ARMENBROK

ANNUAL REPORT

2010

Key Figures and Ratios

in '000 AMD (unless otherwise noted)		as of the years ended December 31	
Income Statement Data	**2009**	**2010**	**change**
Net interest income	123,439	144,038	16.7%
Net fee and commission income	16,727	14,309	-14.5%
Operating Income	157,861	132,944	-15.8%
Net income	68,585	31,741	-53.7%

Balance Sheet Data	**2008**	**2010**	**change**
Total Assets	2,413,432	4,008,488	66.1%
Investment portfolio	1,559,117	3,225,111	106.9%
Total Liabilities	1,173,054	2,837,288	141.9%
Repo liabilities	1,150,354	2,763,094	140.2%
Total Equity	1,240,378	1,171,200	-5.6%
Chartered capital	531,150	531,150	0.0%
Share Premium	524,811	524,811	0.0%
Retained Earnings	104,747	35,569	-66.0%

Other Figures & Ratios	**2008**	**2010**	**change**
Share Data			
Number of shares outstanding	531,150	531,150	0.0%
Book Value Per Share, AMD	2,335	2,205	-5.6%
EPS, AMD	129	60	-53.7%
Profitability			
ROA, %	2.84%	0.79%	-2.05 pps
ROE, %	5.53%	2.71%	-2.82 pps
ROAA, %	3.83%	0.99%	-2.84 pps
ROAE, %	5.69%	2.63%	-3.06 pps
Efficiency			
Net interest margin	5.20%	3.62%	-1.58 pps
Interest earning assets to total assets	98.00%	99.39%	1.39 pps
Cost to income ratio	49.30%	65.18%	1.39 pps
Leverage			
Debt to equity ratio, times	0.95	1.62	70.10%
Debt to assets ratio, times	0.49	0.62	27.09%

Management and Employees

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 financial institutions. 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 2010, the Company has a total of 13 employees, as against 12 in 2009. 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 31 December 2010, 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 financial performance is dependent on general economic and market conditions. The fiscal year 2010 showed some after crisis improvements in general economy, putting the real GDP growth to 2.6% as against (14.4) in 2009. As a result of this growth the GDP per capita amounted to USD 2,885, while it also put some pressure on monetary side of the economy resulting in increased inflation of 8.2% as against 3.4% in previous year. Some developments were recorded on the fiscal balance which narrowed by a rough 29% to AMD 173.2 bln.

Selected indicators of Armenian economy as of the years indicated

	2008	**2009**	**2010**
Real GDP Growth, %	6.8	-14.4	2.6
GDP per capita, US dollars	3,689	2,686	2,885
Unemployment rate, %	6.3	7.0	7.0
CPI, %	9.0	3.4	8.2
Fiscal Balance, bln AMD	(44.2)	(244.2)	(173.2)
Exchange rate, AMD per USD, avg.	305.9	363.3	373.7

Along with recovery of real sector of economy, banking sector also demonstrated some accelerated growth rates. Particularly as shown in the table below, the share of banking sector assets in GDP grew from 4.27 in 2009 to 44.5 in 2010, while loans grew even more by 3.4 pps to 27.1 in 2010. Unfortunately these tendencies did not enhance the capital market, which remained low in 2010. Though the trading volume increased by almost 30%, most part of this volume (60%) was due to one trade with the shares Arax OJSC. The same tendencies exist in corporate bonds market, the turnover of which decreased by 66% y-o-y. No IPO was executed in Y2010. Decrease in demand in securities put in pressure on brokerage and investment banking business as well as trading activity of investment companies.

Selected indicators of Armenian financial market as of the years indicated

	2008	**2009**	**2010**
Equities			
Market Cap, bln AMD	53.6	49.6	49.5
Trading volume, mln AMD	255.9	97.1	124.1
Number of trades	63	24	41
Corporate Bonds			
Trading volume, mln AMD	2,194.4	8,258.8	2,778.6
Number of trades	308	671	131
Banking			
Assets, as % of GDP	28.7	42.7	44.5
Loans, as % of GDP	17.8	23.7	27.1

Market Share and Peer Analysis

The Company once again proved to be the leader in equities market. As in the previous years, Armenbrok covered the large portion of total equities turnover at NASDAQ OMX Armenia. Particularly, the Company executed deals worth 103.1 mln AMD only at exchange platform which constitutes 83.1% of total turnover. Besides, Armenbrok also covered the largest part of turnover at manual trading platform, having reached to 75% of total turnover. We do not have figures for peer companies' trading volumes, however we do know that only 17% 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 is not as active as in equities, so it covered smaller portion of the market. However the share of Armenbrok increased significantly from 3% in 2009 to 13% in 2010.

The table below sets out the market share of the Company's brokerage and dealing transactions in total equities market turnover as for the years ended 31 December 2008, 2009 and 2010.

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

	2008	2009	2010
NASDAQ OMX Armenia trading volume, AMD	262,017,276	97,014,800	124,097,310
Armenbrok trading volume, AMD	160,899,846	84,449,500	103,162,000
Market share of Armenbrok, %	61.4%	87.0%	83.1%

Looking at other measures of market share, we see that Armenbrok covers the 40% of total industry capitalization, as calculated by shareholders equity. However, the company ranks on the 3rd position by Assets and 4th by net income.

Selected financial indicators of Armenian investment companies

	Armenbrok	Capital Asset Management	Cascade Investments	Future Capital Market	Renesa	Tonton
Financial Performance						
Net Interest Income	144,038	23,482	11,085	80,343	161,989	138,104
Operating Income	132,944	48,150	29,983	60,958	243,101	144,693
Net income	31,741	10,952	-48,410	34,486	158,623	73,053
Financial Position						
Assets	4,008,488	1,277,566	108,985	2,721,246	5,263,844	4,381,066
Investment Portfolio	3,225,111	1,232,011	94,932	2,552,970	3,879,386	4,165,990
Equity	1,171,200	313,231	98,407	235,233	565,844	546,853
Liabilities	2,837,288	1,277,566	10,578	2,486,013	4,698,000	3,834,213
Selected ratios						
Interest earning assets to total assets, %	99%	98%	92%	100%	80%	95%
Leverage (Debt to Equity ratio), times	2.4x	4.1x	0.1x	10.6x	8.3x	7.0x
Net interest margin, %	3.6%	1.9%	11.1%	3.0%	3.8%	3.3%
RoE, %	2.7%	3.5%	-49.2%	14.7%	28.0%	13.4%
RoA, %	0.8%	0.9%	-44.4%	1.3%	3.0%	1.7%

Over Y2010 Armenbrok has substantially increased its leverage, as starting from Q2 2010 it has been engaged in repo transactions. However as of the year end 2010 the company's leverage as measured by debt to equity and debt to assets ratios is still low than those of peer companies. The high leverage of peer companies greatly contributed to their high returns on equities, thus ranking the ROE of Armenbrok only on the 5th position.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's management accounts as of the year ended 31 December 2010 shows that the total assets of Armenbrok amounted to AMD 4.0 bln as against 2.4 bln in 2009 having increased by 67% y-o-y. In spite of that, the equity capital showed a minor decrease in 2010 thus, the total increase in the assets was financed by debt, shifting the company's leverage up significantly (the debt ratio increased from 0.49 to 0.62). As mentioned the total equity decreased by some AMD 69 mln or 5.6% as a result of dividend payments during 2010 for FY2009.

Increase in total liabilities was due to startup and development of principally new business area for the company – repo deals. Due to these transactions, liabilities increased by 134% y-o-y, having increased the leverage of the company, yet it is still below the industry average level. As of the year end 2010 the repo portfolio amounted to about AMD 2.8 bln, which yields a net interest margin of 3-5% per annum.

The common size analysis of the income statement, presented in the table below, shows that the total income generated by the company increased substantially over Y2010 reaching to AMD 285.1 mln at year end. The largest part of total income was attributable to interest income, which almost doubled during the year.

Principal components of Company's total income, as of the dates indicated, *'000 AMD unless otherwise noted*

	Y2009	as % of total	Y2010	as % of total
Income attributable to:				
Interest income	154,757	78.3%	296,144	103.9%
Fee and Commission income	25,121	12.7%	14,309	5.0%
Dividend income	200	0.1%	604	0.2%
Net trade income	17,377	8.8%	-26,182	-9.2%
Other operating income	118	0.1%	175	0.1%
Total income	**197,573**	**100.0%**	**285,050**	**100.0%**

Interest income is principally comprised from income on Company's repo portfolio (mainly Gbonds) other fixed income securities, as well as from bank deposits and current accounts. The other accounts of the interest income such as income from management loans granted are immaterial and do not have significant effect on total interest income (all these items comprise only 0.1% of total interest income). The following table sets out the principal components of the Company's interest income for the periods indicated.

Principal components of Company's interest income, as of the dates indicated, *'000 AMD unless otherwise noted*

	Y2009	Y2010	Change	Y2010, % of total
Interest income attributable to:				
Income from bank deposits and current accounts	48,762	48,130	-1.3%	16.3%
Income from repurchase agreements	72,409	240,392	232.0%	81.2%
Income from other fixed income securities	33,158	7,267	-78.1%	2.5%
Income from loans granted	416	325	-21.9%	0.1%
Other interest income	12	30	150.0%	0.0%
Total interest income	**154,757**	**296,144**	**91.4%**	**100.0%**

As presented in the table, repo income constitutes more than 80% of total interest income, and has increased significantly during this period. Interest income from other fixed income portfolio (corporate bonds) has decreased as the part of those securities have matured, the other have been put under repo agreements.

Related to interest expenses, the figure grew from AMD 31.3 mln to AMD 152.1 mln, which is totally going to cover the repo transactions.

The interest earning assets of the Company that generated interest income, increased substantially, mainly due to 143% increase in Repo portfolio, while company limited the other instruments in the total investment portfolio, mainly due to their lower interest as compared to the Gbonds. However Armenbrok still holds quite diversified portfolio, containing equities, corporate bonds, bank deposits and some minor cash on current accounts.

Principal components of Company's interest earning assets, as of the dates indicated, *'000 AMD unless otherwise noted*

	Y2009	Y2010	Change
Deposits & CA	817,699	735,654	-10.0%
Equities	108,661	120,528	10.9%
Gbonds	1,277,129	2,955,327	131.4%
under Repurchase agreements	1,166,848	2,837,519	143.2%
other	110,281	117,808	6.8%
Corporate Bonds	173,327	149,256	-13.9%
Total	**2,376,816**	**3,960,765**	**66.6%**

The interest income of AMD296 mln came along with interest expense amounting to AMD 152.1 mln, which was fully due to repo transactions. Thus the net interest expense totaled AMD 144 mln as against AMD 123.4 mln in Y2009.

Moving to fee and commission income, in total it decreased by 43% y-o-y, mainly due to absence of any investment banking transactions. However, we see some increase in other accounts of this group. Particularly, the company has launched new arm of business, shareholders services, which is anticipated to generate stabile cash inflow for the company. We observe also 17.6% increase in income from rendered consulting services as well as 457% increase in international trading. Brokerage income also increased with regard to a few large block transactions over the year.

Principal components of Company's fee and commission income, as of the dates indicated, *'000 AMD unless otherwise noted*

	Y2009	Y2010	Change, %
Fee and commission income attributable to:			
Brokerage services	2,123	1,917	-9.7%
Consulting services	5,270	6,197	17.6%
Investment banking services, net	9,187	0	n.m.
Shareholder services	0	5,003	n.m.
International trading	147	1,192	710.9%
Total fee and commission income	**16,727**	**14,309**	**-14.5%**

The most painful part of Company's financial performance in year ended December 31, 2010 is net trading income. The Company suffered unrealized losses from FX position, amounting to AMD (26.7) mln, which was partly offset by trading gain in FX market of AMD 3.1 mln. The total net trading income amounted to AMD (26.2) mln, which almost doubled as against the same indicator in 2009.

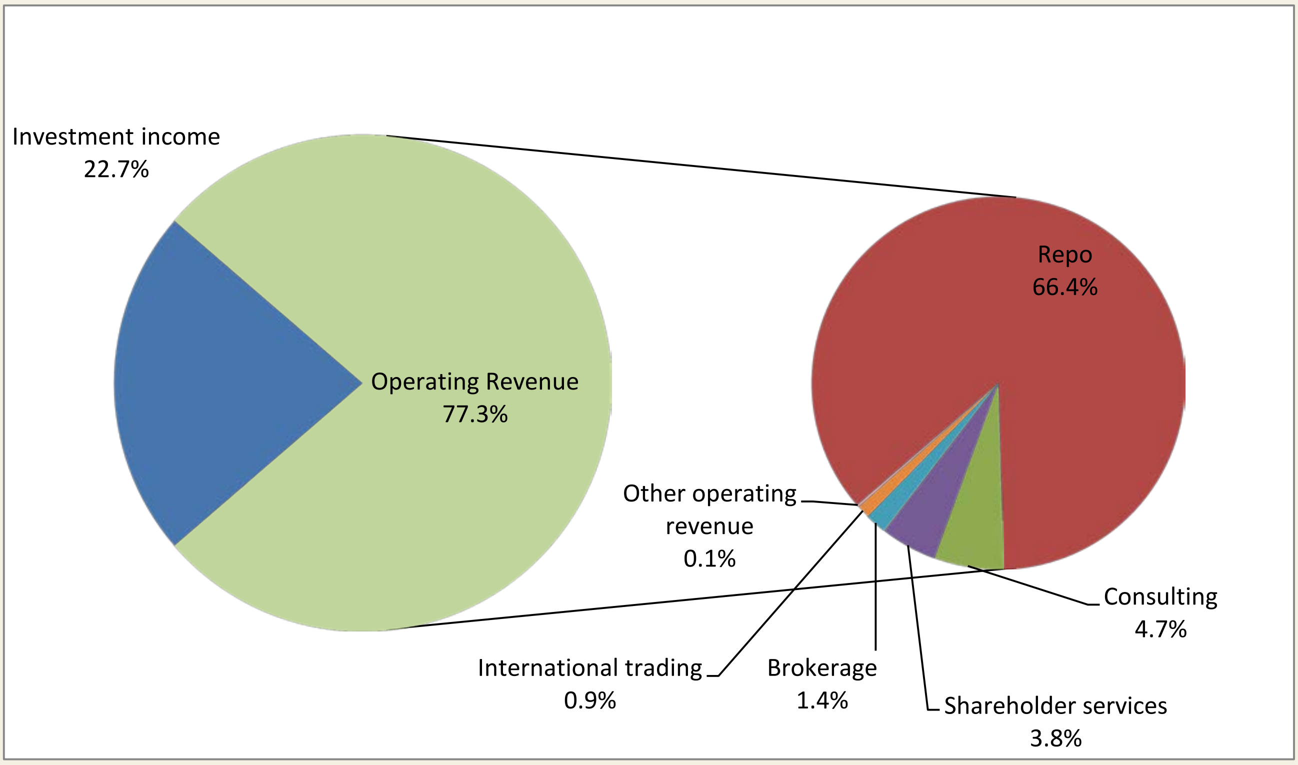
The table below sets forth the principal components of net trading income as of the dates indicated.

Principal components of Company's net trade income, as of the dates indicated, *'000 AMD unless otherwise noted*

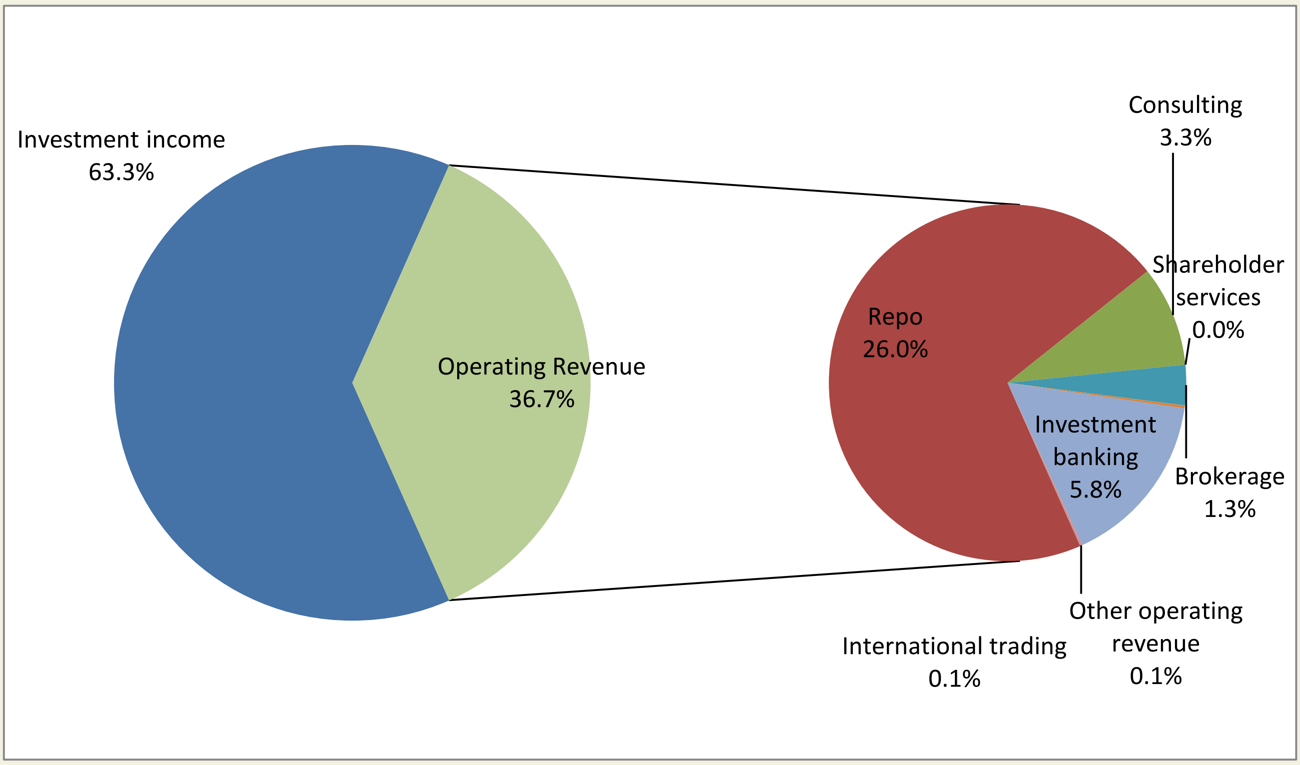
	Y2009	Y2010
Net Trade Income attributable to:		
Securities	-6,747	-298
Trade income	-1,812	39
Revaluation gains/losses	-4,935	-337
Foreign currency	24,124	-23,590
Trade income	-4,749	3,115
Revaluation gains/losses	28,873	-26,705
Other net gains/losses	0	-2,294
Total net trade income	**17,377**	**-26,182**

Summing up, below we present the operating revenue of Armenbrok, according to the services contributed to it. For that purpose we have divided the total revenue into two parts: investment income and operating revenue, each amounting correspondingly AMD 56 mln and AMD 77 mln in year ended December 31 2010. The investment income sums up the income generated by total investment portfolio of the Company, including trading income, which is financed by Company's shareholders equity. The operating revenue is comprised from the revenue generated by the rendered services: brokerage, consulting, investment banking, repo, shareholder services, international trading and other operating revenue.

Distribution of total revenue for the year ended December 31, 2010



Distribution of total revenue for the year ended December 31, 2009



As presented on the charts above, the operating revenue in 2010 constitutes about 77% of total revenue as against 37% in 2009. While in the structure of operating revenue, the largest part was generated by Repo, constituting more than 66% of total revenue as against 26% in 2009. Thus the company is putting more pressure on active operating business than the passive investment activity.

Moving to expense part of Company's performance, the total expenses increased by 13.4% as evidenced in the table below.

The largest part of total expenses is attributable to employee related costs, which constitute more than 50% of total expenses, followed by corporate income taxes of 14.4% and rent expenses of 13.3%. The latter decreased by 12% in the result of effective negotiations with the office owner and amounted to AMD13.5 mln. Unlike this, both taxes and employee related costs have increased by correspondingly 27.0% and 11.6%.

Unfortunately decrease in profit before taxes did not come along with decrease in taxes payable. The main reason of this was the trading losses. According to Armenian tax legislation, unrealized losses (gains) do not decrease (increase) the taxable income. So AMD (27,042) revaluation losses of FX and securities open positions did not decrease taxable income for tax purposes, while decreased the net income in income statement.

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

	Y2009	Y2010	Change, %	Y2010, % of total
Expenses attributable to:				
Employee related costs	46,139	51,500	11.6%	50.9%
Taxes	11,453	14,545	27.0%	14.4%
Rent	15,336	13,489	-12.0%	13.3%
Depreciation & Amortization	2,825	4,909	73.8%	4.9%
Other administrative expenses	1,784	3,603	102.0%	3.6%
Security	2,500	3,034	21.4%	3.0%
Undeductable taxes	2,232	2,395	7.3%	2.4%
Office related costs	1,339	2,310	72.5%	2.3%
Marketing expenses	1,233	1,773	43.8%	1.8%
Communication expenses	1,562	1,334	-14.6%	1.3%
Representative and PR costs	1,659	1,028	-38.0%	1.0%
Exchange membership fee	600	600	0.0%	0.6%
Audit expenses	600	600	0.0%	0.6%
Building maintenance costs	14	85	507.1%	0.1%
Total expenses	**89,276**	**101,205**	**13.4%**	**100.0%**

The other expenses combined constitute a bit more than 21% of total expenses. The largest part of employee related costs, as demonstrated in the table below, constitute Payroll expenses with related social security contributions, having covered about 91% of total employee related costs.

Principal components of Company's employee related expenses, as of the dates indicated, *'000 AMD unless otherwise noted*

	Y2009	Y2010	Change, %	Y2010, % of total
Expenses, attributable to:				
Payroll expenses	37,467	42,942	14.6%	83.4%
Social security contributions	3,163	3,923	24.0%	7.6%
Business trips	4,642	3,789	-18.4%	7.4%
Training expenses	670	385	-42.5%	0.7%
Other employee related costs	197	461	134.0%	0.9%
Total Employee related costs	**46,139**	**51,500**	**11.6%**	**100.0%**

Finally, substituting AMD 101.2 mln Expenses from AMD 132.9 mln net revenue (net of interest expenses), we arrive at Net Income of AMD 31.7 mln.

Strength and weaknesses

Strength

1. The company has been in the market for more than 15 years (more than any other non-bank investment company in Armenia).
2. Nearly all the employees of the company have professional qualification certificates granted by the Central Bank of Armenia on the basis of special exam.
3. The company has a wide range of loyal customer base including foreign institutional and individual investors.
4. The company is the only one to regularly issue research reports on companies, industries and economy, keeping its clients updated with the recent developments of economy and markets, as well as it estimates the first aggregate equity index in Armenian market.
5. The employees of the company are young and ambitiouswhich helps them to easily adapt the changes, fully understand new trends and effectively operate on the market.
6. “Armenbrok” OJSC is the only non-banking investment company that holds the status of an Open Joint-Stock Company and promotes transparent activity.
7. The Company holds a leading position on the equities market, having covered on average from 70 to 80% of total market
8. The company has the largest equity base in Armenian market.
9. The company has developed a computer software specially tailored for its activity.
10. The Company claims to be the only full service investment company, rendering nearly all the non-bank financial serices such as, prime brokerage, investment banking, legal advisory, business consulting, custody and shareholders’ services, international and local trading.

Weaknesses

1. The return on company’s equity is low compared to its peers.
2. The company doesn’t provide asset management services.
3. Some of the services provided by the company are still new and the internal procedures aren’t fully implemented yet.
4. The internal accounting and managerial accounting systems are not on a high level yet.
5. The information flow between different departments and employees isn’t efficient.
6. The cooperation between the company and other financial institutions is not yet efficient (with regard to information flow).
7. The company doesn’t have board of directors, which reduces the management efficiency of the company.

Prospects & Forecasts

The following assumptions set forth milestones for estimations and forecasts of Company’s financial performance for the near future.

1. The 90% of the available equity capital will be invested in different securities, including international shares and bank deposits.
2. The equity portfolio of the company will earn on average 16% yiled annualy, Corporate bonds – 11%, bank deposits –8% and the Gbond portfolio will yiled 12% per annum.
3. The company will continue its activity with Gbonds and repo deals: by the end of 2013 the repo portfolio will reach to AMD 3.5 bln. The 80% of the portfolio will consist of mid-term and long term bonds.
4. Along with the economic recovery, large companies will be more interested in raising capital by equity offering. As a result by 2012-2013 the company will organize 1 IPO per year, with average volume of AMD 1.5 bln each. Demand for IPOs will be supported by establishment of 2nd and 3rd pillar pension funds as well as investment funds.
5. About 20% of all the issued shares will constitute the free float that wil be traded on the secondary market: 1% on OTC market, 19% - on the stock exchange market.
6. The company will also execute brokerage transactions with shares placed by others, the total volume of which will not differ substantially from the one in 2010.
7. The international trading customers of the Company will make deals of AMD 6-10 mln per month using remote terminals.
8. The number of the sharehoder's lists held in the company will increase to 300 in 3 years, by the end of 2011 this number will reach 200, by the end of 2012 – 250, and in 2013 it will make 300. The number of registered owners in the majority will be 100-200.
9. By the end of 2012 demand for asset management will come out, and the company will start rendering also this kind of services.
10. The Equity of the company will be reduced by AMD 264 mln in the mid 2011, thus decreasing the investment portfolio of teh Company.
11. The repo portfolio will bear on average 8% interest annually.
12. International trading services with regard to international markets will earn on average 0.015% from total turnover, while prime brokerage fees average to 1.5% of transaction volume.
13. Administrative and other operating expenses will grow by flat 5% annually. PP&E and Intangibles will also grow by 5% annually, net of depreciation.

The results of our estimations and forecasts of operating and financial performance of Armenbrok over 2011-2013 is presented below.

Operating Revenue, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Investment banking	0	0	45,000	45,000
Prime brokerage	1,917	1,750	4,007	6,263
International trading	1,192	4,050	4,725	5,400
Custody		100	200	300
Shareholder services	5,003	10,800	16,200	19,800
Asset Management	0	0	3,300	6,600
Consulting	6,197	7,000	8,400	9,800

Interest Income, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Income from Gbonds	240,392	372,550	398,400	434,400

Income from Corporate bonds	7,267	0	0	0
Income from Deposits	43,858	30,720	42,000	55,200
Income from current accounts	4,272	228	169	217
Other interest income	355	0	0	0

Other Income, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Dividends	604	700	700	700
Net trade income	-26,182	0	0	0
Other income	175	0	0	0

Expenses, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Interest expense	152,106	238,942	256,000	280,000
Fee and commission expenses	0	0	0	0
Administrative expenses	78,348	82,265	86,379	90,698
Other operating expenses	8,311	8,727	9,163	9,621

Net income, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Total revenue	285,050	427,898	523,100	583,680
Total expenses	238,765	329,934	351,542	380,319
Earnings before taxes	46,285	97,964	171,559	203,361
Taxes	14,545	19,593	34,312	40,672
Net income	31,740	78,372	137,247	162,689

Equity estimation, '000 AMD	**Y2010**	**Y2011E**	**Y2012F**	**Y2013F**
Beginning equity	1,240,378	1,171,200	668,772	806,019
Plus: Net Income	31,740	78,372	137,247	162,689
Minus: Dividends	100,918	0	0	0
Plus (Minus): Other equity changes	0	-580,800	0	0
Ending equity	1,171,200	668,772	806,019	968,708

Pro Forma Financial Statements

Income Statement, '000 AMD	Y2010	Y2011E	Y2012F	Y2013F
Interest income	296,144	403,498	440,569	489,817
Interest expenses	152,106	238,942	256,000	280,000
Net interest income	**144,038**	**164,556**	**184,569**	**209,817**
Fee and Commission income	14,309	23,700	81,832	93,163
Fee and Commission expense	0	0	0	0
Net fee and commission income	**14,309**	**23,700**	**81,832**	**93,163**
Dividend income	604	700	700	700
Net trade income	-26,182	0	0	0
Other operating income	175	0	0	0
Operating Income	**132,944**	**188,956**	**267,100**	**303,680**
Administrative expenses	78,348	82,265	86,379	90,698
Other expenses	8,311	8,727	9,163	9,621
Income before taxes	46,285	97,964	171,559	203,361
Profit tax charges	14,545	19,593	34,312	40,672
Net income	**31,740**	**78,372**	**137,247**	**162,689**

Balance sheet, '000 AMD	Y2010	Y2011E	Y2012F	Y2013F
Cash and balances with CBA	2,339	7,599	5,619	7,222
Claims on banks & other fin. institutions	735,654	384,000	525,000	690,000
Claims on customers	23,142	18,142	13,142	8,142
Investment portfolio	3,225,111	3,225,111	3,440,528	3,740,528
PP&E and intangibles	19,709	20,694	21,729	22,816
Other assets	2,533	0	0	0
Total Assets	**4,008,488**	**3,655,546**	**4,006,018**	**4,468,708**
Repo liabilities	2,763,094	2,986,775	3,200,000	3,500,000
Other liabilities	74,194	0	0	0
Total Liabilities	**2,837,288**	**2,986,775**	**3,200,000**	**3,500,000**
Chartered capital	531,150	267,150	267,150	267,150
Share Premium	524,811	208,011	208,011	208,011
Reserves	79,670	79,670	79,670	79,670
Retained Earnings	35,569	113,941	251,188	413,877
Total Equity	**1,171,200**	**668,772**	**806,019**	**968,708**

Selected ratios	Y2010	Y2011E	Y2012F	Y2013F
Debt to assets	68.9%	81.7%	79.9%	78.3%
Debt to equity	2.36x	4.47x	3.97x	3.61x
Cost to Income	65.2%	48.2%	35.8%	33.0%
RoE	2.7%	11.7%	17.0%	16.8%
RoA	0.8%	2.1%	3.4%	3.6%

Report of Internal Control over the Operating and Financial Performance

Based on the results of investigation of financial and operating performance as well as financial statements of “Armenbrok” OJSC during 2010 we arrived to the following conclusion:

a) During 2010 the company has generated positive net income. The net interest income amounted to AMD 144,038 thousand, net fee and commission income – AMD 14,309 thousand. Earnings before taxation constituted AMD 46,286 thousand, while Net Income - AMD 31,741 thousand. By 01.01.2011 the company’s assets amounted to AMD 4,008,488 thousand, chartered capital – AMD 531,150 thousand, shareholders equity – AMD 1,171,200 thousand, Liabilities – AMD 2,837,288 thousand.

   As of 01.01.2011 the financial and operating activity of the company is determined with following ratios

Ratio	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), %	0.79
Return on Equity(ROE), %	2.7
Earnings per share, AMD	60

b) As of 01.01.2011 the Company’s book value per share amounted to AMD 2,205. The price of last transaction with company’s shares was AMD 2,500.

c) The company has a reserve fund that hasn’t changed during 2010 and by 01.01.2011 constituted AMD 79,670 thousand. The fund wasn’t used during 2010.

d) The information included in company’s reports and other financial documents give a true and fair view of its assets, liabilities, as well as financial consequences of its activity as of the dates of their compilation.

e) The decisions of the Company’s executives, accounting policy, financial and other reports correspond to existing laws and other legal acts.

f) 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.

Armenbrok OJSC

Head of internal audit department

Hayk Manaselyan

11 May 2011

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29 April, 2011
N 011107

A P P R O V E D

P. Gevorgyan
Managing Partner
Baker Tilly Armenia CJSC

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

INDEPENDENT AUDITOR'S REPORT

To Shareholders of
"Armenbrok" OJSC

We have audited the accompanying financial statements of Armenbrok OJSC (hereinafter, the Company) which comprise the Statement of Financial Position as at December 31, 2010, the Statement of Financial Results, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, as well as the summary of the accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards. This responsibility includes development, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements free from material misstatement due to fraud or error, selection and implementation of appropriate accounting policies, as well as preparation of reasonable accounting estimates relevant to present circumstances.

Auditor's responsibility

Our responsibility is to express an opinion of the given financial statements based on the conducted audit. We have carried out the audit according to the International Standards on Auditing. These standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

Audit includes performing procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The choice of the procedures depends on the auditor's judgment, including the assessment of the risks arising from the misstatements in the financial statements whether due to fraud or an error. In making those risk assessment, the auditor considers the internal control of "Armenbrok" OJSC over the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the present circumstances, but not for the purpose of expression of an opinion regarding the effectiveness of "Armenbrok" OJSC 's internal control. The audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates carried out by the management, as well as evaluation of the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate enough to provide a basis for our audit opinion.

THE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements give a true and fair view of Armenbrok OJSC's financial position as at 31 December, 2010, and of its annual financial performance and cash flows for the year then ended. In Armenbrok OJSC the accounting is conducted in accordance with the requirements of the Law "On Accounting" and International Financial Reporting Standards (IFRS).

Auditor
M. Mkrtchyan

Statement of Financial Results
31 December, 2010

AMD ths.

Description	Notes	2010 (audited)	2009 (audited)
Interest and similar income	3	296,144	154,757
Interest and similar expense	3	152,106	31,318
Net interest and similar Income		**144,038**	**123,439**
Commissions and other income	4	14,309	25,121
Commissions and other expense	4	-	8,394
Net Commissions and other payments received		14,309	16,727
Income from dividends	5	604	200
Net Income from commercial activity	6	(26,182)	17,377
Other operating income	7	175	118
Operating income		**132,944**	**157,861**
General administrative expenses	9	78,348	71,506
Other operating expenses	10	8,310	6,317
Net profit (loss) as regards investments in other individuals' Chartered Capital	11	-	-
Profit (loss) before taxes		**46,286**	**80,038**
Profit Tax expense (refund)	12	14,545	11,453
Profit (loss) after taxes		**31,741**	**68,585**
Parent Company share		16,315	35,253
Minority share		15,426	33,332

Statement of Financial Position
31 December, 2010

AMD ths.

	Description	Notes	2010 (audited)	2009 (audited)
1	**Assets**			
1.1	Cash on hand and balances with CBA	14	2,339	214
1.3	Amounts due from banks and other financial institutions	15	735,654	817,635
1.3	Amounts due from customers	16	23,142	23,198
1.4	Financial assets kept for trade purposes	17	18,765	6,766
1.6	Financial assets available for sale	18	101,763	101,895
1.7	Investments kept until the maturity date	19	3,104,583	1,450,456
1.8	Investments in other persons’ chartered capital	20		
1.9	Fixed assets and intangible assets	21	19,709	7,498
1.10	Deferred tax assets	22		
1.11	Other assets	23	2,533	5,770
	Total Assets		**4,008,488**	**2,413,432**
2	**Liabilities**			
2.1	Amounts due to banks and other financial institutions	24	2,763,094	1,150,354
2.2	Amounts due to customers	25	51,120	
2.3	Liability kept for trade purposes	26		
2.4	Securities issued by the investment company	27		
2.5	Deferred tax liabilities	28		
2.6	Provisions	29		
2.7	Other liabilities	30	23,074	22,700
	Total liabilities		**2,837,288**	**1,173,054**
3	**Equity**			
3.1	Chartered capital	31	531,150	531,150
3.2	Share Premium	32	524,811	524,811
3.3	Reserves	33	79,670	79,670
3.3.1	General reserve		79,670	79,670
3.3.2	Revaluation reserves			
3.4	Retained profit (loss)	34	35,569	104,747
3.5	Other components of equity	35		
	Equity belonging to parent company			
	Minority share			
	Total Equity		**1,171,200**	**1,240,378**
	Total Liabilities and Equity		**4,008,488**	**2,413,432**

Statement of Changes In Equity Capital

31 December 2010

AMD ths.

Equity capital components	Chartered Capital			Share premium/discount	Reserves			Accumulated profit/loss	Interim dividends	Other components of Equity Capital	Total
	Chartered Capital	Repurchased capital	Net amount		General Reserve	Reserve from revaluations*	Differences from remeasurement*				
Previous period											
Balance as of 01 January, 2009 (audited/unaudited)	**531,150**		**531,150**	**524,811**	**79,670**			**36,162**			**1,171,793**
Overall results of changes in the accounting policy and adjustment of material errors											0
Recalculated balance	531,150		531,150	524,811	79,670			36,162			1,171,793
Total gains/losses directly recognized in equity											
Transactions with shareholders (owners) as regards shares including											
Net profit/(loss) for reporting period								68,585			68,585
Distributed dividends											
Other increase/(decrease) in equity components including											
Internal movement including											
Balance as of interim reporting period - 31 December, 2009	**531,150**		**531,150**	**524,811**	**79,670**			**104,747**			**1,240,378**
Reporting period											
Balance at the beginning of the financial year - 01 January, 2010 (audited/unaudited)	**531,150**		**531,150**	**524,811**	**79,670**			**104,747**			**1,240,378**
Overall results of changes in the accounting policy and adjustment of material errors											0
Recalculated balance	531,150		531,150	524,811	79,670			104,747			1,240,378
Total gains/losses directly recognized in equity											
Transactions with shareholders (owners) as regards shares including											
Net profit/(loss) for the reporting period								31,741			31,741
Distributed dividends								(100,919)			(100,919)
Other increase/(decrease) in equity components including											
Internal movement including											
Balance at the end of interim reporting period - 31 December, 2010	**531,150**		**531,150**	**524,811**	**79,670**			**35,569**			**1,171,200**

Statement of Cash Flows
31 December 2010

AMD ths.

Description	Notes	2009 (audited)	2010 (audited)
1. ***Cash flow from operating activity***			
Net cash flow before changes in operating assets and liabilities		**(65,670)**	**155,783**
Interest received		79,150	221,700
Interest paid		(29,601)	(146,302)
Commissions received		25,911	12,711
Commissions paid		(8,394)	
Gain(loss) from financial assets held for trading			
Gain(loss) from currency transactions		(4,124)	(2,504)
Return of previously written-off assets			
Salary and equivalent payments		(30,123)	(36,085)
Other income and expense from operating activity		(98,489)	106,263
Cash flow from changes in operating assets and liabilities		**863,771**	**(10,605)**
Operating assets - decrease (increase)		(283,886)	(10,605)
Including: loans - decrease (increase)		(980)	1,430
Securities kept for trade purposes and available for sale - decrease (increase)			(12,035)
Receivables as regards financial lease - decrease (increase)			
Other operating assets - decrease (increase)			
Operating liabilities - increase (decrease)		1,148,637	0
Including: Amounts due to customers increase - (decrease)			
Other operating liabilities - increase (decrease)		1,148,637	
Net cash flow from operating activity before Profit Tax		**798,101**	**145,178**
Profit Tax paid		(4,526)	(16,356)
Net cash flow from operating activity		**793,575**	**128,822**
2. Cash flow from investing activity		x	x
Investments kept until maturity date - decrease (increase)		(972,607)	(1,596,017)
Investments in other persons' Chartered Capital - decrease (increase)		(564)	
Capital investments in fixed assets and intangible assets - decrease (increase)			
Acquisition of fixed assets and intangible assets		(2,996)	(26,473)
Disposal of fixed assets and intangible assets			9,355
Net cash flow from other investing activity		134,744	
Net cash flow from investing activity		**(841,423)**	**(1,613,135)**
3. Cash flow from financing activity		x	x
Dividends paid			(100,919)
Loans received from RA CB - increase(decrease)			
Loans received - increase (decrease)			1,659,813
Securities issued by the investment company - increase(decrease)			
Shareholders investments in Chartered Capital			
Payables as regards financial lease - increase(decrease)			
Net cash flow from other financing activity			
Net cash flow from financing activity		**-**	**1,558,894**
Exchange rate effect on cash and cash equivalents		6,534	(5,859)
Net increase (decrease) in cash and cash equivalents		**(41,314)**	**68,722**
Cash and cash equivalents at the beginning of the period		51,388	10,074
Cash and cash equivalents at the end of the period		10,074	78,796

NOTES TO FINANCIAL STATEMENTS

Note 1. Legal Framework and Corporate Governance

“Armenbrok” OJSC’s (hereinafter the Company) main activity line 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 and license number is 10.

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

As of 31 December 2010, 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.

Payment to the external auditor is made according to the corresponding 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 International Financial Reporting Standards (IFRS).

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 foreign currency transactions

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

4) Taxes (current and 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 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 financial assets which have been acquired for receiving profit from the price or dealer mark-ups (margins) short-term fluctuations.

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 recognized 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. Amounts received for the securities provided under repo agreements are accounted for as loans received. Corresponding interests paid are recognized on an accrual basis as expense in the statement of financial results.

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.

When the fixed asset's fair value materially differs from its carrying amount, the Company reserves the right to account for the fixed asset at its revalued cost. 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 recognized 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 recognized 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 recognized 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	48,130	48,762
Interest income from securities	247,659	105,567
Interest income from loans provided	325	366
Interest income from repo agreements	-	12
Other interest income	30	50
Total	**296,144**	**154,757**

Interest and Similar Expense	**Reporting period**	**Previous period**
Interest expense as regards borrowings involved and loans received	2,059	89
Interest expense as regards repo agreements	150,047	31,229
Total	**152,106**	**31,318**
Net interest and similar income	**144,038**	**123,439**

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 transactions	1,917	1,534
Commissions as regards consulting services	6,197	5,270
Commissions as regards securities distribution	-	18,103
Other commissions	6,195	214
Total	**14,309**	**25,121**

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	**14,309**	**16,727**

* When this line is materially great, income generating sources are being disclosed.

Note 5. Income from Dividends

Dividends	Reporting period	Previous period
Dividends declared as regards ordinary shares		
Dividends paid as regards ordinary shares	604	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	39	11
Net income from changes in fair value of investments kept for trade purposes	(210)	(4,889)
Total	**(171)**	**(4,878)**

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	(127)	(46)
Total	**(127)**	**96**

Currency transactions	Reporting period	Previous period
Net income from sale and purchase of currency	3,115	(4,749)
Net income from currency revaluation	(26,705)	28,619
Other net income	(2,294)	(1,711)
Total	(25,884)	22,159
Total net income from commercial operations	**(26,182)**	**17,377**

Note 7. Other Operating Income

	Reporting period	Previous period
Net income from disposal of PPE and intangible assets		
Extraordinary income		
Other income	175	118
Total	**175**	**118**

Note 9. General administrative expenses

	Reporting period	Previous period
Expenses as regards calculated salary and other equivalent payments	42,942	37,467
Expenses as regards social payments	3,923	3,163
Expenses as regards business trips and training	4,174	5,605
Other staff expenses	461	-
Operating lease expense	13,489	12,467
Expenses as regards technical maintenance and security of Company’s building, equipment and transportation means	3,119	2,514
Expenses as regards audit and other consulting services	600	600
Expenses as regards communication means	1,334	1,562
Office and organizational expenses	2,310	1,421

Non-refundable taxes and dues	2,395	2,232
Other administrative expenses	3,601	4,475
Total	**78,348**	**71,506**

The number of the Company employees is 14 and the average salary is AMD 253,774.

Note 10. Other Operating Expenses

	Reporting period	Previous period
Expenses as regards public relations	821	3,491
Fixed assets depreciation expenses	4,341	2,475
Intangible assets amortization expenses	568	351
Other expenses	2,580	-
Total	**8,310**	**6,317**

Note 12. Profit Tax Expense

Profit Tax Expense	Reporting period	Previous period
Current tax expense	14,545	11,266
Previous period's current tax adjustments recognized in the given period	-	187
Deferred tax expense	-	-
Total	**14,545**	**11,453**

Note 13. Basic earning per share

	Reporting period	Previous period
Reporting period's net profit after tax	31,741	68,585
Net profit (loss) of the given period relating to owners of ordinary shares	31,741	68,585
Weighted average of ordinary shares in circulation in the given period	531,150	531,150
Basic earning per share	0.06	0.13
Diluted earning per share	0.06	0.13

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

	Reporting period	Previous period
Cash and payment documents	2,339	214
Chartered capital accumulation account with CBA		
Deposited funds with CBA		
Interests accrued		
Cash and account balances with CBA		

Accounts' balances with RA Banks

Reporting period - AMD 76,457 ths.

Previous period - AMD 9,924 ths.

Note 15. Amounts due from banks and other financial institutions

Current accounts	Reporting period	Previous period
RA banks	76,457	9,860
Other banks		
Deposited accounts with banks		
Interests accrued		
Total	76,457	9,860

Loans (Credits provided) and deposits, other demands	Reporting period	Previous period
Repo (repurchase) agreements	656,431	804,007
Interest accrued	2,766	3,768
Total	**659,197**	**807,775**
Net amount due from banks and other financial institutions	**735,654**	**817,635**

Note 16. Amounts due from customers

	Reporting period	Previous period
Credits and loans provided	4,150	5,580
Other*	15,747	15,747
Interests accrued as regards mentioned items	88	75
Other demands	3,157	1,796
Total net demands	**23,142**	**23,198**

* includes the balance of the account 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	**23,054**	**100%**	**23,198**	**100%**
Residents of countries with Baa3 and higher rating				
Residents of countries with no rating and rating below BBB-(Baa3)				
Accrued interest	88	**100%**		
Total	**23,142**		**23,198**	

Note 17. Financial assets held for trading

RA non-government securities	Reporting period		Previous period	
	listed	*not listed*	*listed*	*not listed*
Issuer with no rating, BBB+(Baa1) and rating below BBB+(Baa1) or other rating				
Long-term debt instruments				
Short-term debt instruments				
Equity instruments	6,937		6,766	
Other				
Total RA non-government securities held for trading	**6,937**		**6,766**	

Other countries' non-government securities	Reporting period		Previous period	
	listed	*not listed*	*listed*	*not listed*
Issuer with no rating, BBB+(Baa1) and rating below BBB+(Baa1) or other rating				
Long-term debt instruments				
Short-term debt instruments				
Equity instruments				
Other		11,828		
Total other countries' non-government securities kept for trade purposes		**11,828**		
Total securities held for trading	**18,765**		**6,766**	

Note 18. Financial assets available for sale

RA non-government securities	Reporting period		Previous period	
	listed	*not listed*	*listed*	*not listed*
Issuer with "C" and higher rating awarded by CBA				
Long-term debt instruments				
Short-term debt instruments				
Equity instruments				
Other		2,960		2,907
Issuer with BBB+(Baa1) and below rating, other or no rating				
Long-term debt instruments				
Short-term debt instruments				
Equity instruments	970	97,833	1,156	97,832
Other				
Total RA non-government securities	**101,763**		**101,895**	

Total securities available for sale	**101,763**		**101,895**	

Note 19. Held-to-maturity investments

Government securities	Reporting period	Previous period
RA Government bonds including:	**2,904,277**	**1,277,129**
Treasury bonds	2,904,277	1,277,129
CBA bonds		
other		
Accrued interests	51,050	
Total Government securities	**2,955,327**	**1,277,129**

RA non-government securities	Reporting period		Previous period	
	listed	*not listed*	*listed*	*not listed*
Issuer with "C" and higher rating awarded by the CBA including				
Long-term debt instruments				
Short-term debt instruments				
Other	61,833		85,750	
Issuer with BBB+(Baa1) and below rating, other or no rating including				
Long-term debt instruments				
Short-term debt instruments				
Other		75,000		75,000
Accrued interests		12,423		12,577
Total	**149,256**		**173,327**	

Net investments in held-to-maturity financial assets	**3,104,583**	**1,450,456**

State bonds of AMD 2,235,221ths. belonging to the Company are sold to RA resident banks under repo agreements.

Note 21 Property, Plant and Equipment and Intangible Assets

Property, Plant and Equipment	Buildings	Computers and communicati on means	Transportati on means	Other fixed assets	Total
Initial Cost					
End of previous period	-	4,132	-	11,520	15,652
Increase	-	1,432	22224	1417	25,073
Disposal	-	-	(9352)	-	(9,352)
End of the current period	-	5564	12872	12,937	31,373
Accumulated depreciation					
End of previous period	-	3,502	-	6,787	10,289
Increase		1,347	858	2136	4341
End of the current period	-	4,849	858	8,923	14,630
Net carrying amount					
End of the current year	-	715	12,014	4,014	16,743
End of the previous year	-	630	-	4,733	5,363

Intangible Assets	Computer Software	Licenses and Certificates	Copyright	Other intangible assets	Total
Initial Cost					
End of Previous Year	4,320	-	-	222	4,542
Increase	1,400				1,400
End of Current Year	5,720	-	-	222	5,942
Accumulated amortization					
End of Previous Year	2,186	-	-	222	2,408
Increase	568				568
End of Current Year	2,754	-	-	222	2,976
Net Carrying Amount					
End of Current Year	2,966	-	-	0	2,966
End of Previous Year	2,134	-	-	0	2,134

Note 23. Other assets

Receivables and advance payments	Reporting period	Previous period
Receivables as regards Budget		
Receivables as regards suppliers		1,992
Advance payments to employees		
Advance payments to suppliers	97	
Advance payments as regards Budget and social insurance payments		4
Other receivables and advance payments	2,436	3,774
Total other assets	**2,533**	**5,770**

Note 24. Amounts due to banks and other financial organizations

Loans and deposits involved, other	Reporting period	Previous period
RA banks		
Loans and deposits	2,757,632	1,148,637
Repo (repurchase) agreements		
other		
Accrued interests	5,462	1,717
Total amount due to banks and international financial organizations	**2,763,094**	**1,150,354**

Note 29. Provisions

The management of Investment Company ensures that the Investment Company carries out its activities within the framework of requirements established by the legislation and there is no need for additional provisions as regards legal liabilities.

The management of Investment Company ensures that the Company has fully paid its tax liabilities and there is no need for additional provisions as regards tax liabilities.

Note 30. Other liabilities

	Reporting period	Previous period
Payables as regards Budget	6,919	
Payables as regards Profit Tax	5,115	7,081
Payables as regards VAT	235	6,927
Payables as regards other taxes and dues	934	154
Payables as regards social insurance payments	635	
Payables as regards suppliers	653	15,619
Other liabilities	15,502	
End of current period	**23,074**	**22,700**

Note 31. Chartered capital

1) Company's registered and fully paid Chartered Capital totals AMD 531,150.0 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 and custody services to the managers according to the conditions existing in the market.

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 norms 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 1 million
2. Minimal amount of total capital - AMD 300 million
3. Marginal ratio - total capital to risk-weighted assets (capital equivalency normative) – 12%,
4. Marginal ratio – highly liquid assets to total assets – 15%,
5. Marginal ratio – highly liquid assets to current liabilities – 60%,

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

Except for the norms of minimal amounts of chartered capital and total capital and capital equivalency norm, all the other norms are calculated as of each month's last working day.
The Company should ensure the minimum amounts of chartered capital and total capital and the norm of capital equivalency at average daily calculations at the end of each month.
Calculation of minimum amounts of chartered capital and total capital and calculation of the norm of capital equivalency is made until the 7th working day of the month following each month.
Calculation of other norms is made until the 10th working day of the month following each month.
Value of the Company's total capital and capital equivalency norms are calculated according to the Regulation 4/02 of the RA CB "Basic economic standards, limits, calculation order, form of components participating in the calculation, violations limit of established economic norms for investment companies" (hereinafter Regulation 4/02).
Calculation of other norms is done by the order approved by the joint decision of the Company's general manager and head of internal audit department.

37.1 Credit risk

Credit (debt) risk is the risk of non-fulfillment, completely or in due time, of the obligations assumed by the partner (including obligations as regards the securities issued), which is estimated as a total amount of debt and interests.
Credit risk calculation includes the investment company's assets except for the assets deducted from investment company's fixed capital according to the point 15 of the Regulation 4/02, 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 being deducted by the amount of corresponding provision for possible losses formed on the basis of expenses, are weighted by corresponding risk weights established by the Regulation 4/02.

For the purpose of including in the calculation of capital equivalency figure, credit risk is calculated according to the following formula:
$CR= (CR_1+CR_2+...CR_N)/N$
Where
CR is the credit risk calculated at daily average of month
$CR_1,+CR_2,+...CR_N$ is the credit risk per days
N is the number of days of the reporting month.

Credit risk for each day is calculated according to the following formula:
$CR= (A_1-P_1)*R_1+ (A_2-P_2)*R_2+...+ (A_7-P_7)*R_7$,
Where
A_1, A_2 ,A_7 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_7 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_7 is the risk weights for corresponding assets.

Credit risk conversion factors (CRCF) established by the Regulation 4/02 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.
While calculating credit risk, in the cases and order established by the Regulation 4/02, the Credit Risk Suppression Mechanisms (CRSM) are applied. CRSM gives opportunity to adjust the credit risk estimate of the investment company, if there are factors adjusting the credit risk. In the result of applying the CRSM, insured part of the demand reflects the risk weight of security or the person providing security, and the uninsured part – risk weight of the borrower/instrument.
The Company's debt risk level as of 31 December 2010 is AMD 565,684 ths.
All the liabilities are centralized in the Republic of Armenia, and AMD 3,259 ths. of assets are located in the Russian Federation.

37.2. Market risk

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

37.2.1. Foreign currency risk
Foreign currency risk is the risk of unfavorable 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 total of below mentioned amounts.

1. The greatest value of the absolute values of the totals of currency long positions and currency short positions.
2. The total of open position's absolute values of bank standardized ingots of precious metals.

Calculation of the currency position is made separately for individual currencies.
Assets containing foreign currency risk that are deducted from the calculation of capital stock are not included in the calculation of foreign currency position.
Foreign currency positions are calculated as of each day and are expressed in AMD.
For the purpose of including in the calculation of margin ratio normative between total capital and risk weighted assets, foreign currency risk is calculated according to the following formula:
$FCR = \text{maximum}\ (FCMP_1, FCMP_2 \ldots FCMP_N)$
Where
FCR is the foreign currency risk,
$FCMP_1$, $FCMP_2$ ...$FCMP_N$ is the 12% of foreign currency maximum position as per days of the reporting moth,
N is the number of days of the reporting period.

As of December 31, 2010, the Company's foreign currency risk level is AMD 74,284 ths.

Reporting period				
	AMD	**I group FX***	**II group FX****	**Total**
Assets				
Cash and balances with CBA	2,339			2,339
Amounts due from banks and other financial institutions	117,883	617,602	169	735,654
Financial instruments kept for trade purposes	18,765			18,765
Amounts due from customers	23,142			23,142
Financial assets available for sale	101,763			101,763
Held-to-maturity financial assets	3,104,583			3,104,583
Other	1,274	1,118	141	2,533
Total assets	3,369,749	618,720	310	3,988,779
Liabilities				
Amounts due to banks and other financial institutions	2763094			2,763,094
Amounts due to customers	51,120			51,120
Other liabilities	23,074			23,074
Total liabilities	2,837,288			2,837,288
Net position	**53,2461**	**618,720**	**310**	

Previous reporting period				
	AMD	**I group FX***	**II group FX****	**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
Other liabilities	22,700			22,700
Total liabilities	1,173,054			1,173,054
Net position	**452,347**	**780,250**	**283**	

* **Composition of the "I group foreign currency" is presented.** The I group of foreign currencies 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.

** **Composition of the "II group foreign currency" is presented.** The II group of foreign currencies includes other currencies.

37.2.2. Interest rate risk

Interest risk is the risk of unfavorable changes in the borrowed 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, calculated at daily average for month,

SIRR - is the specific interest rate risk calculated at daily average for month,
GIRR- is General interest rate risk calculated at daily average for month.

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.
Calculation of debt securities position includes securities sold under repo agreements, pledged debt securities, as well as off-balance sheet derivative instruments which have debt security as a basis.
Calculation of debt securities position does not include securities acquired under repo agreements, liabilities as regards securities acquired under repo agreements, debt securities received as pledge, as well as debt securities under securities' portfolio governed by the Company.
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.

1. Government debt securities, i.e. debt securities of states/governments, central banks and local authorities.
2. Highly reliable debt securities which 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 reliable debt securities.

In the gross position calculation, debt securities' positions are included at weights established by the Regulation 4/02.

Specific interest rate risk is calculated as of each day and is expressed in Armenian Drams.
For the purpose of including in the calculation of margin ratio normative between total capital and risk weighted assets, specific interest rate is calculated according to the following formula:
$SIRR= (SIRR_1+SIRR_2+…+SIRR_N)/N$,
Where
SIRR - is the specific interest rate risk calculated at daily average for month,
$SIRR_1+SIRR_2+…+SIRR_N$ - is the gross position of debt securities per days,
N – is the number of days of the reporting period.

For the purpose of general interest rate risk calculation, the calculation of debt securities' positions is made 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 Regulation 4/02.
General interest rate risk for the given day is the total of the below mentioned values:
1.10% of minimal position of each period until pay-off

2. 40 % of the first zone's minimal position
3. 30% of the second zone's minimal position
4. 30% of the third zone's minimal position
5. 40 % of the minimal position between first and second zones
6. 40 % of minimal position between second and third zones
7. 150 % of minimal position between first and third zones
8. 100 % of the debt securities' net gross position

General interest rate risk is calculated according to the following formula:
$GIRR= (GIRR_1+GIRR_2+...+GIRR_N)/N$,
Where
GIRR – is the general interest rate risk calculated at daily average of month,
$GIRR_1+GIRR_2+...+GIRR_N$ – are the total general interest rate risks per days,
N – is the number of days of the reporting month

As of 31 December, 2010, the value of the Company's interest risk is zero, as far as within that period the Company did not have classified debt instruments kept for trade purposes and available for sale.

	Up to 1 month		1-3 months		3-6 months		From 6 months to 1 year		1-5 years		Over 5 years	
	AMD	FX	AMD	FX	AMD	FX	AMD	FX	AMD	FX	AMD	FX
	Reporting period											
Amounts due from banks and other financial institutions, including	65,117	11,340			52,766	606,431						
Amounts due from customers including	18,992						4,150					
Securities kept for trade purposes and available for sale including											120,528	
Held-to-maturity securities	8,3475						65,781		2,709,808		245,519	
Total	**167,584**	**11,340**			**52,766**	**606,431**	**69,931**		**2,709,808**		**366,047**	
Amounts due to banks and other financial institutions including	2,763,094											
Amounts due to customers including	51,120											
Total	**2,814,214**											
Net position	**(2,646,630)**	**11,340**			**52,766**	**60,6431**	**69,931**		**2,709,808**		**366,047**	

	Previous period											
	Up to 1 month		**1-3 months**		**3-6 months**		**From 6 months to 1 year**		**1-5 years**		**Over 5 years**	
	AMD	**FX**	**AMD**	**FX**	**AMD**	**FX**	**AMD**	**FX**	**AMD**	**FX**	**AMD**	**FX**
Amounts due from banks and other financial institutions, including	40,875	2753		774,007								
Amounts due from customers including	23,198											
Securities kept for trade purposes and available for sale including											108,661	
Held-to-maturity securities	84,948						22,101		1343407			
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											
Total	**1,150,354**											
Net position	**(1,001,333)**	**2753**		**774,007**			**22,101**		**1,343,407**		**108,661**	

	Reporting period's interest rates		Previous period's interest rates	
	AMD	Foreign currency	AMD	Foreign currency
Assets				
Amounts due from banks and other financial organizations		6.6%	8.5%	
Amounts due from customers		8.4%		
Held-to-maturity securities	13.0%		10.5%	
Liabilities				
Amounts due to banks and other financial institutions	8.5%		7.5%	
Amounts due to customers	3%			

37.2.3. Price risk

Price risk is the risk of unfavorable 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

The calculation of position of equity securities also includes equity securities sold under repo agreements, pledged equity securities, as well as off-balance sheet derivative instruments which have equity securities as a basis.

The calculation of position of equity securities does not include equity securities acquired under repo agreements, liabilities as regards equity securities acquired under repo agreements, received as pledge, as well as equity securities under the management of the Company's securities' portfolio.

Equity securities' position is the difference of values of equity securities' representing an asset (as well as off-balance sheet derivative instruments which have equity securities as a basis) and equity securities representing a liability (including off- balance sheet derivative instruments which have equity securities as a basis).

Equity 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.

Gross position of equity securities is calculated as a total of absolute values of different positions (long and short) of equity securities.

Net gross position of equity securities is calculated as a difference of the total of equity securities long positions and the total of equity securities short positions (at absolute values).

Equity securities positions are calculated as of each day and are expressed in AMD.

Price risk of equity securities is the total of equity securities' general and specific price risks, which is calculated according to the following formula:

$ESPR= (GR_1+GR_2+...+GR_N)/N+ (SR_1+SR_2+...SR_N)/N$,

Where

ESPR – is equity securities price risk calculated at daily average of month,

$GR_1+GR_2+...+GR_N$ – is general price risk of equity securities per days,

N – is the number of days of the reporting month.

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

For the given date, equity securities specific price risk is equal to given date's equity securities gross position accounted for at corresponding weights established by the Regulation 4/02.
In the calculation of gross position, equity securities are differentiated according to weights and according to which they are classified into the following classes:

1) liquid and diversified equity securities
2) other equity securities.

Equity securities are classified as liquid and diversified, when they simultaneously meet the following conditions:

1) An equity security of a bank, credit organization or other financial organization operating within the area of the Republic of Armenia, or an equity security of a foreign bank with (BBB)-(Baa3) and higher ratings, or an equity security of a non-financial organization with "C" and higher rating awarded by the CBA, or an equity security of a foreign non-banking organization with (A-/A3) and higher ratings, which enter into any of the stock indices established by the table of point 29 of the Appendix 1 of the same Regulation.
2) The position (short or long) of an equity security does not exceed 10% of equity securities gross position.

While calculating specific price risk of equity securities, equity securities positions (at absolute values) are included in the calculation of gross position with the following weights:

a) Positions of liquid and divergent equity securities – 4%,
b) Positions of other equity securities – 8%.

As of 31 December 2010, the Company's price risk level totaled AMD 13,828 ths..

37.3. 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 norms 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 N_{31}) 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 N_{32}) 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 2010, the Company’s highly liquid assets to total assets ratio was 72.3 %, and the highly liquid assets to current liabilities ratio was 110.4%.

	Term to maturity						
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Unlimited	Total
	Reporting period						
Assets							
Cash and cash equivalent means, balances with CBA						2,339	2,339
Amounts due from banks and other financial institutions	2,766	656,431				76457	735,654
Amounts due from customers	3,157			4,238		15747	23,142
Securities				116,831	2,904,277	204,003	3,225,111
Contract receivables**	119	6,843		4,194	1,415,505		1,426,661
Total	**6,042**	**663,274**		**125,263**	**4,319,782**	**298,546**	**5,412,907**
Liabilities							
Amounts due to banks and other financial institutions	2,763,094						2,763,094
Amounts due to customers						51,120	51,120
Other liabilities	2,684	5,115				15,275	23,074
Contract liabilities***	10,940						10,940
Total	**2,776,718**	**5,115**				**66,395**	**2,848,228**
	Previous period						
Assets							
Cash and cash equivalents, 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				15747	23198
Securities including		22,101		84,948	1,343,407	108,661	1,559,117
Contract receivables *	67	6090			283,902		290,059
Total	**32,270**	**811,214**		**84,948**	**1,627,309**	**134,482**	**2,690,223**
Liabilities							
Amounts due to banks and other financial institutions	1,150,354						1,150,354
Other liabilities	7,425					15,275	22,700
Contract liabilities **	3,266						3,266
Total	**1,161,045**					**15,275**	**1,176,320**

* 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.

In case the gap is negative, it is necessary to disclose the sources financing the gap and their value.

Note 38. Capital and Capital equivalency

The following Economic norms 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,

The minimal amount of the Company's chartered capital was established at AMD 100 million and the minimal amount of total capital – AMD 300 million.
The minimal ratio between total capital and risk weighted assets was established at 12%.

In July, August and September 2010, the daily average values of the Company's total capital respectively amounted to AMD 1,182,926 ths., AMD 1,133,804 ths. and AMD 1,137,493 ths.
As of 31 December 2010, the ratio between the Company's total capital and risk weighted assets totaled 89.09 %.
As it can be seen, the actual indices of the Company's activity much exceed the levels of the established norms.

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 deducting 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.