7%, comes to the interest expenses on repurchase agreements), drive to net interest income of AMD 123.4 mln representing a rough increase by 79.5%. In spite of such recorded increases the net interest margin decreased by 1 percentage point to 5.2% in 2009 as in 2008 the low interest income was accompanied by zero interest expenses.

With regard to the second largest income group, fee & commission income, the company faced some 4.4% decrease herein, which was mainly conditioned by the general economy and market decline, as exhibited in Section "GENERAL MARKET CONDITIONS AND OPERATING ENVIRONMENT" of this report. Though the total capital market of Armenia experienced huge decline in 2008 and 2009, creating extremely illiquid operating environment, the Company succeeded to generate enough cash flow from this group of services to maintain the level of the previous year. This was mainly due to the income from the first Armenian IPO of Artsakh Hydro Power Plant (implemented by Armenbrok OJSC), which contributed to the fee and commission income by about AMD 18 mln in 2009. The table below sets forth the composition of Fee & Commission income for the years ended December 31 2008 and December 31 2009.

Composition of Fee & Commission income as of the dates indicated
 '000 AMD unless otherwise noted

	Y2008	Y2009	Growth, y-o-y %
Fee and commission income attributable to:			
Brokerage services	3,928	1,534	-60.9%
Consulting services	6,460	5,270	-18.4%
Investment banking services	15,897	18,103	13.9%
Other activities	-	214	n.m.
Total fee and commission income	26,285	25,121	-4.4%

The other income item of the Company is trade income. As shown in the table below, some losses from both change in fair value of securities classified as held for trading (AMD 4.9 mln) due to market decline and losses from currency transaction (AMD 4.7 mln) was offset by comparatively large unrealized gain from exchange rate revaluation amounting to AMD 28.6 mln which was conditioned by strong appreciation of US dollar as against Armenian Dram in 2009. As a result, an AMD 17.4 mln net gain was recorded in the books as against AMD 13.9 mln net loss in 2008.

Composition of Net trade income as of the dates indicated
 '000 AMD unless otherwise noted

	Y2008	Y2009
Net gain (loss) from trading in securities classified as:	-9,599	153
Held for trading	-9,599	11
Available for sale		142
Net gain (loss) from change in fair value of securities classified as:	-67	-4,935
Held for trading	-67	-4,889
Available for sale		-46
Net gain (loss) from currency transactions	221	-4,749
Unrealized gain (loss) from exchange rate revaluations	-30	28,619
Other trade income	-4,422	-1,711
Total net trade income	-13,897	17,377

Shifting from the income to expense items, the Company's total expenses also showed significant increase in Y2009 as against Y2008 reaching to roughly AMD 129 mln representing a 113% increase y-o-y. The majority of Company's expenses were attributable to administrative expenses, followed by interest expenses; however the latter contributed to the two fold growth of total expenses the most.

**Composition of Company's total expenses as of the dates indicated
'000 AMD unless otherwise noted**

	Y2008	as % of total	Y2009	as % of total
Total expenses, including	60,523	100.0%	128,988	100.0%
Interest expenses	0	0.0%	31,318	24.3%
Fee and Commission expense	0	0.0%	8,394	6.5%
Administrative expenses	51,609	85.3%	71,506	55.4%
Other operating expenses	3,475	5.7%	6,317	4.9%
Profit tax charges	5,439	9.0%	11,453	8.9%

Administrative expenses increased by 38.6% y-o-y in the light of 93% increase of the Company's operating income. The majority of these expenses cover employees' salaries, which grew in absolute terms by 48% y-o-y to AMD 37.5 mln, increasing the share of these expenses in total administrative expenses from 49% to 52.4%. Such increase was due to the recruitment of additional employees for delivering new services, including repo transactions, international trading and shareholder services. This contributed to the total salary increase, however the cash inflow from these services are and will be more than enough to cover them all, as evidenced by the considerable increase in operating income noted above.

For the same reasons as noted above, the Company also had to rent additional office premises for the newly recruited staff, and thus the office rent expenses increased from by 38.5% to AMD 12.5 mln, covering the 17.4% of total administrative expenses. The other items of administrative expense, including expenses on business trips and trainings, office security costs, transport and communication, office supplies and other, comprise only 28.6% of total administrative expenses.

The table below sets forth the composition of administrative expenses as for the years ended 31 December 2008 and 31 December 2009.

**Composition of administrative expenses as for the dates indicated
'000 AMD unless otherwise noted**

	Y2008	as % of total	Y2009	as % of total	Growth, y-o-y, %
Administrative expenses attributable to:					
Employee salary expenses	25,283	49.0%	37,467	52.4%	48.2%
Social security expenses	2,547	4.9%	3,163	4.4%	24.2%
Expenses on business trips and trainings	3,567	6.9%	5,605	7.8%	57.1%
Office rent	9,001	17.4%	12,467	17.4%	38.5%
Office security costs	0	0.0%	2,514	3.5%	n.m.
Audit and Consulting expenses	200	0.4%	600	0.8%	200.0%
Transport and Communication expenses	2,538	4.9%	1,562	2.2%	-38.5%
Office supplies expenses	2,009	3.9%	1,421	2.0%	-29.3%
Unrecovered taxes and duties	1,404	2.7%	2,232	3.1%	59.0%
Other administrative expenses	5,060	9.8%	4,475	6.3%	-11.6%
Total administrative expenses	51,609	100.0%	71,506	100.0%	38.6%

The other operating expenses with total volume of AMD 6.3 mln include marketing expenses of AMD 3.5 mln and D&A expenses of AMD 2.8 mln. The total volume of other operating expenses increased by 82% mainly due to the considerable increase in marketing expenses. The latter

increased within the frameworks of more active marketing strategy of the Company, related to the newly implemented services.

As a result of the recent financial performance of the Company in Y2009, a net income of AMD 68.6 mln was recorded as against AMD 21.2 mln in Y2008 representing threefold increase y-o-y. This income contributed to 5.9% increase in Company's Equity through 190% increase in the retained earnings account of the balance sheet.

On the other hand the company faced 105% increase in total assets most of which was financed by short term debt capital within the framework of repurchase agreement. This considerably increased the Company's leverage as evidenced by debt to equity ratio of 0.95x presented in the table below.

The significant increase in net income together with the rise in company's leverage drove to increase in Company's returns as evidenced by Return on Equity of 5.5% as against 1.8% in Y2008 and Return on Assets of 2.85 as against 1.8% in Y2008.

The table below sets forth the main ratios of Company's financial performance as for the years ended 31 December 2008 and 31 December 2009.

Core financial ratios for the years indicated

	Y2008	Y2009
Net interest margin	6.2%	5.2%
Cost of funds	n.m.	2.7%
Interest earning assets to total assets	95.0%	98.0%
Leverage (debt to equity ratio)	0.00x	0.95x
ROE	1.8%	5.5%
ROA	1.8%	2.8%

COMPETITIVE STRENGTHS

The management believes that the Company has the following competitive strengths:

Diversified product offering. The management believes that the Company currently offers the broadest range of investment products and services than any other investment company in the Armenian market. The Company's diversified product offering enables it to cross-sell products between its corporate and retail clients and to generate high level client loyalty. Moreover, the company enjoys the in-place and efficiently functioning product and service infrastructure including but not limited to necessary software for any type of services provided, well-trained workforce, automatic money transfer systems, etc. which allows the company to serve the client much faster, more conveniently and to enjoy considerable cost saving.

Brand recognition. The management believes that the Company's brand is well-known in the Armenian market. The Company is the oldest among existing investment companies, and during the years of hard work, the Company has always acted with reasonable care and exercised prudent judgment towards its clients. The Company has never been engaged in any situation that could harm its reputation and integrity. As a result, Armenbrok has become the most reputable investment company in the Armenian financial industry, which adds value to the company by contributing to the augmentation of its shareholders wealth.

Experienced management. The Company's senior management team is comprised of highly-experienced, primarily western-oriented professionals with significant expertise in domestic banking, investment banking and consulting. Within the past few years, the company has increased its equity in size about six fold, diversified its revenue streams, created efficient investment portfolio in line with its strategy, attracted several foreign individual and institutional equity investors, increased the Company's transparency and strengthened its corporate governance policies and procedures.

Access to capital. The management believes that the Company's shareholder base, the majority of which is comprised of international institutional investors and foreign individuals, and its high level of transparency and strong corporate governance provide the Company with access to significant funding opportunities and the ability to raise additional debt and equity capital for growth and development more easily and on better terms than its competitors.

PROSPECTS & FORECASTS

Operating environment

Although the Armenian capital market is not considered as integrated into the global financial system, it suffered a lot in the crisis environment. Particularly the brokerage arm of Armenbrok is quite sensitive to the global challenges, as the main strategic partners and investors of the Company are from the developed western community; so in Y2009 the Company faced a decrease in the brokerage turnover due to the difficulties in western investment industry.

However, Y2010 promises to be warmed by the positive climate, posting steady gains on the basis of solid increase in Y2009. Moreover, in the first months of Y2010 eastern European and some CIS markets already demonstrated double digit gains, outperforming analysts' forecasts.

The market increase in Western and Eastern Europe, as well as in some CIS countries, such as Russia and Ukraine, lay grounds for sound increase in the Armenian markets and Economy as a whole. According to various estimations (IMF, World Bank, CBA, Ministry of Finance of RA) Armenian Economy will demonstrate economic growth in Y2010, within 4 - 10% ranges. This will motivate the real sector enterprises to restart actions towards going public, however we don't think they will be very active in Y2010.

Another stimulus for market growth, as we estimate, will be provided by NASDAQ OMX Group, which has a strategic objective to fully integrate the Armenian capital market with its other member exchanges. Still, we don't think this will happen in the nearest future, and the contribution of integration to the market liquidity and growth will be seen no sooner than in late Y2011.

One of the main constraints for the Company is the entrance of the commercial banks to the market, who may become serious competitors for the Company, as the banks have more resources and funds and can be considered as more reliable partners by the clients in the areas of investment banking and assets management. However, in other areas, such as brokerage, shareholder and custody services, Armenbrok has much more expertise and recognition: so we don't see a serious threat in these areas.

Another threat for the operating environment is the uncertainty of the local currency market in terms of US dollar exchange rate. The recent sharp fluctuations of Armenian Dram against US

dollar created additional risks for the investment industry and for the foreign investors; and it is highly unfavorable for the Company in view of its foreign clients.

Underlying assumptions.

In the upcoming years, about 90% of the Company's equity funds will be allocated in various financial instruments both local and foreign, with more emphasis on the local fixed income instruments. This would first provide the company with enough liquidity to face the unexpected market challenges, and more important, it would safeguard the ability of the Company to participate in large investment projects such as IPOs and other underwriting issues (as the IPO of Artsakh HPP).

Based on the recent market trends, we estimate that the average yield for those investments will be approximately 12% for corporate and government bonds, and approximately 8% for bank deposits.

The interest of large Armenian companies to Initial Public Offerings will restart along with the global and Armenian economic recovery. Thus, we estimate at least 1 IPO per year starting from 2011, each of which will have AMD 2.0 bln in total value.

The fee income from IPOs and other placements of shares and bonds are estimated to range from 2% to 5% depending on the type and volume of placement.

About 20% of the securities of each placement would be traded at the market through the Company, ensuring the proper work of the brokerage arm of the Company. Besides, out of those 20%, about 19 percentage points are estimated to trade at exchange market and only 1 percentage point will be exchanged at OTC market.

The Company will also commence transactions with securities, besides those mentioned in section 5, the amount of which will be in line with those commenced in Y2009 for several years.

The Company's customers will commence transaction via remote terminals provided by the Company, with total amount ranging from USD 6 to 10 mln.

The Company will receive on average 1% from its brokerage transactions, while the client transactions, commenced through remote terminals will bring a rough 0.15% fee income to the Company.

The Company will enlarge its repo transactions in the future reaching AMD 3.0 bln at the end of Y2012. About 80% of the government securities portfolio related to Repo transactions would be constituted from midterm and long term instruments.

Repo transactions will carry expenses with total amount of 8% from total repo portfolio, although the figure is quite sensitive to the changes in monetary policy of the Central Bank of Armenia.

In 2010 the Company will provide custody and shareholder services to its clients. In the next 3 years the Company will serve shareholder lists of about 300 companies, moreover, at the end of 2010 this figure will reach to 150, 250 at the end of 2011 and 300 at the end of 2012.

The fee income from Custody services will amount to AMD 5,000 per customer, while the shareholder services will regularly bring on average AMD 72,000 per shareholder list, plus fees generated from transactions and other secondary related services.

The operating expenses, including administrative and marketing costs, are estimated to increase by 17% per year on average, in order to ensure the competitive position of the Company in the Market.

Until the end of 2011 the demand from asset management will rise in the local market, related to the on-going pension reforms, so the Company plans to start that activity in the beginning of 2012.

The Company is going to pay annual dividends starting from Y2009 totaling about AMD 100 mln, which will grow on average at the rate of 20% per year.

The tables below set forth Company's forecasted pro forma financial statements summarizing financial performance and results of operations.

Pro forma Income Statement, IFRS Based, '000 AMD

	Y2009	2010F	2011F	2012F
Interest income	154,757	291,600	319,800	378,000
Interest expenses	31,318	105,000	154,000	189,000
Net interest income	123,439	186,600	165,800	189,000
Fee and Commission income	25,121	71,804	102,722	133,040
Fee and Commission expense	8,394	23,993	34,324	44,454
Net fee and commission income	16,727	47,811	68,398	88,586
Dividend income	200	200	200	200
Net trade income	17,377	5,931	8,176	11,093
Other operating income	118	200	220	240
Operating Income	157,861	240,742	242,794	289,119
Administrative expenses	71,506	64,219	65,213	73,525
Other Operating expenses	6,317	9,634	9,716	11,569
Income before taxes	80,038	166,889	167,865	204,024
Profit tax charges	-11,453	-33,378	-33,573	-40,805
Net income	68,585	133,512	134,292	163,219

Pro forma Statement of Retained Earnings, IFRS Based, '000 AMD

	Y2009	2010F	2011F	2012F
Beginning retained earnings	36,162	104,747	138,259	152,551
Net income	68,585	133,512	134,292	163,219
Dividends	0	100,000	120,000	144,000
Ending retained earnings	104,747	138,259	152,551	171,770

Pro forma Balance Sheet, IFRS Based, '000 AMD

	Y2009	2010F	2011F	2012F
Assets				
Cash & cash balances with CBA	10,074	133,817	186,662	243,003
Claims on banks & other fin. institutions	807,775	1,067,330	1,227,600	1,361,307
Claims on customers	23,198	18,099	20,562	23,529
Investments held for trading	6,766	9,390	10,800	12,300
Investments available-for-sale	101,895	134,590	154,800	176,300
Investments held-to-maturity	1,450,456	1,918,690	2,206,800	2,513,300
PP&E and intangibles	7,498	9,342	10,702	12,281
Other assets	5,770	8,664	219	0
TOTAL ASSETS	2,413,432	3,299,922	3,818,145	4,342,020
Liabilities				
Due to other banks	1,150,354	2,000,000	2,500,000	3,000,000
Other liabilities	22,700	26,032	29,963	34,619
TOTAL LIABILITIES	1,173,054	2,026,032	2,529,963	3,034,619
EQUITY				
Chartered capital	531,150	531,150	531,150	531,150
Share Premium	524,811	524,811	524,811	524,811
Reserves	79,670	79,670	79,670	79,670
Retained Earnings	104,747	138,259	152,551	171,770
TOTAL EQUITY	1,240,378	1,273,890	1,288,182	1,307,401
TOTAL EQUITY AND LIABILITIES	2,413,432	3,299,922	3,818,145	4,342,020

REPORT OF INTERNAL CONTROL OVER THE OPERATING AND FINANCIAL PERFORMANCE

On the basis of investigation of the financial and economic activity as well as analysis financial statements of “Armenbrok” OJSC for 2009 we arrived at the following conclusion:

During 2009 the Company succeeded to generate net income. The net interest income amounted to AMD 123,439 thous, net commission and fee income amounted to AMD 16,727 thous. The profit before taxation, amounted to AMD 80,038 thous, and the net income comprised AMD 69,585 thous. By 01.01.2010 total assets of the Company constituted AMD 2,413,432 thous, the chartered capital - AMD 531,150 thous, shareholder’s equity - AMD 1,240,378 thous and the liabilities - AMD 1,173,054 thous.

At 01.01.2010 the Company’s financial and economic situation is characterized by the following fundamental indicators:

Indicator	Value
Leverage ratios	
Financial leverage ratio, times	1.946
Debt to Equity ratio, times	0.946
Financial independence, times	0.514
Profitability ratios	
Return on assets (ROA), %	2,8%
Return on equity (ROE), %	5,5%
Earnings per share, AMD	129.13

By 01.01.2010 the book value per share was AMD 2,335.27. The value of the last transaction with this the Company’s shares was AMD 3,000. The Company has formulated a reserve fund, which has not been changed during 2009 and by 01.01.2010 amounted to AMD 79,670ths. During Y2009 the reserve fund was not used. The information including in the reports and other financial documents give a true and fair view of the assets, liabilities and also financial consequences of Company’s activities as of the dates of their compilation.

Decisions of the Company’s executives, accountancy, financial and other reports correspond to the relevant laws and other legal acts.

Investigations of the Company’s activity were implemented in correspondence with frequency and order stipulated by the Internal rules on activity of the Internal Audit department.

Head Internal Audit department,
“ARMENBROK” OJSC



Hayk Manaselyan

INDEPENDENT AUDITOR'S REPORT



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24 March 2010

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for realization of Audit activities No 054,
provided by the RA Ministry of Finance and Economy

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the
"Armenbrok" OJSC


We have audited the accompanying financial statements of Armenbrok OJSC (the Company), which comprise the balance sheet as at December 31, 2009, as well as the statements of financial results and cash flows for the year then ended. These financial statements are the responsibility of the Armenbrok's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the National auditing standards and professional practice. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the annual balance sheet of Armenbrok OJSC as at December 31, 2009, as well as the statements of financial results and cash flows give a true and fair view of the financial position of the Company for the year then ended. In Armenbrok OJSC the accounting is conducted in accordance with the requirements of the Law "On Accounting", Accounting Principles and the Accounting Standards of the Republic of Armenia.

Khachik Beglaryan
Deputy Director, Auditor






FINANCIAL STATEMENTS

Balance Sheet 31 December, 2009

		Y 2009	thous. AMD Y 2008
ASSETS			
Cash on hand and balances with CBA	14	214	1,261
Amounts due from banks and other financial institutions			
Amounts due from customers	16	23,198	20,677
Financial assets kept for trade purposes	17	6,766	11,655
Financial assets available for sale	18	101,895	71,015
Investments kept until the maturity date	19	1,450,456	490,933
Investments in other persons' chartered capital	20		
Fixed assets and intangible assets	21	7,498	7,327
Deferred tax assets	22		
Other assets	23	5,770	16,047
Total Assets		2,413,432	1,172,565
LIABILITIES			
Amounts due to banks and other financial institutions	24	1,150,354	0
Amounts due to customers			
Liability kept for trade purposes	26		
Securities issued by the investment company	27		
Deferred tax liabilities	28		
Provisions	29		
Other liabilities	30	22,700	772
Total liabilities		1,173,054	772
EQUITY			
Chartered capital	31	531,150	531,150
Emission Income	32	524,811	524,811
Reserves	33	79,670	79,670
Retained profit (loss)	34	104,747	36,162
Total Equity		1,240,378	1,171,793
Total Liabilities and Equity		2,413,432	1,172,565


Aram Kayfajyan
Manager





Siranush Khlghatyan
Chief accountant

Income Statement



31 December, 2009

		Y 2009	Y 2008
			<i>thous. AMD</i>
Interest and similar income	3	154,757	68,773
Interest and similar expense	3	31,318	
Net interest and similar Income		123,439	68,773
Commissions and other income	4	25,121	26,285
Commissions and other expense	4	8,394	
Net Commissions and other payments received		16,727	26,285
Income from dividends	5	200	
Net Income from commercial activity	6	17,377	(13,897)
Other operating income	7	118	580
Operating income		157,861	81,741
General administrative expenses	9	71,506	51,609
Other operating expense	10	6,317	3,475
Profit (loss) before taxes		80,038	26,657
Profit Tax expense (compensation)	12	11,453	5,439
Profit (loss) after taxes		68,585	21,218
Basic earning per share	13	0.13	0.04
Diluted earning per share	13	0.13	0.04


Aram Kayfajyan
Manager





Siranush Khlgatyan
Chief accountant



Statement on changes in Equity Capital
31 December, 2009

thous. AMD

Equity capital components	Chartered Capital	Share Premium	General Reserve	Accumulated profit/loss	Total
Items					
Balance as of 31 December, 2007	95,170	56,525	14,276	34,555	200,526
Transactions with shareholders (owners) as regards shares	435,980	533,680	-	(19,611)	950,049
Net profit/(loss)	-	-	-	21,218	21,218
Internal movement	-	(65,394)	65,394	-	-
Balance as of 31 December, 2008	531,150	524,811	79,670	36,162	1,171,793
Transactions with shareholders (owners) as regards shares	-	-	-	-	-
Net profit/(loss)	-	-	-	-	-
Internal movement	-	-	-	68,585	68,585
Balance as of 31 December 2009	531,150	524,811	79,670	104,747	1,240,378


Aram Kayfajyan
Manager




Siranush Khlgatyan
Chief accountant



**Cash Flow Statement
31 December, 2009**

	<i>thous. AMD</i>	
	Y 2009	Y 2008
CASH FLOW FROM OPERATING ACTIVITY		
<i>Net cash flow before changes in operating assets and liabilities</i>	100,099	(65,670)
Interest received	37,085	79,150
Interest paid		(29,601)
Commissions received	4,254	25,911
Commissions paid		(8,394)
Gain(loss) from currency transactions	(2,616)	(4,124)
Salary and equivalent payments	(21,202)	(30,123)
Other income and expense from operating activity	82,578	(98,489)
<i>Cash flow from changes in operating assets and liabilities</i>		863,771
Operating assets - decrease (increase)		(283,886)
Including: loans - decrease (increase)		(980)
Operating liabilities - increase (decrease)		1,148,637
Other operating liabilities - increase (decrease)		1,148,637
<i>Net cash flow from operating activity before Profit Tax</i>	100,099	798,101
Profit Tax paid	(10,003)	(4,526)
Net cash flow from operating activity	90,096	793,575
CASH FLOW FROM INVESTING ACTIVITY		
Investments kept until maturity date - decrease (increase)	(900,881)	(972,607)
Investments in other persons' Chartered Capital - decrease (increase)		(564)
Acquisition of fixed assets and intangible assets	(7,546)	(2,996)
Net cash flow from other investing activity	(136,719)	134,744
Net cash flow from investing activity	(1,045,146)	(841,423)
CASH FLOW FROM FINANCING ACTIVITY		
Dividends paid		x
Loans received from RA CB - increase(decrease)		x
Loans received - increase (decrease)		
Securities issued by the investment company - increase(decrease)		
Shareholders investments in Chartered Capital	821,615	
Net cash flow from financing activity	821,615	0
Exchange rate effect on Cash and cash equivalents	(2,466)	6,534
Net increase (decrease) in cash and cash equivalents	(135,901)	(41,314)
Cash and cash equivalents at the beginning of the period	250,719	51,388
Cash and cash equivalents at the end of the period	114,818	10,074


Aram Kayfajyan
Manager





Siranush Khilghatyan
Chief accountant



NOTES TO FINANCIAL STATEMENTS

31 December, 2009

Note 1. Legal framework and Corporate Governance

The main type of “Armenbrok” OJSC’s (hereinafter the Company) activity is provision of investment services. The Company renders all kinds of investment services, except for securities portfolio management.

The Company was founded in the Republic of Armenia. The Company is an open joint-stock company and it acts under the RA Legislation. The Company’s activity is controlled by the RA CB. The Company carries out its activity through the head office located at 32/1 Tigran Mets str., area 8, Yerevan, Armenia, which is also the Company’s legal address.

The Company has been registered and licensed by the CBA on 04 November, 2008. The Company’s registration number is 10.

More than 50% of shares issued by the Company belong to Eastinvestor Ltd, which together with the Company form a group. The Company has no board and board of directors. The Company’s executive body consists of one person. Aram Kayfajyan is the Company’s general director.

As of 31 December 2009, the number of the Company’s shareholders was 37, three of which are legal persons and 34 are natural persons. Only 7 shareholders of the Company are RA residents.

Eastinvestor Ltd and Sakaropel Limited LTD are the Company’s significant participants.

The Company’s managers are paid on a monthly basis according to the employment contracts signed with them. Payment to the external auditor is made according to the agreement. The amount of payment is confirmed by the Company shareholders’ meeting.

Note 2. Accounting Policy

1) Preparation and presentation of financial statements

Financial statements are prepared and presented according to the RA Accounting Standards.

2) Recognition of the main types of income and expenses

The main types of income and expenses are recognized based on the accruals method.

3) Accounting for currency transactions

Income and expense from currency transactions are recognized as an income or expense of the reporting period.

4) Taxes (current, deferred)

Profit Tax expense (income) consists of current tax expense and deferred tax expense (income). Current tax expense is a profit tax to be paid from the current year’s taxable profit and previous years’ current tax adjustments. Deferred tax expense (income) is a result of changes in the balances of deferred tax assets and liabilities. Deferred tax assets are recognized to the extent of the probability of receiving sufficient taxable profit in the future periods, at the expense of which temporary deductible differences and tax losses carried forward can be used.

5) Recognition and valuation of financial instruments

Recognition and valuation of financial instruments is realized according to the RA Accounting Standards 32 and 39.

6) Cash and Cash equivalents (discloses the policy which is applied to decide the composition of cash and cash equivalents.). Cash and cash equivalents in the Company are cash means in the cash office and on demand deposits.

7) Financial assets kept for trade purposes.

Financial assets kept for trade purposes are the financial assets which have been acquired or appeared from short-term price fluctuations or dealer mark-ups (margin) for profit making purposes.

8) Financial assets available for sale

Financial assets available for sale are the financial assets which are neither receivables nor loans provided by the Company, nor investments kept until maturity date, nor financial assets kept for trade purposes.

9) Transactions under repo agreements

Securities provided and received under a repo agreement: securities received under repo agreements are accounted for in the off-balance as a security for loans provided. Amounts paid for the securities acquired under repo agreements are accounted for as loans provided. The corresponding interests received are recognised on an accrual basis as income in the statement of financial results. Securities provided under repo agreements are accounted in the balance sheet according to their nature. Amount received for the securities provided under repo agreements are accounted for as loans received. Corresponding interests paid are recognised on an accrual basis as expense in the statement of financial results.

In the event that the debtor transfers the pledge to the creditor and the creditor is allowed to pledge it again without limitation

- a) the debtor should disclose the pledge apart from those assets, which are not used as a pledge
- b) the creditor should recognise the pledge in the balance sheet as an asset, at its initially measured fair value, and should also recognise the obligation of redemption as a liability.

10) Suspension of interest accrual

Under current agreements, the accrual of interest is suspended, when there is a sufficient reason to believe that they will not be collected.

11) Accounting for the financial assets kept until maturity date

Accounting for the financial assets kept until maturity date is realized at amortized value

12) Fixed assets and intangible assets

An item of property plant and equipment, as an asset, is accounted for at its initial cost.

In case of necessity, the Company reserves the right to account for the fixed asset at its revalued cost when the fixed asset's fair value materially differs from its carrying amount. Increase or decrease of the cost as a result of revaluation is accounted for according to the point 35, 36, 37, 38 of the RA Accounting Standard 16.

The depreciation amount of a fixed asset is periodically allocated over its useful life and is recognised as an expense. Depreciation charges are made according to the minimal terms established by the RA Law "On Profit Tax".

Depreciation is calculated according to the straight line method. The useful life of a fixed asset can be periodically reviewed.

Intangible assets are initially measured at their initial cost.

The amortizable amount of an intangible asset is periodically allocated over its useful life. Straight line method is applied for calculation of amortization, and the amortization cost for each period is recognized as an expense.

Intangible assets are amortized during 10 years, in case their useful life has not been established. Otherwise, amortization is calculated taking into account the useful life established.

13) Customers' means

Customer's means are accounted for in the off-balance and are not reflected in the Company's balance sheet.

14) Differentiation of the transactions and events resulting in recognition of assets and liabilities in the balance sheet from the transactions and events which bring forth only contingent events and arrangements.

Contingent liability

- it is a possible liability as a result of past events, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events, which are not fully controlled by the Company, or
- it is a current liability as a result of past events, which is not recognised because of the following reasons: it is not probable that an outflow of means embodying economic benefits will be required to pay off that liability, or the amount of the liability cannot be measured reliably enough.

Contingent asset

- a possible asset as a result of past events, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events, which are not fully controlled by the Company.

15) Capital and share premium

The total of the Company's shares' nominal values is classified as a chartered capital. When the real value of the amounts received as a result of sale of new shares exceeds the nominal value of shares, the difference is accounted for as a mark-up or share premium (otherwise - as a discount).

16) Approach to the exchange rate determination

Exchange rate is determined by the Company's general director on the basis of daily examination of the situation in the financial system.

17) Offsetting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is disclosed in the statement of financial results, when there is a legally warranted right to offset the recognised amounts, and there is an intention to make the final calculation on the net basis, or to make the asset realization and the liability redemption simultaneously.

18) Reclassification of financial assets

Reclassification of financial assets is made in that case, when there have been changes in the initial estimations, and the financial statements will be most reliable as a result of reclassification.

Note 3. Interest and Similar Income

Interest and Similar Income	Reporting period	Previous period
Interest income from bank accounts and invested deposits	48,762	24,326
Interest income from securities	105,567	44,447
Interest income from loans provided	366	
Interest income from repo agreements	12	
Interest income from swap		
Other interest income	50	
Total	154,757	68,773

Interest and Similar Expense	Reporting period	Previous period
Interest expense as regards borrowings involved and loans received	89	
Interest expense as regards repo agreements	31,229	
Interest expense as regards swap		
Interest expense as regards securities issued by investments companies		
Interest expense as regards amounts due to RA Government and governments of other countries and other interest expense		
Total	31,318	0
Net interest and similar income	123,439	68,773

Note 4. Income and Expense in the form of Commissions and Other Payments

Income in the form of Commissions and Other Payments	Reporting Period	Previous Period
Commissions as regards Securities portfolio management		
Commissions as regards securities transactions	1,534	19,825
Commissions as regards consulting services	5,270	6,460
Commissions as regards securities distribution	18,103	
From custody activity		
Commissions as regards other investing activities		
Other commissions	214	
Total	25,121	26,285
Expenses in the form of Commissions and Other Payments	Reporting Period	Previous period
Expenses as regards Commissions	8,394	
Net Commissions and other payments received	16,727	26,285

Note 5. Income from Dividends

Dividends	Reporting period	Previous period
Dividends declared as regards ordinary shares		
Dividends paid as regards ordinary shares	200	
Dividends declared as regards preference shares		
Dividends paid as regards preference shares		

Note 6. Net Income from Commercial Operations

Investments kept for trade purposes	Reporting period	Previous period
Net income from sale and purchase of investments kept for trade purposes	11	(9,599)
Net income from changes in fair value of investments kept for trade purposes	(4,889)	(67)
Total	(4,878)	(9,666)

Investments available for sale	Reporting period	Previous period
Net income from sale and purchase of investments available for sale	142	-
Net income from changes in fair value of investments available for sale	(46)	-
Total	96	-

Currency transactions	Reporting period	Previous period
Net income from sale and purchase of currency	(4,749)	221
Net income from currency revaluation	28,619	(30)
Other net income	(1,711)	(4,422)
Total	22,159	(4,231)
Total net income from commercial operations	17,377	(13,897)

Note 7. Other Operating Income

Other operating income	Reporting period	Previous period
Net income from disposal of PPE and intangible assets	-	-
Net income from revaluation and impairment reversal of PPE and intangible assets	-	-
Extraordinary income*	-	-
Other income**	118	580
Total	118	580

Note 9. General administrative expenses

General administrative expenses	Reporting period	Previous period
Expenses as regards calculated salary and other equivalent payments	37,467	25,283
Expenses as regards social payments	3,163	2,547
Expenses as regards business trips and training	5,605	3,567
Other staff expenses	-	-
Operating lease expense	12,467	9,001
Expenses as regards technical maintenance and security of Company's building, equipment and transportation means	2,514	-
Expenses as regards audit and other consulting services	600	200
Expenses as regards communication means	1,562	2,538
Office and organizational expenses	1,421	2,009
Transportation expenses	-	-
Non-reimbursable taxes and dues	2,232	1,404
Other administrative expenses	4,475	5,060
Total	71,506	51,609

The number of Company's employees is 10 and the average salary is AMD 300,340.

Note 10. Other Operating Expenses

Other operating expenses	Reporting period	Previous period
Expenses as regards public relations	3,491	-
Fixed assets depreciation expenses	2,475	3,125
Intangible assets amortization expenses	351	263
Other expenses	-	87
Total	6,317	3,475

Note 12. Profit Tax Expense

Profit Tax Expense	Reporting period	Previous period
Current tax expense	11,266	5,439
Previous period's current tax adjustments recognized in the given period	187	-
Deferred tax expense	-	-
Total	11,453	5,439

	Reporting period	Effective rate (%)	Previous period	Effective rate (%)
Profit before taxation	x	-	x	-
Profit tax rate	x	20	x	20
Income and expenses adjustments for taxation purposes as regards temporary differences	-	-	-	-
Non-taxable income	(x)	(x%)	(x)	(x%)
Non-deductible expenses	x	x%	x	x%
Adjustment of previous year's tax expense	x/(x)	x/(x)	x/(x)	x/(x)
Profit tax expense				

Note 13. Basic earning per share

Basic earning per share	Reporting period	Previous period
Reporting period's after tax net profit	68,585	21,218
Dividends calculated for the given reporting period as regards preference shares	()	()
Net profit (loss) of the given period relating to owners of ordinary shares	68,585	21,218
Weighted average of ordinary shares in circulation in the given period	531,150	531,150
Basic earning per share	0.13	0.04
Diluted earning per share	0.13	0.04

Note 14 Cash and account balances with the Central Bank of Armenia

Cash, cash equivalents and account balances with the Central Bank of Armenia	Reporting period	Previous period
Cash and payment documents	214	1,261
Chartered capital accumulation account with CBA		
Deposited funds with CBA		
Interests accrued		
Cash and account balances with CBA		

Note 15. Amounts due from banks and other financial institutions

Current accounts	Reporting period	Previous period
RA banks	9,860	50,127
Other banks		
Deposited accounts with banks		
Interests accrued		
Total	9,860	50,127
Credits (loans provided) and deposits, other demands		



Banks		
Credits (loans provided) and deposits	804,007	500,000
other		
Interests accrued	3,768	1,786
Total	807,775	501,786
Provision of possible losses (Note 8) as regards amounts due from banks and other financial institutions	()	()
Net amount due from banks and other financial institutions	817,635	551,913

Note 16. Amounts due from customers

Amounts due from customers	Reporting period	Previous period
Credits and loans provided, including:		
RA Government	5,580	4,900
RA local authorities		
Mortgage		
repo (repurchase) agreements		
Securities portfolio management		
Other*	15,747	15,747
Interests accrued as regards mentioned items	75	30
Other demands	1,796	-
Total	23,198	20,677
Provision for possible losses (Note 7) as regards amounts due from customers		
Total net demands	23,198	20,677

* includes account balance 1906: commissions receivable from residents as regards securities allocation

Analysis of amounts due from customers according to residency	Reporting period	Percentage	Previous period	Percentage
RA residents	23,198	100%	20,677	100%
Residents of countries with Baa3 and higher rating				
Residents of countries with no rating and rating below BBB- (Baa3)				
Accrued interest				
Total	23,198	100%	20,677	100%

Note 17. Financial assets kept for trade purposes

State securities	Reporting period		Previous period	
RA state securities including				
Treasury bonds				
CBA bonds				
Other				
State securities of countries with BBB-(Baa3) and higher rating including				
Treasury bonds				
CBA bonds				
Other				
State securities of countries with no rating and rating below BBB-(Baa3)				
Treasury bonds				
CBA bonds				
Other				
Total state securities				
RA non-state securities	Reporting period		Previous period	
	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-(A3) and higher rating				
Long-term debtor instruments				
Short-term debtor instruments				
Equity instruments				
Other				
Issuer with "C" and higher rating awarded by CBA				
Long-term debtor instruments				
Short-term debtor instruments				
Equity instruments				
Other				
Issuer with no rating, BBB+(Baa1) and rating below BBB+(Baa1) or other rating				
Long-term debtor instruments				
Short-term debtor instruments				
Equity instruments				
Other				
Total RA non-state securities kept for trade purposes	6,766		11,655	
Other countries' non-state securities	Reporting period		Previous period	
	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-(A3) and higher rating				
Long-term debtor instruments				
Short-term debtor instruments				
Equity instruments				
Other				
Issuer with BBB+(Baa1) and below rating, other rating or no				



rating

Long-term debtor instruments

Short-term debtor instruments

Equity instruments

Other

Total other countries' non-state securities kept for trade purposes

Total securities kept for trade purposes

6,766

11,655

Other financial assets kept for trade purposes

Credits (loans provided), receivables

Borrowers with A-(A3) and higher rating

Borrowers with BBB+(Baa1) and below rating, other rating or no rating

Mortgage

Consumer loan (loans provided)

Other

Derivative instruments

Futures

Forward

Option

Swap

Other

Total

Total financial assets kept for trade purposes

6,766

11,655

Note 18. Financial assets available for sale

State securities	Reporting period	Previous period
RA state bonds		
Treasury bonds		
CBA bonds		
Other		
State securities of countries with BBB-(Baa3) and higher rating		
Treasury bonds		
CBA bonds		
Other		
State securities of countries with BB+(Ba1) and below rating, other rating or no rating		
Treasury bonds		
CBA bonds		
Other		
Total state securities		



RA non-state securities

	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-(A3) and higher rating				
Long-term debtor instruments				
Short-term debtor instruments				
Equity instruments				
Other				
Issuer with "C" and higher rating awarded by CBA				
Long-term debtor tools				
Short-term debtor tools				
Equity tools	2,907		2,907	
Other				
Issuer with BBB+(Baa1) and below rating, other or no rating				
Long-term debtor tools				
Short-term debtor tools				
Equity tools	1,156	97,832	610	67,498
Other				
Total RA non-state securities	4,063	97,832	3,517	67,498

Other countries' non-state securities

	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-(A3) and higher rating				
Long-term debtor tools				
Short-term debtor tools				
Equity tools				
Other				
Issuer with BBB+(Baa1) and below rating, other or no rating				
Long-term debtor tools				
Short-term debtor tools				
Equity tools				
Other				
Total other countries' non-state securities				

Total securities available for sale **101,895** **71,015**

Other financial assets available for sale

Credit (loans provided), factoring, receivables
 Borrowers with A-(A3) and higher rating
 BBB+(Baa1) and below rating, other or no rating
 Mortgage
 Consumer loan (loans)
 Other

Total financial assets available for sale **101,895** **71,015**



Note 19. Investments held to maturity

State securities	Reporting period		Previous period	
	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
RA state bonds including		1,277,129		
Treasury bonds		1,277,129		
CBA bonds				
other				
State securities of countries with BBB-(Baa3) and higher rating including				
Treasury bonds				
CBA bonds				
other				
State securities of countries with BB+(Ba1) and below rating and no rating including				
Treasury bonds				
CBA bonds				
other				
Accrued interests				
Total state securities		1,277,129		
RA non-state securities				
Issuer with A-(A3) and higher rating including				
Long-term debtor tools				
Short-term debtor tools				
Deposit certificate				
Other				
Issuer with "C" and higher rating awarded by the CBA including	85,750			400,139
Long-term debtor tools	85,750			400,139
Short-term debtor tools				
Other				
Issuer with BBB+(Baa1) and below rating, other or no rating including		75,000		75,000
Long-term debtor tools				
Short-term debtor tools		75,000		75,000
Deposit certificate				
Other				
Accrued interests		12,577		15,794
Total		173,327		490,933



Other countries non-state securities

	<i>listed</i>	<i>unlisted</i>	<i>listed</i>	<i>unlisted</i>
Issuer with A-(A3) and higher rating including				
Long-term debtor tools				
Short-term debtor tools				
Deposit certificate				
Other				
Issuer with BBB+(Baa1) and below rating, other or no rating including				
Long-term debtor tools				
Short-term debtor tools				
Deposit certificate				
Other				
Accrued interests				
Total				
Amortization of investments held to maturity (provision of possible losses) (Note 7)		()		()
Net investments in financial assets held to maturity		1,450,456		490,933

State bonds of AMD 1,148,637.00 ths. belonging to the Company are sold to RA resident banks under repo agreements.

Note 21 Property, Plant and Equipment

Name of the item	Buildings	Computers and communication means	Transportation means	Other fixed assets	Capital investments as regards fixed assets	Capital investments as regards leased fixed assets	Total
Initial Cost							
End of previous period	-	3,572	-	10,468	-	-	14,040
Increase	-	560	-	1,052	-	-	1,612
Disposal	()	()	()	()	()	()	()
Revaluation*							
Impairment	-	-	-	-	-	-	-
Depreciation adjustment from revaluation	-	-	-	-	-	-	-
End of the current year	-	4,132	-	11,520	-	-	15,652
Accumulated depreciation							
End of the previous year	-	3,254	-	6,326	-	-	9,580
Increase	-	248	-	460	-	-	708
Disposal	()	()	()	()	()	()	()
Depreciation adjustment from revaluation	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
End of the current year	-	3,502	-	6,786	-	-	10,288



Net carrying amount						
End of the current year	-	630	-	4,734	-	5,364
End of the previous year	-	318	-	4,142	-	4,460

Note 22 Intangible Assets

	Computer Software	Licenses and Certificates	Copyright	Other intangible assets	Capital investments as regards intangible assets	Total
Initial Cost						
End of Previous Year	4,320	-	-	222	-	4,542
Increase	-	-	-	-	-	-
Disposal	()	()	()	-	()	()
Revaluation*	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortization adjustment from revaluation	-	-	-	-	-	-
End of Current Year	4,320	-	-	222	-	4,542
Accumulated amortization						
End of Previous Year	2,098	-	-	222	-	2,320
Increase	88	-	-	-	-	88
Disposal	()	()	()	-	()	()
Amortization adjustment from revaluation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
End of Current Year	2,186	-	-	222	-	2,408
Net Carrying Amount						
End of Current Year	2,134	-	-	0	-	2,134
End of Previous Year	2,222	-	-	0	-	2,222

Note 23. Other assets

Receivables and advance payments	Reporting period	Previous period
Receivables as regards budget		30
Receivables as regards suppliers	1,992	
Advance payments to employees		114
Advance payments to suppliers		117
Advance payments as regards budget and social insurance payments	4	
Other receivables and advance payments	3,774	15,786
Total	5,770	16,047
Provision for possible losses as regards other assets (Note 8)	()	()
Total		
Other assets	5,770	16,047



Warehouse		
Exacted pledge and assets kept for sale		
Future periods' expenses		
Hedging derivative instruments		
Other assets		
Total other assets	5,770	16,047

Note 24. Amounts due to banks and other financial organizations

Loans and deposits involved, other	Reporting period	Previous period
Central Bank of Armenia		
Loans and deposits		
Repo (repurchase) agreements		
Other		
RA banks		
Loans and deposits		
Repo (repurchase) agreements	1,148,637	
other		
Banks with BBB-(Baa3) and higher rating		
Loans and deposits		
Repo (repurchase) agreements		
Other		
Banks with no rating and BBB-(Baa3) and below rating		
Loans and deposits		
Repo (repurchase) agreements		
Other		
Accrued interests	1,717	
Total	1,150,354	
Financial organizations		
Loans and deposits		
Repo (repurchase) agreements		
Other		
Accrued interests		
Total		
Total amount due to banks and international financial organizations	1,150,354	

Note 30. Other liabilities

Other liabilities	Reporting period	Previous period
Payables as regards budget	7,081	439
Payables as regards Profit Tax	6,927	439
Payables as regards VAT	154	
Payables as regards other taxes and dues		
Payables as regards social insurance payments		
Liabilities to employees as regards salary		



Payables as regards suppliers	15,619	333
Payables as regards Chartered capital completion		
Other liabilities		
End of current period balance	22,700	772

Note 31. Chartered capital

- 1) Company's registered and fully paid Chartered Capital totals AMD 531,150 ths.
- 2) The number of ordinary shares issued and allocated by the investment company is AMD 531,150, the nominal value per each share is AMD 1,000.
- 3) Information on Company's significant participants as of the end of the reporting period:

Name of the significant participant	Participation amount in the investment company	Participation amount in the investment company in percentage terms	Participant's activity type (for legal persons)
Eastinvestor Ltd	273,000,000	51.3979%	Investments
Sakaropel Limited	133,333	25.1027%	Investments

Note 36. Related party transactions

During the reporting period, the Company rendered brokerage services to the managers according to the conditions existing in the market, and it provided short-term loan: AMD 2,620 ths. at the rate of 12% (which has been paid off as of the date of presentation of this report); AMD 3,000 ths. at the rate of 18%, which later on was changed to 12% (as of the date of presentation of this report the balance is AMD1,200 ths.); and AMD 2,500 ths. at rate of 12% (as of the date of presentation of this report the balance is AMD 2,500 ths.).

Note 37. Minimal disclosures on financial risks

The Company's activity deals with the following financial risks:

1. Loan (debt risk)
2. Market risk
 - ✓ price risk
 - ✓ interest risk
 - ✓ currency risk
3. Liquidity risk

For the purpose of managing risks in relation to the Company's activity, the following economic normative concerning the Company's activity have been established by the joint decision of general manager and head of internal audit department:

1. Minimal amount of chartered capital - AMD 100 million
2. Minimal amount of total capital - AMD 100 million
3. Marginal ratio - total capital to risk-weighted assets - 12%,
4. Marginal ratio - capital stock to risk-weighted assets - 10%,
5. Marginal ratio - highly liquid assets to total assets - 15%,
6. Marginal ratio - highly liquid assets to current liabilities - 60%,

7. Maximum risk rate per borrower - 20% of total capital,
8. Maximum risk rate as regards all borrowers - 500% of total capital,
9. Maximal risk rate per debtor - 20% of total capital,
10. Maximal risk rate per all debtors - 500% of total capital,
11. Maximal value of foreign currency gross position – 80% of total capital.

Except for the normative for minimal capital, for which daily average value is calculated, all the other normatives are calculated as of each month's last working day.

Calculation of normatives in the Company is made until the 10th working day of the month following each month. In case it is revealed as a result of calculation of economic normatives of the Company's activity that they have been broken, measures should be taken within 5 days after disclosing that fact to bring the normative to the established level.

Debt risk

Credit (debt) risk is the risk of non-fulfilment completely or on time of the obligations assumed by the partner (including the obligations as regards the securities issued), which is estimated as a total amount of debt and interests.

Credit risk calculation includes the Company's assets, off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions.

While calculating credit risk, the Company's assets, off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions, after making a deduction by the amount of corresponding provision for possible losses formed on the basis of expenses, are weighted by corresponding risk weights established by the joint decision of the Company's general manager and head of internal audit department.

Credit risk is calculated according to the following formula:

$$CR = (A_1 - P_1) * R_1 + (A_2 - P_2) * R_2 + \dots + (A_n - P_n) * R_n$$

Where

A_1, A_2, A_n is the total of Company's assets (except for those assets, which are deducted from the capital stock), off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions grouped according to the same risk weights.

P_1, P_2, P_n is the total of provisions for possible losses as regards corresponding assets, off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions, grouped according to the same risk weights.

R_1, R_2, R_n is the risk weights for corresponding assets.

Credit risk conversion factors (CRCF) are applied towards off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions for the purpose of including in the credit risk calculation. After making a deduction by the amount of the provision, the off- balance sheet items are converted into a balance sheet credit risk through CRCF, and then they are weighted by the corresponding risk weights. Off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions are converted into a balance sheet credit risk through CRCF according to the following formula:

$$\text{Balance Sheet CR} = (\text{Off-balance sheet L} - P) * \text{CRCF},$$

Where

Balance Sheet CR is off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions converted into a balance sheet credit risk through CRCF;

Off-balance sheet L is off- balance sheet contingent liabilities and incomplete off-balance sheet forward transactions;

P is the amount of provision formed as regards off- balance sheet contingent liabilities;



CRCF is the credit risk conversion factors established by the joint decision of general director and head of internal audit department.

The Company's debt risk level as of 31 December 2009 is AMD 464,363 ths., which means that the amount of loss incurred as a result of non-fulfilment of the obligations assumed by the partner will most likely not exceed the amount mentioned.

The major part of debt risk is centralized in the Republic of Armenia, as the Company's all assets and liabilities are centralized in the Republic of Armenia, except for the deposited cash means of AMD 3,774 ths. AMD, which are located in CIS countries.

Market risk

Market risk analysis

Market risk is the risk of losses incurred as a result of unfavourable changes in the financial market. It contains three components – interest, currency and price risk.

As of 31 December 2009, the Company's market risk was assessed as AMD 95,301 ths., which means that in case of unfavourable changes in interest rates, prices and foreign currency exchange rates in the financial market, the Company's losses will not exceed the amount mentioned.

Foreign currency risk

Foreign currency risk is the risk of unfavourable changes in the exchange rate, which includes the risks of exchange rates, fluctuation changes, changes in the correlation between different exchange rates.

Assets or liabilities contain foreign currency risk, when their amounts and the amounts of relevant payables and receivables in terms of AMD may be converted into a foreign currency in the course of time, conditioned by the foreign currency exchange rate changes against AMD

Foreign currency position is the difference between the Company's currency risk containing assets and liabilities. The following foreign currency positions have been established:

- a) long, if the difference is above zero,
- b) short, if the difference is below zero,
- c) closed, if the difference is equal to zero.

The maximum currency position is the greatest value of the absolute values of the totals of currency long positions and currency short positions.

Calculation of the currency position is made separately for individual currencies.

In the calculation of foreign currency position, assets and liabilities also include off-balance sheet forward transactions to the extent of the amount reflected in the off-balance sheet.

Foreign currency risk is calculated according to the following formula:

$$FCR = FCUP * 12 / 100$$

Where

FCR is the foreign currency risk,

FCMP is the foreign currency maximum position

As of December 31, 2009, the Company's foreign currency risk was assessed as AMD 93,664 ths.



Reporting period

Item description	AMD	I group foreign currency*	II group foreign currency**	Total
Assets				
Cash and balances with CBA	214			214
Amounts due from banks and other financial institutions	40,875	776,760		817,635
Financial instruments kept for trade purposes	6,766			6,766
Amounts due from customers	23,198			23,198
Financial assets available for sale	101,895			101,895
Held to maturity financial assets	1,450,456			1,450,456
Other	1,997	3,490	283	5,770
Total assets	1,625,401	780,250	283	2,405,934
Liabilities				
Amounts due to banks and other financial institutions	1,150,354			1,150,354
Amounts due to customers				
Other liabilities	22,700			22,700
Total liabilities	1,173,054			1,173,054
Net position	452,347	780,250	283	1,232,880

Previous reporting period

Item description	AMD	I group foreign currency	II group foreign currency	Total
Assets				
Cash and balances with CBA	1,261			1,261
Amounts due from banks and other financial institutions	553,494	156		553,650
Financial instruments kept for trade purposes	11,655			11,655
Amounts due from customers	20,677			20,677
Financial assets available for sale	71,015			71,015
Held to maturity financial assets	490,933			490,933
Other	16,047			16,047
Total assets	1,165,082	156		1,165,238
Liabilities				
Amounts due to banks and other financial institutions				
Amounts due to customers				
Other liabilities	772			772
Total liabilities	772			772
Net position	1,164,310	156		1,164,466

* The foreign currencies I group includes the SDR, SDR basket currencies (US Dollar, Euro, Japanese Yen, Pound sterling), Swiss franc, Canadian dollar, Swedish krona, Danish krone, Australian dollar and bank gold.

** The foreign currencies II group includes other currencies.

Interest rate risk

Interest risk is the risk of unfavourable changes in the capital market, which includes the risks of interest rate changes, yield curve changes, interest rates fluctuation changes and different interest rates correlation changes.

Interest rate risk is computed as a total of specific interest rate risk and general interest rate risk, which is calculated according to the following formula:

$$IRR = SIRR + GIRR$$

Where

IRR - is the interest rate risk,

SIRR - is the specific interest rate risk,

GIRR - is General interest rate risk.

Specific and general interest rate risks are calculated with regard to the debt securities kept for trade purposes and available for sale. Debt securities in the calculation of position are included at current market value.

Debt securities position is the difference of values of Company's debt securities (including debt securities as a basis for off-balance sheet derivative instruments) and debt securities representing liabilities (including debt securities as a basis for off-balance sheet derivative instruments). Debt securities positions are defined as:

- a) long, when the difference is above zero,
- b) short, when the difference is below zero,
- c) closed, when the difference is equal to zero

Debt securities gross position is the total of debt securities long and short positions' absolute values.

For the purpose of calculating specific interest rate risk, calculation of debt securities positions is made for each group of debt securities.

After calculation of positions, debt securities gross position is calculated, which is the value of the specific interest rate risk.

For the purpose of including debt securities with sorted weights in the gross position calculation, they are classified according to the following groups:

1. state debt securities, i.e. debt securities of states/governments, central banks and local authorities.
2. Highly reliable debt securities (gilt-edged securities). These include debt securities issued by international financial organizations, debt securities of banks and credit organizations, branches of foreign banks operating within the territory of the Republic of Armenia, debt securities with (BBB)-(Baa3) and higher ratings issued by foreign banks, debt securities with (A-/A3) and higher ratings issued by foreign non-banking organizations, as well as debt securities of non-banking organizations with "B" and higher rating awarded by the CBA.
3. Other debt securities, which do not belong to the state debt and gilt securities.

In the gross position calculation, debt securities' positions are included at weights established by the joint decision of Company's general director and head of internal audit department.

Specific interest rate risk is expressed in Armenian Drams.

For the purpose of general interest rate risk calculation, the calculation of debt securities' positions is implemented with regard to each group of debt securities. The net gross position of debt securities is computed as difference between the totals (at absolute value) of debt securities long and short positions.

After calculation of debt securities positions, long and short positions of debt securities are distributed over periods until pay-off and over 3 (three) time zones at corresponding weights, established by the joint decision of the Company's general manager and head of internal audit department.

General interest rate risk is the total of the following values computed according to the order established by the joint decision of the Company's general director and head of internal audit department:



- a) 10 % of minimal position of each period until pay-off
- b) 40 % of the first zone's minimal position
- c) 30% of the second zone's minimal position
- d) 30% of the third zone's minimal position
- e) 40 % of the minimal position between first and second zones
- f) 40 % of minimal position between second and third zones
- g) 150 % of minimal position between first and third zones
- h) 100 % of the debt securities' net gross position

As of 31 December, 2009, the value of the Company's interest risk is zero, as far as the Company did not have as of that time classified debt instruments kept for trade purposes and available for sale.

Reporting period

Item description	Up to 1 month		1-3 months		3-6 months		From 6 months to 1 year		1-5 years		Over 5 years	
	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency
Allocated funds												
Amounts due from banks and other financial institutions, including		2,753		774,007								
-loans	40,875											
-deposits	30,000											
-repo agreements	10,875	2,753		774,007								
-other												
Amounts due from customers including	23,198											
- loans												
- repo agreements												
- other	23,198											
Securities kept for trade purposes and available for sale including											108,661	
- long-term debt instruments												
- short-term debt instruments												
- capital instruments												
-other											108,661	
Securities held to maturity	84,948						22,101		1,343,407			
Other distributed funds												
Total	149,021	2,753		774,007			22,101		1,343,407		108,661	
Amounts due to banks and other financial institutions including	1,150,354											
- loans												
- repo agreements												
- other	1,150,354											
Amounts due to customers including												
-repo agreements												
-other												
Securities issued by the investment company including												



-convertible securities												
- mortgage bonds												
-other bonds												
- subordinate loans												
Other funds involved												
Total	115,03											
	54											
Net position	(1,001,	2,75		774,00				22,101		1,343,4		108,66
	333)	3		7						07		1

Previous period

Item description	Up to 1 month		1-3 months		3-6 months		From 6 months to 1 year		1-5 years		Over 5 years	
	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency	In AMD	In foreign currency
Distributed funds												
Amounts due from banks and other financial institutions, including	553494	156										
-loans												
-deposits	500,000											
-repo agreements	53,494	156										
-other												
Amounts due from customers including	20,677											
- loans												
- repo agreements	20,677											
- other												
Securities kept for trade purposes and available for sale including											82,670	
- long-term debt instruments												
- short-term debt instruments												
- capital instruments												
-other											82,670	
Securities held to maturity									490,933			
Other distributed funds												
Total	574,171	156							490,933		82,670	
Amounts due to banks and other financial institutions including												
- loans												
- repo agreements												
- other												
Amounts due to customers including												
-repo agreements												
-other												
Securities issued by the investment company including												
-convertible securities												
- mortgage bonds												
-other bonds												
- subordinate loans												
Other funds involved												
Total												
Net position	574,171	156							490,933		82,670	



Average interest rates for interest-bearing financial assets and liabilities as of the end of the reporting period are presented below:

Item description	Reporting period interest rates		Previous period interest rates	
	AMD	Foreign currency	AMD	Foreign currency
	%	%	%	%
Assets				
Balances with CBA				
Amounts due from banks and other financial organizations including				
- loans	8.5%		9.5%	
- repo agreements				
- swap				
Amounts due from customers				
Securities kept for trade purposes and available for sale				
Securities held to maturity	10.5%		10.5%	
Liabilities				
Amounts due to banks and other financial institutions	7.5%			
Amounts due to customers				
Liabilities as regards securities issued by the investment company				

Price risk

Price risk is the risk of unfavourable changes in the stock market, which includes the risks of changes in securities' prices, fluctuation of securities prices, changes in price correlations between different securities and indices.

Price risk is calculated with regard to capital instruments (shares) kept for trade purposes and available for sale.

Capital instruments position is the difference of values of capital instruments representing an asset (including capital instruments as a basis for off- balance sheet derivative instruments) and capital instruments representing a liability (including capital instruments as a basis for off- balance sheet derivative instruments). Capital instruments positions are defined as

- long, when the difference is above zero,
- short, when the difference is below zero,
- closed, when the difference is equal to zero.

Capital instruments gross position is calculated as a total of absolute values of different positions (long and short) of capital instruments.

Capital instruments net gross position is calculated as a difference of the total of capital instruments long positions and the total of capital instruments short positions (at absolute values).

Capital instruments positions are included in the calculation at current market value.

Capital instruments price risk is the total of capital instruments' general and specific price risks, which is calculated according to the following formula:

$$CIPR=CR+SR$$

Where

CIPR is the capital instruments price risk,

CR is the capital instruments general price risk,

SR is the capital instruments specific price risk.

For the given date capital instruments general price risk is calculated as an absolute value of 8% of capital instruments net gross position for the given date.



For the given date, capital instruments specific price risk is equal to given date's capital instruments gross position accounted for at corresponding weights established by the joint decision of Company's general manager and head of internal audit department.

As of 31 December 2009, the Company's price risk value was estimated as AMD 1,637 ths., which means that the Company's losses incurred as a result of unfavourable changes in the exchange market most likely will not exceed that amount.

Liquidity risk

Liquidity risk is the risk that the Company's liquid assets will not be sufficient to meet the Company's obligations.

For the purpose of liquidity risk regulation, i.e. for decreasing or neutralizing its influence, liquidity normatives are applied: marginal ratio - highly liquid assets to total assets (total liquidity) and Marginal ratio - highly liquid assets to current liabilities (current liquidity).

The highly liquid assets to total assets ratio (normative N₃₁) is calculated according to the following formula:

$$N_{31} = \frac{A_{HL}}{A_T}$$

Where,

A_{HL} - are highly liquid assets,

A_T - are total assets.

The highly liquid assets to current liabilities ratio (normative N₃₂) is calculated according to the following formula:

$$N_{32} = \frac{A_{HL}}{L_C}$$

Where

A_{HL} - are highly liquid assets,

L_C - are current liabilities.

As of 31 December 2009, the Company's highly liquid assets to total assets ratio was 53.5 %, and the highly liquid assets to current liabilities ratio was 116.7%.

Reporting period

Assets	Term to maturity					Unlimited	Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year		
Cash and cash equivalent means, balances with CBA						214	214
Amounts due from banks and other financial institutions	30,407	777,368				9,860	817,635
Amounts due from customers	1,796	5,655				15,747	23,198
Securities including - kept for trade purposes		22,101		84,948	1,343,407	108,661 6,766	1,559,117 6,766



- available for sale - held to maturity -repo						101,895	101,895
		22,101		84,948	1,343,407		1,450,456
Other receivables							
Off-balance contingent assets							
Contract receivables**	67	6090			283,902		290,059
Total	32,270	811,214		84,948	1,627,309	134,482	2,690,223

Liabilities	Term to maturity					Unlimited	Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year		
Amounts due to banks and other financial institutions	1,150,354						1,150,354
Amounts due to customers							
Liabilities as regards securities issued by the investment company							
Other liabilities	7,425					15,275	22,700
Off-balance contingent liabilities							
Contract liabilities***	3,266						3,266
Total	1,161,045					15,275	1,176,320

Previous period

Assets	Term to maturity					Unlimited	Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year		
Cash and cash equivalents, balances with CBA						1,261	1,261
Amounts due from banks and other financial institutions	501,786					51,864	553,650
Amounts due from customers						20,677	20,677
Securities including							
- kept for trade purposes		75,106		182,721	233,106	82,670	573,603
- available for sale						11,655	11,655
- held to maturity						71,015	71,015
-repo		75,106		182,721	233,106		490,933
Other receivables							
Off-balance contingent assets							
Contract receivables *	2,013	674		15,475	42,421		60,583
Total	503,799	75,780		198,196	275,527	156,472	1,209,774
Liabilities	Term to maturity					Unlimited	Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year		
Amounts due to banks and other financial institutions							
Amounts due to customers							
Liabilities as regards securities issued by the investment company							
Other liabilities						772	772
Off-balance contingent liabilities							
Contract liabilities **							
Total						772	772



* In the line “Contract receivables”, all receivable amounts (including interests) provided for by the contract but not yet accrued (not reflected in the balance sheet or off- balance sheet) are recorded according to the maturity terms stipulated by the contract.

** In the line “Contract liabilities”, all payable amounts (including interests) provided for by the contract but not yet accrued are recorded according to the maturity terms stipulated by the contract.

Note 38. Capital and Capital equivalency

The following Economic normatives of the Company’s activity have been established by the joint decision of Company’s general manager and head of internal audit department:

1. Minimal amount of chartered capital
2. Minimal amount of total capital
3. Marginal ratio - total capital to risk weighted assets,
4. Marginal ratio – capital stock to risk weighted assets,

The minimal amount of the Company’s chartered capital and total capital was established at AMD 100 million
The minimal ratio between amounts of total capital and risk weighted assets was established at 12%, and the minimal ratio between amounts of capital stock and risk weighted assets was established at 10%.

In October, November and December of 2009, the average daily values of the Company’s capital stock and total capital were equal, respectively amounting to AMD 1,072,313 ths., AMD 1,078,068 ths., and AMD 1,069,595 ths.

As of 31 December 2009, the ratio between the amounts of the Company’s total capital and risk weighted assets and the ratio between the amounts of capital stock and risk weighted assets were equal and totalled 83.16 %.

As it can be seen, the actual indices of the Company’s activity much exceed the levels of the established normatives.


Note 39. Fair values of financial assets and liabilities

Fair value of financial instruments is based on market quotations as of the reporting date without deduction of the expenditures related to the transaction. If the market quotation is not available, the fair value of the instrument is measured applying quotation models or the technique of discounted cash flows.

When the technique of discounted cash flows is applied, estimated future cash flows are based on the management’s best estimates and the discount rate is the instrument’s rate with similar conditions as of the reporting date. When the quotation models are applied, the inputted variables are based on corresponding market variables as of the reporting date.


Aram Kayfajyan
Manager




Siranush Khlghatyan
Chief accountant